Are Donors Ready For Change?

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Examining bilateral donors in particular, this article discusses how these agencies have tried to overcome the problems associated with TC and why reforms have lagged during the decade since fundamental flaws began emerging clearly. Both TC and the project approach associated with it will probably remain major modes of channeling ODA – simply because no viable alternatives exist in certain recipient countries and for certain activities. Whatever the case, TC can spur capacity if donors bear in mind the need to: (1) coordinate aid; (2) address conflicts within the donor community explicitly; (3) educate home publics; (4) develop capacity within aid organisations; (5) use national execution modalities wherever possible.

Technical cooperation (TC) comes in many colours. For some, it is the use of expatriate experts on long-term missions, working with local counterparts. For others, it is mainly "gap-filling", i.e., the use of foreign expertise for functions for which local capacity is insufficient. For still others, it amounts to capacity development, a problematic term in itself.

The OECD-DAC database defines TC as both "grants to nationals of aid recipient countries receiving education or training at home or abroad" and "payment to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries (including the cost of associated equipment)". Further, it states, "... assistance of this kind provided specifically to facilitate the implementation of a capital project is included indistinguishably among bilateral project and programme expenditures, and is omitted from technical cooperation in statistics of aggregate flows". ¹

Several caveats must be borne in mind in both this definition and the major criticisms of TC. First, the contrast between technical cooperation and capacity development (CD) is something of a chimera. Although TC has grave problems, CD cannot wholly replace it. The instruments of capacity development are classified by the DAC as those for TC delivery. Yet the converse does not hold: some components of TG do not qualify as instruments of CD.

Second, TC is traditionally delivered in the form of projects. But although their appropriateness is being questioned, projects remain precisely what many recipients want in varied kinds of activity. One must try to avoid throwing out the baby with the bath-water.

Third, the bulk of the literature that criticises TC deals largely with sub-Saharan Africa.

However, a counter-caveat exists as well: this study focuses on bilateral donors, except for a brief note on UNDP experience in Latin America. Neither multilateral nor private organisations are discussed. And some multilaterals, among them UNDP, have no mandate to move away from TC – as yet. If and when bilateral donors find ways of delivering technical cooperation that increase local capacity both sustainably and cost-effectively, multilateral and other aid organisations will probably change as well. Moreover, virtually none of the available literature focuses on the organisational problems of donors – though we assume that a number of internal papers do. While this obviously limits the value of this article’s conclusions, it should not preclude the likelihood of change now under way.

**Changing Donor TC Practices: Problems, Reforms and Obstacles**

Since the Forss report of 1988, a number of TC agencies, notably those of Germany and the Nordic countries, commissioned reports on the impact of TC. Though many of these evaluations identify the definition of TC objectives as a major weakness, none provides concrete recommendations for improving the process. They do, however, point to ambition as a leading problem, particularly as it relates to institutional development and the transfer of knowledge.

Insofar as the evaluations deal with donor organisations, they stress flexibility as a prime need. Some recommend decentralising responsibility and authority to the field level. Others urge organisations to broaden the scope of their products. They also raise questions of the time involved in recruitment and selection procedures, as well as problems in monitoring, evaluation and reporting.

All in all, the criticisms can be summed up fairly telegraphically: TC is supply-rather than demand-driven. It undermines local capacity, distorts local labour markets, lacks sustainability, has negative impact on self-esteem in the aid-receiving countries, and is often of low quality. It also causes a fragmentation of aid and thus detracts from the coherence of policies and programmes. Its immense costs derive in large measure from tying aid to TC suppliers and other practices that benefit donor rather than recipient countries.

Nonetheless, several reports suggest gap filling in situations where absolute shortages of local personnel prevailed. Moreover, under specific conditions, they see supplementing local salaries as the sole realistic option. They also point to significant benefits from measures at the level of primary or secondary employment (incentive schemes) and encouraged adequate human resource development within part-
ner organisations. Some reports praise *twinning*, a long-term institutional cooperation between organisations in the North and South that undertake activities in the same field.

**What are the Problems?**

Despite the marked decline of ODA since the 1980s, TC grants within it increased from less than 20 per cent early in that decade to over one-quarter by the late 1990s. Nor have they dwindled appreciably in absolute numbers: roughly $6 billion per annum was disbursed in the late 1990s, approximately the same amount as that disbursed 15 years earlier. Does this mean that the mission of building sustainable, locally-funded local capacity has failed?

