# Summary and Table of Contents

***Purpose*** This note sets out DFID's approach to capacity development. By developing the capacity of our partners, DFID financial aid and technical advice can be transformative and have a more durable impact. The note summarises the evidence and provides links to further guidance. It is a resource for DFID managers and advisers when developing and implementing country strategies or programmes.

***Whose capacity?*** Capacity development refers to the capacity of individuals, organisations and the broader institutional framework within which individuals and organisations operate to deliver specific tasks and mandates. Capacity development goes well beyond the public sector. DFID invests in capacity development in the private sector, civil society and research organisations.

***What's good capacity development?*** Capacity development is an endogenous process: external actors, such as DFID, play a supporting role, helping domestic leaders develop and implement their own strategies to improve the capacity of organisations or amend the institutional framework. Capacity development for poverty reduction can appear technical but is ultimately political. Greater transparency, empowerment and accountability are needed.

***How can external actors better support capacity development?*** Capacity development requires improvements to aid effectiveness, in particular the use of technical cooperation. DFID should consider not just technical assistance but a wider range of learning opportunities (such as mentoring or South-South exchanges). Fragile and conflict affected countries in particular require a more nuanced approach, given the scale of need and the tension between short-term priorities (such as building confidence) and long-term capacity (to build stable and legitimate states).

## Table of contents

# 1. Introduction

1.1 Since 2010, DFID has been much more explicit than in the past about development results – the concrete benefits which derive from UK aid and which will reduce world poverty. They are set out in DFID's business and operational plans and country offices are held to account for achieving them.

1.2 **For these results to be sustainable, and contribute to lasting poverty reduction improvements, it is important to pay attention to the ability of partner countries to manage their own affairs**, and generate development results while becoming less dependent on aid. DFID should provide financial aid and technical advice in ways that are transformative and have a durable impact. If not, the benefits will stop once programmes end.

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**Box 1 – Capacity and Capacity Development – Agreed OECD DAC Definitions**[i]

**Capacity** is the ability of people, organisations and society as a whole to manage their affairs successfully.

**Capacity Development** is the process whereby people, organisations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time.

**Promotion of capacity development** refers to the things that outside partners can do to support, facilitate or catalyse capacity development and related change processes.

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1.3 A summary of **international priorities for capacity development** is provided by the Cairo Consensus (see box 2).

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**Box 2 - The Cairo Consensus on Capacity Development (March 2011)** is a call to action to improve capacity development. It recommends:

- making sure capacity development is at the heart of all significant development efforts, not an after-thought

- focusing on short-term, intermediate and longer-term development results

- promoting national leadership of domestic capacity development, aligning international aid behind a country's vision and national strategy

- avoid undermining existing capacity, for example phasing out parallel implementation units and strengthening country systems

- investing more in learning of what works and doesn't, in particular south-south cooperation and learning with middle-income countries

- a new approach to technical cooperation, which is demand-led, transparent and tailored to the country-context

- making capacity development a priority for countries affected by fragility, working with the g7+ and International Dialogue on State-Building and Peace-Building

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1.4 Capacity development was discussed at the 2011 High Level Forum on Aid Effectiveness in Busan. A number of commitments were made, to which the UK signed up (see box 3). The Effective Institutions Building Block is a new light-touch coordination mechanism established to follow-up on these commitments.

**Box 3 - Busan: effective institutions commitments**

Effective institutions and policies are essential for sustainable development. Institutions fulfilling core state functions should, where necessary, be further strengthened, alongside the policies and practices of providers of development co-operation, to facilitate the leveraging of resources by developing countries. Developing countries will lead in efforts to strengthen these institutions, adapting to local context and differing stages of development. To this end, we will:

a) Support the implementation of institutional and policy changes led by developing countries, resulting in effective resource mobilisation and service delivery, including national and sub-national institutions, regional organisations, parliaments and civil society.

b) Assess country institutions, systems and capacity development needs, led by developing countries.

c) Support the development of improved evidence on institutional performance to inform policy formulation, implementation and accountability, led by developing countries.

d) Deepen our learning on the determinants of success for institutional reform, exchanging knowledge and experience at the regional and global levels.

1.5 **In 2010, the Peer Review of UK development assistance by the OECD Development Assistance Committee (DAC) concluded that DFID could be more strategic in building governments' capacities to manage their own development**.[ii] In particular, DFID treated capacity development as a cross-cutting issue but did not have a clear or explicit vision of capacity development. This hindered DFID's ability to disseminate capacity development lessons across sectors or themes. Programme design was not systematically grounded in a robust capacity assessment or a strategic review of the options to promote capacity development beyond technical assistance.[iii]

1.6 In May 2012, the DFID Development Policy Committee considered DFID's approach to capacity development. It recognised its importance to achieve sustainable results. The Committee agreed that it should remain a cross-cutting issue for DFID as it was relevant for every programme, but lessons and evidence were better generated and shared by sector/theme specific teams. Relevant DFID guidance is being updated to help teams consider capacity issues in an appropriate manner. The Governance, Open Societies and Anti-Corruption Department maintains a watching brief.

1.7 This note summarises the evidence and provides links to further guidance. It is a resource for DFID managers and advisers when developing and implementing country strategies or programmes. It does not cover capacity development at the international level or in multilateral organisations.

