

**DEVELOPING CAPACITY?
AN EVALUATION OF
DFID- FUNDED
TECHNICAL CO-OPERATION
FOR
ECONOMIC MANAGEMENT
IN SUB-SAHARAN AFRICA
SYNTHESIS REPORT**

Oxford Policy Management

Foreword

This study of Technical Cooperation in support of Economic Management in a number of Sub-Saharan African countries (Ghana, Kenya, South Africa and Zambia) was undertaken by Oxford Policy Management as part of the programme of independent evaluation studies commissioned by the Evaluation Department (EVD) of the Department for International Development (DFID).

This study was undertaken in a rapidly changing environment, and its findings are interpreted within the broader changes in the aid environment. It points towards the significance of the growing use of general budget support (poverty reduction budget support in DFID) and sector budget support, and the related need for greater specification and design of technical cooperation interventions within that context, a finding echoed in the recent joint evaluation of General Budget Support (IDD, 2006).

Additionally, the increasing importance of harmonised support and 'pooling' of technical cooperation is highlighted as a potentially useful way forward. A short desk study of technical cooperation pooling was therefore included within the study. OPM consider that pooling is likely to be an important aspect of the design of future strategies for capacity development – although their finding is that its use is at an early stage. Much has yet to be learned about the use of 'pooling' as a means of enhancing the effectiveness of technical cooperation. We acknowledge the implication that effective pooling will be important as an instrument to achieve greater donor harmonisation, and that its use should reflect increasing emphasis on the importance of appropriate country ownership.

There were a number of changes in the evaluation design as the study evolved. It was originally intended to undertake a study of technical cooperation as an aid 'instrument', to complement work already being undertaken on general budget support. However, as the inception phase proceeded, it was agreed that the study should instead focus on the contribution of technical cooperation to capacity building in one specific area, that of economic management. This was largely because of the potential danger of attributing to technical cooperation (a method of delivering aid) the effects which are in fact associated with the wider and more entrenched challenges of effective capacity development. We hope that this more focused approach has been productive, producing broadly applicable findings, beyond the specific area of economic management. A discussion of the most recent literature on capacity building has been included, to help shape the context for the evaluation.

The authors highlight some of the necessary limitations to the design of the study: many of the technical cooperation interventions evaluated were small-scale and limited in scope, and many were not explicitly designed to contribute to capacity development 'per se'. Nevertheless, we acknowledge that it is useful to consider to them within that framework, and some very useful findings and recommendations are put forward by the authors of the study, including in particular the following:

- In designing capacity building interventions, a more rigorous and systematic approach to the assessment of the institutional context is required.
- While pooling initiatives have now begun to realise their potential for improving ownership, there remain important constraints on progress.
- The commitments towards strengthening harmonisation and alignment that are set out in the Paris Declaration provide an improved framework for the effectiveness of capacity development.

- TC can be highly effective in a range of contexts, including contexts where the institutional setting for capacity development is poor – indeed it may be of most value in achieving transactional impact in such conditions – but this effectiveness is not necessarily related to capacity development.
- The quality and appropriateness of skills for the role administered by the TC provider and beneficiary organisation are critical, with interpersonal skills being particularly important.
- Even in relatively unfavourable environments for capacity development, greater attention to the design of particular activities could increase the capacity development impact.
- Lack of progress in civil service reform is the most significant factor in explaining the limited capacity development impact achieved (this was the case in three of the four country case studies).
- The style and techniques of TC project management by DFID have a major bearing on the success of the activities.

We will work with DFID's Policy Division to translate these findings into useful lessons for the organisation.

The study is published as a Synthesis Report only. A PDF version of the Synthesis and the supporting case studies is available electronically (and on request) on DFID's external web-site.

The study was initiated and managed until late 2005 by Bernabe Sanchez and Joe Reid. The final stages were managed by Alison Girdwood and Miguel Laric. Contributions from an internal reference panel, comprising Tessa MacArthur, Stephen Sharples, John Burton, and Sam Sharpe were welcome. We are most grateful for the help and cooperation provided by a number of DFID country offices, including in particular the four case study offices (Ghana, Kenya, South Africa and Zambia), as well as those involved in the pooling study.

Nick York

Head, Evaluation Department

Preface/Disclaimer

This evaluation was commissioned and funded by the UK Department for International Development. However the report is the responsibility of the consultants alone and neither the conclusions drawn nor the analysis presented should be attributed to DFID.

This report was prepared by a team comprising: Stephen Jones (study director), Val Imber (country team leader, South Africa and Zambia, and leader for pooling study), John Gray (country team leader, Kenya), Andrew Lawson (country team leader, Ghana), Adom Gartey (organisational/capacity development expert, Ghana), John Kashangaki (economic management expert, Kenya), Donald Maphiri (economic management expert, South Africa), Inyambo Mwanwina (economic management expert, Zambia), Ole Therkildsen (organisational/capacity development expert, Zambia), Andrew Wyatt (organisational/capacity development expert, Kenya and South Africa), and Katarina Kotoglou and Aarti Shah (researchers). Nils Boesen contributed to the development of the study methodology but was forced to withdraw from the Ghana country team as a result of illness. Anne Thomson provided quality assurance.

Thanks are due to the many DFID staff and others who have contributed time and views to the evaluation team.

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Abbreviations

BED	Budget and Economic Division, Ministry of Finance and National Planning (Zambia)
CAP	Country Assistance Plan (DFID)
CPIA	Country Policy and Institutional Assessment
CSP	Country Strategy Paper (DFID)
CSR	Civil Service Reform (Kenya)
DAC	Development Assistance Committee
DFID	Department for International Development
DPE	Department of Public Enterprises (South Africa)
ECDPM	European Centre for Development Policy Management
ERS	Economic Reform Strategy (Kenya)
GBS	General Budget Support
GEAR	Growth, Employment and Redistribution Strategy (South Africa)
GPRS	Ghana Poverty Reduction Strategy
GSA	Government of South Africa
GRZ	Government of the Republic of Zambia
HIPC	Highly Indebted Poor Country
HMT	Her Majesty's Treasury
HRIP	Department for Human Resources, Information and Planning, Office of the President
IAU	Internal Audit Unit, Ministry of Finance and National Planning (Zambia)
ICASA	Independent Communications Authority for South Africa
IFMIS	Integrated Financial and Management Information System (Kenya)
IMF	International Monetary Fund
IP-ERS	Investment Programme of the Economic Recovery Strategy (Kenya)

IP-ERS MED	IPERS Monitoring and Evaluation Department (Kenya)
IPPD	Integrated Personnel and Payroll Database Project (Ghana)
IT	Information Technology
KACA	Kenya Anti-Corruption Agency
KIA	Kenya Institute of Administration
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KLGRP	Kenya Local Government Reform Programme
MDG	Millennium Development Goal
M&E	Monitoring and Evaluation
MF	Ministry of Finance (Kenya)
MMD	Movement for Multiparty Democracy (Zambia)
MTEF	Medium Term Expenditure Framework
MOFEP	Ministry of Finance and Economic Planning (Ghana)
MOLG	Ministry of Local Government (Kenya)
MPND	Ministry of Planning and National Development (Kenya)
NARC	National Rainbow Coalition (Kenya)
NDPC	National Development Planning Commission (Ghana)
NPP	National Patriotic Party (Ghana)
NT	National Treasury (South Africa)
ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development
OP/DPM	Office of the President, Directorate of Personnel Management (Kenya)
OPM	Oxford Policy Management
PCR	Project Completion Report
PEM	Public Expenditure Management
PEMFA	Public Expenditure Management and Financial Accountability (Zambia)

PER	Public Expenditure Review
PFM	Public Financial Management (Ghana)
PGBS	Partnership General Budget Support
PMECP	Payroll Management and Establishment Control Project (Zambia)
PRGF	Poverty Reduction and Growth Facility (Zambia)
PROLOGS	Poverty Reduction through Optimising Local Government Systems (Kenya)
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PSCAP	Public Sector Capacity Building Programme
PUFMARP	Public Financial Management Reform Programme (Ghana)
RIZES	Revenue Institutions Zambia Extended Support
SERP	Support for Economic Reform Project (South Africa)
SOE	State-Owned Enterprise
SRPESA	Support for Restructuring of Public Enterprises South Africa Project
TA	Technical Assistance
TC	Technical Cooperation
TCO	Technical Cooperation Officer
TNDP	Transitional National Development Plan (Zambia)
TPU	Tax Policy Unit, Ministry of Finance and National Planning (Zambia)
UNDP	United Nations Development Programme
VAT	Value Added Tax
VIPS	Value Added Tax Information Processing System
ZNCB	Zambia National Commercial Bank
ZPA	Zambia Privatisation Agency
ZRA	Zambia Revenue Authority

Executive Summary

Overview of the evaluation

S1. This evaluation of DFID technical cooperation (TC) for strengthening economic management in Africa is based on four country case studies (of Ghana, Kenya, South Africa and Zambia) and focuses mainly on the period 1999-2004. The evaluation sought to understand the contribution of technical cooperation to the development of *organisational capacity for economic management* – that is the ability of the key organisations (Ministries, Departments) involved in the economic management process to discharge their functions, where organisational capacity can be described in terms of three dimensions, which interact with external factors in determining outputs:

- Individual capacities within an organisation (staff numbers, skills, productivity).
- The organisational framework (which determines how individual capacities are deployed and combined). This includes the organisational structure, the quality of management and the modes of working.
- The institutional framework which includes the organisation's mandate, incentives for performance, structures of accountability, and operating rules, for instance in relation to finance and personnel.

S2. The main information sources used for the evaluation included:

- A review of DFID project documentation.
- Interviews with current and past DFID staff.
- Interviews with providers of TC services.
- Staff of organisations receiving TC.
- Staff of other government organisations with responsibility for capacity development and technical cooperation policies.
- Interviews with other informed observers including representatives of other donors and civil society organisations.
- A wider review of recent literature on capacity development and technical cooperation used to identify hypotheses for the evaluation to examine.
- A desk study of TC pooling initiatives in three African countries (Ethiopia, Mozambique, Tanzania).

S3. The country case studies assessed DFID's support to the following organisations:

Ghana

Ministry of Finance and Economic Planning – support to public finance reform, financial management reform, Integrated payroll and personnel database.

National Development Planning Commission – support to poverty monitoring, monitoring and analysis project.

Value Added Tax (VAT) Service – support to VAT implementation.

Kenya

Ministry of Finance – support to public expenditure management and integrated financial management information system.

Ministry of Planning and National Development – Monitoring and evaluation.

Office of the President, Kenya Institute of Administration – support to civil service reform.

Ministry of Local Government – local government reform.

Kenya Anti-Corruption Authority – anti-corruption policy.

South Africa

National Treasury – strengthening planning, budgeting and financial management.

Department of Public Enterprises – support to state-owned enterprise restructuring.

Zambia

Ministry of Finance and National Planning – support to public expenditure management and to tax policy.

Zambia Revenue Authority – organisational development, computerisation of direct tax, creation of integrated tax administration system.

Office of the President – payroll management and establishment control.

Main findings of the evaluation – results of DFID's technical cooperation

Relevance

Were the objectives of the support and of the organisations supported consistent with DFID's objectives?

S4. All the DFID activities reviewed addressed important problems of economic management in the countries concerned and were focused on organisations, processes and systems with the potential to have a significant and transformational effect on aspects of public sector performance that were identified as important for poverty reduction. Problems were encountered where there were unresolved issues about the role, mandate or policies of the organisation supported.

Were the activities relevant to the needs of the organisation and to the context?

S5. A general theme through the activities reviewed was the limited extent to which an adequate analysis of the implications of either the wider institutional context or of organisational capacity was undertaken and/or sufficiently informed project design. In general, a clear distinction between transactional and transformational (capacity development) objectives was not made in the specification of the objectives of project activities, and most activities did not clearly articulate how transformational impact was to be brought about. For this reason the relevance of many of the activities reviewed is questionable, despite the appropriately strategic focus of the DFID support.

Was the support consistent with actions being taken by other development partners and by the government?

S6. In Ghana, Kenya and Zambia, the DFID supported activities have generally formed part of a wider multi-donor effort in support of reform agendas articulated by government around Poverty Reduction Strategies. This framework of cooperation has become more effective and formalised in Ghana and Zambia as moves have been made towards Highly Indebted Poor Country (HIPC) completion and as the commitment (by many but not all of the significant donors) to general budget support as the preferred aid modality has strengthened. In South Africa (unlike any of the other case study countries), the government has articulated a policy framework for the use of technical cooperation for capacity development.

Was there a consultation or management process to ensure the continuing relevance of the support?

S7. The processes of consultation and management around the activities reviewed were generally effective, and in some cases compensated for weaknesses in the original project design and responded well to changes in context.

Effectiveness

Were the intended outputs produced?

S8. In general planned project or programme outputs have been produced successfully. The problem of failure to produce planned outputs has been greatest for some support to complex processes of systems reform within government ministries and where issues about the role and management of the organisation supported have not been fully resolved.

S9. Long-term technical cooperation has been most effectively provided where the provider is of a high technical calibre and is seen by the organisation being supported as responsive to its needs and as under its direct management control. In the case of short-term technical cooperation, the provision of flexible consultancy resources has in most cases been effective at a transactional level. Cases where outputs have not been achieved have been characterised by:

- Technical weaknesses or lack of appropriate (particularly interpersonal) skills among the TC providers.

- A perception from the organisation supported that it had insufficient effective control over the providers.
- Insufficient attention to issues about organisational capacity and hence the capacity to use short-term support effectively.
- Lack of effective government commitment to the reforms supported (leading to decisions to terminate support to anti-corruption initiatives and civil service reform in Kenya).

Were they generated in a way to maximise ownership by the organisation and government and alignment with government actions?

S10. Ownership has been variable. In Ghana, ownership within the National Development Planning Commission and VAT Service was assessed as strong but it was much weaker in the Ministry of Finance and Economic Planning and at the level of overall effective political commitment to reform. In Kenya, ownership within the organisations supported has generally been strong but has been much more fragile at the political level. In South Africa, ownership was strong. In Zambia ownership within the organisations supported has been strong but progress on the wider reform agenda was limited over much of the period of the evaluation.

S11. Some aspects of project design, procurement and management as noted above have not maximised ownership, particularly where the organisation supported has not had effective control over consultant selection and management.

Were they generated in a way to maximise harmonisation with initiatives from other development partners and alignment with government initiatives?

S12. Harmonisation with other donors has generally been strong and has improved to the extent that wider frameworks for coordination have been developed, for instance in Ghana and Zambia.

Were they generated in a gender-sensitive manner, which might promote mainstreaming of gender concerns with the organisation?

S13. Gender issues have not been explicitly addressed in the activities reviewed and have generally not been regarded as relevant to the objectives of the activities supported.

Efficiency

Were the outputs generated efficiently in terms of their costs and timeliness?

S14. The efficiency of the activities reviewed has varied significantly (as has the levels of expenditure involved). Some strategic support that has responded to very clear government needs was judged to have had a significant impact for very modest expenditure (e.g. support to the National Treasury (NT) in South Africa in bringing UK experience to bear on the improvement of the budget system, and in helping Zambia achieve HIPC completion). The support to development of the integrated financial management information system in Kenya was also judged highly efficient in comparison

to similar initiatives elsewhere in Africa. By contrast the support to payroll system development in Ghana was judged as exceedingly inefficient, while the efficiency of support to the similar initiative in Zambia was assessed as questionable. Quality of design and procurement (particularly in matching skill requirements to needs) seem to be the main determinants of efficiency.

Impact

Did the provision of the outputs lead to results? Was any impact achieved either transactional or transformational?

S15. A consistent picture emerges across the case study examples. DFID's TC support has contributed in many cases towards the development of improved systems and procedures (e.g. for budgeting, financial management, monitoring and evaluation, audit, payroll management) that if fully implemented could significantly improve aspects of economic management. Failure to achieve this level of contribution is associated either with situations where support has been terminated because of lack of government commitment and progress (the cases in Kenya), uncertainty about the mandate of the organisation supported (Tax Policy Unit in Zambia), and management weaknesses or design flaws. In some other cases, support has been mainly transactional – that is assisting organisations to perform their functions without necessarily strengthening their capacity to perform the functions without continued support.

S16. However, in most cases the realisation of this potential depends on a strengthening of government commitment to the use of these systems and procedures, as well as to measures to address constraints on the capacity of the organisations supported, notably in relation to staffing and incentives but also in some cases in relation to the role and mandate of the organisation.

S17. As a result, it is only in a minority of the cases reviewed that a capacity development impact can be identified. The main examples are support to the National Treasury in South Africa (a notably well-staffed organisation with a clear mandate and well-articulated reform agenda) the Ghana VAT service and the Zambia Revenue Authority. Both of the latter have established management and remuneration systems outside the normal civil service structure in each country, and have been the subject of sustained and long-term external support, which has helped to build a strong organisation.

S18. A significant problem in the assessment of capacity development impact is that the activities reviewed in general did not involve exercises to benchmark capacity and capacity targets were not set¹. As a result, monitoring of capacity impact was either not built into the project monitoring and evaluation system or was not done so using a consistent analytical framework (for instance one that distinguished the wider institutional setting, the elements of organisational capacity, or individual staff capacities). The absence of such a systematic framework or focus on capacity development limits

¹ It is important to note that the activities covered were not conceived or designed as comprehensive programmes of organisational capacity development for the organisations concerned, though several were implemented within the framework of wider programmes of organisational development support.

significantly the quality of the information on which judgements about capacity development impact can be based. The lack of such a framework is a reflection of the fact that DFID has not, to the knowledge of the authors when preparing these studies, articulated strategic approaches to capacity development either globally or within the country strategies for the case study countries.

Sustainability

To what extent have transformational impacts been sustained beyond the period during which inputs were provided? Was there a coherent exit and sustainability strategy?

S19. Only in a minority of the activities evaluated has a sustained impact on capacity been achieved. These have been where the mandate of the organisation supported is clear and issues of management, staff retention and incentives have been satisfactorily addressed. The critical issues for sustainability are the extent to which the organisations supported can develop and retain the skills needed to use new systems that the DFID support has helped to develop, and the extent to which there is political and managerial commitment within the organisation to using them. These issues have not been addressed through the activities supported although the wider public sector reform agendas in Ghana and Zambia have included measures focused on these problems. These have however not been effectively implemented. Outside South Africa, the resolution of problems about staff incentives and management have only been achieved within the Zambia Revenue Authority and Ghana VAT Service.

Evidence on capacity development technical cooperation emerging from the evaluation

Evidence on the significance of the context

S20. The evaluation evidence suggests that the wider institutional setting has been a major factor in determining the extent to which TC has both been effective and has served to develop capacity. The evidence from the case studies suggests that a favourable institutional setting appears to be necessary but not sufficient to bring about improvements in organisational capacity:

- *Influence of political commitment to capacity development:* South Africa provided a favourable institutional context, which meant that some TC was able to contribute to a major transformational impact even on the basis of the expenditure of quite limited resources. All of the activities reviewed in South Africa were judged effective.
- *Limits to capacity development impact in unfavourable contexts:* In situations where the institutional context remained unfavourable it was still possible for TC to be used effectively in a more transactional role.
- *Pay and management structures:* None of the activities reviewed in Ghana, Kenya or Zambia resulted in clear evidence of improved organisational capacity within government, except in agencies where there was both sufficient clarity about, and government commitment to, their role and objectives. The two cases where this

occurred focused on improving revenue performance. Most fundamentally, measures had been taken to address staffing and management constraints, outside the framework of normal civil service rules.

