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Agence Française  
de Développement

**CAPACITY  
DEVELOPMENT  
SUPPORT**



# Capacity strengthening, a tool for sustainable development

In the poorest countries, the weak capacities of project initiators, both public (ministries, local authorities) and private (banks, local companies, professional organizations), are often the first barriers to rapid, sustainable and inclusive economic development. These countries are often characterized by the weak governance of their institutions, shortcomings in the performance of organizations, and a lack of qualifications among the labor force.

Sound economic policies, combined with natural and financial resources, have long been considered as the only keys to development.

In 2005, the Paris Declaration on Aid Effectiveness highlighted the need to strengthen ownership by developing countries in the definition of public policies, particularly adaptation to contexts, the alignment of financing with appropriate and inclusive public policies, support for actors with a potential to bring about change, and the introduction of mutual accountability mechanisms. Capacity strengthening has consequently become one of the key instruments for the implementation of this new paradigm. The Sustainable Development Goals (SDGs) adopted in September 2015 give it increasing importance: public governance, knowledge sharing and institution building.

*The idea that there is no development without dynamic actors and without strong institutions, engaged in endogenous processes of change, has recently taken root*

## Four principles for operations

- Prior to the project, conduct an in-depth analysis of the institutional context and capacities of each partner;
- Conduct this analysis jointly with the partner;
- Promote differentiated approaches depending on the actors and territories;
- Adopt an approach that is not correlated with the project duration: the project duration is not the same as the duration of capacity strengthening.

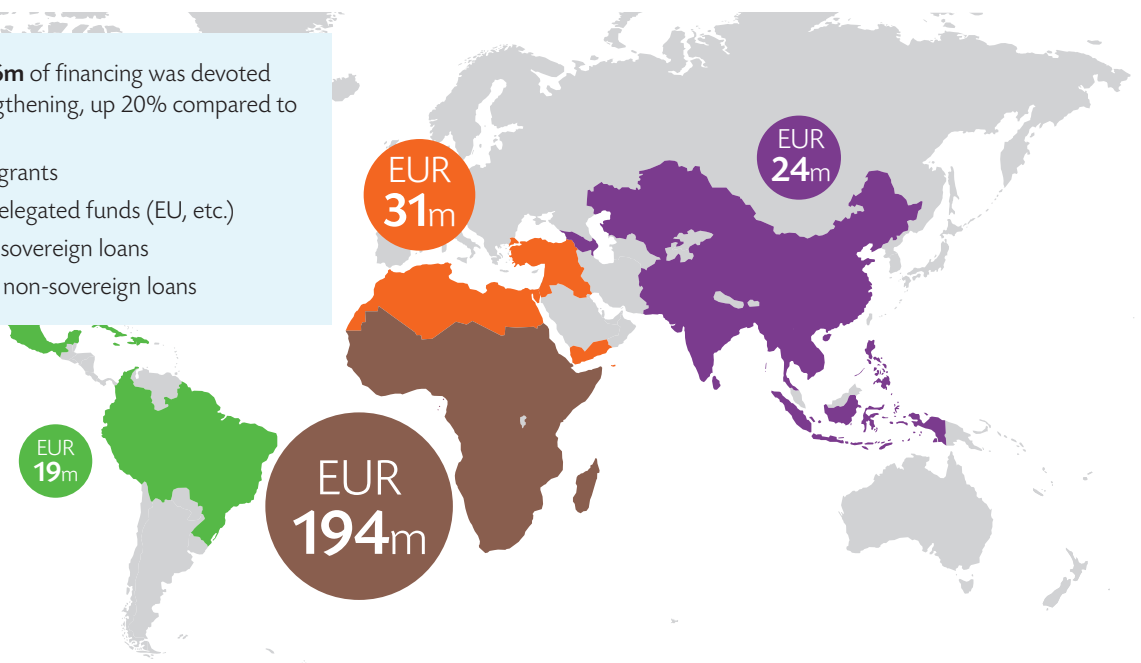
## Capacity strengthening

It is defined as the process by which individuals, organizations and communities as a whole free up, create, strengthen, adapt and maintain their capacities over the years, i.e. their ability to successfully manage their affairs.

## Sharp growth in financing

In 2014, **EUR 276m** of financing was devoted to capacity strengthening, up 20% compared to 2013, including:

- EUR 105m of grants
- EUR 77m of delegated funds (EU, etc.)
- EUR 61.5m of sovereign loans
- EUR 32.5m of non-sovereign loans



# Tailoring our approaches and adjusting our tools

AFD finances projects for which the contracting authorities are local partners, according to their national procedures. This operating method plays a key role in the accountability, ownership and empowerment of partners.

## *AFD adjusts its practices to better support the change processes of its partners*

The Capacity Development Support Division provides AFD's operational teams with instruments to analyze partners' capacities and decision-making tools to set up projects. The aim is to improve the sustainability of the development outcomes of the funded projects.