Such indeed appears to be the case in Africa. According to Edward Jaycox, the former Vice President for the Africa Region at the World Bank, (1993: 1), "... donors and African governments together have in effect undermined capacity in Africa; they are undermining it faster than they are building it". The Berg report (1993: 244) concludes that “almost everybody acknowledges the ineffectiveness of technical cooperation in what is or should be its major objective: achievement of greater self-reliance in the recipient countries by building institutions and strengthening local capacities in national economic management”. The 1995 Portfolio Review of World Bank technical assistance loans found only 19 per cent to be performing satisfactorily (Baser and Morgan, 1997: 7), and there had been little improvement in performance since the mid-1980s. And there is a consensus that technical cooperation has performed least favourably in the area that should be its principal focus, namely institutional capacity building (Arndt, 2000: 164).

As to TC costs, the Berg report asserts that the total disbursed often widely exceeds the aggregate civil service remuneration in recipient countries. The OECD/DAC corroborates this for most West African countries. Indeed, in the very special case of Mali, bilateral TC appears to be larger than the entire civil service wage bill. Yet Arndt (2000: Table 6.2) shows that the share of TC in total ODA has increased from the early 1970s to the mid-1990s in all recipient regions.

Even though the DAC data show a declining trend in the cost per person-month for TC-experts – a trend which suggests an increasing reliance on locally hired experts – the cost is still high, particularly in view of at times questionable outputs. Since TC is often bundled by donors (a package of experts, equipment and training), aid tying – although condemned in principle by DAC – prevails. Moreover, recipient governments accept expatriate TC personnel because they may sometimes act as a disguised (albeit rather inefficient) form of subsidy to the government budget.
The high cost of TC also derives from other forms of tying aid, including restrictions on the geographical source of goods as well as services – a package of equipment and training as well as experts. Also condemned in principle by DAC, this kind of bundling prevails.

The tying of aid contributes significantly to the perception that donors drive TC. Projects are conceived, designed and implemented by donors with little (and late) input from recipients and then delivered according to donor priorities that are not consonant with the recipient government’s expenditure priorities. This limits recipient commitment to (or “ownership” of) the project and, consequently, its sustainability. In addition, because of donor bundling with little input from recipients, TC is often perceived as having very low opportunity costs, or none at all: accepting a TC-package as presented by a particular donor is (mistakenly) seen as having no impact on other flows of aid from that particular donor.

Moreover, the standard model for delivering TC and fostering CD has long been the resident expatriate-local counterpart (RELC) model (even though donors now seem to rely increasingly on using short-term experts). For many reasons, this deeply flawed model often fails to increase capacity through transferring knowledge to local counterparts. The foreign experts have as their main objective getting the job done. They have few incentives to invest in the transfer of knowledge; they are usually more experienced than the local counterpart, and certainly better paid. In addition, the careers of local counterparts are often better served by frequent shifts of jobs – some of which may include control of project moneys, equipment and information.

As Berg (1993:248), among others, has observed, “powerful forces” draw TC personnel to their emphasis on “hard” outputs rather than the “soft” targets of institution- and capacity building. Their bosses want tangible outputs; these benefit the experts’ own careers. Other factors come into play as well: the internal values of the experts themselves; and a frequently unfriendly environment for focusing on soft targets – the low commitment of counterparts, instability of national leadership, and lack of finance.2

Finally, the countries in which donor-driven TC predominates – those in which a transfer of managerial authority is most needed – are the countries that are least capable of mustering the organisational resources, analytical capacity and the ability to set and implement national priorities necessary for a successful integration of technical cooperation resources into national development plans.

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2 In recent years there has been a shift of emphasis from capacity building to capacity utilisation, the major argument being that in the past two decades most countries have managed to build local capacity (Grindle and Hildebrand, 1995; Fukuda-Parr, 1996). However from the point of view of donor behaviour with respect to technical cooperation, the problems are still much the same.
This has several implications, none of which makes TC more effective. First, it makes donors reluctant to hand over responsibility for TC authority to recipients. They doubt the government’s administrative capacity. They worry about corruption and inefficiencies. They fear loss of control over projects and programmes, the priorities of which have been set by donor headquarters and national legislatures. Second, since government capacity is weak, implementation of aid projects is slow — something that is compounded by the proliferation of donors, each with its own routines, forms and regulations for reporting, procurement and evaluation. This leads to an encouragement of continued donor control, which reinforces the focus on tangible outputs and gives less emphasis to capacity building efforts.

Third, the erosion of the public sector in many African countries creates a dilemma for donors. On the one hand, salaries of key personnel — such as technicians or managers — are often very low, which forces people to moonlight to make ends meet. On the other hand, paying salary supplements to ensure proper staffing for project administration distorts incentives, disrupts salary structures and may even obstruct civil service reform. The DAC recommended as early as 1991 that salary supplements should be avoided in principle and this may have contributed to an increasingly convoluted structure where donor bidding for local staff takes the form of disguised competition that distorts structures even further.