- Even where the environment is highly constrained, it does appear that appropriate design of a TC activity may enhance the likelihood of capacity impact.
- *Quality of leadership:* As noted in the Ghana case study in relation to the National Development Planning Commission, good leadership in the organisation supported, political support for key reform measures, and well-structured and well-delivered TC activities may be particularly important factors for success where the institutional environment is unfavourable.
- *Policies on technical cooperation and capacity development:* Had clearly articulated government policies towards the use of TC and capacity development been in place (and implemented) in Ghana, Kenya, and Zambia, it is possible that the capacity development impact of the activities reviewed would have been enhanced. DFID itself has not implemented any overarching policies to guide the use of TC and capacity development, at least as evidenced by the activities under review, and so has not substituted for this lack of policy guidance from partner countries. The DFID country strategies did not generally provide guidance on how TC should be used and made most effective in the country context.

Evidence on identification and design

S21. The evidence from the evaluation supports the view that an understanding of the wider institutional context, as well as the specific features of the organisation, is critical in designing TC activities and for effective capacity development. Generally the design of the activities reviewed did not pay sufficient attention (at least as reflected in the project documentation) to the analysis of the context at either level. More systematic guidance and project appraisal procedures (prompted either by DFID or by the aid receiving government) would probably have improved performance and enhanced impact even in unfavourable circumstances.

S22. The findings also suggest that there has been some tendency to overestimate partner capacity and commitment. This was particularly the case in Ghana. In Kenya, most of the activities reviewed were designed with an awareness that government commitment to reform might be fragile, and included milestones that were related to commitment and evidence of progress, so that exit or suspension was possible in an orderly manner. In the case of South Africa, support to the Department of Public Enterprises was based on assumptions that the Government was clearly committed to privatisation, when in practice the policy position was not fully resolved.

S23. *Harmonised and aligned approach to capacity development:* The most successful activities reviewed were marked by high levels of government ownership and consensus between DFID and other development partners on priorities and approach, and on close involvement of the organisation receiving support in the selection of TC providers. Examples include the support to the Budget Division in Zambia (where DFID essentially provided a mechanism for enabling the organisation to retain and use effectively a key external consultant), the support to the National Treasury in South Africa and support to

the VAT Service and to NDPC in Ghana. By contrast, activities that encountered problems or were less successful tended to be marked by weaknesses in ownership and features of the design including the procurement process.

Evidence on TC provider characteristics and role

S24. The evidence from this evaluation strongly suggests the need for caution in drawing any general conclusions about the relationship between the “type” of technical cooperation provided and its effectiveness and impact. The overall context in which the support is provided and the quality of the design and management of the activity appear to be much more fundamental determinants of success.

Evidence on management and delivery of technical cooperation

S25. The evaluation findings suggest that the style and techniques of TC project management by DFID have a major bearing on the success of the activities. Specific management issues that are highlighted from the case study experience are the following:

- Effectiveness is likely to be enhanced where the choice of contractors is a joint decision by DFID and Government and where rigorous interview based selection of consultants is used.
- The quality of certain types of project is likely to be enhanced by the provision of an independent, properly qualified Quality Assurance overseer, who can advise both Government and DFID as an honest broker.
- The use of project management units operating outside the normal civil service structure may be useful and necessary for the task of carrying through a particular task like the management of the development of a new IT system but impact and sustainability is in question unless underlying staffing and capacity constraints are addressed.
- The use of special allowances and performance bonuses was not judged successful in the cases reviewed.

Evidence on TC pooling initiatives

S26. The background study on TC pooling found that there has been significant progress in improving harmonisation and alignment driven in large part by moves towards providing general budget support and sector support compared to the situation in 2001. Joint strategy processes and related organisational mechanisms have been developed to strengthen coordination. Governments are increasingly articulating the objective of moving towards receiving aid through General Budget Support (GBS) and of strengthening capacity to procure and manage TC. Policies towards capacity development and the use of technical cooperation are also being developed.

S27. In terms of the TC funding arrangements used, there has been progress towards extending and deepening pooling arrangements, but in practice different arrangements coexist in each of the countries and sectors examined. While significant progress has been made at the policy level in the approach to TC management, in each of the countries

there are constraints to effective implementation, with recognition that capacity development in procurement and financial management in particular is required.

S28. Compared to the earlier assessment by Baser and Morgan in 2001, progress appears to have been made in several areas:

- Progress has been made in addressing the capacity constraints that they identified as obstacles to progress, including through a more realistic assessment of the time and resources required to establish effective mechanisms. This is recognised in the range of arrangements that are being used.
- National ownership of both the overall policy agenda for harmonisation and alignment in relation to TC, and in relation to the management of TC under the arrangements reviewed, does seem to be increasing, though it is not complete particularly in relation to the strategic management role.
- The lesson that incremental and context-sensitive approaches work best appears generally to be reflected in the approaches taken for advancing the initiatives reviewed.
- This study has not been able to examine whether the introduction of these arrangements has led to a reduction in the quantity or cost of TC, though the arrangements may have led to an increase in the effectiveness of TC as a result of greater government ownership and more transparent selection procedures.
- Making progress in establishing pooling arrangements remains labour-intensive and time-consuming for both donors and government.

S29. The overall conclusion of the pooling study is that while pooling initiatives have now begun to realise their potential for improving ownership, there remain important constraints on progress. Key strategic decisions tend to remain under joint (effectively donor) control, and there is a conflict between the ability to meet urgent demands (which can be effectively addressed by informal coordination arrangements or individual bilateral donors) and the process of capacity building for effective procurement and management of assistance. The scope for progress (and the priority to be placed on moving forward in this area, compared to lower cost and simpler processes of coordination and cooperation between donors) depends on the national context but the long-run determinants of success are likely to be the strength of government commitment to exercising more effective control over TC, and the level of success in developing organisational capacity for effective procurement and financial management.

Implications for DFID policy and practice

S30. The following implications emerge from the evaluation for DFID's policy and practice in the provision of support to capacity development and the use of technical cooperation:

- The commitments towards strengthening harmonisation and alignment that are set out in the Paris Declaration provide an improved framework for the effectiveness of capacity development and for technical cooperation in many contexts. All of DFID's practice should continue to emphasise and reinforce these commitments and the

principles behind them. This should include the articulation of and commitment towards strengthening the capacity of governments effectively to manage and use technical cooperation resources.

- A more rigorous and systematic approach to the assessment of the institutional and organisational context is required if DFID's activities are to contribute to the sustainable building of capacity. This needs to be reflected in a long-term and strategic approach to engagement in capacity development processes and a greater attention to understanding the process by which change may occur as well as strengthened monitoring of key factors affecting the scope for effective capacity development. Both DFID's general policy guidance, and the treatment of capacity development issues within Country Assistance Plans may need to be reviewed.
- In general achieving transformational impact requires a wider framework of action (that will need to be agreed and implemented with involvement from all donors and clear government leadership) that addresses identified institutional and organisational issues. The implementation of reforms and strengthening of management within the public sector of the government supported will be the key steps in this process. In the absence of progress in these areas, there may be a case for providing support with a more explicitly transactional focus as well as for some investment in systems development, but the limitations of what this is likely to achieve in terms of longer-term capacity development and impact need to be recognised.
- TC can be highly effective in a range of contexts (including ones where the institutional setting for capacity development is poor – indeed it may be of most value in achieving transactional impact in such conditions) but this effectiveness is not necessarily related to capacity development. Technical cooperation is not fundamentally what builds organisational capacity, since high levels of organisational effectiveness are in general needed for technical skills to be absorbed and used within an organisation. It would be helpful also to move away from the common tendency in donor practice to equate TC with capacity development.
- For long-term technical cooperation staff (whether provided as consultants or seconded staff), the quality and appropriateness of skills for the role and organisation are critical, with interpersonal skills being particularly important. Selection processes should be as rigorous and individualised as would apply for the appointment of permanent staff within the organisation. Where technical cooperation is provided to an organisation, the lines of reporting and management control should be extremely clear and the organisation supported should play the key role in the selection and management of technical cooperation staff, against clearly defined objectives and criteria.
- Even in relatively unfavourable environments for capacity development, greater attention to the design of particular activities (including the terms of reference for TC providers) could plausibly be expected to increase the capacity development impact. General principles of good project design and management apply in relation to TC as much as in any other type of project and are particularly important in difficult contexts.
- Lack of progress in civil service reform emerges as the most significant factor in explaining the limited capacity development impact achieved in three of the four country case studies, and this issue (and the constraints it imposes) does not seem

to be sufficiently addressed in the various recommendations on capacity development that emerge from the recent evaluation and policy literature. This suggests that DFID should strongly emphasise the fundamental importance of effective reform in this areas, and support measures that contribute to progress in addressing this issue through coordinated donor and government action, noting the limited success that has been achieved in this area to date and the substantial obstacles to reform that there appear to be in many countries. Exploring the conditions for success for wider public sector reform initiatives (and what role donor agencies might play in bringing about these conditions) emerges as a priority for further investigation.

1. Introduction

Objectives and scope of the evaluation

1.1 This report presents the findings of an evaluation of DFID technical cooperation² (TC) for strengthening economic management in Africa. It is based on four country case studies (of Ghana, Kenya, South Africa and Zambia) focusing mainly on the period 1999-2004. Within each country, the evaluation concentrated on DFID activities that were identified as providing TC support to organisations whose functions played an important role in the economic management process.

1.2 The framework for the evaluation (described in Section 3) sought to identify the influence of TC (as one input provided in a wider context) on organisational capacity, and in line with the main purpose and questions specified in the terms of reference (Annex A):

“To map and test the chain of results from DFID-funded TC personnel inputs to enhanced partner country capacity and better policies and service delivery. In doing so, lessons will be drawn on the best ways to provide TC personnel in different contexts in order to maximise effectiveness, efficiency and impact on partner country capacity. The key broad questions that will be answered are:

- To what extent does DFID TC aim and achieve to (1) bridge capacity constraints in order to deliver operational outputs (“getting the job done”) and (2) support partner country capacity development?
- What have the most efficient and effective ways of providing long-term TC personnel to Africa been for DFID (focusing on differences between consultancy and other personnel such as TCOs³ and Overseas Development Institute (ODI) fellows⁴, short and long-term personnel, local and expatriate consultants)?
- What is the role of recipient country ownership in the delivery of DFID TC? What difference does it make to the effectiveness, efficiency, impact and sustainability of TC?
- How does the context in which DFID TC is delivered influence the relationships mapped above?”

1.3 The terms of reference for the evaluation did not provide a definition of “capacity development” but stressed that:

² The terms Technical Cooperation and Technical Assistance are used interchangeably in this study. Technical cooperation is defined in the terms of reference (and following OECD DAC guidelines) as “the provision of advice and/or skills, in the form of specialist personnel, training and scholarships, grants for research and associated costs.” This definition was narrowed for the purposes of the evaluation to focus on DFID-funded TC personnel, where TC personnel is defined as assistance provided to recipient countries in the form of specialists, including consultants, distinguishing between long-term (one year or longer) and short-term (less than one year). This broad categorisation includes the situation where long-term contracts may be used to provide short-term inputs delivered in a variety of systematic or ad hoc ways.

³ Technical Cooperation Officers, i.e. staff employed by DFID to provide technical cooperation to supported organisations.

⁴ Junior staff selected through a competitive process by the Overseas Development Institute to serve two year assignments in (usually) line civil service positions in developing countries, being paid on local terms plus a supplementation payment.

- Different types of capacity need to be considered.
- Capacities relate to the stage of the policy process (planning, implementation, monitoring, evaluation).
- Capacity development needs to be examined at individual, institutional and societal levels.
- At least six key facets of capacity development need to be addressed – knowledge acquisition, institution building, institutional and environment partnerships, policy environment, country commitment and autonomy, and results and accountability.

1.4 The approach adopted for the evaluation was to focus on organisational capacity for economic management – that is the ability of the key organisations (Ministries, Departments) involved in the economic management process to discharge their functions. This includes strengthening the capacity of these organisations to define policy objectives, reach policy decisions, design policy instruments and implement them effectively.

1.5 Annex B sets out the evaluation matrix used for the country studies and the main sources of information used and section 3 describes the framework and approach used for the evaluation.

Structure of the report

1.6 Section 2 of this report reviews key themes in recent policy debate on capacity development and technical cooperation, noting the emergence of a “new consensus” on capacity development and the main elements of the critique of technical cooperation as an aid instrument. On the basis of this review, issues in the debate are identified that the evidence from this evaluation might inform. Section 3 presents the conceptual framework and approach used for the evaluation and reviews issues that arose in applying the framework. Section 4 presents the findings of the evaluation in relation to the assessment of the results achieved and the impact on improving capacity for economic management. Section 5 returns to the themes and issues identified in Section 2 and discusses the light that the evaluation evidence sheds on them. Section 6 discusses what alternative strategies and approaches might have been used to achieve a greater impact and the implications for future DFID practice that emerge from the evaluation. Annexes contain the terms of reference and the generic evaluation matrix used for the country studies.

1.7 Volume 2 of the evaluation contains the four country case studies (Ghana, Kenya, South Africa and Zambia), an introduction that discusses methodological issues, and the desk study on TC pooling that was undertaken as an additional thematic background paper for the review.

2. Capacity Development and Technical Cooperation: Issues in the Policy Debate

2.1 This section reviews the recent literature and policy debates on capacity development and on technical cooperation. It discusses the main themes and elements of what is characterised in the literature as a new consensus or paradigm for capacity development, and the main elements of the critique of donor practice in the provision of technical assistance. On the basis of this review, specific issues are identified that have been a focus of investigation in the evaluation. The extent to which the evidence from the evaluation helps inform understanding of these issues and policy questions is examined in Section 5.

Capacity development: a new consensus?

2.2 Weak capacity, and the failure of past capacity development efforts, have been highlighted as central problems of Africa's development. For example, the Commission for Africa report states (Commission for Africa, 2005, pp135-6):

“Weak institutional capacity prevents the state from undertaking its responsibilities effectively, whether planning and budgeting, managing development assistance, providing services or monitoring and evaluating progress. Weak capacity is a major problem in most African countries. All tiers of government are affected... Tackling the huge need for capacity strengthening will have major knock-on effects for all the other areas of our report... Actions to strengthen capacity should therefore be a high priority... Many attempts have been made, with donor support, to reform the public sector and improve its capacity... However, a number of recent reviews have shown that results have often been poor.”

2.3 The report of a World Bank Task Force on Capacity Development in Africa (World Bank, 2005b) presents a more positive picture of recent progress, arguing that while over the period to 1990 there was little progress in capacity development in Africa, the situation has in general improved and that (pp 118-9):

“Since 1990, African countries have made important strides in laying the governance groundwork for accelerated capacity development... The recent capacity achievements in Africa are built around supply-side improvements in core public sector management, particularly public financial management, facilitated by societal engagement mainly at the macro level of electoral politics.”

2.4 The Task Force report suggests that this progress, together with commitments by donors through the Rome and Paris Declarations to changing the way they do business (p. 4), “adds up to a starting point that is much more propitious than at the launch of the Partnership for African Capacity Building in the 1990s.”

Evaluation of the World Bank's capacity building in Africa

2.5 In contrast to this relatively optimistic overall view of progress, the recent evaluation of World Bank capacity building activities in Africa (World Bank, 2005a) noted that although the Bank's approach has changed over the last ten years to reflect a growing recognition that (p. viii) “capacity building is a long-term process requiring a systematic approach, demand for improved public sector performance, and supply of well-structured organizations and skilled personnel” and despite improvements (such as a recognition in

the Bank's Country Assistance Strategies and in PRSPs that public sector capacity building is a core objective), the Bank's support for capacity building in Africa remains less effective than it could be. The report noted (p.6) that "capacity building lacks a fully articulated framework for assessing capacity needs, designing and sequencing appropriate interventions, and determining results." The evaluation noted a key finding that (p.8):

"External assistance can help on both the supply and demand sides of the process by providing inputs to enhance the functioning of the public sector and by strengthening structures of demand and accountability. But it cannot directly influence the cultural norms and political economy underpinning the demand for public sector performance. Therefore, capacity building efforts will succeed only where they take adequate account of the prevailing local politics and institutions, and are country-owned rather than donor-driven."

2.6 Several areas of weakness in the World Bank support evaluated were identified (p. viii):⁵

- Capacity development support remains fragmented, since "most projects embed capacity building activities in other program components and do not specify the capacity building objectives. Many such capacity building activities are not founded on adequate needs assessments and do not include appropriate sequencing of measures aimed at institutional or organizational change and individual skill building." It was noted (p.17) that "only half the projects reviewed in the country cases showed evidence of an assessment of the existing capacity to implement capacity building interventions. In the other half, the absence of such an assessment was the cause of serious delay or failure in implementing the planned capacity building measures" and that as a result (p.18) "lacking a diagnosis of core capacity, many plans have been unrealistic in both time frame and scope."
- The Bank's traditional tools for capacity building (technical assistance and training) have often proved ineffective and the Bank is not fully using all its available instruments to achieve capacity building impact.
- Quality assurance is weaker than in other aspects of the Bank's operations, so that "most activities lack standard quality assurance processes at the design stage, and they are not routinely tracked, monitored and evaluated."

2.7 The World Bank evaluation found that relative performance in capacity building across sectors appeared to be related positively to *specificity*, that is how readily output performance can be monitored and hence improvement measures identified and tracked,

⁵ The evaluation identified the following main recommendations to improve Bank practice (p. ix):

(i) The Bank should strengthen its knowledge base and amplify its framework for public sector capacity building to better help countries (a) prioritize capacity building activities and guide donor support, (b) link institutional, organizational, and human capacity development, and (c) transform traditional capacity building tools to improve results.

(ii) Sector-specific guidance should be developed on diagnosing public sector capacity needs, enhancing incentives for performance improvements and monitoring and evaluating interventions.

(iii) Country Assistance Strategies should be used more effectively to help countries identify and plan capacity development.

(iv) The Bank should reassess the role of training in capacity building support and how training should be provided.

and negatively to *transaction intensity*, that is (p.23) “how complex/conflictual the decision process is to get from inputs to outputs, including the number and strength of relevant interest groups and steps.” Thus capacity development performance was noted as particularly strong in the roads sector,⁶ characterised as having relatively high specificity and low transaction intensity, compared to primary education, which combined low specificity and high transaction intensity. Within the area of economic management, efforts to strengthen public finance accounting were noted as more successful than efforts to strengthen performance budgeting (where output monitoring was characterised as more difficult).

Elements of a new paradigm for capacity development

2.8 An important theme in the recent literature on capacity development, particularly in Africa, has been the emergence of a new paradigm (World Bank, 2005b, p.2) or an emerging consensus (OECD, 2006) on the reasons why capacity development efforts have not achieved more success. For example, the Organisation for Economic Cooperation and Development’s (OECD) Development Assistance Committee (DAC) Network on Governance report on good practice in capacity development notes (OECD, 2006, p. 3):

“[The] new consensus sees capacity development as a necessarily endogenous process, strongly led from within a country, with donors playing a supporting role. According to this vision, political leadership and the prevailing political and governance system are critical factors in creating opportunities and setting limits for capacity development efforts.”

2.9 The World Bank Task Force report on Capacity Development (World Bank, 2005b, pp 38-40) characterises the “new paradigm” for capacity development as embodying six lessons from experience:

1. Capacity development must emphasise the dual objectives of enhancing government effectiveness and raising social inclusion.
2. Governance matters for successful – and sustained – capacity development.
3. A big part of capacity development is unleashing existing capacity and making better use of local and diaspora talent.
4. It is crucial to establish a firm foundation for the reproductive system of skills, knowledge, and human competence – by strengthening the capacity to build capacity.
5. Donor support for capacity development is not merely an issue of funding enhanced technical capabilities – it is also an issue of changing the way such support is provided without destroying capacity or detracting from institutional development.
6. In developing strategies for capacity development, good practice needs to be balanced with the diversity of country contexts.