# 2. What's the evidence base?

2.1 **The evidence base for capacity development is fragmented and patchy.** There have been few rigorous studies and evaluations explicitly on capacity development (see box 4). This is because capacity development covers a wide range of concepts, academic and professional fields and practical applications. This note draws on the most relevant research and evaluations, and provides links to existing lessons learned, tools and guidance.

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**Box 4 – Key evaluations and research programmes**

Some of the most relevant studies include DFID's 2006 evaluation of its **technical cooperation for economic management capacity in Africa**.[iv] The evaluation could only identify a capacity development impact in a minority of cases and concluded that DFID lacked a strategic approach. It recommended that DFID should adopt a more rigorous and systematic approach to the assessment of the institutional and organisational context. Lack of progress in civil service reform was the most significant factor explaining the limited capacity development impact. The evaluation led to DFID's 2006 guidance on technical cooperation.

The World Bank's evaluation of its **capacity building work in Africa**[v] concluded that Bank assistance was too fragmented, mostly designed and managed operation-by-operation, and not based on appropriate needs assessments. Sector-specific strategies were needed. Tools and instruments could be improved – technical assistance and training in particular often proved ineffective in helping to build sustained public sector capacity. It recommended that the Bank should treat capacity development as a core objective, which is country-owned, results-oriented and evidence-based. Since this evaluation, the World Bank Institute has become a source of global knowledge and innovation on capacity development.

A multi-donor evaluation of **public sector governance** is about to be completed.[vi] One of its findings is that donors continue to under-estimate the importance of organisational capacity. Donors tend to focus on where the action appears to be, rather than the overall framework of government. They target specific operational units rather than line ministries. The evaluation found some successes, such as a in the Ugandan Ministry of Finance or Indonesia's External Audit Board, but, in general, donors and partner governments paid insufficient attention to organisational capacity as a means of development sustainability.

DFID has funded relevant **research programmes.** The European Centre for Development Policy Management research on Capacity, Change and Performance confirmed that external actors can facilitate but not drive domestic change processes – by providing access to new resources, ideas or connections. It did not identify one single best strategy to support capacity development. What mattered was to develop a good understanding of the local context, have open discussions with partners, consider the political and intangible aspects of capacity, and unleash domestic potential and leadership, for example through learning and adaptation.[vii] The University of Manchester's research programme on Improving Institutions for Pro-Poor Growth examined state-business relationships. It concluded that institutional effectiveness, and therefore development outcomes, depended on the way in which institutions interact with organisations and individuals.[viii] These are political processes. Donor agencies should learn to think and act politically. DFID's new governance research programmes will continue to examine capacity issues for example the Effective States and Inclusive Development Research Centre based at Manchester University.

# 3. Whose capacity?

3.1 Through the International Dialogue on Peacebuilding and Statebuilding, Fragile States themselves have made capacity development a priority. In preparation for the 2011 Busan High Level Forum on Aid Effectiveness, the International Dialogue and other working groups reviewed lessons learned. This section summarises the priority issues identified in this emerging consensus to which DFID staff need to pay most attention, looking at the 'who', 'what' and 'how' of capacity development.

3.2 **Capacity development refers to the capacity of individuals, organisations and the broader institutional framework** within which individuals and organisations operate to deliver specific tasks and mandates. For example, in order to improve health or education outcomes, it is important to examine:

- the skills and competencies of individuals (e.g. doctors and teachers; ministry and local government officials; private sector suppliers of drugs or school materials; parents or patients, etc );

- the specific capabilities of an organisation to carry out coordinated actions to deliver organisational goals (e.g. the ability of a Ministry to plan, prioritise, deploy and motivate doctors and teachers, monitor their performance, receive and respond to external feedback from customers, etc); and

- the wider institutional environment that may support or constrain the organisation's ability to carry out its functions. Institutions are the formal and informal 'rules of the games' whereas organisations are the 'players' influenced by these rules (e.g. institutions can include the legal and regulatory framework – who is entitled to provide health care and education – or the social and cultural norms – do women or minorities feel they can access the services).

3.3 Those three levels are inter-related. Training, better equipment, more staff or organisational restructuring can improve organisational capacity. However, broader institutional reforms may be needed to remove some barriers, improve incentives and achieve more sustainable change.[ix] At the same time, institutional effectiveness depends on the way in which institutions interact with organisations and individuals – through political processes where rules are respected, avoided or negotiated.[x]

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*Further resources*

- [OECD (2006) Capacity Development: Working towards good practice](#)

- Learning Network on Capacity Development (LenCD) [learning package](#) on levels and themes (online resource)

3.4 **Capacity development can refer to the state, civil society or the private sector**. The capacity of the state and its institutions matters for development. There is wide ranging evidence on how different aspects of governance, including effective formal and informal institutions, affect economic development. Cross-country regression analysis tends to find a correlation between effective governance, or components of governance, and development outcomes such as growth and poverty reduction.[xi]

3.5 There is an ongoing debate as to which aspects of state capacity matter most for development. For example, in fragile and conflict affected countries, some of the 'core' functions of the state may be needed to create stability and a platform for peace and development.[xii] The International Dialogue on Peacebuilding and Statebuilding has identified five priorities (legitimate politics, security, justice, economic foundations, and revenue and services).[xiii]

3.6 While significant progress can be achieved in specific sectors, some factors constrain the entire public sector (e.g. staff incentives, opportunities for corruption) and a more comprehensive approach may be appropriate.[xiv] However, evaluations of public sector management reforms usually conclude these are slow and incremental processes. They are hard to measure and will not succeed without government commitment.[xv]

3.7 **Capacity development goes well beyond the public sector. DFID invests in capacity development in the private sector, civil society and research organisations**. For example it is compulsory for all large DFID-funded research programmes to have a capacity building objective, based on a capacity assessment. Box 5 provides an example of agricultural research.