The problem of salary supplements is basically a conflict between interests. On the one hand, donors can implement projects better and more efficiently if they are able to employ capable staff. On the other hand, the payment of salary supplements may distort the civil service salary structure, impede reform of the civil service and jeopardise the objective of long-term sustainability of projects. Much as with project management units, the conflict inherent in salary supplements may be seen as a Prisoners’ Dilemma — where what is rational for the individual donor is not rational for the collectivity of donors (Danielson and Mjema, 1999: Ch. 6).

In this connection, different donors face different constraints that impact on their ability to move away from this. For some, such as Sweden, the existence of multi-year programmes makes the pressure to disburse less acute, while for others the funds that are not disbursed in a particular year are not carried over into the next year. For those donors, salary supplements, or the creation of project management units, may be more or less necessary to avoid falling into the non-disbursement trap.

How have Donors Responded?

Over the last 20 years, donor countries have tried to deal with the problem areas discussed above. One of the paradoxes we observed is the difference between donor responses in international fora such as the DAC and their responses at the
field level. Thus, for instance, although all DAC members endorsed the 1991 recommendation that salary supplementation would in principle be avoided, it remains a practice in many recipient countries. Similarly, they approved the DAC Partnership Strategy resolutions on aid tying (the only reservation being made and known to the authors is Denmark – cf. DAC, 1999: 54). Yet, tying aid prevails and the share of tied aid has apparently not declined much from its level of 41 per cent in the early 1990s. These contradictions indicate constraints on TC reform, to which we will return.

Channing Arndt (2000: 167) notes that most of the proposed reforms concerned changing donor behaviour; his non-exhaustive list is worth quoting at length:

- Make the basic TC project structure work better. Institutional development goals could be better achieved through, for instance, more specific terms of reference, greater weight to institutional development skills in hiring of experts, reduced emphasis on tangible outputs, greater care in project preparation to ensure that priority needs are addressed, greater emphasis on training and more attentive pairing of experts with counterparts. More recently, improved gender awareness in the design of TC projects and among TC personnel has been added to this list buttressed by concerted advocacy efforts, a rapidly expanding literature on gender issues and gender training.

- Modify the basic TC project structure. In particular, make much greater use of short-term TC personnel (often with multiple visits and contact by electronic mail in between visits) as opposed to long-term resident advisers, and expand the relative size of the training budget. In addition, where possible, consider “twinning” of like institutions between developed and developing countries.

- Resort to comprehensive planning of TC. In this case, donors and the government would come together and agree on a comprehensive programme .... Specific activities (projects) within the programme would then be paired with specific donors.

The most important of the many reforms that have taken place in recent years is arguably the move from individual projects towards a sector-wide approach (SWAp). The many definitions of this approach may explain the enthusiasm for it. One might even say that the move has been less from projects to SWAp than from projects to what UNDP terms a programme approach. In short, the major change has not focused on sectors as units of analysis, but rather on less earmarking of funds.
In this light, we can better understand the trend among several bilateral donors – including Canada, Denmark, Netherlands, Norway and Sweden – away from projects into providing resources to the government for use in a specific sector. In addition, Japan has moved towards a new approach based largely on country strategies – which, inter alia, is expected to improve coordination of Japanese foreign aid.

This may help solve some of the problems conventionally associated with TC. First, it gives the recipient government more responsibility, which means that government commitment may increase and that aid funds may be better integrated into the national development strategy. Second, a SWAp makes it easier for the government to provide a comprehensive plan on how to use aid resources. Third, since SWAps are often (sectoral) budget support, the government may – in the best of cases – take ownership for allocating aid resources among different activities, which may lead to a better utilisation of technical cooperation resources, and less reliance on foreign expertise when local capacities exist. Indeed, one could argue that many countries need not more aid, but a different composition of aid – preferably more untied aid and more budget support.

Nonetheless, SWAps range from lists of projects relating to a specific sector with a bit of policy dialogue thrown in to sectoral budget support in which the government is expected to assume full responsibility for identification, monitoring and evaluation, while donors provide finance and engage in policy dialogue. In countries characterised by weak governments, giving governments more responsibility increases the risk of reducing efficiency in the use of aid resources. This is a particular acute concern for the countries in which the need for TC is the largest, i.e., the countries with the weakest capacity for national management. What is needed is a central authority that is able to make allocational decisions without having to pay too much attention to various interest groups.