2.10 Levy (2004, p.25) in a review of lessons emerging from public sector reform in Africa refers to:

“A paradigm shift in the analysis and operational approach to building state capacity – from a narrow focus on organizational and public management approaches to a broader perspective

⁶ This finding contrasts with DFID (2005a) which considers that the evidence suggests that capacity development in the roads and highways sector has been particularly disappointing as a result of the failure to combat the malign effects of rent-taking activities in the sector.

that incorporates both the institutional rules of the game within which public organizations operate and the political dynamics.”

2.11 He summarises the new paradigm in four propositions:

- Bureaucracies are agents of political principals. So the behaviour of public bureaucracies cannot be understood without attention to their politically derived objectives, and capacities of public bureaucracies cannot effectively be built in isolation from broader systemic changes.
- Improvements in systems of accountability strengthen pressure for performance on public actors, so the building of accountability systems is particularly important.
- Political institutions and the structure of political interests that underpin systems of accountability are country specific, so the approach to building state capacity cannot be an undifferentiated “best practice” approach.
- Change processes can be cumulative, so entry points for reform and capacity building have the potential to catalyse further changes.

Table 1. The new approach to capacity development

Areas of contrast	Traditional technocratic and managerial approach	New approach
Analytical orientation	Technical Supply	Political Demand
Focus areas	Bureaucracy Central	Oversight mechanisms Local
Design principles	Best practice Comprehensive Structure	Next steps, good fit Focused, results oriented Process

Source: Levy (2004) p.27

2.12 Levy argues that these insights are leading to a new approach to “building state capacity” which he characterises in terms of the contrasts shown in Table 1. He suggests that the record of capacity building/development in the public sector in Africa has been weak because of a reliance on a technocratic model that has paid insufficient attention to the context within which capacity development occurs. Specifically (p.11):

“[A] principal reason for the limited success of the first round of efforts to build state capacity was the implicit presumption that the weakness of public administration was managerial and could be remedied in a straightforward manner through a combination of organizational overhaul and financial support to procure the requisite technical advice, training and hardware. By contrast, a central lesson of experience ... is that public administrations are embedded in a complex, interdependent system. This system incorporates not only the bureaucratic apparatus as a whole, but also political institutions and social, economic, and political interests more broadly.”

2.13 Table 2 summarises another view of the elements of the new paradigm for capacity development as it emerges from a review of United Nations Development Programme’s (UNDP) capacity development experience (Fukuda-Parr et al, 2002). A particular theme of the UNDP approach has been the focus on the potential of South-South support as a basis for knowledge sharing, compared to an exclusive focus on knowledge transfer from

the North. Otherwise this approach shares the themes of the importance of domestic ownership and a more analytically informed approach to understanding the context.

Table 2. A new paradigm for capacity development

	Current paradigm	New paradigm
Nature of development	Improvements in economic and social conditions	Societal transformation, including building of "right" capacities
Conditions for effective development cooperation	Good policies that can be externally prescribed	Good policies that have to be home-grown
The asymmetric donor-recipient relationship	Should be countered generally through a spirit of partnership and mutual respect	Should be specifically addressed as a problem by taking countervailing measures
Capacity development	Human resource development, combined with stronger institutions	Three cross-linked layers of capacity: individual, institutional and societal
Acquisition of knowledge	Knowledge can be transferred	Knowledge has to be acquired
Most important forms of knowledge	Knowledge developed in North for export to South	Local knowledge combined with knowledge acquired from other countries – in the South and North

Source: Fukuda-Parr et al. (2002) p. 20

OECD “good practice” for capacity development

2.14 OECD (2006) provides a summary of what are seen as emerging good practice lessons resulting from the sharing of donor agency experience through the DAC Network on Governance. The report stresses the need for a clear framework for the policy debate on capacity and capacity development and notes the confusion that has been caused in the past as the result of the lack of common approach. The report suggests that “capacity” should be understood as the ability of people, organisations and society as a whole to manage their affairs successfully. Capacity development is therefore understood as the process whereby “people, organisations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time,” while the support of outside partners to this process (domestic or foreign) is the promotion of capacity development.⁷

2.15 Three analytical levels are identified at which capacity development objectives may need to be pursued: individual, organisational, and the wider enabling environment. Within this framework, the OECD report notes that the enabling environment influences the behaviour of organisations and individuals in large part by means of the incentives it creates. Successful efforts to promote capacity development therefore require attention not only to skills and organisational procedures, but also to issues of incentives and governance. However, the report argues that experience suggests that the constraints arising in the enabling environment are not equally binding in all cases. The following factors at the organisational level are identified as making successful capacity development more likely (p. 14):

⁷ DFID (2005a) in a review of capacity development and state building issues notes the lack of agreement about definitions of capacity but suggests that an organisation has capacity when it can (p. 5) “Identify, plan, prioritise, implement, monitor and learn from specific courses of action; Mobilise, deploy and where necessary motivate resources (assets, people, money and information) consistently and continuously on agreed public priorities; and discipline a heavily constrained system to pursue agreed objectives collectively.”

- Strong demand-side pressures for improvements exerted from outside the organisation (from clients, political leaders, etc).
- Top management providing visible leadership for change, promoting a clear sense of mission, encouraging participation, establishing explicit expectations about performance, and rewarding well-performing staff (recognition, pay, and promotions based on merit).
- Change management approached in an integrated manner.
- Involvement of a critical mass of staff members, including front-line staff.
- Adoption of organisational innovations that are tried, tested and adapted.
- Quick wins that deepen commitment for change become visible early in the process.
- Top management and change agents who manage the change process strategically and proactively, including both internal and external aspects of the process (communication, sequencing, timing, feedback loops, celebration of victories, and recognition of problems).

2.16 The approach to the promotion of capacity development by donors that is proposed in the OECD report identifies these elements as central in understanding the context and the sources of country-owned change that may be supported:

- The need for an understanding of the context (e.g. through political or drivers of change analysis), specifically the incentive structures behind (p. 17) “lack of political will” that is often blamed for the limited success of capacity development programmes.
- The need for a recognition that at the organisational level, it is not sufficient to focus on the (p.18) “functional-rational” dimension of an organisation’s performance, but that it is also necessary to look at the (p.18) “informal, hidden aspects that many crucially affect performance.”
- The need to regard country ownership of the capacity development agenda as a process rather than a feature that either exists or is absent.
- Recognition that the interactions between donors and domestic actors can generate either vicious or virtuous circles of change in respect of the ownership of capacity development efforts. In particular – this is central to the potential of programme-based approaches like the move to General Budget Support (GBS) - that (OECD, 2006, p. 21) “whether a donor’s preference is for programme- or project-based approaches, the modalities of support should work in a way that encourages and strengthens initiatives benefiting real country commitment.”
- Understanding that donors (p. 21) “should use their influence to encourage the “effective demand” for public sector capacity within the country. This may be able to be done, for example, by emphasising the importance of parliamentary oversight in budget preparation and execution, or by supporting rights-based movements focused on particular aspects of government performance.”
- At the level of the development of individual capacity, the need to understand and review social influences, to consider wider coherence issues in relation to the policies of developed countries (e.g. the impact of immigration policies on developed country capacities), and the role of the diaspora (in particular as a potential source of local knowledge with skills enhanced by international experience).

2.17 The OECD report concluded that key principles for the delivery of capacity development support should include the following:

- Capacity strengthening in a particular organisation may be the most manageable operational objective for donors but such support should be undertaken with a realistic perspective about how the institutional context will affect the scope for organisational improvements, while support should be provided in a way that does not undermine any longer-term prospects for wider and deeper institutional change.
- Technical cooperation can be particularly effective when pooled and coordinated.
- Donor-instigated Project Implementation Units should be avoided whenever possible.
- Agreeing the desired outcomes of capacity development is fundamental, both for focusing interventions and for setting benchmarks for assessing progress along the way.
- Joint design processes need to be focused on ensuring capacity development objectives are formulated in outcome terms.
- While there may be a case for large new investments in training capacity (i.e. rebuilding national training organisations) this needs to happen within a wider view of capacity development, rather than reverting to types of programmes supported (with limited success) in the past.

General budget support and capacity development

2.18 The recent Joint Evaluation of Budget Support (IDD, 2006, p.90) provides support for the view that GBS can be part of a virtuous circle of capacity development. The evaluation finds that “Partnership General Budget Support (PGBS) can have positive systemic effects on capacity, and that it can reinforce the effectiveness of technical assistance” with the most immediate and most important potential effect on state capacity being through the strengthening of public finance management. However, the evaluation also notes (p. 90) that:

“The potential effects of PGBS on capacity are limited by a lack of more explicit government-led strategies for capacity development, and in many cases, by a continuation of off-budget and projectised aid on a large scale.”

2.19 The evaluation made the following recommendations in relation to capacity development (p. 124):

- Support capacity development by using government systems; in particular accelerate moves to bring aid funds on-plan and on-budget.*
- Recognise the centrality of public financial management (PFM) reform (medium-term policy-based resource allocation as well as fiduciary management systems) for the development of national capacity to manage for results.*
- Strengthen the policy analysis, budgeting and expenditure management capacities of line ministries as well as finance ministries, so as to enable more effective planning and budgeting processes within government.*
- Pay more attention to capacity issues (including PFM capacity) as they affect local governments.*
- Seek more alignment around government-led capacity development strategies for PFM, and for public sector management generally.*

Main themes in the “new consensus”

2.20 While there are some differences between these presentations of the new paradigm, approach, or consensus, several common themes can be identified. The *first* is a view that the main precondition for effective capacity development to be achieved is an effective domestic (or ‘endogenous’) demand and that while there may be actions that donor agencies can take to strengthen this, the influence of external agencies in general is likely to be limited.⁸ The *second* is a need for a deep understanding of the context (including both the wider political and institutional environment and the particular features of an organisation supported) to inform the design of capacity development support, and the likely failure of initiatives that are based on uncritical attempts to transfer generic “best-practice” approaches without an understanding of the structure of incentives for capacity development. The *third* theme is that for any given institutional environment, the scope and possibilities for effective capacity development will vary between organisations on the basis of features that may be related to their particular role (e.g. the specificity and transaction intensity of their activities) or to their quality of management and the nature of the demand for improvement. The *fourth* theme is the need both for an overall strategic approach to capacity development in a particular context that is shared between development partners, including the design of specific support activities to reflect this strategy, and shared contextual analysis including through results-oriented monitoring.

2.21 Several observations may be made about these themes. The identified need for a combination of the strong requirements for national ownership/demand for capacity development, a high quality of institutional and organisational analysis, and the ability to incorporate this analysis into the design of specific interventions presents a major challenge for development practice. The adoption of a perspective based on these themes does not self-evidently suggest any particular role for technical cooperation, much less the treatment of capacity development and technical cooperation as synonymous, as is the case in much donor practice.⁹ In particular the provision of “technical” advice (such as the “economic experts” referred to in p. 66 of the terms of reference for this evaluation) may form only a small part of a strategy based on these themes. In addition, as noted in DFID (2005a), it is important to distinguish between organisational capacity development (the usual focus of donor capacity building efforts) and “state building” which needs to address the wider institutional environment.

2.22 A further point is that the evidence base for some of these themes (and especially for particular recommendations that are seen as part of the consensus) is not uncontested. For example, Morgan, Land and Baser’s Study on Capacity, Change and Performance (2005), noting the preliminary findings from a review of twenty very diverse case studies of capacity development experience (including both government and non-government organisations and cases involving and not involving aid), question some elements of the new consensus view. Specifically they note the following:

⁸ In this respect a distinction is drawn in some of the literature between the terminology of “capacity building” which is seen as reflecting a technocratic, supply driven approach, and “capacity development” which is seen as reflecting a more context-responsive, and demand-driven approach (e.g. Boesen and Therkildsen, 2004).

⁹ For example Commission for Africa (2005, p.136 footnote 10) equates spending on technical cooperation with capacity development.

- The new consensus view emphasises “demand-side” approaches as critical, but the evidence from their sample about the role of demand-side influences in determining progress is mixed.
- In relation to the need to use of a clear and explicit analytical framework to guide capacity development (as is proposed by the World Bank capacity development evaluation for example), they note (p. 19):

“Many analytical frameworks are nominally used to assess capacity, but most seem inadequate. Many are unclear about the nature of capacity. They tend to focus on individual organisations. They are not designed to capture shifts in capacity over time. They also tend to be reductionist in orientation with little attention paid to system interrelationships. But the nature of new approaches is not obvious. Frameworks that try to capture the obvious complexity are not likely to be practitioner-friendly.”
- They find little evidence that the quality of monitoring systems contributes to capacity development, and identify the lack of a clear view in the literature about how to use capacity monitoring in a way that would be useful. Watson (2006, p. vii) based on the same case study evidence suggests that the circumstances where formal monitoring and evaluation of capacity building-related interventions appear to be feasible and productive¹⁰ are “rarely encountered or created in donor-supported capacity development interventions in developing countries” and concludes that “‘endogenous’ accountability appears to be more important as an incentive to performance than performance monitoring largely for reporting to ‘exogenous’ stakeholder (donors or lenders)” where the latter is generally driven by external accountability requirements.
- Moreover, Watson also suggests more generally that “results-based management approaches tend to stress short-term ‘products’ or delivery and tend to discourage the emergence of long-term processes of change unless they are carefully tailored to the context.”

2.23 The Paris Declaration (OECD, 2005) reflects some elements of the new consensus through its statement that “Capacity development is the responsibility of partner countries with donors playing a support role. It needs not only to be based on sound technical analysis, but also to be responsive to the broader social, political and economic environment, including the need to strengthen human resources” (p. 5, paragraph 22, Alignment Commitment) and contained commitments by partner (aid-receiving) countries to “integrate specific capacity strengthening objectives in national development strategies and pursue their implementation through country-led capacity development strategies where needed” (p. 5, paragraph 23, Alignment Commitment) and by donors to “align their analytic and financial support with partners’ capacity development objectives and strategies, make effective use of existing capacities and harmonise support for capacity development accordingly.” (p. 5, paragraph 24, Alignment Commitment)

¹⁰ These are summarised as: (a) where it is possible to define required capacities unambiguously and specifically; (b) where stakeholders are able and willing to assess their own capacities and performance shortfalls and to work collaboratively with externally resourced assistance; (c) where there are incentives to improve performance and/or extra resources available to build capacities further; (d) where there is firm leadership and (e) all these conditions combine to produce ownership.

Technical cooperation

2.24 As noted above, the recent deepening of the debate on capacity development stresses the need for a reassessment of the relationship between capacity development and technical cooperation which are still sometimes treated as interchangeable terms. The model underlying this tendency to equate the two concepts might be seen as one in which capacity development essentially comprises the transfer of skills from individual (international) experts to the organisations supported. The perspectives on capacity development discussed above suggest that such a transfer is only likely to occur if the particular context (in terms of both the wider institutional and specific organisational context) is especially favourable.

The critique of technical cooperation

2.25 There is a strong consensus in the literature on the failings of TC as practised by donors, and a strongly negative overall assessment despite recognition of some successes.¹¹ The central theme underlying these problems is argued in a paper prepared by Oxford Policy Management for DFID on a “Vision for the Future of Technical Assistance” (Williams et al., 2003) to be the result of attempts to use TC as an instrument of donor policy that is disconnected from recipient country demand and often also from market principles. Williams et al. (2003 pp 6-7) summarise the main elements of the critique of TC:

- TC is donor-driven rather than demand-driven. It has tended to be dictated by changing donor fashions and strategic priorities, and has been only loosely related to needs expressed by recipients.
- Recipient government ownership has been eroded because donors maintain excessive control of TC management with a result that TC staff tend to be accountable to donors rather than to the management of the organisations to which they are providing support.
- TC is often deployed in a gap-filling role rather than as a means to build long-term capacity. Consequently, sustainability is very limited.
- TC has often been deployed in parallel administrative structures established by donors. This has eroded public sector capacity because national staff have been drawn out of regular civil service structures into donor projects. The practice of paying salary supplementations has further added to the problem, and has considerably distorted local labour markets.
- In some cases the global TC industry has encouraged a ‘brain drain’ as skilled local professionals have taken on lucrative contracts abroad.
- TC has proven to be inadequate as a means to tackle deep seated institutional and governance problems in unstable and politicised environments. Despite this, technical assistance continues to be frequently deployed in these conditions.
- The costs of TC are high, and quality is sometimes low. Long-term expatriate advisors often have the wrong skills, and may lack awareness of local situations and cultural sensitivity.

¹¹ For example Berg (1993) and Morgan (2002).

- TC has contributed to the fragmentation of aid and places a heavy administrative burden on recipient countries.
- TC (particularly from those donors who are the largest suppliers of TC) has often been tied, adding to its costs and the perception of donor control.

2.26 These features of donor practice have been seen as intimately related to the incentive structures within which international development organisations operate. For example, Morgan (2002) took a historical perspective tracing the role of TC in the post-war architecture of international development organisations whose bureaucracies have grown around the supply of development programmes and technical knowledge to developing country governments. He argued that the main feature of this instrument was that TC for development cooperation was funded from the government budgets of developed countries, rather than from the budgets of countries receiving the assistance (or from within the private sector), and was managed as a public sector activity in accordance with government regulations and procedures of each supplying country. The particular incentive framework for international development organisations created a bias towards a view of their role in capacity development as focused on the “transfer” of knowledge to fill “knowledge gaps” allowing “counterparts” to improve performance, and leading to an inherently overambitious view about the capacity of TC to solve development problems.

2.27 Despite the strong negative consensus on the effectiveness and efficiency of TC in much of the literature, the evidence base derived from evaluations that focus specifically on TC as an instrument is quite limited. There is a danger of attributing as inherent to TC what are in fact the failings of the approaches to capacity development for which TC has been used. For example, reviewing ten country case studies of aid and reform in Africa in 1990s, Devarajan, Dollar and Holmgren (2001, pp35-6) concluded that:

“The case studies show that technical assistance works when it responds to genuine demand and is well managed. Unfortunately, a lot of TA has not followed that concept. This is a great loss since TA has accounted for a large share of the aid to the countries studied, some 13 to 18 percent. TA in general has long had a low rate of success in annual World Bank (Operations Evaluation Department) evaluations... Demand and management aspects have been the fundamental causes of successful TA.”

2.28 The OPM study noted that proposals for technical cooperation reform have been of two main types. The *first* is concerned with improving the performance of technical cooperation without requiring fundamental changes in the way donors do business, for instance through improved performance monitoring or pooling arrangements. The *second* type of reform is more fundamental and focuses on recipient demand-driven market-led approaches that are integrated into national planning and management systems and budgets. However this literature has tended to focus on viewing technical cooperation as an instrument of donor policy, rather than focusing on the issue of how to make markets for advisory services and expertise function more effectively, including building the capacity of developing country governments to procure and manage their needs for such services more effectively. The study proposed replacing the view of technical cooperation as an aid instrument with a “procurement perspective” that implied a focus on:

- The identification and articulation of need, based on a rigorous distinction between services for developing country governments, services used by international development organisations, and services related to the provision of international public goods.

- The role and institutional arrangements governing national civil services, affecting the extent to which skills and services can be expected to be provided within the civil service cadre.
- The effectiveness of national procurement arrangements for skills, services and related outputs which determine how effectively developing countries are likely to be able to manage their own procurement.

2.29 The Vision that emerges for “Technical Assistance” is a straightforward one. Development assistance to national governments (aimed at helping governments implement national policies in pursuit of poverty reduction) should be provided untied and through the government budget, so that its opportunity cost is visible and resources can be allocated and managed in accordance with national priorities. Skills and services that governments require should be procured through appropriate national procurement systems to the extent that they are not provided within the national civil service. In cases where weaknesses in national budgeting or procurement processes preclude the use of national systems, strategies for strengthening these systems should be developed, and whatever alternative systems are used should, so far as possible, operate according to the same principles of national control and holistic resource planning, while avoiding undermining capacity.

