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## REPORT

on capacity-building in the developing countries  
(2002/2157(INI))

Committee on Development and Cooperation

Rapporteur: Concepció Ferrer



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## PROCEDURAL PAGE

At the sitting of 10 October 2002 the President of Parliament announced that the Committee on Development and Cooperation had been authorised to draw up an own-initiative report, pursuant to Rule 163 of the Rules of Procedure, on capacity-building in the developing countries .

The Committee on Development and Cooperation had appointed Concepció Ferrer rapporteur at its meeting of 20 June 2002.

The committee examined the draft report at its meetings of 21 January, 19 February and 18 March 2003.

At the last meeting it adopted the motion for a resolution unanimously.

The following were present for the vote: Joaquim Miranda (chairman), Margrietus J. van den Berg (vice-chairman), Marieke Sanders-ten Holte (vice-chairman), Anders Wijkman (vice-chairman), Concepció Ferrer (rapporteur), Nirj Deva, John Alexander Corrie, John Bowis, Jean-Pierre Bebear, Marie-Arlette Carlotti, Richard Howitt, Glenys Kinnock, Maj Britt Theorin, Francisca Sauquillo Pérez del Arco, Miguel Angel Martínez Martínez, Michael Gahler (for Karsten Knolle), Robert Goodwill (for Luigi Cesaro), José Manuel García-Margallo y Marfil (for Vitaliano Gemelli), Fernando Fernández Martín and Hans Modrow.

The report was tabled on 18 March 2003.

## MOTION FOR A RESOLUTION

### European Parliament resolution on capacity-building in the developing countries (2002/2157(INI))

*The European Parliament,*

- having regard to the ACP-EC Partnership Agreement which was signed in Cotonou on 23 June 2000,
  - having regard to the 1992 Rio Earth Summit Agenda 21 conclusions and, in particular, Chapter 34 thereof,
  - having regard to the political declaration issued at the 2002 Johannesburg Earth Summit,
  - having regard to the action plan drawn up at the Africa-Europe Summit held in Cairo on 3 and 4 April 2000 under the aegis of the Organisation for African Unity and the European Union,
  - having regard to the WTO ministerial declaration which was adopted on 14 November 2001 in Doha (Qatar),
  - having regard to the Commission's 2001 Annual Report on EC development policy and the implementation of external assistance (COM(2002) 490 final)<sup>1</sup>,
  - having regard to the Communication on the Commission's 2003 legislative and work programme (COM(2002) 590)<sup>2</sup>,
  - having regard to the contributions made at the public hearing organised by the Committee on Development and Cooperation on 28 May 2002,
  - having regard to Rule 163 of its Rules of Procedure,
  - having regard to the report of the Committee on Development and Cooperation (A5-0066/2003),
- A. whereas development policies have so far broadly failed to achieve their basic objective (namely, to reduce poverty), and whereas financial and technical measures alone cannot solve the problem of poverty or bring about sustainable development,
- B. whereas one of the reasons for the failure of development policies to produce results has been the adoption of foreign models,
- C. whereas if development policy is to be made more effective it must be refounded on capacity-building as a participatory process based on adaptation to local needs,
- D. having regard to the role assigned under the Cotonou Agreement to non-government

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<sup>1</sup> OJ C

<sup>2</sup> OJ C

players in the process of devising, implementing and assessing development policies,