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**Box 5 -The African Women in Agricultural Research and Development programme**

AWARD is assisting women scientists in Africa who are working closely with the rural poor. The programme not only covers technical skills, but also career development and networks of researchers. It will help more women become successful researchers, with research subjects most relevant to women, such as poultry. AWARD fellows benefit from a 2 year development programme, including support from a mentor, building their scientific skills and developing their leadership capacity. The programme currently supports 250 African women working in agricultural research and development who have completed a BA, MA or PhD.

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3.8 DFID's approach to the private sector includes transforming the institutional environment within which firms operate, such as cutting red tape or facilitating trade.[xvi] It also extends to the individual and organisational level. For example, following a comprehensive assessment of capacity constraints in microbanking, DFID is supporting a regional initiative in Africa – with certified financial training at the individual level and processes and systems at the organisational level including strengthening governance, internal controls and risk management systems.

3.9 DFID's work on the capacity development of civil society involves a range of approaches. These span from purely technical input (the provision of training to staff or setting up new financial or computer systems), through organisational capacity development (focusing on an organisation's systems and physical assets as well as its people, its culture and its ability to plan for the future), to institutional development

(the strengthening of links and development of an enabling environment within which organisations exist). We are also interested in the overall civil society enabling environment, working with others to improve the laws and regulations that enable advocacy or service delivery groups to be active. Civil society organisations which receive DFID funding often develop their own capacity at the same time as delivering programmes.

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*Further Resources*

- Bond (UK NGO network) (2012) [Building the Capacity of Organisations and Institutions in the South](#)

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# 4. What's good capacity development?

4.1 **Capacity development is an endogenous process**: external actors play a supporting role, helping domestic leaders develop and implement their own strategies to improve the capacity of organisations or amend the institutional framework. Local ownership is essential: the starting point should be existing capacities; local actors' priorities; how they would like to develop; and what they request from external actors. Box 6 shows how domestic commitment in Rwanda and flexible DFID support led to a sustainable result.

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**Box 6 – Rwanda Revenue Authority: an organisational development success story**

Over a period of 11 years, DFID provided sustained assistance to reforms in the Rwanda Revenue Authority (RRA), which has resulted in an effective organisation, supportive institutional framework and significantly increased domestic revenue collection. The programme supported the generation of the laws and regulations under which the RRA was established. It also furnished a state of the art new office building, built a durable set of IT and human resource management systems under which all business is now conducted, and provided expert technical assistance across the breadth of the RRA's mandate.

The period of DFID support has seen a sixfold increase in the volume of taxes collected by the RRA. In 2008, for the first time since the genocide, the total budget was more than 50% funded by domestically generated revenues. Also in the period of DFID support, the number of external technical assistants working in the RRA has reduced from around 10 persons to just 2. Rwandans now fill all senior management positions, and a number of senior managers have moved on to lead impressive reforms in other parts of the Rwandan Government (3 Cabinet Ministers are ex-RRA staff). In 2009, the management procedures of the authority were awarded ISO 2008 accreditation – the first Rwandan institution to attain this standard. The authority also took on a major new role advising on and providing direct technical support for the establishment of a new revenue authority in neighbouring Burundi.

At the end of the programme in 2010, the RRA was collecting the full value of DFID support every three weeks - £24 million. The RRA has continued to perform well even after the end of direct UK assistance. The effectiveness of the RRA in recent years has been a major factor underpinning Rwanda's impressive development performance – including universal primary education and expanded access to health services.

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4.2 Evidence shows a 'best fit' approach, suited to the local context, as opposed to 'best practice', transplanting models from other countries, is more likely to work.[xvii] There are a number of institutional and organisational development tools and techniques that can be used to identify opportunities and support change processes suited to the local context. An institutional appraisal will look at broader issues, such

as incentives, law, culture, policies, voice and partnerships, whereas an organisational assessment is narrower and focuses on systems, structure and human resources management.[xviii]

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*Further Resources*

- DFID (2002) Conducting Institutional Appraisal and Development and Source Book on Tools and Techniques

- Governance and Social Development Resource Centre Topic Guide on Institutional Development (online)

- LenCD learning package How-To covers change processes, capacity assessment, partnership and M&E (online resource)

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4.3 **Domestic leadership is an important aspect of country-led change**.[xix] Good leadership is fundamentally about what leaders do in relation to others, such as defining a vision, generating confidence, forming partnerships, and ultimately mobilising people, resources, and ideas to collaborate on attaining shared objectives. The Global Leadership Initiative, a multi-donor research project to which DFID contributed, concluded that leadership is more about groups than individuals, given that multiple people exercise leadership in any successful change event.[xx] There are different "leaders" at different points in time, performing different functions, and not all will have (in fact often many do not) any formal authority over the relevant set of issues or problems. Leaders are de facto change agents. Interventions supporting leadership create the space for change: they foster acceptance of the change, create the authority to pursue the change, and promote the building of capabilities to achieve the change.