2.30 Obstacles to the implementation of the vision may emerge from within donor organisations (donor interests other than poverty reduction, perverse incentives and vested interests within donor agencies, and bureaucratic inertia), from the recipient side and from vested interests from consultancy suppliers.

2.31 Initiatives on the pooling of technical cooperation can be seen as a step towards the realisation of this Vision. A background study on pooling initiatives was undertaken as part of the evaluation and its findings are discussed in Section 5.

Evaluation of IMF technical assistance

2.32 An important recent addition to the evidence base on TC is the recent evaluation of the International Monetary Fund’s (IMF) technical assistance (IMF, 2005) updating an earlier evaluation carried out in 1999.¹² The 2005 evaluation involved several types of evidence including in-depth analysis of six countries with field visits (Cambodia, Honduras, Niger, Ukraine, Yemen and Zambia), reviews of internal and external evaluations, and case studies of twelve Technical Assistance Consultation exercises and additional case studies on the link between Poverty Reduction Strategy Papers (PRSPs) and technical assistance needs, and of links between Article IV surveillance activities and technical assistance. The IMF evaluation concluded (p.13) that:

“Progress has generally been achieved in enhancing the technical capabilities of the agencies that the IMF typically supports [but] significant variability was found ... on whether agencies have been able to make full use of those increased capabilities in order to have an impact on the ground or on the ultimate objectives of TA.”

2.33 Contributory factors to weak performance included an inadequate articulation or monitoring of the way in which TA should achieve its objectives, while “often, TA

¹² The earlier evaluation (IMF, 1999) was based on a review of 100 randomly selected projects carried out in 1996/7.

effectiveness has been undermined by a lack of awareness of institutional, organizational or managerial features of the recipient country.” Specific findings from the evaluation included the following:

- The link between the TA priorities adopted and those emerging from Poverty Reduction Strategies (PRS), or key policy issues identified in Article IV consultations, has been weak. In most cases, the PRS process has still not been able to clearly identify major capacity-building needs that could then be taken up by TA.
- Prioritisation of TA needs to be based on a shared vision with the authorities on a medium-term policy framework.
- Counterparts were generally satisfied with the performance and contribution of resident experts. The relative merits of missions as opposed to resident experts depended heavily on country-specific circumstances, particularly the degree of development of the organisations supported (with long-term support being relatively more effective in weaker organisations).
- There was weak coordination between the IMF and donors working in similar areas.
- “Frequently political interference or lack of support by the authorities prevent agencies from using effectively the new knowledge transmitted by TA. Indeed, the case studies suggest that such resistance by vested interests may mount as these agencies increase their know-how and improve their potential to act... Upfront commitments to facilitate the effective use of the new knowledge by agencies provide a critical signal of the authorities’ commitment and ownership” (IMF, 2005, pp. 13-14).

2.34 The main recommendations for future IMF practice from the evaluation were the need to:

- Develop a medium-term country policy framework for setting TA priorities, incorporating country-specific strategic directions and linked to more systematic assessments of factors underlying past performance.
- Adopt a more systematic approach to tracking progress on major TA activities and identify reasons behind major shortfalls in progress compared to objectives.
- Ensure greater involvement by the authorities and counterparts in the design of TA activities; arrangements for follow-up should be emphasized as a signal of ownership and commitment.

Issues for the evaluation

2.35 The review of recent literature on capacity development and technical cooperation identifies several issues as potentially significant in explaining the performance of TC in bringing about capacity development or achieving other objectives. Four main issue areas are identified (based on the literature and specific questions in the terms of reference) against which the evidence provided by the evaluation is assessed in Section 5 below, with a preliminary summary of the evidence provided here:

- The significance of the context.
- Design issues.
- Characteristics of the technical cooperation provider and the use of technical cooperation.

- Management and delivery issues.

2.36 In practice, the extent to which assessments of these issues could be made was variable and in most cases incomplete, because of the limitations in the detail of the review of institutional and organisational context that could be undertaken, the small-scale of the interventions, and the difficulty of making firm causal judgements about the determinants of outcomes.

The significance of context

2.37 The recent literature highlights the importance of both the wider institutional context and the specific characteristics of the organisation (including its role and the nature of its products) in determining the likely success of capacity development initiatives, and the specific impact that technical cooperation may achieve. Key issues related to the wider context which the evaluation sought to examine included:

- The extent of political commitment to capacity development objectives (or the degree of domestic ownership of the capacity reform agenda) both in general and for particular organisations.
- The extent to which governments have articulated or implemented policies to guide capacity development or the use of technical cooperation.
- The influence of the institutional context affecting the performance of the public sector, particularly in relation to civil service pay and management structures, and other factors affecting recruitment, retention and the motivation of staff within organisations supported, but also including the progress of reform initiatives addressing constraints in these areas.
- The quality of leadership, approach to change management, and existence or otherwise of a critical mass of staff within the organisation committed to change.
- The extent to which TC has been used to try to encourage the demand for reform, to influence policy, or to tackle wider institutional constraints on capacity development.

2.38 As discussed in section 5, it was possible to identify the influence of elements of the political and institutional context as determinants of outcomes. The significance of management factors were however much harder to assess. The TC experience reviewed in the evaluation did not seek specifically to influence the demand for reform or policy, and was not generally focused on addressing wider institutional constraints.¹³

Design issues

2.39 The review suggests that quality of design is likely to be critically important for achieving capacity development impact, with the following factors specifically identified in the literature and experience:

¹³ It had originally been intended to include an assessment of support for public service reform in Ghana but this was not possible as a result of the illness of a team member. The Kenya case study included a review of DFID's aborted support to civil service reform and anti-corruption initiatives but in both cases a decision not to proceed with support was made based on a view about lack of government commitment.

- The extent to which the design of the activity is based on adequate contextual analysis both in relation to the wider institutional context and the specific features of the organisation.
- The existence of an overall strategic approach to capacity development that is shared with government and other donor agencies.
- The extent to which generic features of international best practice in design are appropriately modified for the particular circumstances.
- The monitoring and evaluation framework used, specifically the extent to which it (a) defines clear targets and a monitoring framework focusing on capacity development or other objectives and (b) the extent to which this framework responds to “endogenous” demands from stakeholders in the performance of the organisation, as opposed to the external accountability requirements of funding agencies.
- The extent to which the organisation receiving support and key domestic stakeholders in the organisation have been able to exercise effective control over each stage of the activity, including the definition of the terms of reference for TC, the selection of TC providers, and the management of the delivery of TC inputs.
- The extent to which it is possible to create a “virtuous circle” by which TC helps create the conditions for further capacity development progress.
- The relationship between TC activities and the mix of aid instruments being used, the other resources that accompany TC, the overall level of TC and its relation to other donor activities.

2.40 The literature around the “new consensus” on capacity development stresses the importance of contextual analysis and having a clear framework to guide capacity development efforts that can apply the results of this analysis to improve the effectiveness of support, as well as the dangers of applying “generic” approaches in an unsuitable context. The evaluation findings tend to suggest that stronger contextual analysis could have led to the more realistic setting of objectives, and that a clear framework for design and monitoring could have led to a more strategic focus on higher level institutional constraints, but it does not suggest what might in practice have been done to overcome these constraints. The evaluation does lend support to the view that effectiveness is related to the control of the organisation over the activity, and that quality of design is also of critical importance but failures do not appear to be related to an attempt to apply some generic view of good practice but rather to failures to follow consistently good design practice.

Characteristics and uses of technical cooperation

2.41 Issues relating to the characteristics of TC suggested by the literature as potentially important include:

- The relative effectiveness of national and international TC.
- The relative merits of short and long term TC.
- The mix of skills (including technical analytical, policy process, or management and organisational development skills).
- The advantages and disadvantages of using externally hired consultants as opposed to Technical Cooperation Offices (TCOs) and secondment arrangements (i.e. using UK government staff as TC providers).

2.42 The findings of the evaluation discussed in section 5 tend to support the view that first, interpersonal skills are a key determinant of the effectiveness of TC especially in capacity development and second that different forms of support or characteristics of TC providers are effective in different contexts and the challenge is find what is most appropriate (which is largely determined by the demands of the organisation supported) rather than to apply general rules or presumptions about the desirability of (e.g. local or regional over international) TC provision. Only in one case reviewed (support to the National Treasury in South Africa) was TC provided by seconded UK government staff rather than consultants and there were no projects using TCOs in the sample.

2.43 A further set of issues relates to the relationship between the effectiveness of TC and how it is used in the organisations supported:

- The use of TC in line positions in the organisation supported as opposed to its use in an advisory or challenge role outside the normal line functions and organisational structure.
- The role of specified counterparts in ensuring skill transfer.
- The advantages and disadvantages of using TC to fill gaps in skills needed to produce specific outputs as opposed to having capacity development objectives.

2.44 The findings show that TC in line positions can be highly effective and responsive to an organisation's needs, but that the capacity development impact of such TC is likely to be limited unless the institutional and organisational context is appropriate. Whether TC is or is not in a line position is likely to be of secondary importance. Counterpart arrangements may help in individual skills transfer but it is hard to draw firm conclusions on this from the evidence of the case studies.

Management and delivery of technical cooperation

2.45 There is a further set of issues around the quality of management of TC. These include:

- Clarity of accountability and management (particularly in relation to the balance of accountability between the organisation receiving support and the funding agency).
- Effectiveness of the monitoring and evaluation function in ensuring that the TC strategy is implemented effectively, and flexibility and speed of response to emerging problems or opportunities.
- Quality of selection of TC providers and procurement procedures.

2.46 Quality of management and selection emerges strongly from the evaluation as of central importance along with quality of project design.

3. Framework and Approach for the Evaluation¹⁴

Organisational capacity

3.1 The key feature of the approach used for this study was a focus on understanding the contribution of technical cooperation to the development of *organisational capacity for economic management* – that is the ability of the key organisations (Ministries, Departments) involved in the economic management process to discharge their functions.

3.2 Organisational capacity can be described in terms of three dimensions, which interact with external factors in determining outputs:

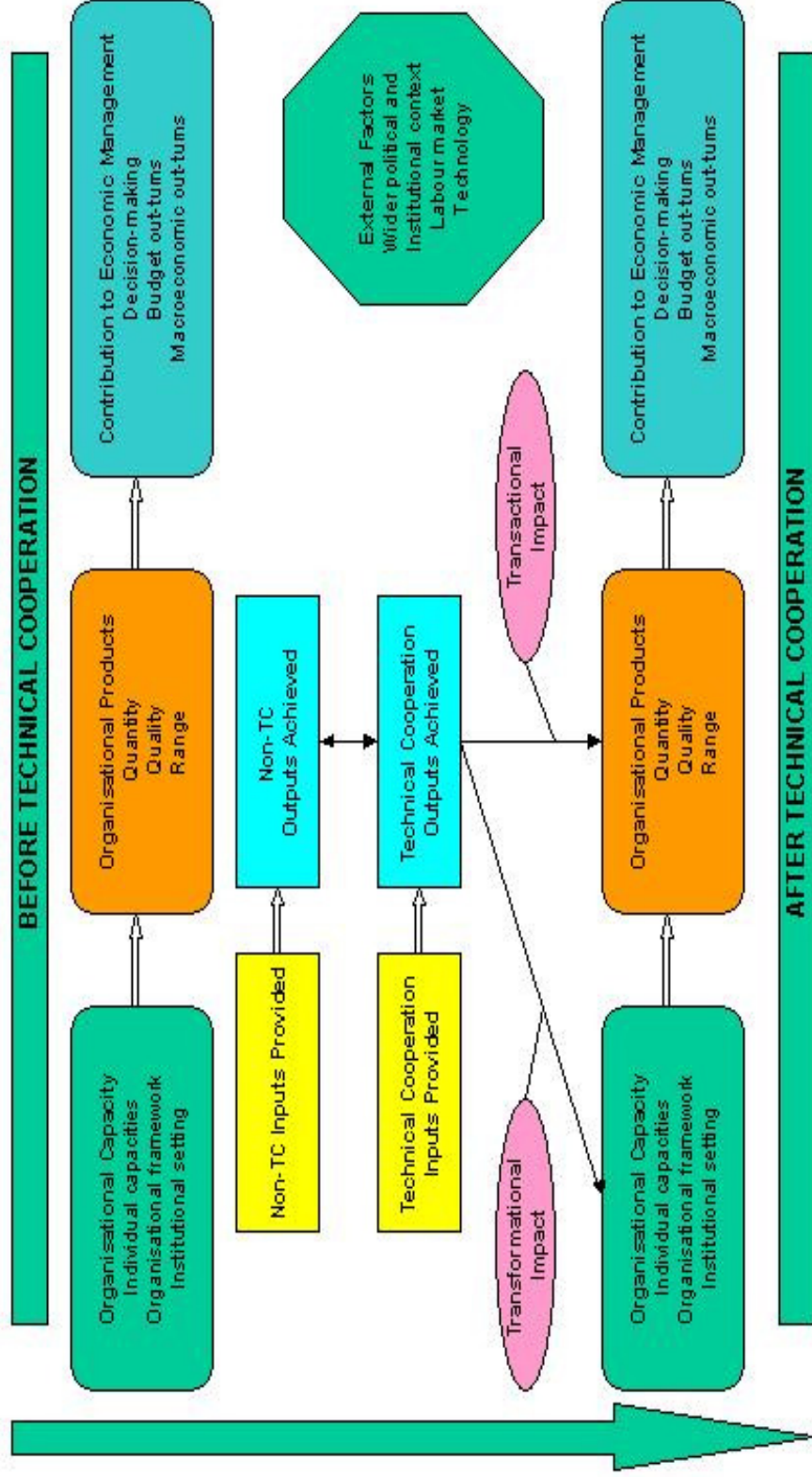
- Individual capacities within an organisation (staff numbers, skills, productivity).
- The organisational framework (which determines how individual capacities are deployed and combined). This includes the organisational structure, the quality of management and the modes of working.
- The institutional framework (determined outside the organisation, but potentially amenable to influence through capacity development processes) which includes the organisation's mandate, incentives for performance, structures of accountability, and operating rules, for instance in relation to finance and personnel.

3.3 The process of developing organisational capacity is necessarily a multi-faceted one. It can involve the provision of different types of input, including staff, training, tools (such as computer systems), knowledge production, and policy and institutional advice. The starting point for examining the capacity of organisations is the quality and quantity of “outputs” that they produce – which includes key policies and documents as well as the effective management of processes like the budget cycle. An improvement in organisational capacity is associated with an improvement in the quantity, range, quality, timeliness, accessibility and government or wider ownership of these outputs. The main dimensions on which the evaluation focused in making assessments of organisational outputs were:

- The coherence of decision-making processes, as assessed by examining the consistency of key policy statements, decisions and the management of the policy making process such as the timeliness and quality of preparation for Cabinet meetings.
- The extent to which economic management decisions have been internally driven and ‘bought into’ by key political decision-makers.
- Core macroeconomic outcomes and their consistency with stated policy: actuals and targets with regard to inflation, the fiscal deficit and the level of borrowing over a three year period, and the extent to which there is stability in interest and exchange rates.
- Core budgetary outcomes and their consistency with approved budgets: aggregate revenue and expenditure and spending by ministry/ sector relative to budgets.

¹⁴ The framework and approach was set out in more detail in the Inception Report (OPM, 2005).

Figure 1. Framework for analysis of TC impacts



3.4 Figure 1 illustrates the framework for understanding the process by which organisational capacity may be developed, and the potential role of technical cooperation in relation to other factors contributing to capacity development. The top row of Figure 1 represents the baseline capacity of the organisation and the products it produces in contributing to economic management before a specific TC intervention. The bottom row represents capacity for economic management after the intervention. TC may have two types of impact. **Transactional impact** is defined in accordance with the terminology used in the evaluation terms of reference as “bridging capacity constraints in order to achieve operational goals”, while **transformational impact** relates to “developing countries’ capacity in the longer term.” Within the framework used for the evaluation, a transactional impact is understood as one that improves the organisation’s products (possibly transiently during the period that support is provided), while a transformational impact improves the organisation’s capacity to produce its key products.

3.5 Factors relevant to determining the impact of a particular piece of TC are therefore:

- The wider institutional, political and external context within which the organisation being supported is operating.
- The level of pre-existing organisational capacity – since strong organisations may be able to use TC more effectively.
- The other non-TC inputs provided in parallel with the technical cooperation (such as equipment and finance).

3.6 The causal relationships involved are potentially complex. Each of these factors can affect whether a particular piece of TC produces the planned output, whether this output has an impact on the organisation, either transactional or transformational, and whether this impact is sustained.

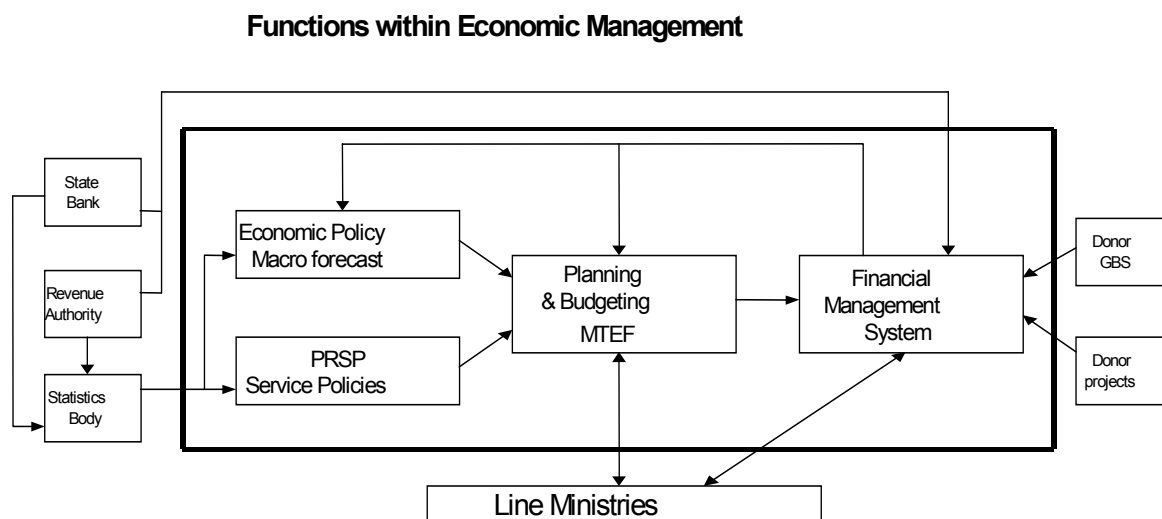
Economic management: framework and performance

3.7 In principle, a wide range of public sector activities can be described as economic management. They can be divided into management of the public sector and the way in which the public sector reacts with the rest of the economy, that is public sector management and regulation of the private sector. The boundary between the public and the private sector varies from country to country and TC is often provided to shift that boundary. The nature of economic management also varies across countries reflecting history, tradition and economic philosophy inherent in the culture of the society: TC may be used to drive change in that philosophy as a means of promoting development. One of the main challenges of donor assistance is to reconcile differences between the approaches of the host and the donor country not only in terms of economic philosophy but also in terms of the way society, including public administration, actually operates.

3.8 Figure 2 summarises the approach used in the evaluation for defining the functions included as “economic management.” At the core of the concept is the reconciliation between the national planning system to meet poverty reduction objectives (in most cases in Africa as part of a formal PRSP process) and the allocation of public finance to resource the necessary services. Elements bounded by the thick black line were the main focus of the evaluation, though the precise coverage varied between the case study countries depending on the nature of the DFID programme in each case and in two cases (the

Zambia Revenue Authority and the Ghana VAT Service) support to revenue authorities was included in the activities evaluated.