- E. whereas the philosophy underlying the New Partnership for African Development (NEPAD) is that Africans themselves should be given responsibility for, and control over, their own development,
- F. whereas education is a basic tool for reducing poverty and laying the foundations for sustainable economic growth and, as such, should be given an essential role to play in the capacity-building process,
- G. whereas the AIDS pandemic and that of other poverty-related diseases place a major hurdle in the way of any development policy, including ones relating to capacity-building,
- H. whereas the upholding of human rights and the existence of transparent, democratic institutions are essential to making development policies more effective,
- I. whereas corruption morally undermines society, frequently leads to decisions which do nothing to meet local people's actual needs, significantly increases the cost of products and services, and discourages serious investors,
- J. whereas decoupling aid stimulates involvement by the developing countries in planning their own development and helps to reduce the amount of corruption,
- K. having regard to the value of seminars such as the one organised by the European Centre for Development Policy Management (ECDPM) with MEPs in Korovelu (Fiji),
- L. whereas trade relations are one of the undisputed driving forces behind economic growth, for which reason they have a role to play in the development of, and in poverty-eradication in, the developing countries,
- M. having regard to the Doha Ministerial Declaration, in which it is stated that technical assistance and capacity-building are basic features of the multilateral trade system's development dimension,
- N. whereas in the context of the Doha Development Agenda the European Union gave an undertaking to increase the trade capacities of the developing countries by means of technical-assistance support measures in all trade-related areas,
- O. whereas even if the poorest countries have non-reciprocal right of access to the markets of the developed countries, this will be totally inadequate as a means of ensuring that trade actually develops unless at the same time those countries' industrial and agricultural development capability is increased, their ability to comply with the rules and meet the standards (in particular health and plant-health ones) in force in the importing countries is enhanced and their knowledge of marketing networks is improved,
- P. having regard to the important role which new technologies (in particular the Internet) play in capacity-building,
- Q. whereas capacity-building policies need to be evaluated and grassroots opinion must be taken into account in such evaluation,

1. Considers that co-operation methods must be reworked so that development policy can be based on capacity building and on an understanding that individuals and organisations develop their potential and capacity to achieve development objectives;
2. Considers that a capacity-building policy in the developing countries should be based on the following principles:
  - the involvement of the aid beneficiaries in the selection of the priority development objectives and of the methods for achieving them, with the emphasis on adaptation to local needs so that the beneficiaries themselves take responsibility for such selection,
  - the setting of qualitative objectives from a multidimensional point of view which encompasses a number of levels and the various players within society,
  - the continuity and the sustainability of the development process,
  - exchanges of experience between grassroots communities, NGOs operating in the South, local authorities and the developing countries' state bodies;
3. States once again that measures designed to establish a universal right to education and to eradicate the AIDS pandemic and that of poverty-related diseases must be made an essential part of the capacity-building process;
4. Calls upon the Commission to produce a Communication on capacity-building and the role to be played by that concept in the refocusing of development policy, and calls for emphasis to be put on capacity-building in the Commission Communication on Good Governance;
5. Emphasises the importance of the proximity factor in capacity-building and consequently welcomes the Commission's decentralisation policy;
6. Emphasises the importance of capacity-building in the case of central and local institutions and, in particular, parliamentary institutions as a means of ensuring that the mechanisms of democracy, constitutional government and good governance operate properly, and of combating corruption; considers the sharing of experiences on an equal footing between MPs from donor countries and MPs from beneficiary countries to be one means of building capacity; recalls in this connection the fundamental role of the ACP-EU Joint Parliamentary Assembly;
7. Welcomes the Commission Communication on the decoupling of aid and calls on the donor countries to involve independent bodies in selecting aid projects in order to prevent possible conflict between their interests and those of the beneficiary countries,
8. Considers that political parties' capacities must be increased and that the way in which they are financed must be improved in order to bring about the interaction of the general public in the workings of democracy and in the framing of the decisions which affect them;
9. Highlights the key role played by local and regional authorities, traditional community structures, NGOs, churches and trade unions in capacity-building and calls on the

Commission to make it easier for such bodies to operate in that area;

10. Stresses the need to promote the self-organisation of marginal groups within society in order to enable the communities most affected by poverty to play a part in their own development;
11. Considers that the ability of the general public in developing countries to conduct business with the various levels of state authority should also be increased and that that authority should be fully transparent;
12. Calls on the Commission to ensure, in cooperation with the donor countries and with the authorities and organisations to which capacity-building aid is allocated, that civil-society capacity-building in the developing countries applies right across all the priority sectors selected when national strategic documents are drawn up, in accordance with the role allocated to non-government players under the Cotonou Agreement;
13. Urges the European Community's delegations, when drawing up national strategic documents, to hold regular consultations with local NGOs and grassroots communities on the capacity-building objectives to be achieved;
14. Calls on the European Community to mainstream developing-country civil-society capacity-building in its development activities and to incorporate a specific reference thereto in the legal bases of development-related budget headings;
15. Calls on the Commission to place greater emphasis in its development policy on building agricultural and trade capacity, on improving knowledge of, and compliance with, the rules (in particular health and plant-health ones) in force in the target countries, and on more extensive monitoring of marketing networks; calls on the Commission to ensure that specific objectives in this area are laid down in national strategic documents;
16. Welcomes the undertaking given by the Commission and the Member States to contribute the sum of CHF 19 million (which represents 63% of total contributions) to the Doha Development Agenda's Global Trust Fund, which was set up for the purpose of encouraging technical assistance and helping the developing countries to increase their capacities so that they can become fully involved in international trade;
17. Welcomes the setting up, with EU aid, of an office in Geneva for the purpose of helping the ACP countries to increase their capacity in the field of multilateral negotiations, but warns against selective ad hoc technical aid which is intended solely to enable the developing countries to meet the obligations which they have accepted under the terms of trade agreements and which alone is not sufficient to strengthen actual capabilities; congratulates the Commission on having set aside EUR 20 million worth of aid for this purpose;
18. Considers it important (so as to enable the benefits of development to be spread as far as possible) that the capacities of small and medium-sized businesses in developing