Another welcome reform gradually being implemented by several donors is the move away from long-term expatriate advisers. Norway and Sweden rely to an increasing degree on local consultants and report that they have no long-term foreign advisers in several recipient countries (including Tanzania, a major recipient for both these donors). Canada, traditionally a donor that has relied heavily on TC, has increased the share of local consultants, even though foreign (i.e., Canadian) experts still account for the lion’s share. Denmark – surprisingly – has increased its reliance on long-term expatriate advisers (DANIDA, 2001), despite a move towards sector-wide approaches and less use of long-term foreign consultants from 1994 onwards. In addition, the Danish evaluation indicates that the increased reliance on long-term advisers – the number of person-years increased by almost 50 percent between 1996 and 2000 – is driven by DANIDA rather than by demands from recipients.
Both Japan and the USA differ from other donors for other reasons. Japan relies heavily on expatriate (mostly Japanese) experts and still makes heavy use of the resident expert/local counterpart model that other donors have largely phased out. For JICA, the model seems to work as intended. By contrast, the U.S. channels much of its aid through private voluntary organisations (PVOs) that work directly with civil society or the private sector and thus are able to circumvent some of the problems encountered in bilateral aid proper. In addition, since USAID-registered PVOs are required to find the bulk of finance from sources other than the US government, it is extremely difficult to estimate the amount of aid that the US gives, including technical assistance.

Another widely accepted change is the shift from TC proper to CD. Norway and Sweden no longer use the term TC to designate aid funds, but prefer to see advisers, training activities and other activities conventionally associated with TC as a part of a more general approach to improve local capacity. To what extent this entails real change is unclear, but both these countries – along with some others, including Netherlands and Canada – appreciate the problems in TC and appear determined to find other ways to increase capacity in recipient countries.

However, where local capacity for formulating priorities and coordinating aid resources is weak, aid tends to remain donor-driven. The way out is not necessarily more TC to build capacity so that the large aid flows can be handled, but a firm focus on development priorities that, ideally, are driven by the recipient government, but to which all stakeholders contribute.

Tanzania is a case in point. During the last five years the country has been able to form a Public Expenditure Review (PER) process led by government in which all donors (and civil society) participate, a Medium-Term Expenditure Framework (MTEF) into which the results from the PER are fed, and an Assistance Strategy for aid that is linked to the MTEF. In addition, the multilateral debt fund has been transformed into a general budget support facility in which eight of the major donors participate and in which donor and government representatives discuss policy in quarterly meetings. This means that the allocation of resources – including aid – is determined in negotiations between government, civil society and donors within the frame of the country’s general development strategy (which remains financed to a significant extent by donor resources). But the government sets the priorities so that needs emerge clearly, among them those for “gap-filling”. The room for donor-driven processes has consistently shrunk.

However, this model may not necessarily be replicable elsewhere. Tanzania is currently blessed with several competent economists in the donor community, many of which have worked together for several years, a highly competent and committed
staff in the World Bank country office – including Professor Ndulu, a Tanzanian and one of Africa’s most respected economists – and several immensely resourceful individuals in senior positions in key ministries, including the Planning Commission, the Treasury and the Bank of Tanzania. But one must also remember that donors have supported higher education in Tanzania, which may help explain why so many excellent experts are working in the country simultaneously – in government, with donors, in research institutes or at the university.

Why Is Change So Difficult?

Even in 1994, OECD stated that the adjustment of technical cooperation lagged behind the changed international and national contexts. Several donor countries have had difficulty adjusting their TC policies to new situations and new political and administrative environments in developing countries. In part a lack of national policies on human resource development and capacity building among recipients has posed problems in analysing needs for personnel assistance. Donor policy documents have not factored in labour markets in developing countries or alterations in their institutions. This may also stem from the complex organisation of TC in the donor countries itself, as the Netherlands TC study demonstrates. Each organisation also faces vested interests that often make change difficult; both the development industry that depends on the organisation and its own headquarters staff tend to favour the status quo. Greater goal-oriented restructuring and higher professionalism, as recommended by a Finnish evaluation, do not suffice. External political pressures are also needed, along with analyses of the perceptions of the “free goods” that come with TC. Some TC organisations are trying to build new relationships by instituting local advisory councils in cooperation with local government agencies or local NGOs to formulate and operationalise policies for the recipient country involved.