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*Further Resources*

- Developmental Leadership Program Research and policy initiative about the critical role of developmental leadership and coalitions

- UNDP (2006) Leadership for Human Development Guidance on leadership development programmes

- Capacity.org Leadership Development (online resource)

- World Bank Institute Leadership for Development Programme

4.4 **Capacity development for poverty reduction can appear technical but is ultimately political**. Capacity – the ability to get things done – is value neutral: greater capacity could be used for repression or exclusion rather than poverty reduction. Successful capacity development for poverty reduction enables people to change the relations of power and institutions that keep them poor. Understanding the political economy context is therefore necessary to assess the political impacts and feasibility of capacity development initiatives. Capacity development strategies also need to identify who will act as a senior champion for the process of change, where resistance may appear and how incentives can be changed or tapped into.

4.5 **Transparency, empowerment and accountability are needed** so people can see where sustainable improvements are made, organisations become more responsive to their needs and individuals can exercise choice and control over decisions affecting them. So capacity development can include improving individual or organisational capacity (e.g. learning how to access and interpret government budgets; setting up organisations that represent collective interests); changing the formal and informal institutions which create inequalities of opportunities and barriers to the realisation of poor people's rights (e.g. laws or cultural practices that prevent women from owning or inheriting land); or building political capacities and coalitions that mean poor people's interests are represented when decisions are made. DFID has a growing agenda on empowerment and accountability that strengthens a broad set of capacities across the state, civil society and individuals.

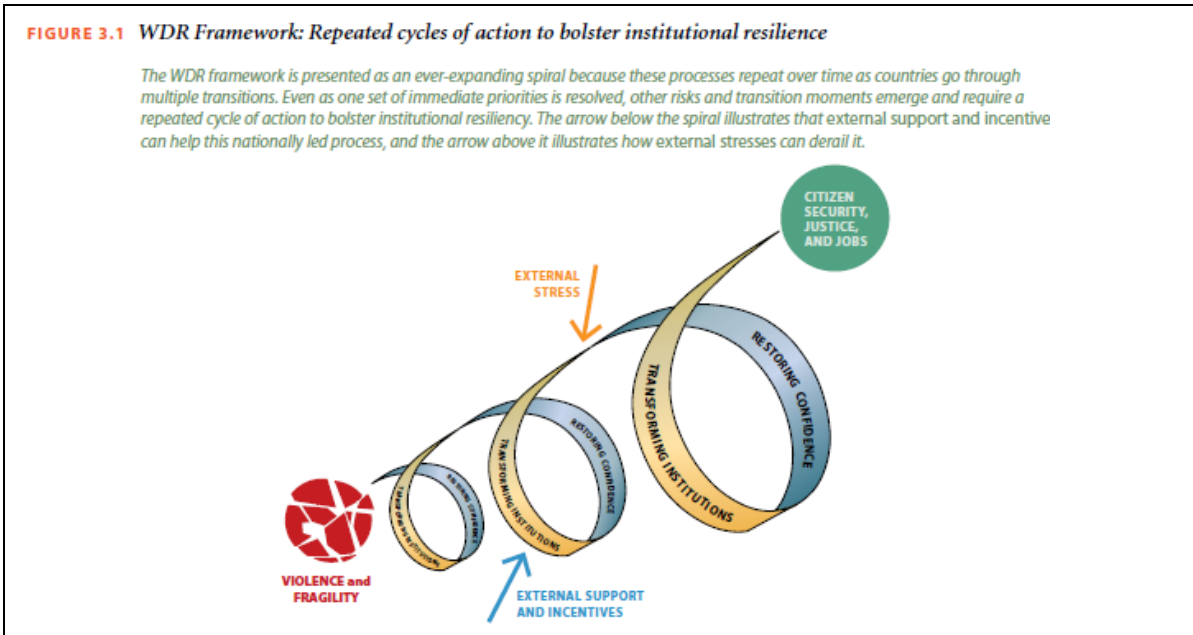**Box 7 – sustainable use of new technology for accountability in Uganda**

In Uganda, the Ministry of Health is being supported by UNICEF and WHO with DFID funding to build its capacity to track the availability and use of malaria drugs and rapid diagnostic kits. 'mtrac' enables district health centres to submit weekly health information reports using the widespread in-country mobile phone coverage to strengthen national drugs monitoring. Mtrac also has an anonymous hotline for individuals to report service delivery complaints. Information from the hotline is used, along with official data, to identify bottlenecks. SMS alerts are sent to District and National stakeholders who are expected to report on outcomes. Ugandan Parliamentarians and over 35,000 community leaders receive regular reports on the performance of their constituencies. The Ministry of Health is now rolling out the project on a nationwide basis. Sustainability was built in to the design of the project as it is based on a system of basic mobile phone technology. Reporting has been integrated into existing district and national health management information systems.

*Further resources*

- DFID (2009) Political Economy How-To Note

# 6. Capacity development in fragile or conflict-affected countries

6.1 **Fragile and conflict affected countries in particular require a more nuanced approach to capacity development**. The scale of need and the tension between short-term priorities (such as building confidence) and long-term capacity (to build stable and legitimate states) are amplified. Aid too often substitutes for nascent capacity through technical advisers, or overwhelms it by making too many demands on over-stretched officials. The World Development Report 2011 on Conflict, Violence and Development showed how moving out of fragility requires both building confidence and transforming institutions, which could take a generation to develop (see figure below). These contexts may not be able to manage too many changes on too many fronts at the same time. Prioritisation and sequencing are essential.