countries be increased in order to enable them to compete with products from the European Union or from other developed countries;

19. Calls on the Commission to carry out a systematic assessment of capacity-building policies and for that purpose to perform multi-disciplinary research, including a study of the sociological aspects; considers that local NGOs and grassroots communities should be consulted in connection with that process;
20. Considers that the structures needed in order to ensure that all the international institutions working in the capacity-building field coordinate their activities and complement each other must be set up at all levels;
21. Instructs its President to forward this resolution to the Council, the Commission and the Member States.

## EXPLANATORY STATEMENT

Capacity-building, which was originally intended as technical assistance, is a concept which was first defined at international level in Agenda 21, a text drawn up at the first Earth Summit held in Rio in 1992.

But just like ‘sustainable development’, ‘capacity-building’ is a rather vague concept. The purpose of this report will therefore be to provide a more specific definition of the concept, to describe the means of implementing it and to lay down strategic guidelines for EU action in connection with development cooperation policy.

### 1. The search for a definition

Our concept of capacity and of capacity development is influenced by experience and by differing cultural traditions. Each country needs to develop its own capacities, but that does not mean the same thing in Europe as in Africa. This vagueness may result in misunderstandings. However, exchanges of experience between donors and developing countries, such as those organised by the European Centre for Development Policy Management (ECDPM), enable a number of common features to be identified.

**Capacity** means the ability of private individuals, organisations and societies to perform tasks, solve problems and both set and achieve their own objectives.

**Capacity-building** means the process by means of which private individuals, organisations, institutions and societies develop their ability (individually and collectively) to (1) perform tasks, solve problems and both set and achieve objectives, and (2) understand and respond to their development needs in a broad context and in a sustainable fashion.

There are various aspects to capacity-building, namely:

- (a) the organisational aspect: converting individual or collective capacities into organisational results through the medium of a body, an organisation or a group of organisations;
- (b) the institutional aspect: stimulating the development of the means for establishing and/or consolidating a democratic system and the creation of a legal framework laying down the rules of the game;
- (c) the systemic aspect: offering a multidimensional view conceived as intervention at a number of levels and targeted at various players;
- (d) the participatory aspect: based on non-hierarchical, participatory and autonomous development centred on the individual, the core feature of which is adaptation to local needs.

The principles upon which capacity-building policy should be based are:

- broad participation and locally-set priorities (adaptation to local needs),
- use of local capacities,
- lifelong learning and adaptation,
- long-term investment,

- action at various levels,
- exchanges of experience.

Capacity-building originally related essentially to aspects such as personal training, functions, structures and systems, and also to factors such as equipment, infrastructure and financial resources. However, emphasis must also be placed on aspects which are more difficult to quantify, such as motivation, honesty, loyalty, democratic principles and incentives which may influence the way in which individuals and social groups behave. This constitutes a new, more qualitative approach to development.

## 2. Modus operandi

On the basis of this tentative definition, capacity-building may be seen as a **participatory process** and must be **tailored to suit local needs**. Recourse to foreign models must be avoided and, instead, local skills must be identified and put to use. A foreign contributor is more a facilitator than a teacher. Experience gained in the course of development activities demonstrates that capacity cannot be generated or supplied from outside but, rather, is generated by the activities engaged in over a certain period of time by those who are involved in a development process. Many top-down initiatives have proved ineffectual or short-lived.