Many early evaluations criticised the selection, training and conduct of experts and volunteers, largely in terms of their preparation and training with regard to knowledge of local structures and cultures. Some organisations have tried to address these problems by conducting training in the recipient countries. Even so, many experts and volunteers lived in isolated, “white” environments, taking little part in such local social events as marriages and funerals. Often, huge salary differences also widen social gaps. But whether or not the “indigenisation” of TC organisations has reduced social and cultural distance remains to be demonstrated.

In most TC organisations, field offices play an important role in identifying projects and partner bodies; in managing programmes and relations with partner organisations and other institutions related to the programme; and negotiating programmes

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with partner organisations. To enhance flexibility and better understand local needs, several TC organisations have delegated responsibilities to the field and decentralised their operations during the past ten years. They have also done so to enable South-South cooperation. This has often led to major shifts at headquarters, including "identity crises" where headquarters staff had to search for new, meaningful tasks, even when organisational change took place over several years. In many cases headquarters staff have allowed field offices only limited decision-making powers.

On the other hand, "autonomous" field offices can seek to protect their range of action by circumventing procedures or policies deemed necessary by headquarters and justifying such action, especially with regard to M&E directives, with the attitude that headquarters has little idea of field realities. All TC organisations have significant problems with evaluation and monitoring. Most do not have well-equipped evaluation services or clear instructions for field personnel. Central offices still stress input rather than the assessment of TC effectiveness, especially with regard to capacity building.

This is indeed difficult to evaluate, in part because of methodological problems. Determining "who is learning what from whom or what?" becomes particularly complicated when counterparts are absent, as is often the case, or the expert has not been present during much of the TC deployment period. The question becomes even more difficult with regard to institution-building. The problem of attribution seems to loom even larger in TC than in other forms of development assistance. Developing indicators for M&E remains in its infancy.

Beyond all the observations above, aid organisations appear to have poor institutional memory. Our research showed that current staff appeared unaware of old evaluations and their conclusions and recommendations, let alone whether these had been incorporated into policy formulations, procedures and instruments. In some cases, this seems to suggest that little progress had been made since the first critical evaluations began to appear ten years ago.

Nonetheless, there seems to be a growing awareness, particularly in the World Bank reports, that technical aid generally takes place under very difficult situations, often extreme in the least developed countries and the areas sometimes termed "disadvantaged". If judgements do not take these difficulties into account, TC looks undeservedly worse than other forms of aid.

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4 An example might be here the Dutch "volunteer" organisation, SNV, tried to set up an M&E system in the early 1990s, which founded because of resistence in the field.

What Are the Conditions for Successful Change?

Despite general agreement that TC has failed to deliver sustained improvements in capacity development, most of the failures have taken place in Africa, the poorest continent with the smallest indigenous capacity for absorbing large aid flows, particularly TC. In Latin America, however, UNDP experience suggests that TC is relatively efficient as a way of increasing capacity and transferring knowledge.

Noting these differentials in success, donors have reacted in two ways. First, they have diverted TC resources from Africa to other countries, particularly those in the former Soviet Union. Against the general decline in aid transfers to Africa during the last decade, the fall of TC stands out as far larger than the reduction of other types of aid; per capita TC has halved during the last 25 years. Consequently, a significant change has taken place in the structure of aid to Africa – from TC to other, more fungible, forms of aid, particularly debt relief, budget support and sector support.

Second, donors have tried to invent new forms of aid delivery to circumvent some of the problems associated with TC. This is true both at the macro-level, including the increased emphasis on debt relief, and the resurrection of sector support, and within TC itself: the use of long-term resident expatriate experts has decreased, and emphasis has shifted from transfers of technical knowledge to capacity development. However, this change has been largely uncoordinated. Moreover, the ability or willingness to change varies considerably between donors. It would be fair to say, however, that no donor has completely overcome the problems associated with TC – even though for some the problem has apparently disappeared simply because they no longer use the term.

The Current Role of TC in Aid Packages

We can distinguish three major strands of change in aid philosophy over the past two decades. First, the increasing realisation that recipients’ ownership of the development process determines the success of aid has meant not only a shift to more fungible forms of aid, but increased dialogue with the recipient government and – perhaps most important of all – increased concern about the recipient’s ability to handle aid flows.

Second, the old idea of foreign aid as investments has become largely obsolete. While much foreign aid still finances the recipient’s development budget, donors have increasingly realised that the distinction between capital and recurrent costs is difficult to maintain. Hence, *inter alia*, the renewed interest in SWAps. The flexibility of SWAps ideally allows the recipient government to decide the allocation of funds
among various types of expenditures within a sector (such as investments and maintenance), and permits different donors to support the same sector despite differing interpretations among them of what SWAp constitutes. Thus, some donors see SWAp as sectoral budget support, while others view it as a list of projects within a specific sector.