Figure 2. Identification of functions within economic management



3.9 Each of the countries achieved relatively strong economic growth over the period under review in comparison to historical trends. However, in none of the cases was the rate of growth sufficient to have a marked impact on poverty, and growth rates remain below what would be required to meet poverty reduction targets such as the MDGs. There have also been improvements in aspects of economic management in all of the countries but the depth and sustainability of these improvements (at least outside South Africa) remains to be established, despite promising steps such as the achievement of HIPC completion in Ghana and Zambia. Section 4 discusses the extent to which DFID TC may have contributed to strengthening economic management in the case study countries.

Ghana

3.10 Over the period covered by the evaluation there have been improvements in economic management but there remain major weaknesses. There has been an increase in coherence in, and ownership of, economic decision-making in the period following the introduction of the Ghana Poverty Reduction Strategy (GPRS). Nevertheless, there remain significant off-budget flows both from internally generated funds and from donor projects. Moreover, the gains appear fragile.

- Inflation has fallen from its peak of 39 % in 2000 to 11.8 % in 2004. This is a notable improvement but until single digit inflation can be sustained over a multi-year period, the inflationary threat cannot be said to be under control.
- Fiscal management has improved due both to a strengthening of revenue collection and to increased aid resources from budget support and from HIPC relief.

- Unanticipated wage expenditures and quasi-fiscal spending (due mainly to oil price subsidies) have continued to be a feature of budget management.
- Management of the public sector wage bill remains a major problem and the key source of deviations between approved budgets and out-turns.

3.11 The joint IMF-World Bank Public Expenditure Management (PEM) Country Assessment and Action Plan gives some indication of improvements in public expenditure management. In particular, the assessment shows that Ghana fulfilled seven out of the 16 PEM benchmarks in 2004 as compared to only one out of 15 in the 2001 assessment. However, the case study concluded, the more detailed examination suggests that many core areas of budget management, execution and reporting remain weak.

Kenya

3.12 Overall during the period Kenya has had relatively sound macroeconomic performance, which has halted and partially reversed the earlier trend of declining real economic growth, but also a continuing poor record in terms of budgetary management. The result of this has been that budgetary allocations and expenditure have borne little relation to stated policies, a large gap between budget and expenditure out-turns has persisted, and there has been little or no progress in the improvement of service delivery through the budget. The high level of corruption has continued to be a major problem, especially given the inadequate safeguards on the public procurement process.

3.13 Some progress has however been made in laying the groundwork for improved budgetary performance including the development of the PRSP in 2001 and the subsequent Economic Recovery Strategy (ERS), and of the public expenditure reform process since 1997. Since this period and especially under the National Rainbow Coalition (NARC) government there has been progress in the implementation of measures aimed at improving public expenditure management and public service reform. It is too early to judge whether these reforms are going to be sustained and have a greater impact than earlier reform initiatives.

South Africa

3.14 Over the last decade South Africa has succeeded in raising rates of economic growth, controlling inflation and achieving a high level of economic stability as measured by falling long-term interest rates. Economic growth rates however remain below the levels necessary to reduce substantially poverty or unemployment, with the high level of HIV prevalence providing a further constraint on growth.

3.15 Prudent fiscal policy and structural budget reforms have been the cornerstones of the macroeconomic stabilisation in South Africa. Small budget deficits and expenditure control have contributed to reducing the burden of public debt. Savings from lower debt-service payments have been channelled to increase spending in social welfare and economic infrastructure. There has been a steady lowering of inflation and interest rates, and some improvement in investment.

3.16 South Africa has established a robust budget and public expenditure management process, based around a medium-term expenditure framework, clearly defined roles for

the different elements of the executive and legislature (enshrined in the 1999 Public Finance Management Act), and based on the principle of holding managers accountable not only for financial control but also for the production of outputs for which they are responsible.

3.17 South Africa's progress in economic management since democratisation has been described by the IMF (2005) as "remarkable." The overall commitments to economic management envisaged in the Growth, Employment and Redistribution Strategy (GEAR) have been institutionalised through the constitutional arrangements and the public finance system enshrined in the 1999 Public Finance Management Act. This has provided a sound overall framework for improving growth and service delivery, though immense challenges remain in overcoming the legacies of poverty and disadvantage that most South Africans face.

Zambia

3.18 In the 1990s Zambia's average annual real GDP growth was negative. This has improved over the last five years, with growth averaging 4.5% and being relatively broad-based. Severe problems of fiscal management continued during the period covered by the evaluation through to 2003 at which point the government failed to reach a new Poverty Reduction and Growth Facility (PRGF) arrangement with the IMF, which in turn delayed the HIPC completion. Since 2003, however, the picture has improved. The September 2004 IMF mission considered that good progress had been made toward the HIPC Completion point. This largely reflected improvements in the fiscal position resulting from stronger economic growth but also some progress towards improved fiscal management. In December 2004 a Memorandum of Understanding on a new Public Expenditure Management and Financial Accountability (PEMFA) programme was signed. In April 2005, HIPC completion was achieved.

3.19 The depth and sustainability of the improved economic performance must remain in question, given Zambia's past record in failing to sustain economic reforms, The extent to which economic management has in fact improved will be tested by periods of political challenge (such as the 2006 election).

Approach and methodology for the country studies

3.20 In order to try to understand the chain of causation from TC inputs to capacity for economic management, the approach to the case studies was therefore based on four analytical steps (A to D below):

A. Understanding the context for capacity development and defining the scope of analysis

- 1) Describing the essential features of the country context over the period, including the key economic and political developments, the level of aid dependence, approach to aid management and relations with donors, and the country's institutional and political characteristics (civil service capacity, political economy, legal and judicial framework) so as to identify the key external factors that will have influenced the capacity development and organisational development processes.

- 2) Assessing the key features of economic management over the evaluation period, and the context in terms of the role of stakeholders and the political economy of economic management. This is important for understanding the political and administrative constraints within which TC operates.
- 3) Documenting and reviewing national policies towards technical cooperation and capacity development, including the extent to which the national poverty reduction strategy or other key documents identify a role for technical cooperation or attempt to establish clear management principles for it, including the extent to which TC appears to be demand- as opposed to supply-driven.
- 4) Reviewing the analysis of capacity issues and the strategy towards capacity development for economic management in DFID country strategies.
- 5) Mapping the key organisations and formal and informal processes in the performance of economic management functions.
- 6) Defining the scope of the exercise within each country based upon the organisations/ ministries in which DFID-financed TC operations were undertaken.

B. Assessing organisational capacity for economic management

- 7) Benchmarking the status of the organisational processes and functions of economic management at the beginning of the period under analysis.
- 8) Benchmarking the status of the organisational processes and functions of economic management at the end of the period under analysis.
- 9) Identifying the changes at the level of organisational capacity and the products of the organisation over the period covered by the evaluation.

C. Identifying contributions to capacity change [for each focal organisation]

- 10) Identifying the range of capacity development inputs being provided over the period – focusing on those provide by DFID but relating the DFID activities to those of other Development Partners and Government.
- 11) Documenting and analysing the key DFID-supported activities.
- 12) Identifying the key external factors influencing the capacity development/ organisational development process.
- 13) Assessing the contribution of the DFID interventions to the changes identified.
- 14) Considering the alternative ways in which capacity development inputs might have been provided and the most plausible explanation for the changes identified.

D. Assessing the DFID interventions

- 15) Based on the impact assessment and the identification of contribution, making an assessment of the relevance, efficiency, effectiveness and sustainability of the TC

activity. This was presented within a common evaluation matrix framework (attached in Annex B).

3.21 The main evidence base for the evaluation country case studies derived from reviews of documentation and information obtained during two-week visits to each of the case study countries (carried out in June and July 2005). The main information sources used for the evaluation included:

- A review of DFID project documentation.
- Interviews with current and past DFID staff.
- Interviews with providers of TC services.
- Staff of organisations receiving TC.
- Staff of other government organisations with responsibility for capacity development and technical cooperation policies.
- Interviews with other informed observers including representatives of other donors and civil society organisations.

3.22 The set of questions in the evaluation matrix in Annex B was used to structure interviews.

Overview of the activities covered by the evaluation

3.23 The case study countries were selected using three criteria specified in the terms of reference: (1) the likely availability of data (proxied by the DFID's TC expenditure); (2) including a range of diverse policy and institutional contexts; (3) avoiding overlap with other on-going and planned evaluations, including the Joint Evaluation of General Budget Support.

3.24 The starting point for the selection of activities to be covered was a listing of DFID projects in the economic and governance sectors in each country that recorded technical cooperation expenditure over the period from 1999-2004, along with other identified activities that are not included as DFID projects at the country level (for instance, ODI Fellowships and some staff secondments).

3.25 This list was discussed (through an initial country visit by a DFID Evaluation Department (EVD) staff member) with country teams to provide a better understanding of the perceived significance of activities undertaken in relation to capacity development for economic management. On this basis, the main organisations supported were identified, and a preliminary classification of DFID activities was made in relation to their likely significance in terms of potential impact on economic management. The final selection of activities to be evaluated was based on this list, from those identified as of key importance and potentially significant, taking into account the feasibility of collecting information within the constraints of the resources available for the evaluation.

3.26 The DFID activities reviewed (and the main organisations covered) in each country case study were the following:

Ghana¹⁵

Ministry of Finance and Economic Planning –support to public finance reform (PUFMARP), financial management reform (PFM), Integrated payroll and personnel database (IPPD and IPPD2).

National Development Planning Commission – support to poverty monitoring, PRS monitoring and analysis project (NDPC).

VAT Service – support to VAT implementation (VAT).

Kenya

Ministry of Finance – support to public expenditure management (PEM) and integrated financial management information system (IFMIS).

Ministry of Planning and National Development – Monitoring and evaluation (IP-ERS MED).

Office of the President, Kenya Institute of Administration – support to civil service reform (CSR, KIA).

Ministry of Local Government – local government reform (PROLOGS/KLGRP).

Kenya Anti-Corruption Authority – anti-corruption policy (KACA).

South Africa

National Treasury – strengthening planning, budgeting and financial management (SERP I, SERP II).

Department of Public Enterprises – support to State Owned Enterprise (SOE) restructuring (SERP II, SRPESA).

Zambia

Ministry of Finance and National Planning – support to public expenditure management (PEM) and to tax policy (RIZES - TPU).

Zambia Revenue Authority – organisational development, computerisation of direct tax, creation of integrated tax administration system (RIZES - ZRA).

Office of the President [management location but with system-wide impact] – payroll management and establishment control (PMECP).

3.27 It is important to note that the activities covered were not conceived or designed as comprehensive programmes of organisational capacity development for the organisations

¹⁵ The illness of one of the Ghana team members meant that it was not possible to cover support to public sector reform as had been intended.

concerned, though several were implemented within the framework of wider programmes of organisational development support. The main exceptions were the support to the Ghana VAT Service and Zambia Revenue Authority, where substantial support was provided to core functions of the organisations. The support to public expenditure management involved a combination of long-term TC and the provision of consultancy resources to assist in the carrying out of studies. The focus was therefore technical (particularly systems development) rather than related to organisational capacity (and hence can be seen as based on an assumption that there was sufficient organisational capacity to absorb technical advice), as was the support to the Department of Public Enterprises and Department of Trade and Industry in South Africa (in the form of the provision of consultancy resources).

3.28 The support to the implementation of improved government systems (IFMIS in Kenya, payroll management in Zambia and Ghana) was intended to strengthen the effectiveness of management across the whole of government in each case, rather than the organisational capacity of the implementing agency. In Kenya, support to the Kenya Institute of Administration and the Kenya Anti-Corruption Authority was in both cases part of a wider donor effort that had a strong organisational development focus, though in both cases, as described below, lack of government commitment led to the termination of support.

3.29 Table 3 provides information on the size of the projects based on recorded expenditure. It should be noted that significant problems were encountered in compiling information on expenditures, reconciling information on expenditures from different sources, and relating information on planned and actual expenditure.

Table 3. Expenditure on the Projects Reviewed (over the evaluation period)

Expenditure	Ghana	Kenya	South Africa	Zambia
< £0.5m	PFM	CSR, KIA, KACA, IP-ERS M&E		PEM
> £0.5 m, < £1.0m	NDPC	IFMIS	SERP I	ZPA
> £1.0 m, < £5.0m	VAT, IPPD, PUFMARP	PROLOGS	SERP II, SRPESA	RIZES, PMECP

Table 4. Areas of Intervention of Projects Reviewed

	Ghana	Kenya	South Africa	Zambia
Support to improving public expenditure management and tax policy	MTEF	PEM	SERP I SERP II	PEM RIZES - TPU
Support to improvement of other government management systems	IPPD	CSR PROLOGS / KLGRP IFMIS		PMECP
Support to quasi-autonomous agencies	VAT Service	KACA KIA		RIZES - ZRA
Support to privatisation / public enterprise reform			SERP II SRPESA	
Support to development planning functions	NDPC	IP-ERS MED		

3.30 Table 4 lists the projects reviewed in each of the four countries and the broad objectives in terms of the roles of the organisations supported in the economic management process. In all four countries, there were DFID-supported activities that focused on core functions of the Ministry of Finance (public expenditure management and tax policy), in two of the countries support to development planning functions, and in three of the four countries there were activities supporting wider reform of government systems (e.g. civil service reform, payroll or integrated financial management) which were of wider significance for economic management. In three of the countries there was support to government agencies of a quasi-autonomous nature. The evaluation also covered some initiatives supporting privatisation or public enterprise reform processes and one activity focused on policy research outside government. Table 4 summarises the main features of the activities reviewed in terms of the forms of TC that they involved and the linkages to other donor activities and related project elements.

Issues in applying the framework

3.31 The evaluation matrix used for the country case studies is set out in Annex B, and included assessments of the *relevance, effectiveness, efficiency, impact, and sustainability* of the activities evaluated, using the standard OECD Development Assistance Committee evaluation criteria.¹⁶

3.32 A number of challenges were faced in applying the evaluation approach in the case studies, which have implications for the interpretation of the results. These can be grouped into three main areas:

- The overall evaluation concept.
- The choice of case study countries.
- Access to information in relation to the resources available to the evaluation.

The overall evaluation concept

3.33 As noted above, the purpose of the evaluation was to “map and test the chain of results from DFID-funded TC personnel inputs to enhanced partner country capacity and better policies and service delivery.” Reflecting the terms of reference, the focus of the evaluation was on technical cooperation as a particular type of instrument to achieve capacity development, and on understanding how this input as provided by DFID can actually lead to improved capacity. The terms of reference also focused on the provision of “economic experts” as an instrument for building capacity. In practice applying this approach encountered a number of problems:

- The main evaluation criterion specified in the terms of reference (capacity development impact) did not relate clearly or consistently to the objectives of the activities that were identified as falling within the scope of the evaluation.
- The activities covered in the evaluation had a range of objectives, not all of which were focused on capacity development, and the activities did not have monitoring frameworks that sought to benchmark or measure capacity development impact as part of an overall strategic approach to capacity development.
- Very few activities involved specifically the provision of “economic experts” and were in fact extremely diverse in the forms of TC support provided, making it difficult to draw comparative conclusions about effectiveness given the small sample size in relation to the range of approaches and instruments.
- In general, the support examined involved a wider set of project activities of which technical cooperation formed a part, but often combined with other inputs such as the provision of equipment or financial resources for other activities such as training. The evaluation of the projects therefore involved a wider assessment than the evaluation just of TC as an instrument.
- It was not possible to carry out comprehensive organisational assessments as originally envisaged because of the relatively diffuse nature of the DFID programmes

¹⁶ See www.oecd.org/dac/evaluation

across organisations (in some cases), and the relatively marginal nature of DFID's support to the organisations in others.

- The absence of an overall or a country level strategy for capacity development or for strengthening economic management, or for strengthening particular organisations, meant that it was difficult to formulate a purpose that would provide a point of clear point of comparison in constructing a counterfactual.

3.34 The case studies have therefore involved a compromise between an attempt to apply an approach focused, in line with the evaluation terms of reference, on elucidating the understanding of the causal mechanisms by which TC as a particular instrument can lead to capacity development, and the evaluation of a set of specific activities which differ considerably in terms of objectives, scale, and type of support provided. In practice it was possible only partially at best to examine the chain of causality implied by Figure 1 and identify wider impacts on economic management capacity or to determine the specific causes of success or failure.

Issues in country selection

3.35 As noted above, the choice of country case studies was predefined in the evaluation terms of reference. In interpreting the wider applicability of the findings of the evaluation, the following points should be borne in mind:

- The exclusion of countries in which other related evaluations were being undertaken (notably the joint evaluation of General Budget Support - GBS) may have led to some biasing of the country selection. It is understood that the evaluation was originally designed to be complementary to the GBS evaluation but in practice (partly because of timing) it was not possible to establish effective links between the two evaluations.
- None of the countries covered falls within the classification of "fragile states" as used for instance by the OECD Development Assistance Committee and only one (Kenya) is included in the list of 25 African countries on the DFID (2005b) "Proxy List of Fragile States." In particular the country case studies did not include examples of any countries emerging from conflict –these may present different constraints and opportunities from those included as case studies. South Africa was selected in part to provide a contrasting example of a middle-income country in which capacity was likely to be relatively strong – conditions not replicated in other African countries in which DFID is active in providing TC.
- As noted above, the process of selecting case study countries used the criterion of the level of technical cooperation expenditure classified within the DFID Management Information System as in the economic and governance sectors as a proxy for TC related to capacity development for economic management. The more detailed review and classification of activities undertaken during the Inception Phase of the evaluation suggested that this criterion might not have been a very good proxy, since the share of this expenditure that was in fact identified as related to the core functions of economic management varied significantly between the case study countries.

3.36 Particular caution should therefore be exercised in using the findings of the evaluation as a basis for drawing wider generalisations about the performance of DFID's TC.

Access to information

3.37 The information base for the case studies was constrained in several respects. *First*, the process of locating relevant DFID documentation on many of the activities (especially those that were completed in the earlier part of the period covered by the evaluation) was time-consuming and as noted above the interpretation of the project documentation in relation to the evaluation objective was made more difficult by the lack of a consistent focus on, or framework for, capacity development in DFID project monitoring and evaluation information. *Second*, a number of the activities falling within the scope of the evaluation were (or were parts of) large long-term programmes of organisational support, which could not be satisfactorily evaluated in their entirety. *Third*, the restriction to a single country visit for primary data collection¹⁷ necessarily led to gaps in the coverage of informants who could be interviewed (particularly from partner governments and some of the organisations that were recipients of TC but also from DFID offices in some cases). Locating individuals who were able to provide perspectives from within organisations receiving TC was a particular challenge for activities in the earlier part of the evaluation period (for instance before 2002 or 2003). *Fourth*, while the terms of reference specified the importance of engaging with a wider stakeholder group including civil society this was in practice difficult to do because there were few people outside government and the organisations supported who had had involvement with, or direct knowledge of, the DFID activities evaluated.

Implications for the interpretation of the case studies

3.38 These observations suggest the need for some caution in the interpretation of the case study findings for each country because of the limitations on the information sources available within the constraints of the exercise. It is however considered that the evidence base is sufficient to support the main conclusions drawn in each case study about the relevance, effectiveness, efficiency and impact of the activities reviewed. Caution is required in drawing any wider conclusions about the results achieved from DFID TC for economic management in Africa, or conclusions about the relative effectiveness of different modes of TC delivery from the case study evidence presented.

¹⁷ The one case in which a follow up visit was undertaken (Kenya) showed the value of a second visit for filling gaps in the evidence it is was possible to collect in the initial visit and the opportunity for a fuller discussion of the findings after report drafting.

4. Evaluation Findings: Results of DFID Technical Cooperation

4.1 This section summarises the evidence on the results of the DFID activities reviewed in the country case studies. The first sub-section summarises the strategic approach to the use of TC and capacity development that DFID has followed. The second summarises the assessment of DFID's contribution in relation to each of the organisations to which support has been provided. The third provides the overall assessment of what DFID has achieved against the DAC evaluation criteria (the accountability assessment).