All **entities which act as intermediaries between governments and peoples** (political parties, local authorities, traditional structures, non-governmental organisations, churches, trade unions) have a role to play. The most successful projects are usually partnerships. NGOs and other local partners must be involved in a decentralised fashion, by means of local Commission delegations. Local talents must be identified if capacity-building is to succeed. The tendency to assume that such talents do not exist is all too common.

Furthermore, the **decentralisation** of EU activities at ground level must be encouraged in order to make capacity-building programmes more effective (swifter decision-making, personnel acquainted with local conditions, etc.).

Donors must adopt a new attitude and leave local players enough room within which to perform their own experiments, learn from their mistakes and evolve within an environment free from short-term financial and hierarchical pressures. Donors must be prepared to take a certain amount of risk.

Two examples of capacity-building involving a sound 'tailoring' process deserve to be mentioned:

- the **function of ombudsman**, which frequently exists in traditional African societies, which makes a very useful contribution to social cohesion and to conflict-resolution and which has given rise to a number of successful projects carried out by government development agencies in Africa;
- **traditional village assemblies**, which were the origin of the 'gacaca' project in Rwanda. The 'gacaca' courts ('gacaca' means 'lawn' ) which currently exist in Rwanda are an excellent example of capacity-building: they are based on a traditional structure which has enabled the 'tailoring' process to be performed by the local population. The

international community has provided support and human-rights NGOs have been closely involved. Such courts are based on traditional village assemblies which were intended to solve minor problems and to settle conflicts between neighbours. They were established in order to speed up justice (there are currently over 100 000 people awaiting trial following the genocide period) in a spirit of reconciliation and in an attempt to reintegrate former detainees into the local community. Judges have received a week's training in which international NGOs were involved: Avocats Sans Frontières, Penal Reform International and the Citizens' Network.

The lack of a process of 'tailoring' to local needs may even have disastrous consequences. It is increasingly recognised that it is pointless to build capacity at organisational level by means of external mechanisms such as wage supplements, management structures separate from the customary channels and the supply of equipment which often requires maintenance. As soon as donors withdraw the system collapses.

Although the donor community acknowledges its past mistakes it has so far found it very difficult to adapt and to adjust its working methods and its procedures.

Hence under the following action areas we shall mention certain achievements and the issues in respect of which Parliament believes further action should be taken.

### 3. Action areas

In view of the breadth of the topic with which we are concerned, the rapporteur's intention has been to establish an overall framework within which to plot the main courses of action as regards building the capacities which need to be promoted, instead of going into the details of the various sectoral policies.

Pursuant to the Cotonou Agreement, the basic objective of development must be to reduce poverty. Hence capacity-building must be used to help achieve that objective through the creation of conditions which are conducive to sustainable development and the consolidation of constitutional government. This was the basis upon which the examples were selected.

#### 3-1. The consolidation of democracy and good governance

- **Building institutional and administrative (including parliamentary) capacity**

Building institutional capacity and consolidating government structures within both political institutions and the civil service are essential.

The building of parliamentary capacity should be emphasised in this connection. In addition to traditional training, **exchanges of experience** and the identification of best practices are required in order to enable the phenomenon of interactivity to develop. Many donors have become involved in this area (UNDP, the Commonwealth, the Friedrich Erbert Foundation, and so on).

The seminars organised by the ECDPM in various ACP regions have proved extremely useful. The one concerning the Pacific region, which was co-organised by the Fijian

Parliament in September 2002, may be mentioned. The seminar was concerned with the Cotonou Agreement, the main innovations vis-à-vis the Lomé Convention, the implications for the Pacific region and, in particular, parliamentary monitoring of the executive as the Cotonou Agreement is implemented. The exchange on a basis of equality between MPs from the Pacific region and MEPs was the most fruitful of the activities and it aroused curiosity and interest in respect of ACP-EU cooperation.

On a number of occasions the Committee on Development and Cooperation secretariat has arranged training seminars for staff from African parliaments or regional organisations, but it can only do so much.

Consequently, the establishment of a network of former MEPs and retired EU officials to act as resources capable of providing experience and expertise would be desirable.