Third, while many donors long saw lack of capacity as the major constraint for the successful deployment of aid, the past two decades have witnessed substantial build-ups of local capacity. In many countries, therefore, focus has shifted from capacity creation to capacity utilisation – with profound implications. If capacity utilisation moves centre stage, more attention must be paid to issues of the tying of TC and the selection of experts. Nonetheless, this change of focus does not amount to a denial the lack of capacity in many countries – and, consequently, the continued need for foreign expertise, both as gap-fillers and as vehicles for building local capacity.

**Why Has Reform Changed the Broad Aid Picture So Little?**

Because the changes sketched above have taken place in a largely piece-meal and uncoordinated fashion, they have had no major impact. This is particularly true because the most flexible donors tend to be those that supplied relatively little aid as TC in the first place. If, for example, the Netherlands, Norway and Sweden reform, they will have only limited impact on aid effectiveness as long as other donors that supply far more TC continue along their former path. Despite willingness to change, these donors may not have the requisite skills. Moreover, there is very little discussion of what donors themselves gain from giving aid as TC – although there is a distinct possibility that these benefits add to a reluctance to change, at least on the recipients' terms. All in all, we still know very little about changing organisational cultures, whether in recipient – or donor – countries.

However, we can identify three types of obstacles that may be relevant to bilateral donors. First come the four R's: *Rules, Regulation, Routines and Rationalisation.* Legal obstacles may keep donors from moving from TC to, say, budget support. Bureaucratic routines in donor headquarters, or in the administration may not be susceptible to change: maintaining the status quo requires no argument; changing it certainly does. In addition, the lack of change – again in particular, resistance to more fungible forms of aid – is often rationalised in the context of accountability to the tax-payer.

On one level, this argument has little validity, because donor organisations are not accountable to the tax-payers, but to the government. On another level, however, it is difficult to judge how “the tax-payer” would react to reports of misappropriation of funds, or simply inefficient aid. In part, this may explain the insistence of some
donors in maintaining a focus on "hard" and measurable outputs rather than "soft" objectives like capacity development: it is easier to explain to "the tax-payer" what aid is supposed to do and how it can be measured if goals are framed in number of students, number of courses or number of ambulances, rather than how national capacity to manage the economy has increased.

Another closely related reason is the lack of good – and replicable – ideas. Although many donors have indeed experimented in TC, few others have actually emulated these experiments – perhaps because they find the outcomes dubious for other contexts. Trust also enters the picture. Despite the efforts of many recipient countries to improve their public sectors, usually under IMF programmes, donors may not want to leave their resources untied in the hands of governments which the international financial institutions deem prone to corruption or the misappropriation of funds – or they may simply have objectives which are not completely consistent with those of the recipient government.

Second, donors face a number of conflicts, among the most profound the "Prisoners' Dilemma" type, i.e., conflicts between the individually good and the collectively good. Another, far more blatant conflict is the one between short- and long-term objectives. In many donor organisations, the incentive structure is such – often implicitly – that those that disburse closest to the target are rewarded. However, in the long run, donors in fact aspire to a disbursement rate that is sustainable in the sense that the recipient can absorb the resources. Here lies a conflict, because donors may wish to disburse resources at a rate faster than that at which the recipient can absorb funds, certainly in the short term. The poorest countries, with cash budgets and relatively stringent conditions for fiscal reform, tend to be those least able to absorb – even where, in the long term, a donors would want a disbursement rate compatible with the recipient's absorptive capacity.

Donors also face dilemmas relating to coordination: what is rational for an individual donor is not necessarily rational for the donor community as a whole. One such conflict is supplementing salaries, the practice by which donors employ civil servants to work on aid projects and usually pay them an amount substantially above their normal remuneration. From the donor official's point of view, this practice is quite useful, because it enables her (or him) to put the project in place on the ground and to disburse funds (which, in turn, improves the official's disbursement record). On the other hand, the practice distorts labour markets, increases competition (often disguised) from other donors, disrupts relations in the civil service, and may even slow down public sector reforms. In this conflict, short-term interests often take precedence over long-term considerations.
The third major reason why donors are slow to change is that they have little to gain from it or (which is more or less the same thing), they have much to lose from increased coordination. If donor coordination increases – be it coordinated action on tying aid, salary supplements, or basket funding – gains to the recipient may be significant, but gains to the individual donor are difficult to identify (to say nothing of the difficulty of earmarking the benefit of coordination of activity X to donor Y, which the donor can use as rationalisation to tax-payers). In addition, the cost of abstaining from cooperation is very low: a donor suffers little from endorsing a reduction of tying aid and not actually abiding by that endorsement. To our knowledge, no estimate of this kind of cost exists, but it would be surprising indeed if the costs were high; business on the ground is a very different matter from high-level political decisions. In addition, if donors gain from the existing situation – by, for instance, having “ears” in the ministries – they may actually face a loss if they cooperate with other donors in discontinuing their own business-as-usual.