DFID's strategy for technical cooperation¹⁸

4.2 The study reviewed the extent to which DFID's country strategy papers and country assistance plans over the period covered by the evaluation articulated a framework of objectives for capacity development for economic management, and a role and approach for the use of TC as an instrument to achieve these objectives. In each of the countries, the need for improvements in economic management was identified as central to the prospects for poverty reduction. DFID's strategy and activities have been focused on strengthening economic management through support to national initiatives and in coordination with other donors, increasingly through the move to general budget support and joint strategy approaches.

4.3 In Ghana, DFID's country strategy over the period has focused on improving economic management as an important objective and has noted the general institutional constraints on progress, but has not articulated an approach for addressing these problems. Project design has also failed to capture the complexity and intractability of the context (analysed in the study for DFID on Drivers of Change in Ghana) while the strategy has not articulated a specific role for technical cooperation.

4.4 DFID's strategy for Kenya in 1998 did set out an explicit view as to how TC should be used. This envisaged that technical assistance might be used for capacity development in the event that there was clear progress at the policy level and evidence of government commitment to reform. In the absence of reform, technical assistance would be directed at building commitment to better governance and pro-poor policies. DFID's update of its strategy in 2002 therefore highlighted the provision of capacity development support in several areas where there was judged to be progress including local government reform. The 2004 Country Assistance Plan noted explicitly that technical advice and ideas could be used to back reforms that are genuinely owned in country, but the view was now taken that donors had little capacity to influence policy. In practice the activities reviewed were directed towards building capacity to strengthen key government functions where there was judged to be some impetus for reform. The approach used was mainly through support to strengthening systems in organisations judged as likely to have a strategic impact.

4.5 In South Africa, DFID has regarded the government as committed to reform throughout the period and with a relatively high level of capacity (at least within central government) to articulate demand for and manage technical assistance resources. DFID's

¹⁸ References for the documents referred to in this section are included in the country case studies.

strategy in South Africa therefore strongly emphasised TC responsively provided as an instrument, but without articulating a particular strategy or framework for its use, beyond a focus on system development and skills transfer. As a result of this responsiveness to opportunities, during the early part of the evaluation period the DFID portfolio was viewed as fragmented. The management of the DFID portfolio was rationalised through the establishment of larger programmes of support in areas identified as having the strongest strategic impact on policy and implementation with respect to poverty reduction objectives.

4.6 DFID's country strategies in Zambia emphasised the central role of economic management and in particular public expenditure management in achieving poverty reduction. The 1999 CSP did not present a strategy for addressing capacity issues in government nor did it examine specifically the role of technical cooperation. However, the 2004 CAP focused on the problems arising from weak institutions and public sector systems, and identified three priority areas of action to address this:

- Improving formal accountability systems across government but also increasing civil society capacity and voice to demand better governance.
- Building more capacity within central government and engaging in long-term public sector reforms.
- Greater harmonisation in aid to reduce transactions costs and to improve aid effectiveness.

4.7 The 2004 Country Assistance Plan emphasised working closely with the World Bank and other donors through support for the Public Expenditure Management and Financial Accountability (PEMFA) programme, with an emphasis on building systems to allow the channelling of funds through multi-donor budget support, and sets out a hierarchy of aid instruments including a specific role for standalone TC.

4.8 DFID's country strategies over the period therefore show an increasing focus on capacity issues and more detailed understanding of the influence of the political and institutional context. This may in part reflect the use of "Drivers of Change" analysis in Ghana, Kenya and Zambia, which informed the country assistance plans developed towards the end of the evaluation period through an attempt to analyse the political economy of policy-making processes and their implications for the focus of donor action. The activities that have been the focus of the evaluation were however generally designed and implemented before this. It is therefore difficult for the review to come to conclusions on the extent to which this new analytical approach has had an impact on DFID's activities. The lack of global DFID policies on capacity development and technical cooperation has been reflected in the lack of a systematic approach to the design of the activities reviewed in relation to their capacity development impact.

4.9 However, the increasing focus in aid policy internationally on harmonisation and alignment (in response to the 2005 Paris Declaration on Aid Effectiveness) and the requirements of partnership-based General Budget Support, including the emphasis on pooling as a way of increasing ownership and the effectiveness of TC which is affecting all major aid recipients in which DFID is active in Africa, does appear to be providing a stronger strategic framework for DFID's TC activities.

Contribution of DFID TC to improving capacity for economic management

4.10 This subsection provides a summary of the extent to which the DFID TC support evaluated was found to have contributed to improved economic management in each of the countries and organisations reviewed in the case studies. An overall assessment of impact is in the next sub-section.

Ghana

4.11 There was evidence of significant changes in two organisations – the National Development Planning Commission (NDPC) and the VAT Service. Here, DFID-financed TC appeared to have contributed in a significant manner, although in relation to NDPC there were question marks over the sustainability of its impact. By contrast, within the Ministry of Finance and Economic Planning, much less change had been achieved despite considerably higher levels of TC expenditure.

4.12 **National Development Planning Commission:** DFID TC support has played a key role in addressing the technical capacity gap of the NDPC in pursuing its roles and functions. NDPC did not have an effective structure to lead the Ghana Poverty Reduction Strategy (GPRS) and had limited qualified personnel for monitoring and evaluation. The TC support bridged the technical resource gap and helped establish an organisational framework to manage the GPRS. The TC support also helped to prepare the M&E plan for the GPRS and facilitated the identification and establishment of core indicators for monitoring GPRS implementation. Doubts however remain over the level of political support to the GPRS,¹⁹ and there are more fundamental doubts over the sustainability of the organisational structures – specifically over the ability of NDPC to continue to manage and develop the GPRS without consultancy support. It is understood that NDPC have developed proposals to address this issue, based in part on an organisational re-structure and in part on the development of new salary scales for NDPC staff.

4.13 **Ghana VAT Service:** DFID TC support has focused on the design and implementation of the VAT system. TC support was provided from 1993 to 1995 for the design of the policy and regulatory framework and again from 1997 to 2000 to facilitate reintroduction of an effective and sustainable VAT system after implementation was initially stopped and the law was repealed as a result of violent riots against introduction of the VAT in 1995. The TC was provided in close collaboration with the local counterparts. There were conscious attempts at capacity building, which have clearly been successful given that the service has continued to run effectively without TC since 2001.

4.14 Although introduction of the VAT in 1995 failed, the commitment of the Government of Ghana to implement the system enabled the identification of the factors leading to the false take off and measures were adopted to address them appropriately. The second phase of the TC support from 1997 to 2000, involving the redesign and reintroduction of the VAT, proved successful. The one aspect in which the TC was not fully successful was

¹⁹ Indeed it is understood that NDPC was recently disbanded though it has not been possible to assess the extent to which the support provided has contributed to strengthening of the functions of NDPC under the successor arrangements.

in relation to the installation of the Value Added Tax Information Processing System (VIPS), which was not completed and fully operational before the TC support ended. A modest amount of additional TC has been provided by DFID since 2001 but implementation remains incomplete. Currently, the VAT service is seeking internal funding to complete installation of VIPS.

4.15 Ministry of Finance and Economic Planning (MOFEP): There have been some modest improvements in the management of the budget cycle with which DFID TC was associated. However, these improvements are partial and incomplete, some such as the support to the payroll system development (IPPD2), despite substantial project expenditure. Moreover, in terms of eventual impact on economic management, distinct contributions from the DFID TC projects within MOFEP to the modest improvements in economic management cannot clearly be identified.

Kenya

4.16 DFID's TC support has contributed to the establishment of improved systems in the Ministry of Finance and Ministry of Local Government, which have the potential to improve significantly the capacity of the organisations. However the impact and sustainability of these initiatives depends on both maintained government commitment to the use of the systems, and measures to address staffing and organisational constraints. In the absence of progress to address these issues, the potential of these initiatives for improving economic management will not be realised. In the other areas reviewed, DFID terminated support on the basis of judgements about lack of government commitment.

4.17 Ministry of Finance (MF) and the Ministry of Planning and National Development (MPND): DFID has been the sole external financier of TC for the Integrated Financial Management Information System (IFMIS) project, and as such must take its share of the credit for the progress achieved. This has been delivered on the basis of a very lean package of support compared to other packages of support to the development of IFMIS projects across Africa. The PEM facility has facilitated the Public Expenditure Review (PER), especially in 2004, and as such has assisted in the embedding of the PER as a routine part of the budgetary cycle. Finally, the M&E project has provided brief but effective transactional support for the new M&E department in operationalising the concepts set out in the national Monitoring and Evaluation Strategy. The potential changes in capacity to which DFID TC has contributed have primarily taken the form of the creation of new processes and procedures. These could enhance transparency and accountability in public expenditure management, but whether or when the full benefits will be achieved and how sustainable the new processes will prove to be (in the absence to date of measures addressing the wider organisational capacity constraints faced) remains to be demonstrated.

4.18 Office of the President (Directorate of Personnel Management) (OP/DPM) and Kenya Institute of Administration (KIA): DFID had been substantially involved in support to civil service reform between 1993 and 1998 and contributed to the design of a follow up phase (envisaged as running from 1998 to 2001). However the Kenyan government did not consistently implement the Civil Service Reform (CSR) programme. DFID envisaged providing support to the Kenya Institute of Administration (KIA) as part of this process, but this support was terminated after a first phase and DFID has

subsequently withdrawn from direct involvement in supporting civil service reform, although there have been a number of subsequent government initiatives in this area.

4.19 Ministry of Local Government (MOLG): DFID TC has been a decisive factor in the observed improvement in organisational performance. However, impact has been limited by weaknesses in programme design, and the limited effectiveness of some of the TC provided. Capacity to implement these new oversight and management systems has to a large degree depended on the staffing and capacities within the Kenya Local Government Reform Programme (KLGRP) and Poverty Reduction through Optimising Local Government Systems (PROLOGS), and implementation of these functions has remained critically dependent on project staffing and financing. The main body of the MOLG has been to a degree by-passed by these developments, with the TC projects constituting externally funded islands of excellence in an otherwise weak ministry.

4.20 Kenya Anti-Corruption Agency (KACA): DFID was briefly involved in support for the Kenya Anti-Corruption Agency but this ceased when the government failed to secure the organisation's survival in the face of legal challenges to the constitutionality of its powers. The DFID contribution led to no sustained capacity development.²⁰

South Africa

4.21 The activities in support of the National Treasury (NT) have generally been successful as a result of the NT's clear mandate and policy direction and effective management that have enabled it to articulate and manage its needs for external support. The effectiveness of the support to the Department of Public Enterprises (DPE) was initially somewhat compromised as a result of an overestimation of the South African commitment to privatisation as a policy tool, management and staffing weaknesses within DPE and a mismatch between the initial approach of the programme management consultants and DPE's requirements. These issues were however addressed towards the end of the evaluation period.

4.22 National Treasury (NT): The first seconded UK Treasury (HMT) staff member played an important role in helping to shape the administrative system for planning and budgeting based on the concepts of the Medium Term Expenditure Framework (MTEF) as an instrument for funding service provision. The other secondments had rather less impact. Two ODI fellows were financed from the Know How Fund and were employed in line positions – these were regarded as highly successful but had little impact on capacity. The Know-How Funds have made a real contribution, providing access to directly relevant consultancies and expertise in a way that would not have been practical using normal domestic budget sources. Specifically, from the perspective of the recipient it provided flexible, rapid, additional funding that could be used to recruit high calibre and expensive international expertise that would have been difficult (and politically contentious) to contract using domestic sources.

4.23 Department of Public Enterprises (DPE): DFID has provided support focused on and closely aligned with the mission and stated policy of DPE. In practice this policy did not command consensus across government. Since the 2004 Election, the policy focus of

²⁰ DFID has subsequently renewed support to the successor agency in Kenya in 2006/7.

the DFID support has come into line with changes in the government's thinking on ownership of public enterprises. At the time of the evaluation, the project had nearly two years to run and had only recently changed direction, so it was too early to assess impact and sustainability. The support has had an explicit objective of developing capacity, but this has been addressed primarily in terms of the transfer of skills to individuals. Little attention was paid to other organisational aspects of capacity development. Whether or not improvements in capacity are sustainable will depend critically on attaining stability in staffing in line departments so that transferred skills are not immediately lost to the private sector. It will also depend on the existence in beneficiary organisations of robust systems and procedures that will preserve institutional memory. In some beneficiary organisations such as the Independent Communications Authority of South Africa (ICASA) the consultancy interventions have resulted in the transfer of skills, and this can be linked with relatively high levels of staff retention. Elsewhere there is less persuasive evidence of skills transfer. In DPE high staff turnover has hampered skills transfer, and it is possible that it is only in the most recent phase of the project that interventions have been seriously directed towards this aspect of capacity building.

Zambia

4.24 DFID TC in Zambia has made a number of contributions to developing improved systems. However, except in the case of support to the Zambia Revenue Authority, the potential of these improvements remains to be fully realised and is dependent on strengthened government commitment to recognising and acting upon the possibilities created by these changes, and to progress in addressing organisational and staffing problems within the organisations supported.

4.25 **Ministry of Finance and National Planning – Budget and Economic Division (BED):** The Long Term Adviser contributed considerably both to Zambia achieving HIPC completion and also to the move towards Direct Budget Support by some key donors. Over the long term, this support has made a significant contribution to the work of the Ministry including the development of the MTEF and an activity-based Budget. It is not clear how far this process advanced administrative processes and systems. Sustainability and transformational impact will depend on the development of financial management and administrative systems that can translate PRSP priorities into the sectoral allocation of resources within the MTEF ceilings, based on targets and costs of service delivery.

4.26 **Ministry of Finance and National Planning – Internal Audit Unit (IAU):** The technical assistance provided to the Internal Audit Unit was effective, resulting in a revised manual and procedures. The impact of the manual is limited by the lack of adequate resources in Internal Audit and insufficient follow-up on its recommendations, as well as wider weaknesses in the quality of accounts staff throughout government who would have to implement the new systems recommended.

4.27 **Ministry of Finance and National Planning – Tax Policy Unit (TPU):** DFID's support had not so far succeeded in building the capacity of the TPU because of uncertainties about the Unit's role and mandate, management issues and a mismatch between the skills provided and required. To the extent that these issues can be addressed, there may be scope for impact through a further phase of support.

4.28 **Zambia Revenue Authority (ZRA):** DFID support has been effective in building ZRA capacity and had a significant impact on the output of the organisation, for example through support to strengthening the implementation of VAT. The impact of this support seems likely to be sustainable.

4.29 **Department for Human Resources, Information and Planning (HRIP), Office of the President:** DFID support to the development of an effective payroll and establishment control system has made progress in setting up a strengthened system. However, the system does not yet cover the entire public service and some compliance problems remain in the provision of information. Using the system to its potential requires mainstreaming what has been a project structure into government procedures, adequate funding of operations, and political and administrative commitments to enforce its use.

Overall assessment

4.30 This subsection summarises the overall assessment of the TC support against the DAC evaluation criteria and the specific evaluation questions listed in section 3. Summary assessments for each of the four case study countries are provided in the text boxes below.

Relevance

Were the objectives of the support and of the organisations supported consistent with DFID's objectives?

4.31 All the DFID activities reviewed addressed important problems of economic management in the countries concerned and were focused on organisations, processes and systems with the potential to have a significant and transformational effect on aspects of public sector performance that were identified as important for poverty reduction. Problems were encountered (DPE in South Africa, TPU in Zambia) where there were unresolved issues about the role, mandate or policies of the organisation supported.

Were the activities relevant to the needs of the organisation and to the context?

4.32 A general theme through the activities reviewed was the limited extent to which an adequate analysis of the implications of either the wider institutional context or of organisational capacity was undertaken and/or sufficiently informed project design. In general, a clear distinction between transactional and transformational (capacity development) objectives was not made in the specification of the objectives of project activities, and most activities did not clearly articulate how transformational impact was to be brought about. For this reason the relevance of many of the activities reviewed is questionable, despite the appropriately strategic focus of the DFID support.

4.33 In Kenya, the approach followed was one that was tailored to the context and envisaged using relatively modest resources to initiate or assist reform processes to the extent that there was evidence of political commitment and progress. In these cases, engagement was designed with clear indicators of government commitment, exit strategies were pre-defined in the event of a failure of government commitment, and the approach sought to provide a basis for achieving more substantive progress at a point

where conditions became more propitious. In Ghana (and probably to a lesser extent in Zambia), there appears to have been a systematic overestimation of how propitious the institutional and organisational environment was for progress in capacity development and reform, at least within government ministries. In South Africa, where organisational capacity has been stronger, the initial success of support to the National Treasury may have led to an underestimation of the significance of organisational capacity issues in the follow-on support especially to DPE, which has adversely affected its success.

Was the support consistent with actions being taken by other development partners and by the government?

4.34 In Ghana, Kenya and Zambia, the DFID supported activities have generally formed part of a wider multi-donor effort in support of reform agendas articulated by government around Poverty Reduction Strategies. This framework of cooperation has become more effective and formalised in Ghana and Zambia as moves have been made towards HIPC completion and as the commitment (by many but not all of the significant donors) to general budget support as the preferred aid modality has strengthened. In both Ghana and Zambia, the DFID activities reviewed took place within multi-donor frameworks for public sector reform (dating from the 1990s), which achieved limited success in addressing key reform areas particularly related to improving the effectiveness of the civil service. Although in both cases progress has been made, concerns remain about the depth of government ownership and capacity to carry through the reform agenda. In Kenya, DFID, along with other donors, has sought to respond to promising reform initiatives and signs of government commitment within a generally unfavourable context. In South Africa (unlike any of the other case study countries), the government has articulated a policy and framework for the use of technical cooperation for capacity development and has had generally clear policy priorities, although lack of clarity about DPE's mandate and approach has caused problems.

Was there a consultation or management process to ensure the continuing relevance of the support?

4.35 The processes of consultation and management around the activities reviewed were generally effective, and in some cases (such as Support to Restructuring Public Enterprises in South Africa (SRPESA)) compensated for weaknesses in the original project design and responded well to changes in context.

Effectiveness

Were the intended outputs produced?

4.36 In general planned project or programme outputs have been produced successfully. The problem of failure to produce planned outputs has been greatest for some support to complex processes of systems reform within government ministries such as support for public finance reform and personnel and payroll system development in Ghana, and where issues about the role and management of the organisation supported have not been fully resolved (such as the Tax Policy Unit in Zambia).

4.37 Long-term technical cooperation has been most effectively provided where the provider is of a high technical calibre and is seen by the organisation being supported as

responsive to its needs and as under its direct management control. In the case of short-term technical cooperation, the provision of flexible consultancy resources has in most cases been effective at a transactional level.

4.38 Cases where outputs have not been achieved have been characterised by:

- Technical weaknesses or lack of appropriate (particularly interpersonal) skills among the TC providers.
- A perception from the organisation supported that it had insufficient effective control over the providers.
- Insufficient attention to issues about organisational capacity and hence the capacity to use short-term support effectively.
- Lack of effective government commitment to the reforms supported (leading to decisions to terminate support to anti-corruption initiatives and civil service reform in Kenya).

4.39 The first two problems appear to be related to weaknesses in the selection process for long-term providers and procurement and management arrangements that have not placed responsibility and effective control over the consultancy squarely with the organisation being provided with the support. In a number of cases the problems of an unpropitious environment were compounded by weaknesses in various aspects of project design and management (Kenya PROLOGS, KIPPRA, Ghana IPPD2, Zambia Payroll Management and Establishment Control Project (PMECP)) that included the selection of consultants, and the lack of clarity in the reporting relationships to government.