- **Good governance and the fight against corruption**

The developing countries have made very firm **commitments** as regards good governance and they have progressively adopted the concept. The Cotonou Agreement, the action plan framed at the April 2000 Africa-Europe Summit in Cairo and the NEPAD may be mentioned. The taboo is steadily being broken.

Capacity-building in this area involves sliming down a bloated bureaucracy, each level of which is open to corruption (particularly in the case of major public works and military procurement). In addition to the fact that corruption makes goods and services significantly more expensive and frequently causes choices to be made which are ill-suited to actual needs, it morally undermines society and discourages serious investors.

As regards direct projects, intervention in order to ensure transparency is possible in the form of training, laws, customs rules, public contracts, and so on. However, greater emphasis should also be placed on the **responsibility of governments**, a better **system of incentives** for civil servants and a **more fulfilling work environment** in order to prevent corruption.

The question of sanctions is relatively new. In this connection we may recall the work carried out by the ACP-EU Joint Parliamentary Assembly Working Party on the impact which sanctions (and in particular embargoes) have on the people of the countries which are targeted by such action. Sanctions are possible under the common foreign and security policy, whilst specific procedures are laid down in Articles 96 and 97 of the Cotonou Agreement, to be used should political dialogue fail.

It should also be pointed out that the developed countries have an essential role to play as well: only in the last two years have bribes paid in order to secure public contracts abroad ceased to be taxed-deductible!

As regard the Commission's activities, major efforts have been made in the case of national strategy documents, even though it is clear that 'success can be evaluated only in the short or

medium term'<sup>1</sup>. In its 2003 work programme<sup>2</sup> the Commission announced the adoption of a Communication on governance in EC development policy. That Communication should be based on the building of institutional capacity and follow on from the May 2002 Council conclusions on good governance, democracy and development.

### 3-2. Trade negotiations

- **Trade capacity**

Capacity-building is also essential if access to the markets of the developed countries is to be real rather than just hypothetical. Indeed, unless industrial and agricultural **potential** is **developed** and unless a sound grasp is acquired of **health and plant-health rules** and of **marketing networks**, the right to market access is in practice a hypothetical one. Such supply-side constraints are an integral part of capacity-building. Hence Uganda, which in theory enjoys unlimited access to the EU market under the 'Everything But Arms' initiative, actually exports very little because it has not yet adequately developed its local production (agricultural produce, cut flowers, tropical fruit, etc.). Nor does it make full use of its entitlements under the sugar protocol.

Hence the rapporteur welcomes successful initiatives such as support for agricultural research in Kenya<sup>3</sup> and the increased stringency of the health checks carried out on fish caught in Lake Victoria (under a programme costing EUR 45 million which has brought about a substantial increase in the export capacity of the countries concerned)<sup>4</sup>.

Overall, however, **the ACP countries' needs in terms of trade-capacity building are still enormous.**

- **Negotiating aid**

This is an issue which was recently highlighted by the Commission and the OECD's Committee on Development Aid.

In December 2000, EUR 20 million out of the 8<sup>th</sup> EDF (covering a 4-year period) was set aside for capacity-building in connection with trade negotiations. Access to the funds should be more or less immediate and should follow a strict timetable. However, a variety of disputes has prevented the 'rapid disbursement' mechanism from operating smoothly.

The trade-capacity-building programme is concerned with the provision to the ACP governments, to regional organisations and to non-government participants of the technical aid required for economic partnership agreements with the EU to be prepared and negotiated by the 31 December 2007 deadline. The programme is not specifically open to MPs. The management unit has been in operation only since July 2002, which represents a significant delay by comparison with the original plan (pursuant to which activities were to begin in December 2001) on account of institutional impediments relating to the internal restructuring

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<sup>1</sup> COM(2002) 490, p. 149

<sup>2</sup> COM(2002) 590

<sup>3</sup> COM (2002) 490, p. 143

<sup>4</sup> *Ib Idem*, p. 145

of the Commission. Between July and December 2002 approximately 40 applications were submitted and 10 projects were accepted, from different parts of the world.

A similar aid programme worth EUR 10 million over three years (7<sup>th</sup> EDF) and intended to increase the ACP countries' ability to take part in WTO debates is a victim of the same delays in implementation. EUR 50 million is to be distributed under the 9<sup>th</sup> EDF.