FIGURE 3.1  *WDR Framework: Repeated cycles of action to bolster institutional resilience*

*The WDR framework is presented as an ever-expanding spiral because these processes repeat over time as countries go through multiple transitions. Even as one set of immediate priorities is resolved, other risks and transition moments emerge and require a repeated cycle of action to bolster institutional resiliency. The arrow below the spiral illustrates that external support and incentive can help this nationally led process, and the arrow above it illustrates how external stresses can derail it.*

6.2 The 'New Deal for Engagement in Fragile States', endorsed in Busan in 2011, picks up a number of Paris Declaration aid effectiveness commitments which are most relevant for fragile contexts, including on reducing programme implementation units, increasing the use of pooled funds, improving the use of technical assistance and facilitating south-south exchanges (see box 8).

**Box 8 - New Deal for Engagement in Fragile States**

**Strengthen capacities**. To ensure efficient support to build critical capacities of institutions of the state and civil society in a balanced manner, we will increase the proportion of funds for capacity development through jointly administered and funded pooled facilities. We will substantially reduce programme implementation units per institution and will target the use of external technical assistance, ensuring they report through to the relevant national authority. We will work towards an understanding on remuneration codes of conduct between government and international partners for national experts. We will facilitate the exchange of South-South and fragile-fragile experiences on transitions out of fragility.

6.3 The provision of technical expertise in countries affected or emerging from conflict remains a challenge. The United Nations Civilian Capacity Review analysed how the UN and the international community can help to broaden and deepen the pool of civilian experts to support the immediate capacity development needs in these contexts. The review emphasises the importance of national ownership of peacebuilding, South-South cooperation and global partnerships to facilitate capacity development, and improving the UN's expertise and enabling a more nimble response.

**Box 9 – Afghanistan: from crisis substitution to demand-led Technical Assistance**

Afghanistan has received significant amounts of international military and civilian assistance since 2001. However, Government still suffers from significant capacity shortages and limited presence outside of the capital. Over 6,000 Afghan or international technical advisers provide expertise to the Afghan Government. Often, they perform routine functions in line ministries but they are consultants paid significantly more than Afghan civil servants. This fragmented, project-based and supply driven approach to capacity development is not leading to lasting improvements, and is no longer affordable.

The **Civilian Technical Assistance Programme** works with Government institutions to identify their current capacity levels and objectives for reform programmes. It deploys teams of international (often regional or Afghan expatriate) technical advisers into targeted departments. The technical advisers work with Afghan civil servant counterparts to develop systems, improve structures and transfer skills. Advisors have Ministry of Finance contracts and are paid through the Government budget. Since 2011, the programme has placed 56 advisers in 17 Government departments or agencies, with a further 9 agencies in the pipeline. The programme is managed by the Ministry of Finance and is co-funded by the US, UK, Germany and Australia.

*Further resources*

- DFID Practice Paper (2010) Building Peaceful States and Societies

- World Development Report 2011, Chapter 3 'From violence to resilience: Restoring confidence and transforming institutions' and Chapter 6, 'International support to building confidence and transforming institutions'

- United Nations (2011) Civilian Capacity in the Aftermath of Conflict: Independent report of the Advisory Committee

# 5. Aid instruments, results and value for money

5.1 **Capacity development requires improvements to aid effectiveness**. The way in which aid is provided can undermine domestic capacity. Problems include: by-passing domestic budget and accountability procedures rather than strengthening them; the proliferation of project implementation units; poaching of government staff for projects; high salaries paid to technical advisers or distortionary schemes for public servants (per diems, allowances, top-ups). These can help individual projects succeed but at the same time undermine the overall public sector performance. This is a central tension between sustainable development and the results agenda: developing national capacity requires focusing not just on short term results, but also on how these results are achieved, and how they can be sustained after aid has ended. Results may be less easily attributable to DFID and slower to realise.

5.2 There is evidence that using country systems builds domestic capacity. Evaluations consistently find that general budget support is an effective instrument in strengthening public financial management systems. General budget support can help implement institutional reforms, such as decentralisation, or improve the conditions for revealing corruption and misappropriation of funds, but only when partner countries are already committed to these objectives.[xxi] However, in deciding whether to use country systems, capacity development benefits are not always explicitly highlighted and often weighed against a wide range of risks (e.g. political or fiduciary).

5.3 Donors are still implementing their commitments under the 2005 Paris Declaration and 2008 Accra Agenda for Action (see box 10). In the Multilateral Aid Review, DFID included an assessment criteria on 'multilateral partnership behaviour' (including country-led approach and coordination of capacity development support).The UK is above the global average across all indicators and is one of only six donors that use partner country systems for at least two thirds of their bilateral aid. However, across all donors, only one out of 13 targets has been met (to strengthen capacity through coordinated donor support).[xxii] Donor support for capacity development remains supply driven, and technical cooperation is also more likely to be tied than other forms of bilateral assistance.[xxiii]

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**Box 10 – Capacity Development in the Accra Agenda for Action: Developing Countries will strengthen their capacity to lead and manage development (Para 14)**

Without robust capacity—strong institutions, systems, and local expertise—developing countries cannot fully own and manage their development processes. We agreed in the Paris Declaration that capacity development is the responsibility of developing countries, with donors playing a supportive role, and that technical co-operation is one means among others to develop capacity. Together, developing countries and donors will take the following actions to strengthen capacity development:

a) Developing countries will systematically identify areas where there is a need to strengthen the capacity to perform and deliver services at all levels—national, sub-national, sectoral, and thematic—and design strategies to address them. Donors will strengthen their own capacity and skills to be more responsive to developing countries' needs.

b) Donors' support for capacity development will be demand-driven and designed to support country ownership. To this end, developing countries and donors will i) jointly select and manage technical co-operation, and ii) promote the provision of technical co-operation by local and regional resources, including through South-South co-operation.