4.40 Activities with limited objectives that have been mainly transactional in character have been generally effective.

Were they generated in a way to maximise ownership by the organisation and government and alignment with government actions?

4.41 Ownership has been variable. In Ghana, ownership within the NDPC and VAT Service was assessed as strong but it was much weaker in MOFEP and at the level of overall effective political commitment to reform. In Kenya, ownership within the organisations supported has generally been strong but has been much more fragile at the political level. In South Africa, ownership was strong. In Zambia ownership within the organisations supported has been strong but progress on the wider reform agenda was limited over much of the period of the evaluation.

4.42 Some aspects of project design, procurement and management as noted above have not maximised ownership (e.g. support to local government reform in Kenya).

Were they generated in a way to maximise harmonisation with initiatives from other development partners and alignment with government initiatives?

4.43 Harmonisation with other donors has generally been strong and has improved to the extent that wider frameworks for coordination have been developed, for instance in Ghana and Zambia as described above.

Were they generated in a gender-sensitive manner, which might promote mainstreaming of gender concerns with the organisation?

4.44 Gender issues have not been explicitly addressed in the activities reviewed and have generally not been regarded as relevant to the objectives of the activities supported. It was envisaged that assistance to DPE in South Africa would be used in part to address social and environmental issues (as part of the policy framework for state owned enterprises and the process of privatisation), but in practice this was not seen by DPE as a priority for the use of this support.

Efficiency

Were the outputs generated efficiently in terms of their costs and timeliness?

4.45 The efficiency of the activities reviewed has varied significantly (as has the levels of expenditure involved). Some strategic support that has responded to very clear government needs was judged to have had a significant impact for very modest expenditure (e.g. support to the NT in South Africa in bringing UK experience to bear on the improvement of the budget system, and to BED in Zambia in helping achieve HIPC completion). The support to IFMIS development in Kenya was also judged highly efficient in comparison to similar initiatives elsewhere in Africa. By contrast the support to payroll system development in Ghana was judged as exceedingly inefficient, while the efficiency of support to the similar initiative in Zambia was assessed as questionable. Quality of design and procurement (particularly in matching skill requirements to needs) seem to be the main determinants of efficiency.

Impact

Did the provision of the outputs lead to results? Was any impact achieved either transactional or transformational?

4.46 A consistent picture emerges across the case study examples. DFID's TC support has contributed in many cases towards the development of improved systems and procedures (e.g. for budgeting, financial management, monitoring and evaluation, audit, payroll management) that if fully implemented could significantly improve aspects of economic management. Failure to achieve this level of contribution is associated either with situations where support has been terminated because of lack of government commitment and progress (the cases in Kenya), uncertainty about the mandate of the organisation supported (TPU in Zambia), and management weaknesses or design flaws. In some other cases, support has been mainly transactional – that is assisting organisations to perform their functions without necessarily strengthening their capacity to perform the functions without continuing support.

4.47 However, in most cases the realisation of this potential depends on a strengthening of government commitment to the use of these systems and procedures, as well as to measures to address constraints on the capacity of the organisations supported, notably in relation to staffing and incentives but also in some cases in relation to the role and mandate of the organisation.

4.48 As a result, it is only in a minority of the cases reviewed that a capacity development impact can be identified. The main examples are support to the National Treasury in South Africa (a notably well-staffed organisation with a clear mandate and well-articulated reform agenda) the Ghana VAT service and the Zambia Revenue Authority. Both of the latter have established management and remuneration systems outside the normal civil service structure in each country, and have been the subject of sustained and long-term external support, which has helped to build a strong organisation. They also represent organisations whose key output (tax revenue collection) is highly specific in the sense discussed in section 2, and whose role and mandate is clear and accepted by governments.

4.49 A significant problem in the assessment of capacity development impact is that the activities reviewed in general did not involve exercises to benchmark capacity and capacity targets were not set. As a result, monitoring of capacity impact was either not built into the project monitoring and evaluation system or was not done so using a consistent analytical framework (for instance one that distinguished the wider institutional setting, the elements of organisational capacity, or individual staff capacities). The absence of such a systematic framework or focus on capacity development limits significantly the quality of the information on which judgements about capacity development impact can be based. The lack of such a framework is a reflection of the fact that DFID has not articulated strategic approaches to capacity development either globally or within the country strategies for the case study countries.

4.50 Related to this lack of a clear focus on capacity development, the objectives of the activities reviewed varied. Some were related to supporting the establishment of particular systems (in some cases with a large IT component such as the support to payroll and financial management systems). These can be regarded as focused on capacity development both in relation to the particular organisation supported and to strengthening the effectiveness of the public sector as a whole. Others have sought to strengthen the capacity of organisations to fulfil their roles (for example, NDPC in Ghana, support to the NT and DPE in South Africa) in a way that has been less directly linked to the establishment of particular systems. Other support has been more directly transactional (e.g. the support to BED in Zambia) though this has taken place within a wider donor and government framework of reform efforts in which other aspects of organisational capacity may be being addressed. It was not possible fully to evaluate the wider reform framework in this evaluation.

4.51 The extent to which investment in systems development is committed ahead of effective progress in addressing constraints on organisational effectiveness (particularly the staffing, incentives and management required to use the outputs of technical and IT systems effectively) is a key strategic issue. There are three main interlinked arguments for supporting this form of investment:

- The first is it can bring about valuable improvements in economic management and organisational effectiveness even if this is dependent on donor support and hence not necessarily sustainable.
- The second is that this investment can put in place a framework that can be developed and used as government commitment increases.
- The third is that the investment can help to create the demand for its use by showing the potential of improved systems.

4.52 The counterargument is that the value of the investments is unlikely to be realised unless there is sufficient organisational capacity in place to make use of the systems. In addition, the focus on system development may in itself increase the stress on capacity and divert management and political attention away from the more fundamental problems at the institutional and organisational level. For example, the evaluation of World Bank capacity development (World Bank, 2005a, p.30) notes that:

“In the view of some government officials, the introduction of complex public financial management programs has created capacity gaps that are being inadequately addressed by poorly designed training and limited transfer of knowledge and skills from consultants.”

This issue is discussed further in the final section of this report.

Sustainability

To what extent have transformational impacts been sustained beyond the period during which inputs were provided? Was there a coherent exit and sustainability strategy?

4.53 As discussed above, only in a minority of cases has a sustained impact been achieved. These have been where the mandate of the organisation supported is clear and issues of management, staff retention and incentives have been satisfactorily addressed. The critical issues for sustainability are the extent to which the organisations supported can develop and retain the skills needed to use new systems that the DFID support has helped to develop, and the extent to which there is political and managerial commitment within the organisation to using them. These issues have not been addressed through the activities supported although the wider public sector reform agendas in Ghana and Zambia have included measures focused on these problems. These have however not been effectively implemented. Incentive schemes were included within some activities such as the support for payroll development in Ghana and Zambia (in the latter as a pilot for a more comprehensive scheme). However, these initiatives did not lead to the resolution of these problems on a sustainable basis. Outside South Africa (and even there staff retention has been an important issue for DPE), this has only been achieved within the ZRA and Ghana VAT Service.

Box 4.1: Summary Assessment: Ghana

Relevance: The support to the VAT Service was the most relevant in terms of the understanding of organisational needs and operational context. This was helped by the fact that this was a new organisation and issues relating to staffing and salaries were addressed. There was strong political commitment and commitment from other development partners, and an extensive preparation process involving a number of donor agencies. In the case of NDPC, the capacity development needs were identified but probably underestimated, and the limited status and influence that the NDPC had at the start of the project was not fully appreciated. The GPRS process presented an opportunity that was seized by the NDPC Director General, and the provision of TC was responsive to these needs. MOFEP presented a much more difficult context. The MTEF and IPPD2 initiatives were identified in the earlier support (PUFMARP), but the specific technical form these interventions took did not address basic issues underlying the wage bill problem and this was not fully appreciated until significant sunk costs had been incurred. Neither project appreciated or addressed the problems associated in paying allowances. Disputes over allowances and design problems weakened the commitment of government.

Effectiveness: Support to the NDPC and the VAT service were in general highly effective in generating the intended outputs with strong ownership from the supported organisation and close harmonisation and alignment with the activities of other development partners. Less skills transfer was achieved under the NDPC support than was envisaged and full functionality of VIPS was not achieved under the VAT Service support. In relation to MOFEP support, of the ten outputs specified in the original project documents for the MTEF project, five were assessed as fully achieved, three partially and two not at all. However the coverage of MTEF was insufficient and the outputs were not appropriate to achieve the project purposes. IPPD2 remains incompletely implemented.

Efficiency: Both the NDPC and VAT Service support delivered most of their outputs cost-effectively and within the intended time schedule. The delivery of outputs for the MTEF project was largely on schedule if somewhat more expensive than intended. IPPD2 was exceedingly inefficient with many of the norms of IT project management best practice broken by the contractors, DFID and the Government of Ghana.

Impact: The NDPC project succeeded in bringing a coherence and focus to economic management, in raising the importance of poverty reduction as a government objective, and in enhancing the NDPC's influence. The VAT Service project played an important role in establishing a viable, self-sustaining VAT collection service. The MTEF project has had a transactional impact in changing the way in which the budget is prepared, but it did not achieve its project purpose of improving the cost effectiveness of government resource allocation. IPPD2 remains incomplete after seven years. It could be argued that it has laid the groundwork for an effective payroll system but this has yet to be proven.

Sustainability: Five years after the end of the main part of the TC project, impacts on the VAT Service have been sustained and VAT performance continues to improve. In the case of NDPC, transformational impacts have been sustained so far, but NDPC does not have the capacity to sustain the GPRS system without continuing TC or organisational reforms that have yet to occur, in order to address problems of staff retention and provide greater management stability. The transactional changes introduced by the MTEF project have been sustained, though had the project been better designed in relation to the context, greater success could have been achieved. In neither the MTEF nor the IPPD2 projects have there been effective exit strategies with both projects being prematurely closed, leaving weak organisational structures for the maintenance of the project outputs and the continued pursuit of their objectives.

Box 4.2: Summary Assessment: Kenya

Relevance: The approach and role used for TC was judged to be relevant and appropriate and was focused on areas of reform that did have a potentially major impact on the quality of economic management. The support provided was also consistent with DFID's strategy and the approaches of other donors. The limited and provisional success achieved suggests that the commitment of additional TC resources would not have led to greater impact but the appropriateness of the particular judgements made about continuing or stopping support is in some cases contested.

Effectiveness: In general the projects reviewed in this study were effective in terms of the delivery of anticipated project outputs, with the exception of the KACA project, which was terminated when the beneficiary organisation was wound up. Indeed even in the case of the KIA project, which was discontinued in the face of lack of government commitment, the contribution was effective in the delivery of outputs. With respect to the IFMIS project the judgement on effectiveness is still pending as not all outputs of the project have been delivered. Ownership within the organisations supported (and alignment with government policies) has been variable. For the support to the Ministry of Finance and MPND, there is evidence that ownership has increased over the period. In the case of KACA the project was necessarily terminated when lack of political commitment led to the organisation's demise. In MOLG, while a level of local ownership was achieved, the projects tended to become relatively isolated islands of competence within a generally weak ministry.

Efficiency: The support to developing the Integrated Financial Management and Information System (IFMIS) at the Ministry of Finance appears to have been highly cost effective but delivery of the outputs was delayed. In the PEM project local consultants were recruited to work alongside the external consultants for all of the sub-set of PER-related assignments; these activities appear to have been cost-effective. The decision to terminate support to KACA was done promptly and minimised waste. In the case of support to MOLG, weaknesses in project design led to delays and may have inflated costs. Support to local government reform has been by some way the largest area of expenditure on technical cooperation over the evaluation period, accounting for over half the recorded expenditure. The limited support provided to civil service reform was delivered extremely promptly and cost effectively in response to government requests, but this approach may have compromised ownership.

Impact: The DFID TC projects reviewed in this study typically only addressed a limited range of capacity issues, being mostly concerned with the development of management systems, rather than with the establishment of the staffing and other capacities necessary for the sustained support of those systems. The projects reviewed therefore have the potential to have impact but this largely depends on progress with government's commitment to reform, and on measures to address these wider aspects of organisational capacity that have not been the focus of DFID support.

Sustainability: In the projects reviewed a comprehensive approach to organisational capacity development did not in fact form the focus of support. For the immediate future these systems are not sustainable in the absence of continued TC and there is a real danger of discontinuity and breakdown without either continued external support or increased government commitment – which would mainly relate to a willingness to address issues of civil service employment to attract and retain adequately skilled workers.

Box 4.3: Summary Assessment: South Africa

Relevance: In terms of goals and objectives both SERP and SRPESA were relevant to GSA needs and ownership of the programmes was strong in the organisations supported. Both the NT and DPE have critical roles to play in South Africa's GEAR programme. Both programmes however suffered, viewed in relation to their capacity development objectives, from insufficient attention to the organisational context within which they were implemented, with the uncertainty about DPE's mandate (and the level of commitment across government to its stated policy approach) providing the main problem. To some extent the initial success of SERP I may have contributed to this neglect of institutional and organisational issues. However the flexibility of design, and the willingness of all parties to overcome problems encountered, reduced the negative impact of these initial design weaknesses.

Effectiveness: The projects have generally been highly effective (with SERP I making a major contribution to establishing a modern system for public expenditure management for the South African context) despite some difficulties under SERP II and SRPESA. Ownership has been strong and this has been reflected in both design and management. A common factor reducing both effectiveness and efficiency in the two projects was the lack of a systematic approach to capacity building in the South African public service. This could have led to a more coherently sequenced approach which might have resulted in a different emphasis in early sub-projects, and the addressing of organisational and cross cutting issues rather than simply the transfer of skills to individuals.

Efficiency: Overall outputs for the NT were provided on time and within budget. In support to DPE some initial projects were not continued following the review of the project's management in 2004. In evaluating projects it is important to distinguish between the efficiency of project management, i.e. the delivery of inputs, and the efficiency of the project interventions in achieving the desired outputs and outcomes. SERP II and SRPESA were generally efficiently managed in terms of delivering the inputs requested by the Departments it was supporting but less so in prioritising the spending of funds or in systematically evaluating outputs and outcomes.

Impact: Support to the NT had an important impact in helping the process of establishing and implementing new budget systems. The National Treasury's strong management and staffing capacity has enabled this contribution to be transformational and to be sustained. So far the impact of support to DPE can be detected in some of its achievements in influencing pricing and regulation, but its ultimate impact will in part depend on whether it can help the GSA deliver clear objectives for state owned enterprises.

Sustainability: Impact on the National Treasury has been sustained. The extent to which impact on DPE and the organisations that it supervises is sustained depends on attaining stability in staffing so that transferred skills are not immediately lost to the private sector. It will also depend on whether beneficiary organisations have robust systems and procedures that will preserve institutional memory. The moves since 2004 to clarify the role and policies of DPE and to strengthen its management are important steps for achieving this.

Box 4.4: Summary Assessment: Zambia

Relevance: All the support provided was highly relevant in relation to the priorities of GRZ and addressed areas of importance for improving economic management in Zambia. For example the retention of the Long Term Technical Adviser in the Budget and Economic division was central to Zambia achieving HIPC completion and the provision of direct budget support. Similarly the assistance to the Internal Audit Unit and ZRA was directly sought by the organisations concerned and relevant to the building of their capacity in support of economic management. The reservation in relation to the relevance of the support is related to the extent to which individual projects took sufficient account of the wider context to address capacity at the organisational level and whether DFID's approach might have had a greater focus on key constraints to improving government effectiveness, reflected in the lack of progress under PSCAP.

Effectiveness: The effectiveness of the TC support provided varied. The support to BED and IAU was effective but is judged to be essentially transactional in character and not in itself to have developed organisational capacity. The support to TPU has been largely ineffective up to the point at which this evaluation occurred mainly because of unresolved issues about the role of the Unit in the policy process but also the selection of TC provider in relation to the Unit's needs. Support to ZRA has been generally effective. The support to PMECP has contributed to the establishment and use of the intended systems despite a number of problems with the design of the support and the quality of support provided. DFID activities were generally well harmonised with other donors.

Efficiency: Some activities (notably the support for TC to assist in the HIPC completion process) have been extremely efficient. Some of the PMECP support was of questionable efficiency and it is likely that the results could have been delivered at lower cost.

Impact: The impact of DFID support has been mixed. Support to BED has contributed significantly to HIPC completion but in itself the activity did not build capacity within government. Support to TPU and IAU has laid the groundwork for future progress if key organisational and institutional issues are addressed. PMECP has had a significant but mixed impact, in that the full potential of the system established has yet to be realised. Support to ZRA has improved the overall performance of the organisation.

Sustainability: Sustainability depends on the extent to which government capacity develops to take advantage of the work that has been done – the DFID activities reviewed here have not themselves developed this capacity. A key issue is the extent to which issues about organisation roles and management are addressed (for instance TPU, IAU, PMECP), and the generally problem of the retention and motivation of staff within the public service. ZRA has a clear role and political support and pay structures that enable staff retention and so generally does not face these problems.

5. Evaluation Findings: Evidence on Technical Cooperation and Capacity Development

The significance of context

5.1 The conceptual framework that has guided the evaluation approach identified three dimensions whose interaction determines the capacity of an organisation (in the sense of its ability to fulfil its functions effectively):

- The institutional setting (determined outside the organisation) which includes the organisation's mandate, incentives for performance, structures of accountability, and operating rules (for instance in relation to finance and personnel).
- The organisational framework (which determines how individual capacities are deployed and combined). This includes the organisational structure, the quality of management and working practices.
- Individual capacities within an organisation (staff numbers, skills, productivity).

5.2 Improvements in organisational capacity can in principle be brought about through change in any one of these dimensions. However, while impact on organisational capacity may be an objective of technical cooperation or other interventions, the level of organisational capacity and the features of the institutional setting also provide the context within which interventions occur and are therefore likely to be critical conditioning factors in determining their success. It is plausible that well-managed, well-staffed organisations with a clear mandate and role are likely to be more effective users of advice or support provided through technical cooperation.

The institutional and political context in the case study countries

5.3 In three of the case study countries significant political change occurred during the core period covered by the evaluation (2000-5). In Ghana, the opposition NPP came to power in January 2001, ending a period of rule by the NDC that had lasted 19 years (under military and subsequently constitutional rule), and were returned to power in presidential and parliamentary elections in December 2004. In Kenya, almost 40 years of rule by KANU ended in December 2002 with the coming to power of the NARC coalition. In Zambia, strong civil society opposition prevented President Chiluba seeking an unconstitutional third term in 2001. His chosen successor Levy Mwanawasa narrowly won the presidential election but the ruling MMD's parliamentary position was weakened. The exception is South Africa where the ANC under President Mbeki has enjoyed stable political dominance over the period, being returned to power in elections to 2004.

5.4 The political changes in Ghana, Kenya and Zambia appear to have been associated with a marked increase in the role of civil society organisations and active political debate particularly over constitutional issues, and can be seen at one level as representing a consolidation of democratic and constitutional systems, emerging from periods of de jure and then de facto one party control (Kenya, Zambia) or military intervention in politics (Ghana) to allow peaceful and constitutional transfer of power.

5.5 However, the political changes have not led to fundamental constitutional change, although in all three cases governments have promised political or constitutional reforms to place effective checks on the dominant power of the executive presidency within a Westminster style parliamentary system. By contrast, the South African political system embodies a greater degree of legislative control over the executive, with the President elected by the National Assembly rather than directly, an effective parliamentary committee system, the use of proportional representation for legislative elections, and a stronger effective and constitutional role for provincial and local government.