If such aid is to be fully effective it must be structured, lasting and comprehensive.

To be able to negotiate the developing countries also need to establish internal structures for consultation and coordination between ministries and between government and parliament, the private sector and civil society.

A problem which may arise is that of a conflict of interests in the case of donors who are also concerned with furthering their interests in trade negotiations. During the run-up to the 1999 ministerial meeting in Seattle there was a case in Senegal in which a training programme funded by the USA for the benefit of decision-makers and other parties in the private sector strongly emphasised issues relating to the donor country's own priorities (the need for farming subsidies to be abolished) and deliberately ignored issues where Senegal's interests were likely to conflict with those of the USA (intellectual property rights).

Trade-capacity-building must be entrusted to independent bodies by means of invitations to tender based on objective project-quality criteria.

- **ACP office in Geneva**

An office representing the ACP countries was opened in Geneva in April 2002 with a budget for ad hoc projects amounting to EUR 9 million (3.1 million of which has been disbursed) and an operating budget of EUR 18 million (3.6 million of which has been disbursed)<sup>1</sup>.

### 3-3. Public finances

The conclusion of free-trade agreements and the resulting reduction in, or abolition of, customs duties may result in a major loss of budget revenue. In the case of many countries, customs duties still represent a major proportion of the national budget. The figures for 1999 are as follows: 20 % in the case of Burundi, 47 % in the case of Côte d'Ivoire, 77 % in the case of Guinea, 26 % in the case of Mauritius (46% in 1990), 32 % in the case of Papua New Guinea and 40 % in the case of the Dominican Republic<sup>2</sup>. It is not certain that the increase in the volume of trade will alone make up for the loss of revenue. And even if it did (which would be ideal), structural adjustments would still have to be made in order to smooth the transition. The ACP countries have made it clear that that could discourage them from agreeing to reduce their tariff barriers in the context either of economic partnership agreements or of multilateral negotiations.

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<sup>1</sup> The European Union covers approximately 45% of the Geneva office running costs.

<sup>2</sup> Central Government Revenues, World Development Indicators, World Bank, New York, 2002.

The establishment of alternative resources - VAT or direct taxes - is required but would involve extensive structural reform. It is not the purpose of this report to go into details but even in the least-developed countries there is scope for increasing fiscal revenue. The European Union should become involved in capacity-building in this area too, bearing in mind the following criteria:

- **transparency** stemming from the publication of the relevant texts and the abolition of *de facto* or *de jure* exemptions;
- **simplicity and feasibility** with a view to avoiding, in particular, an accretion of taxes;
- **the support of the general public** for the process of 'tailoring' the general taxation scheme.

This last point also highlights the necessary link between the establishment of a tax system and the democratisation of a society. A government which imposes a tax must justify itself and must be accountable to Parliament and the electorate, whereas a government which has resources derived from raw materials (such as oil) will find it easier to avoid scrutiny.

#### 4. Assessing capacity-building

There are two major obstacles to assessing capacity-building:

- **the difficulty of identifying** projects within the Commission's statistics system. With the exception of certain well-defined projects such as those drawn up in the course of trade negotiations, it is virtually impossible to identify capacity-building projects in activity reports. Capacity-building applies to every sector and is not shown separately in the OECD Development Aid Committee's sectoral indicators, which are used by the Commission. In the discharge procedure, Parliament has already expressed its general concern regarding the impossibility of identifying the use of EDF appropriations for capacity-building in the areas of health and education. The recent tendency to give priority to macro-economic aid may make things worse if it is not accompanied by a process of gradual adaptation to local needs and it has turned the tracing of aid into a widespread problem.
- **the inadequacy of quantitative criteria.** As is apparent from the difficulties of definition (see above), quantitative evaluation is inadequate. If capacity-building is regarded as a process and if one wishes to evaluate sociological aspects such as changes in attitude, the evaluation method must be based primarily on a multidisciplinary approach. Evaluation of this type takes time and is possible only over the long term.

The rapporteur recommends that in-depth multidisciplinary studies be carried out in a number of countries in order to assess whether or not development policy has led to genuine capacity-building. The work carried out by the Aidco assessment unit is important and lessons must be drawn from such assessment.