### "Upstream" in-depth analysis

The teams have several tools to improve the analyses of the context and of actors' capacities to implement the project:

- The preparation of AFD's intervention frameworks now includes an analysis of the contracting authorities' capacities and a review of how their strengthening was previously addressed;
- AFD has adopted a method to conduct a factual analysis of the project partner's capacities. The aim is to make a pre-diagnostic of its strengths and weaknesses and confirm the choice for it to be the project contracting authority. It also identifies its initial capacity-strengthening needs in order to implement targeted support at a very early stage, sometimes even before the allocation of financing;
- Finally, the logical framework is a valuable tool for dialogue with the partner over the understanding and joint validation of the objectives to be achieved.

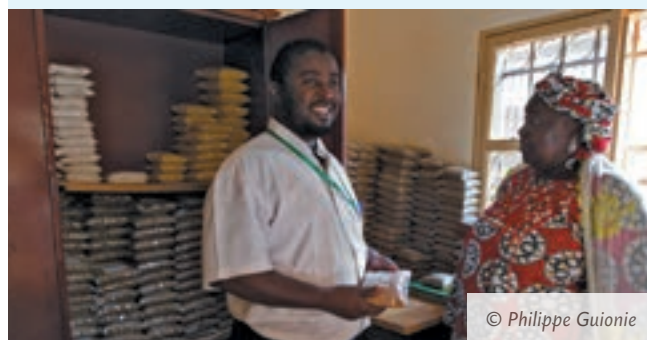
## **New approach: Combine immediate actions and long-term support**

The serious crisis in the Central African Republic prompted AFD to take a new **process approach** combining immediate and long-term actions. This capacity-strengthening support project (CBSP) comprises three phases:

- A **"quick wins" intervention phase**, combining a rapid analysis of the capacity-strengthening needs of the ministries benefiting from international aid with the implementation of initial responses, in particular *via* training;
- An **analysis phase**, which aims to further develop the first diagnostic of needs by defining actual capacity-strengthening plans through a participatory approach, and validate the methodologies used in the first phase;
- A final **scaling-up phase** for capacity strengthening by extending the assistance to other contracting authorities with support from several donors.

## **Promoting the development of the ecosystem of Niger's microfinance institutions**

In Niger, where over 85% of the population lives on less than USD 2 a day and does not have access to the traditional banking sector, microfinance networks are the only way to have access to financial services on more flexible terms. AFD is mobilizing EUR 2m to strengthen financial inclusion in Niger through capacity strengthening for the National Supervisory Authority, Professional Association and microfinance institutions. The project provides for a wide range of support, including a lead technical assistant coordinator at the Professional Association of Microfinance Institutions, whose presence will be reduced depending on the association's performance.



## **Approach seeks to maximize ownership by the partner**

Specifications for capacity strengthening established by the contracting authority itself are key to the success of implementation. It is vital for the contracting authority to clarify its objectives and the capacities to achieve them: overall strengthening or for different thematic areas, in one or several institutions, public policy advice, coordination with other donors, support for the implementation of the project/program, or short-term technical assistance for the implementation of certain project components.

## **Devising customized support**

Consequently, "multifaceted" support now needs to be devised in order to provide a customized response and best meet the specific needs of partners in a given context. This support needs to be carefully built together beforehand in order to create confidence between the partner contracting authority, funder and support operator.

# Mobilizing a wider range of technical expertise

**Resident technical assistance** is gradually being replaced by more elaborate support mechanisms in order to meet the specific needs which may, depending on the nature of the capacities, be highly specialized, but also **short-term and iterative through coaching or training**. **Periodic expertise** is extremely useful in certain contexts as it strengthens the management by the contracting authority, leaves more room for the expression of local dynamics and reduces the risk of substitution. In addition to sectoral knowledge and know-how, the management skills of consultants, their positioning, and their ability to identify the dynamics at work are also essential.

Expertise, in all its forms, both public (specialized expertise and technical cooperation operators, public institutions, regional and local authorities) and private (consultancy firms, consultants, professional sectors), or provided by civil society (NGOs, research institutes, trade unions), plays a major role in AFD-funded projects and is an important channel for capacity strengthening.

## Promoting French expertise in intermodal urban transport management

In India, Kochi Metro Rail Limited has benefited from a EUR 180m AFD loan for the construction of the first metro line in the city of Kochi. In this context, AFD, under the FEXTE, has financed a technical cooperation program between KMRL and SYTRAL (City of Lyon public transport authority). It is coordinated by CODATU (French association for the promotion of urban transport in developing countries). The aim is to provide short-term consultant services and promote the transfer of know-how.



Bangalore metro © NMC Production

In addition to the expertise mobilized via operators of expertise, the **networking of actors** also makes a significant contribution to capacity strengthening. **The exchange of experiences and good practices between peers**, or direct exchanges with the pools of specialized institutions, play an increasing role in AFD-funded operations.