> c) Developing countries and donors will work together at all levels to promote operational changes that make capacity development support more effective.

**5.4 It is essential to improve the use of technical cooperation** (TC). TC represents about a quarter of all development assistance (about $25bn/year).[xxiv] For DFID, this was 11% of our 2010/11 bilateral programme, though this may be an under-estimation due to classification issues. In addition TC is used in NGO and multilateral activities and often complements financial aid packages so may influence more than 11% of bilateral results.[xxv] TC refers to the provision of know-how in the form of short and long term personnel (technical assistance – TA), training and research, twinning arrangements, peer support and associated costs. Some of the weaknesses of TA include supply driven expertise to fill gaps, rather than to share skills and train counterparts. There can be an excessive focus on technical knowledge, as opposed to the 'soft skills' of coaching and facilitating change.[xxvi] Since 2006, DFID's vision has been for a market-based, pooled approach, putting partners in the lead in the identification, procurement (including of local or regional experts) and management of TA. [xxvii]

**5.5 As the DAC peer review noted, it is important for DFID to consider not just technical assistance but a wider range of learning opportunities.** This includes short-term training or sponsoring degrees (in-country or overseas), coaching, mentoring, study-tours (including South-South), change management, leadership development, partnerships (such as twinning programmes) and networking. A OECD DAC review of learning modalities looks at the strengths and challenges of different approaches.[xxviii]

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**Box 11 - Human capacity development in the Overseas Territories**

DFID assistance to the Overseas Territories systematically considers capacity development. Given their small populations and outward migration, these territories often lack the necessary human capacity to deliver essential public services. Through their Medium Term Expenditure Framework (MTEF) business planning processes, St Helena and Montserrat are identifying and prioritising the capacity constraints they feel hinder the achievement of their strategic objectives. DFID allocates funding for technical assistance, for example long term experts to fill gaps in government and short term experts to assist with a specific change process. The Territory Government then takes the lead in sourcing expertise.

This approach to capacity development also takes into account longer term constraints. In Montserrat, recurrent budget support for academic and vocational training is also tailored to capacity needs assessments undertaken during the MTEF process. And it goes beyond the public sector: St Helena and Montserrat are undertaking island-wide labour market and skills assessments. This will enable more targeted support for priority growth sectors, such as improving the impact of tourism vocational training.

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*Further resources*

- LendCD technical cooperation (online resource)

- OECD review of learning (2010) Table 3.1 contains a useful summary of options.

- European Commission guidance (2009)

5.6 **More work is needed to better measure the contribution of capacity development initiatives to sustainable results**. A capacity development intervention can be measured on the basis of whether the targeted individuals, organisations or institutions are better able to deliver or enable service delivery or other results. However, the results chain is long, and attribution difficult to quantify. So, sometimes the capacity development intermediary step is not examined, and the intervention is only measured in terms of the final result. The World Bank Institute has been developing a Capacity Development for Results Framework for their learning interventions (see figure below). It is a good starting point to become more explicit about how to measure capacity outcomes. Some of the suggested intermediate capacity outcomes include: increased awareness, improved skills, improved teamwork, strengthened coalitions, or enhanced networks.



Figure 1. CDRF Capacity Development Process
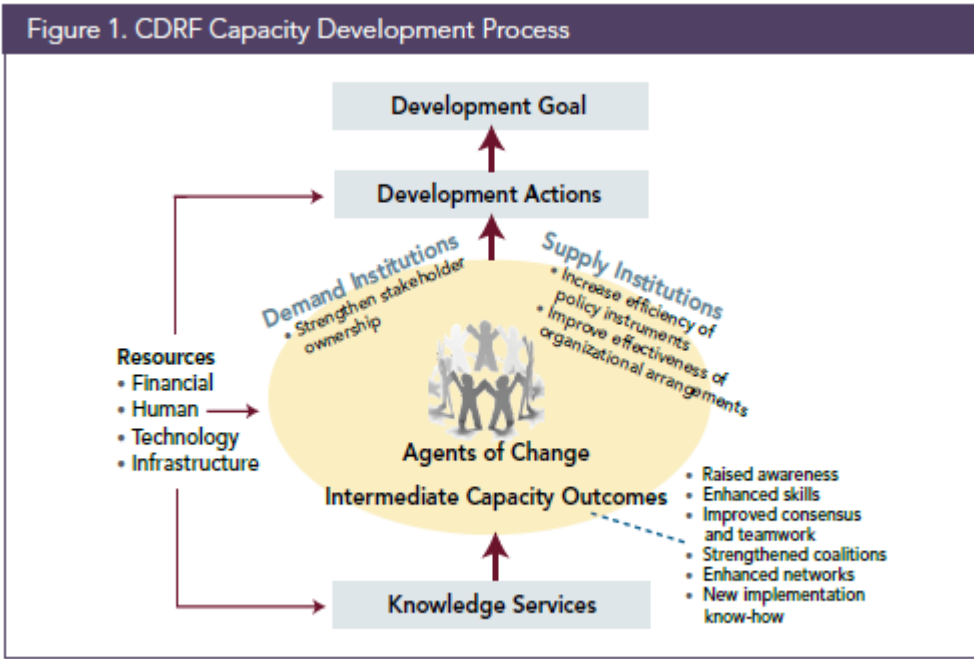
5.7 Innovations to improve measurement should not be seen as a technical after-thought to be added in a logframe. If the capacity development aspect of the programme is explicitly discussed with partners from the outset, and included in the theory of change, it will become easier to trace how the inputs are meant to deliver the outputs and outcomes. This should include looking at local drivers of innovation and how domestic constituencies have achieved changes in the past.