In sum, it seems reasonable to say that a major obstacle to change is that the donors’ benefits from the prevailing situation are seldom articulated and thus not taken into account. Almost all donor officials reply to the question “Why do donors give aid?” with the phrase “out of compassion”. Recipients give different, but varied answers. The impression that emerges is that many donors pursue a hidden agenda. If this is not made explicit, radical change for the benefit of the recipients is not likely.

How Do Donors Change?

As this report has tried to show, donors reform frequently, albeit often in an uncoordinated and sometimes hasty fashion. Some changes can possibly be classified as joint action, most significantly, the move towards sector approaches. Though it is difficult to isolate a single reason for this, several likely candidates are a growing dissatisfaction with project aid; increased capacity in several recipient governments; and an increased recognition of the importance of recipients’ ownership. Nonetheless, although a great deal of donor rhetoric has emphasised a shift from project aid to sector programmes, it is by no means a global phenomenon – not even a particularly pronounced one in countries that actually have the capacity. In Tanzania, arguably among the African countries with most local capacity, the share of aid earmarked for projects has increased appreciably in the 1990s – from an average of a third in 1991/93 to almost two-thirds in the later years of the decade (Danielson and Dijkstra, 2002: Table 2.4).

Although numerous changes have indeed taken place, donors sometimes go in different directions. As noted earlier, donor countries such as the Netherlands,
Norway, Sweden and possibly Canada attempt to do away altogether with the concept of TC – if not its instruments – while countries such as Denmark discard earlier strategies to do so, implementing instead a strategy that does not explicitly address the question of the desirable number of long-term experts.

One of the bolder innovations seems to be Sweden’s Contract-Financed Technical Assistance, in which SIDA tries to play the role of facilitator. Limiting SIDA action to identifying and implementing projects appears to strengthen local ownership and sustainable collaboration between Swedish firms and counterparts in recipient countries. To our knowledge, no other donor country is currently contemplating a similar approach.

**What Facilitates Donor Change?**

One can also rephrase this question as “Why does the pace of change differ among donors?” If one accepts our view that donors gain something from technical cooperation (control, re-flow of resources, etc.), the most obvious factor appears to be the amount of aid that the donor disburses in the form of TC: the larger the share of TC, the more severe the obstacles to change, because the cost of change increases. Apart from this, we can identify five major reasons for differences in donor willingness to change:

First, donors may resist change because they have little faith in the recipient’s ability to control resources properly. The government may be weak, there may be corruption, or the objectives or the government may not be fully endorsed by the donor.

Second, the culture of the donor organisation may not encourage change. For donor organisations built around a project approach in which TC plays a major part, the impetus for change simply may not exist and there may be strong vested interests against change. In addition strong hierarchies do not tend to encourage self-assessment, which further dampens the willingness to change. High staff turnover also weakens institutional memory, further lowering the possibility of learning from history.

Third, the institutional landscape probably plays a major role. In Norway and Sweden, where donor organisations enjoy substantial autonomy, change is likely to be faster since the stimulus to change – and perhaps the ideas on how to change – often come from staff with recent experience of the situation at the grassroots level. In other cases, such as USAID, reforms such as budget support are not realistic alternatives to

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7 We do not claim that all – or even the most important – vested interests are located inside the donor organisations. Local elites often have much to gain from status quo, as may parts of the development industry (including consultancy firms) and the private sector in donor countries in which aid is tied.
TC, or – as is the case with Germany’s GTZ – the organisation was initially established primarily to implement TC projects.

The relations between the donor organisation and the country’s Ministries of Foreign Affairs and Finance are obviously important as well. As changing TC often means increasing fungible resources at the expense of TC, the Ministry of Finance may be much less enthusiastic about the prospect of using scarce resources for loosely defined objectives in countries with weak administrative structures and visible corruption. Similarly, even though geopolitical arguments for foreign aid weakened considerably during the 1990s, they have not disappeared entirely. It is quite conceivable that donor countries still wish to use foreign aid to promote objectives not primarily related to alleviating poverty in poor countries – for which TC may sometimes be the most efficient means.