*The combination of different forms of expertise is key to the success of capacity strengthening*

## Close partnership with Expertise France

Expertise France, the French agency for international technical expertise, was set up in 2015 and implements technical assistance projects financed by different donors. It is a close partner for AFD, operates in 80 countries, and supports some 300 projects with an annual volume of activities of EUR 130m.



## Better assessing results

Measuring the results of projects in terms of capacity strengthening is a major issue, particularly in order to justify the amounts earmarked for this activity. Assessing results requires making capacity strengthening a specific project objective, particularly in the logical framework. Consequently, AFD has strengthened its methodological corpus in order to clarify the approach to capacity strengthening in the project cycle and help integrate results indicators for capacity strengthening in the logical frameworks, as well as in the project monitoring mechanisms and ex post evaluations.

## Capitalizing to achieve better impacts

AFD capitalizes on practices as part of a collective intelligence approach. In the Sésame catalogue, it has recently identified a set of practices for innovation and the implementation of operational solutions in contexts of fragility.

# Improving partners' performance central to AFD's activity

In 2014, AFD adopted an intervention framework for capacity strengthening with the aim of developing its in-house culture and operating methods, by adapting them to the specificities of the countries of operation and partners.

**30% of projects financed in 2014 consequently include a "capacity development support" component**

## Know-how for the benefit of partners

AFD's partners benefit from its specific expertise both in the context of support for project design and outside projects via its knowledge production work and the development of tools and methodologies. Through its in-house expertise and knowledge of contexts of operations, and its sectoral and project engineering skills, AFD

designs "customized" projects with contracting authorities which mobilize support services thanks to its financing. The successive reforms of the French development assistance mechanism have led to AFD's mandate being extended to the field of governance.



Training course for the local authorities program © CEFEB

## CEFEB

AFD's corporate university, which has been based in Marseille since 1995, strengthens the capacities of various development actors via training courses related to AFD's sectors of operation: public-private partnerships, financial innovation for development, the implementation of infrastructure projects via regional and local authorities, etc.

Since 2006, CEFEB and the University of Auvergne (UdA) School of Economics, a leading school for development economics, have been jointly organizing the professional Master's "Public and Private Project Management", a training course intended for high-potential executives who are development practitioners in Southern countries.

## Specific capacity strengthening instruments

AFD has developed a range of financial tools which allow specific financing to be provided for capacity strengthening:

- The **Study and Capacity Strengthening Fund** (FERC) finances project preparation and capacity-strengthening support;
- The **Fund for Technical Expertise and Experience Transfers** (FEXTE) meets the demand for French expertise and experience to support sustainable development in middle-income and emerging countries;
- The **Support Fund for Governance Capacity Building** (FRCG) builds the environmental, social, AML and governance capacities of local companies and banking counterparties;
- The **Trade Capacity Building Program** (PRCC) finances technical cooperation and training activities, which aim at assisting beneficiary countries in improving their participation in multilateral negotiations, being more involved in the development of trade and obtaining greater benefits from globalization;
- A **study and expertise fund** addresses post-crisis situations (FEESC).

This range is set to develop in order to meet the challenges of supporting governance.



Agence Française de Développement (AFD), a public financial institution that implements the policy defined by the French Government, works to combat poverty and promote sustainable development. AFD operates on four continents via a network of 72 offices and finances and supports projects that improve living conditions for populations, boost economic growth and protect the planet. In 2015, AFD earmarked EUR 8.3bn to finance projects in developing countries and for overseas France.



PROPARCO, AFD's subsidiary dedicated to private investment, promotes private investment in emerging and developing countries in order to boost growth, promote sustainable development and reach the Millennium Development Goals. Its financing is tailored to the specific needs of investors in the productive sector, financial systems, infrastructure and private equity investment.

[www.proparco.fr](http://www.proparco.fr)



The French Facility for Global Environment / Fonds Français pour l'Environnement Mondial (FFEM) is a bilateral public fund initiated by the French Government in 1994. The FFEM secretariat and its financial management are entrusted to Agence Française de Développement (AFD). FFEM co-finances projects that encourage the protection of the global environment in developing countries. Its co-financing is exclusively via grants and is used for the implementation of pilot projects that combine environmental protection and economic development in the recipient countries. FFEM is an influential strategic instrument for the French policy on Official Development Assistance regarding global environmental protection. Its activities focus on the topics of biodiversity, international waters, climate change, land degradation and desertification, persistent organic pollutants and stratospheric ozone layer. By the end of 2014, FFEM had co-financed 275 projects with EUR 317m. Two-thirds were earmarked for sub-Saharan Africa and the Mediterranean.

[www.ffem.fr](http://www.ffem.fr) - [ffem@afd.fr](mailto:ffem@afd.fr)



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