**Box 12 – Government-led measurements of capacity improvements**

Many developing countries find that the indicators to measure domestic capacity are developed by international organisations or Western governments and have only limited relevance to their circumstances.

DFID is working with the Kennedy School of Government at Harvard University to build the capacity of security and justice agencies in five developing countries to design indicators that are harnessed to existing management practices and draw on routinely-collected data. The indicators developed in this way respond quickly to the decisions of senior managers and so become integral to the planning and delivery of security and justice and efforts to increase the professionalism and accountability of the agencies concerned. In Jamaica, for example, the Commissioner is now able to plot the total number

of guns, drugs and wanted persons recovered against the number of searches conducted by each of his nineteen police divisions. This measure of relative effectiveness enables him to test and refine different policing strategies across the island and has led to a more efficient use of resources. The next step is to test whether more effective policing is leading to better police-community relations.

5.8 Value for Money is 'the optimal use of resources to achieve intended outcomes'. It is best assessed by looking at economy, efficiency and effectiveness. Below is a presentation of how to do this, along with practical examples.

**Linking VfM to the Results Chain:**
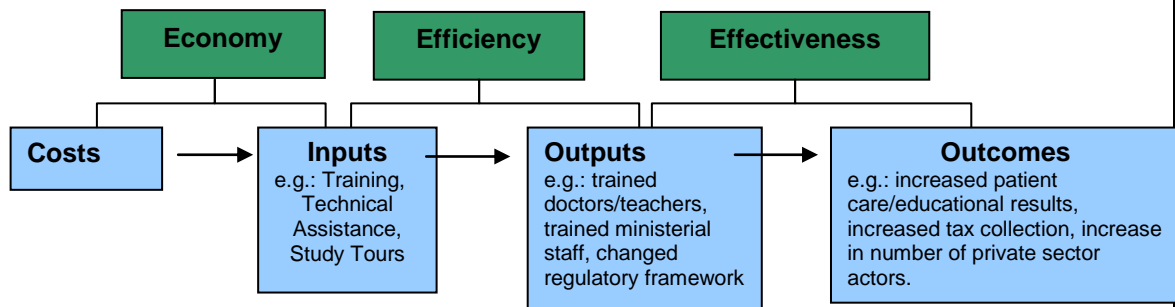


**Box 13- The 3-Es and Capacity Development**

**Economy:** Assesses the cost of your inputs, given the quality and quantity of the outputs they help deliver, i.e. are you satisfied with the cost of your programme inputs given their resulting output? A good measure of this is input unit costs. You can for instance look at the cost of the consultants employed to provide training/technical assistance, and benchmark these against their peers' rates for a job requiring similar skill and duration.

**Efficiency:** Assesses how well a programme converts inputs into intended outputs. Depending on whether you are looking at the capacity of individuals, organisations or the broader institutional framework, you'll be assessing to what extent the provision of technical assistance/training/study programmes has helped improve on their skills/capabilities. A good measure of this is your output unit cost e.g. it if cost you £10,000 to get 100 doctors trained, then it costs you £100 to train a doctor: is that a reasonable cost in the context in which you are operating?

**Effectiveness:** Assesses whether your outputs are effectively delivering your expected outcome. Again, depending on which level of capacity development your programme is dealing with, you'll be assessing to what extent trained individuals or more efficient public bodies and regulatory environments are having an effect on your end objective, i.e. better functioning schools and hospitals, more efficient public sector policy, firms' reactions to a change in the regulatory environment. E.g. if a £1,000 training of 100 auditors within the Ministry of Finance has enabled the detection of £100,000 of non-explained budget expenditure, then the cost of £10 per auditor has largely been covered by the £1000/head savings to the State.

*Further Resources*

- World Bank Institute (2011) Steps for designing a results focused capacity development strategy

 - LenCD Managing for Capacity Results and How to Formulate Capacity Indicators

# Annex 1: Further information on capacity development

***Key websites and information resources***

- Capacity.org

Portal for the practice of capacity development and home of the capacity.org journal. Takes a systems-thinking approach to capacity development, as per the ECDPM 2008 DFID-funded report.

- CD Alliance

The CD Alliance is an informal and flexible forum for Southern political leaders to discuss, share experiences, identify best practices and advocate for effective capacity development.

- International Dialogue on Peacebuilding and Statebuilding

Provides a new opportunity for policy discussions aimed at improving national and international efforts in fragile and conflict-affected situations. It brings together fragile and conflict-affected countries and regions, development partners and international organisations. Includes a working group on capacity development.

- LenCD (Learning Network on Capacity Development)

LenCD has been working closely with the OECD, with a focus on joint south-north learning. Their website has links to collections of case studies, research and policy papers and discussions about capacity development.