Fourth, and related to the second point above, the autonomy of field offices to some extent determines the possibility of change. If field offices are tightly controlled by headquarters, they have less room to manoeuvre towards possible change. Their routines and modes of delivery are likely to be standardised. Moreover, the changes they are able to promote may not necessarily suit or be warranted in all recipient countries.

Fifth, change may be slow because donors have few reasonable alternatives to TC. Budget support is not always a viable alternative. Sometimes, but not always, a focus on a better utilisation of local capacity is warranted – or a transfer of initiative to recipients. In some cases traditional TC is necessary, either because the government lacks the capacity or willingness to manage aid resources in a way satisfactory to donors, or because TC resources are needed for gap-filling. Despite the many problems of traditional forms of TC, it remains necessary in many countries – both as gap-filling and capacity building – as a contribution to development objectives. If donors reform because they find the existing situation unsatisfactory rather than because they have found better alternatives, there is a risk of throwing out the baby with the bath-water. This means that rapid change is not necessarily better than slow change; failures carry costs.

Components of Better TC

Despite the impossibility of prescribing for any and all situations, there remain five thoughts for consideration in any discussion about a general overhaul of TC in Africa and possibly elsewhere.

1. Better donor coordination can improve the efficiency of TC. A recent study of pooling of technical assistance (Baser and Morgan, 2001) claims that TC pooling can
increase TC efficiency and, at the same time, increase the ownership of recipients. It should however be considered part and parcel of the broader reform efforts and is therefore most suitable for use in countries in which civil service reforms have advanced fairly far. Better donor coordination also means that DAC donors ensure that DAC recommendations are actually implemented, particularly relevant with regard to aid tying.

2. **Donors have conflicts that should be explicitly addressed.** These fall into two main types: short-run vs long-run conflicts and individual vs collective conflicts. The first refer in particular to the conflict between disbursement targets and sustainability objectives. The second refers in particular to the situation in which what is rational for the individual donor is not rational for the donor community (one example is salary supplementation). To address these conflicts, it is necessary to redesign the incentive structures faced by field offices and officials in donor organisations.

3. **The importance attached to the tax-payer argument indicates how the donor has failed as a public educator.** As capacity increases in recipient countries, along with public sector reform, it makes sense to shift an increasing amount of the aid budget into more fungible forms of aid, such as sector support or pure budget support. The scope for flag-waving will then narrow. Donors have a task of explaining this to the general public in donor countries. If they fail in this and therefore feel compelled to remain in the project mode, they risk slowing the development process.

4. **There is a need for capacity development within donor organisations.** Donors are often slow in implementing recommendations made by evaluations. Sometimes donor organisational reforms or changed procedures fail, because the requisite capacity is simply not there. In addition, a case can be made for reciprocal accountability, so that donors reveal their hidden agendas and the control of funds is decided mutually, rather than unilaterally by the donors.

5. **Donors should seriously consider implementing national execution (NEX).** In essence this means that the execution powers are transferred to the recipient government, which is likely to enhance local ownership. In addition, UNDP experience of NEX suggests that it is a relatively efficient mode of delivery, at least in those recipient countries that have already built some local capacity. However, this does not necessarily imply that bilateral donors should emulate the UNDP method uncritically. It is important to consider which components of the aid-relation process (procurement, reporting, recruitment, auditing) can be the responsibility of the recipient without putting undue strain on that partner’s scarce resources.
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Is the Development Industry Ready for Change?

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SPECIAL ISSUE:
TECHNICAL COOPERATION

Technical Assistance: Correcting the Precedents
Opportunity Costs and Effective Markets
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Volunteerism and Capacity Development
South-South Cooperation and Capacity Development
Is the Development Industry Ready for Change?
Are Donors Ready for Change?
Foreword

This second issue of UNDP’s Development Policy Journal contains articles by experts and practitioners who have participated in our two-year research programme on Reforming Technical Cooperation for Capacity Development, funded by the Government of the Netherlands.

As part of its current programme, UNDP commissioned a series of background papers and “focus studies” on aspects of how technical cooperation impacts on capacity development. These papers drew on a variety of experiences from different regions. Early drafts of these papers came under extensive peer review, including an author’s workshop in Turin, Italy at the end of 2001, attended by many development practitioners. The present volume contains condensed versions of seven of these papers.

Each article approaches the role of technical cooperation in capacity development from a different perspective. Some of the articles examine the basic premises of technical cooperation. The others look at the question mainly from either the donor or the recipient viewpoint.

The Development Policy Journal is intended to present original ideas and provoke discussion. The opinions of the respective authors do not necessarily represent the views of UNDP. We welcome reactions to the contents and look forward to receiving ideas and articles for future issues.

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