- OECD DAC Initiative on Capacity Development

The OECD's Initiative on Capacity Development has the task of helping donors and partner countries to implement the commitments made on capacity development in the Accra Agenda for Action, and ensuring that capacity development concerns are integrated across the DAC's agenda.

- UNDP Capacity Development Portal

Excellent resource on capacity development and UNDP's approach to capacity development. Includes information about UNDP's 2010 "Capacity is Development" conference along with an excellent collection of case studies.

- UN Knowledge Campus

A free self-paced on-line guide to capacity development. Login as guest.

- World Bank Capacity Development Resource Center

Aims to improve thinking and practice around results-oriented capacity development, this website provides an overview of literature, lessons learned, and good practices, as well as links to development agencies and other knowledge sources.

- World Bank Institute Capacity Development and Results Practice

Connects sources of knowledge and develops and shares innovative tools and resources to advance results-focused capacity development programs and strategies.

***References and useful documents***

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Brinkerhoff, D. (2009) *Developing capacity in fragile states.* Public Administration and Development, Vol. 30, pp.66-78.

DFID (2002) *Capacity development: Where do we stand now?*

DFID (2003) *Promoting institutional and organisational development: A source book of tools and techniques.*

DFID (2006) Eliminating world poverty: *Making governance work for the poor.*

DFID (2006b) *Evaluation of DFID-funded technical cooperation for economic management in sub-Saharan Africa.*

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DFID (2005) *Capacity development and statebuilding: Issues, evidence and some implications for DFID* (Graham Teskey).

ECDPM (2008) *Capacity, change and performance.*

ECDPM (2008b) *Capacity, change and performance – Insights and implications for development cooperation,* Policy Management Brief 21.

European Commission (2006) *Institutional assessment and capacity development: Why, what and how?*

European Commission (2009) *Toolkit for capacity development.*

Capacity WORKS GIZ's management tool for sustainable development.

Improving Institutions for Pro-Poor Growth Research Programme (IPPG) (2010) Beyond Institutions: Institutions and organizations in the politics and economics of growth and poverty reduction – a thematic synthesis of research evidence

International Dialogue on Peacebuilding and Statebuilding – Working Group on improving external assistance to Capacity Development in Fragile Situations (2011)

OECD (2006) *The challenge of capacity development: Working towards good practice.*

OECD DAC (2010) *Peer Review of UK Development Assistance.*

OECD (2011) *Capacity development in aid business processes: Getting it right.* Issues Brief 9.

Partner Country Position Paper for Busan High Level Forum Four (June 2011)

Lant Pritchett, Michael Woolcock, and Matt Andrews. 2010. "Capability Traps? The Mechanisms of Persistent Implementation Failure." CGD Working Paper 234. Washington, D.C.: Center for Global Development.

UNDP (2008) *Supporting capacity development: The UNDP approach.*

UNDP (2009) *Capacity development: A UNDP Primer.*

World Bank Institute (2009) *The capacity development results framework: A strategic and results-oriented approach to learning for capacity development.*

# End notes

[i] OECD (2006) Capacity Development: Working towards good practice, p.12

[ii] OECD (2010) DAC Peer Review of UK Development Assistance - Main Findings and Recommendations p.1

[iii] OECD (2010) DAC Peer Review of UK Development Assistance 0 - Secretariat Report pp.56-59 and 64-65.

[iv] Oxford Policy Management (2006) Developing Capacity? An Evaluation of DFID-funded Technical cooperation for Economic Management in Sub-Saharan Africa – Synthesis Report

[v] Operations Evaluation Department (2005) Capacity Building in Africa: An Evaluation of World Bank Support

[vi] Oxford Policy Management (2012) Multi-Stakeholder Evaluation of Public Sector Governance Reform – Draft Synthesis Report

[vii] ECDPM (2008b) Capacity, change and performance – Insights and implications for development cooperation, Policy Management Brief 21.

[viii] Improving Institutions for Pro-Poor Growth Research Programme (IPPG) (2010) Beyond Institutions: Institutions and organizations in the politics and economics of growth and poverty reduction – a thematic synthesis of research evidence.

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[xviii] DFID (2002) Conducting Institutional Appraisal and Development, chapters 2-3

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[xxi] University of Birmingham (2006) A joint Evaluation of General Budget Support – 1994-2004 Synthesis Report ; OECD DAC (2011) Application of new approach to the evaluation of Budget Support operations: Findings from Mali, Zambia and Tunisia Synthesis Report

[xxii] 57% (against a target of 50%) of technical co-operation implemented through co-ordinated programmes consistent with national development strategies. OECD (2011), Aid Effectiveness 2005–10: Progress in implementing the Paris Declaration, OECD Publishing. Page 19.

[xxiii] Technical cooperation (together with food aid) is not included in the DAC recommendation to untie aid. In 2009, 64% of all bilateral technical cooperation was reported as untied, 22 % tied, with the status of the remaining 14% not reported. OECD (2011), Aid Effectiveness 2005–10: Progress in implementing the Paris Declaration, OECD Publishing. Page 54

[xxiv] OECD source

[xxv] http://www.dfid.gov.uk/About-us/How-we-measure-progress/Aid-Statistics/Statistics-on-International-Development-2011/SID-2011-Section-3-How-much-is-UK-Expenditure-on-International-Development/

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