5.6 More fundamentally, reviews of the political economy of the policy making process summarised in the Ghana, Kenya and Zambia case studies all highlighted the patrimonial character of the political regimes. Governments are heavily dependent on systems of resource and rent-sharing and patronage to maintain their support, with patronage systems tending to lead to politicisation and demotivation of the civil service, and to militate against effective public finance management in pursuit of poverty reduction goals in particular. Though new governments in each of these countries had made promises to control corruption (which appears to be deeply rooted in the political system), little effective progress has been made, with unstable parliamentary coalitions providing a particularly unpropitious context for such initiatives as well as for effective economic management.

5.7 In South Africa, the independence of the judiciary and the role of constitutionally established organisations in acting as a check on the executive (Office of the Auditor General, Office of the Public Service Commission, Financial and Fiscal Commission) have in contrast provided a relatively good environment for the control of corruption.

5.8 In all four cases, governments have articulated overall policy frameworks (poverty reduction strategies) that in principle provide a sound basis for economic management, though outside South Africa there are significant issues about the depth and effectiveness of government ownership of these policy frameworks. Ghana and Zambia have achieved HIPC completion during the period. All the countries have made progress towards establishing a Medium Term Expenditure Framework as a basis for fiscal management, though this process is at very different stages between the countries.

5.9 In all the countries except South Africa, public sector administrative capacity is weak and has seen little improvement over the period.

- In Ghana, the case study noted that particularly pronounced problems included the degree of politicisation of the civil service which has undermined its autonomy and confused leadership responsibilities, the (related) demotivation of the civil service particularly in line ministries, and the extent to which aid projects have become a source of salary supplementation to the detriment of the wider incentive environment.
- In Kenya, the case study concluded that the environment for public administration in general, and economic management in particular, has been characterised during the period of the review and for many years before that by the chronic weakness of the civil service as a source of professional advice and expertise in the formulation and implementation of policy. The Moi government up to 2002 instituted some reforms but many have been very slow to come to fruition or were aborted. The current government came to power with an explicitly reforming and anti-corruption mandate, and has introduced a number of new initiatives (such as the institution of performance contracts for all ministries and departments during 2005) and revived

others that appeared to have stalled, without as yet having demonstrably achieved improvements.

- In Zambia, a comprehensive long-term World Bank supported Public Services Capacity Building Project (PSCAP) has been under implementation through the period of the evaluation. Stevens and Teggerman (2004, p.48) consider that “its record to date is a mixed picture: although it has some improvements to show, overall, its administrative reform agenda is lagging behind”. Their comparative assessment on progress in public service reform is that Zambia has been more effective than Ghana but less so than Tanzania.
- In South Africa, the case study noted that there is a general consensus that capacity in line departments –though not in the National Treasury – is lower than might be expected in a country with South Africa’s overall level of development, as a result of the limited educational opportunities under apartheid, and the orientation of the previous regime towards serving the minority population. The South African government is actively seeking capacity building support from donors to address these issues.

5.10 In summary, Ghana, Kenya and Zambia have severe weaknesses in public sector capacity as a result of the politicisation of the civil service and the erosion of pay and weaknesses in management systems. In each case there have been ongoing reform initiatives, some of which may be yielding progress, but in none of these cases was there evidence of significant improvements in this aspect of capacity during the period covered by the evaluation. The exception related to government agencies for which special arrangements to improve pay and strengthen management were in place, of which examples were included in the evaluation in Ghana and Zambia. South Africa has faced a rather different set of issues where the challenge has been to reorient the public service away from a focus on the interests of a minority and make it more responsive to and more representative of the population. While overall capacity is much stronger than in the other countries there are therefore major staffing and management issues that have implications for specific programmes of organisational support.

5.11 Table 5 summarises the key features of the wider institutional setting affecting the organisations reviewed in the country studies.

Table 5. Comparison of features of the institutional setting

	Ghana	Kenya	South Africa	Zambia
Overall political environment – how favourable for capacity development and coherent reform implementation?	Consolidation of democracy. NPP government from 2001 has made progress in some areas	Government pre-2002 not committed to reform. NARC government has been fragile coalition and encountered difficulties carrying through programme	Strong and stable throughout period with high degree of accountability and policy coherence	Weak in period up to 2002 election. Some Improvement after election but constitutional issues continue to be a problem
Framework of policy making for economic management	GPRS and HIPC completion provides framework	ERS and development of MTEF has provided improved framework	Strong and sustained through GEAR and MTEF Public enterprise policy clarified after 2004	PRSP, TNDP and HIPC completion by 2005 but weak throughout most of evaluation period
Public service capacity	Severe weaknesses throughout period despite reform initiatives	Weak and marginalised from policy-making	Strong at senior central level but variable between organisations. Planning and budgeting processes institutionalised	Weak throughout period
Framework for retaining and motivating public service staff	Weak except in agencies with special arrangements	Recent progress in developing policies but yet to have impact	Generally adequate	Weak except in agencies with special arrangements
Effective policy for using TC for capacity development	None articulated	None articulated	Strong policy framework from 2002	Under development

5.12 While there have been considerable donor supported efforts using technical cooperation as an instrument of capacity development in Ghana, Kenya and Zambia over several decades, it is striking that none of the countries has had a clear policy towards TC or articulated how aid is to be used to develop capacity, although Zambia has recently made progress in developing such a policy. South Africa by contrast undertook a review of capacity development experience in the period since 1994, and used this to inform a national policy on development cooperation, which now provides clear guidance and rules on how TC should be used and TC activities should be designed, although it was not clear from the case study how far this policy is informing TC practice.

Evidence on the significance of the context

5.13 The evaluation evidence suggests that the wider institutional setting has indeed been a major factor in determining the extent to which TC has both been effective and has served to develop capacity. The evidence from the case studies suggests that a favourable institutional setting appears to be necessary but not sufficient to bring about improvements in organisational capacity:

- *Influence of political commitment to capacity development:* South Africa provided a favourable institutional context, which meant that some TC was able to contribute to a major transformational impact even on the basis of the expenditure of quite limited resources. All of the activities reviewed in South Africa were judged effective. However, despite the generally favourable overall institutional environment, support to DPE had less capacity development impact over much of the period because of issues about the Department's role and management that were not resolved until the end of the evaluation period.
- *Limits to capacity development impact in unfavourable contexts:* In situations where the institutional context remained unfavourable it was still possible for TC to be used effectively in a more transactional role. The support to NDPC in Ghana was judged to have had a major impact in improving the coherence and focus of economic management, but not to be sustainable without continuing support or organisational reforms. In Zambia the support to the Budget Division played a significant role in helping Zambia achieve HIPC completion. TC also helped develop to establish technical systems, which had the potential to improve economic management, but that faced major issues about their impact and sustainability because either staff capacity or political commitment to take forward the systems remained to be established. In both cases this support was highly effective and responsive to the context and government needs but did not seek to address wider constraints on organisational capacity.
- *Pay and management structures:* None of the activities reviewed in Ghana, Kenya or Zambia resulted in clear evidence of improved organisational capacity within government, except in agencies where there was both sufficient clarity about, and government commitment to, their role and objectives. The two cases where this occurred focused on improving revenue performance – an objective that may be relatively uncontroversial compared to other reform areas related to economic management. Most fundamentally, measures had been taken to address staffing and management constraints, outside the framework of normal civil service rules.
- Even where the environment is highly constrained, it does appear that appropriate design of a TC activity may enhance the likelihood of capacity impact. This could be through for example including in the terms of reference explicit objectives of skills transfer (which may help boost individual capacities). In practice there appears often to be a sharp trade-off between the objective of helping to get key tasks done and such skills transfer, and the selection of consultants has tended to focus on their technical rather than process and capacity development skills, as is illustrated by the support to DPE in South Africa.
- *Quality of leadership:* As noted in the Ghana case study in relation to NDPC, good leadership in the organisation supported, political support for key reform measures, and well-structured and well-delivered TC activities may be particularly important factors for success where the institutional environment is unfavourable.

- *Policies on technical cooperation and capacity development:* Had clearly articulated government policies towards the use of TC and capacity development been in place (and implemented) in Ghana, Kenya, and Zambia, it is possible that the capacity development impact of the activities reviewed would have been enhanced. This could have imposed a requirement for a more rigorous and systematic assessment of capacity issues as part of the project design. This might at least have led to the setting of more realistic and clearly specified objectives given the context in which activities were taking place, and ensured that within the constraints capacity development impact was maximised. DFID itself has not implemented any overarching policies to guide the use of TC and capacity development, at least as evidenced by the activities under review, and so has not substituted for this lack of policy guidance from partner countries. The DFID country strategies did not generally provide guidance on how TC should be used and made most effective in the country context – though in the case of Kenya there was a move over the evaluation period from a strategic view that TC could be used as an instrument to achieve influence over policy where there was a lack of agreement with government on policy issues, to a view that TC could only be effective in support of nationally owned policy initiatives.²¹

Identification and design

5.14 The evidence from the evaluation supports the view that an understanding of the wider institutional context, as well as the specific features of the organisation, is critical in designing TC activities and for effective capacity development. Generally the design of the activities reviewed did not pay sufficient attention (at least as reflected in the project documentation) to the analysis of the context at either level. More systematic guidance and project appraisal procedures (prompted either by DFID or by the aid receiving government) would probably have improved performance and enhanced impact even in unfavourable circumstances.

5.15 The findings also suggest that there has been some tendency to overestimate partner capacity and commitment. This was particularly the case in Ghana. In Kenya, most of the activities reviewed were designed with an awareness that government commitment to reform might be fragile, and included milestones that were related to commitment and evidence of progress, so that exit or suspension was possible in an orderly manner. In the case of South Africa, SRPESA was based on assumptions that the Government was clearly committed to privatisation, when in practice the policy position was not fully resolved. This led to some conflict between the Government and consultants, which resulted in a moratorium on new activities under SRPESA. Only after the appointment of a new Minister with a clear policy direction was SRPESA fully aligned with government policy.

5.16 *Harmonised and aligned approach to capacity development:* The most successful activities reviewed were marked by high levels of government ownership and consensus between DFID and other development partners on priorities and approach, and on close involvement of the organisation receiving support in the selection of TC providers.

²¹ In fact there were no examples within the sample of activities reviewed where there appears to have been an attempt to use TC in such an “influencing role.”

Examples include the support to the Budget Division in Zambia (where DFID essentially provided a mechanism for enabling the organisation to retain and use effectively a key external consultant), the support to the National Treasury in South Africa and support to the VAT Service and to NDPC in Ghana.

5.17 By contrast, activities that encountered problems or were less successful tended to be marked by weaknesses in ownership and features of the design including the procurement process. Examples include the following:

- IPPD2 in Ghana, where issues were identified about government commitment to the project and the way in which contractor selection was managed by both by DFID and by the Government of Ghana as well as more fundamental weaknesses in project design.
- The limited success of support to the TPU in Zambia reflected both a lack of clarity about the role of the unit and problems with the selection of TC in relation to the skills required.
- Lack of transparency to the partner organisation on procurement was a cause of conflict in PMECP in Zambia particularly because of subsequent problems with the quality of some of the TC provided.
- While the support to MOLG in Kenya was judged to have delivered its key outputs, limited ownership was judged to have been a factor contributing to its lack of wider impact (creating islands of effectiveness within a generally weak system) and design weaknesses in relation to the role of the project management agent also compromised effectiveness.
- The effectiveness of support to DPE in South Africa appears to have increased as the South African government's policy objectives were clarified, DFID developed a deeper understanding of that policy, and mutual ownership of the support programme strengthened.
- The Kenya case study argued that the quality of decision-making by DFID in relation to its strategy on continuing or withdrawing support was greater where this occurred in the framework of structured (contractual) engagement with other donors and development partners – contrasting the approach in relation to decisions about staying engaged with IFMIS with that on civil service reform.

5.18 In relation to the new models and paradigms of capacity development discussed in section 2, the approaches reviewed have not sought to influence the demand for improved governance or economic management, and have in this sense continued to operate on the supply-side. While the evidence is limited, the case studies suggest the need for key organisational constraints to be addressed in order for investments in improved systems and procedures to realise their potential and that support needs to be responsive to demand, but not that supply-side interventions are bound to fail. The experience reviewed does not provide any indication of how a demand-side focus might in practice have been implemented. The less successful cases reviewed also do not seem to be properly characterised as involving the attempt to transfer generic “best practice” systems that are inherently poorly-suited to the context. In the case of Ghana IPPD2, the criticism was that best practice approaches were not followed. The key design weaknesses in these cases could have been addressed through better design and management, though the major strategic question still remains whether such system investments should be made in

advance of clear evidence of progress to address organisational constraints like staff recruitment and retention.

Technical cooperation: provider characteristics and role

5.19 The literature suggests several hypotheses relating the effectiveness and impact of TC to the characteristics of the TC provider.²² Specifically views have been expressed that (i) long-term TC is more likely to achieve a capacity development impact than short-term TC and (ii) locally recruited TC is likely to be more effective (as well as cheaper) than international TC because of the better understanding that locals will have of the context within which they are working. A feature of the UK's provision of TC over the longer term has been a move away from using contracted DFID staff to provide TC (as Technical Cooperation Officers) to a greater reliance on externally contracted consultants as TC providers, with DFID staff focusing on project and programme management. The evaluation terms of reference therefore asked for an assessment of how long-term TC is most effectively and efficiently provided in relation to these alternative approaches.

5.20 The evidence from this evaluation strongly suggests the need for caution in drawing any general conclusions about the relationship between the "type" of technical cooperation provided and its effectiveness and impact. The overall context in which the support is provided and the quality of the design and management of the activity appear to be much more fundamental determinants of success.

5.21 On these hypotheses, the following points can however be made:

- The main examples of successful capacity development have been associated with long-term TC or secondments (for instance under SERP I in South Africa, the support to ZRA and the Ghana VAT Service) but the overall capacity development effectiveness of long-term support varied depending both on the context and on the quality of the TC provided – with the most relevant aspect of quality relating to much more process and personal interaction, rather than technical skills. Several examples of this point emerge from experience in Ghana and South Africa:
 - The team working within the VAT Service very deliberately played low key roles in the introduction of VAT: they allowed the Ghanaian managers to take the lead and were sensitive to underlying cultural issues.
 - The team responsible for the design of the GPRS monitoring system interacted very effectively both with the local consultants who were their colleagues and with the NDPC staff.
 - By contrast, the consultant who undertook the original system design for IPPD2 interacted poorly with the departments with which he was working.
 - The relative effectiveness of the long-term secondments to the National Treasury in South Africa related in part to their understanding of policy processes as opposed to their technical skills.
- Short-term consultancy resources have been generally effective where they have been provided as part of an overall package of support (as for instance to NDPC in

²² See Williams et al. (2003).

Ghana, to the National Treasury in South Africa, and ZRA in Zambia) and have provided a resource that can be used flexibly to assist the organisation in fulfilling its functions (as with the funds providing support to public expenditure management issues in Kenya and Zambia). DFID is generally seen as having a comparative advantage in providing this form of support because of its lack of aid tying, management flexibility, capacity to identify high quality consultancy, and relatively straightforward procurement procedures for small contracts.

- In relation to the use of local consultants as opposed to international consultants, in both the Ghanaian and South African case studies, the advantages of international consultants in, first, providing access to wider international experience and, second, being perceived as independent of local interests (and hence as more objective and as less likely to be seen as a threat by staff of organisations supported) were highlighted. In the South African case, one of the main purposes of using DFID financed TC from the perspective of government was as a route to access international experience (both short- and long-term) that would be difficult (and much more politically sensitive) to obtain using normal government procurement processes. On the other hand SRPESA in South Africa was felt by DPE to be too focused on the use of international consultants and the approach was reoriented in response to this concern as well as a reassessment of policy issues. In Kenya the case study raised issues about whether DFID's approach to the procurement and use of local consultants was leading to a vicious circle of low expectations, low fee rates and poor performance. It also questioned whether a deliberate segmentation of the market (through specifying local and international components in project design) was either consistent with DFID's generally non-discriminatory approach to procurement or effective in achieving value for money. The pooling study also noted that the move towards pooling arrangements in the countries reviewed appeared to lead to greater flexibility about the choice between using local and international consultants,²³ both of which were seen by governments as desirable in different contexts and as providing different skills and experience.
- The activities evaluated did not provide enough evidence to allow an assessment to be made of the relative effectiveness of TCOs and externally recruited consultants as suppliers of technical cooperation. The support reviewed was provided either by consultants or (in the case of support to SERP in South Africa) secondments from HMT and ODI Fellows.²⁴ The secondments' relative effectiveness depended on how well the skills and experience of the seconded staff members fitted with the particular requirements, partly a matter of capacity assessment and partly the qualities of the individual TC and did provide access to highly relevant experience that would have been difficult to obtain by other means. The evaluation has not sought to assess the extent to which the experience of having staff members working in South Africa was useful to HMT, though a strong and continuing productive sharing of experience appears to have been established. The ODI fellows essentially performed transactional and gap-filling roles. These were judged extremely useful by the units in which they worked, but were not envisaged as being used directly to develop

²³ In general the development of pooling arrangements was contrasted with reliance on bilateral TC arrangements that for most donors (notably those whose aid was still substantially tied) were seen as biased towards the use of international consultants compared to the national governments' preferred mix.

²⁴ ODI fellows are not classified as TC in DFID statistics.

capacity, not least because ODI Fellows are not selected on the basis of having transferable experience.

5.22 A second set of hypotheses relates to the relationship between the effectiveness of TC and how it is used in the organisation supported. For example, there has been a view that TC should be used in an advisory role, rather than in line positions, in order to achieve capacity development impact. Related issues are the significance of having designated counterparts to ensure skills transfer, and the advantages and disadvantages of using TC in an explicitly transactional role (to get specific things done) rather than as an instrument of capacity development.

5.23 The evaluation provided less evidence on these issues though the findings do strongly suggest that providing TC in an essentially transactional role (which in the case of long-term TC implies financing a post in a line position that cannot be met otherwise) can have an important impact and can be seen as extremely valuable and responsive to the needs of the organisation concerned where it cannot otherwise perform its functions effectively because of wider institutional constraints. DFID funded support to the Zambian Budget Office had an extremely significant impact in helping Zambia reach HIPC completion, even if the judgement is that the organisational capacity development impact of the support was limited. Likewise support to the NDPC in Ghana was judged to provide a valuable but essentially transactional role in a context where sustained capacity development would have been extremely difficult to achieve.

5.24 Practice in the designation of specific counterparts varied – however the main issue for maximising skills transfer appears to have been less to do with the identification of a particular counterpart (e.g. who was intended subsequently to take over the post filled by the TC provider) than with the extent to which skills transfer was built into the role and terms of reference of the TC provider, was actually prioritised in management in relation to direct assistance in helping the organisation perform its functions, and the quality of the TC provider's interpersonal and process skills.

Management and delivery of technical cooperation

5.25 The evaluation findings suggest that the style and techniques of TC project management by DFID have a major bearing on the success of the activities. Specific management issues that are highlighted from the case study experience are the following:

- DFID has in most cases responded effectively to problems as they have emerged and has worked well with organisations receiving support in resolving issues. Examples of project restructuring include support to the DPE in South Africa.²⁵ In Kenya as noted, DFID designed several of the reviewed activities with a monitoring framework that facilitated early termination in the event that government commitment was limited. The activities were managed against these benchmarks.
- Effectiveness is likely to be enhanced where the choice of contractors is a joint decision by DFID and Government. There will inevitably be costs if this process is bypassed in the interests of speed. For example, with the IPPD2 contract in Ghana,

²⁵ Where the project was reoriented to provide a more facilitatory approach and a stronger emphasis on the use of local consultants.

the initial contractor for system design was chosen by DFID alone in the interests of getting the project started and proved to have major shortcomings in interacting effectively with the Government clients and users. The second contractor for software development was chosen directly by the Government of Ghana, in the interests of ownership, and DFID thereafter never found an appropriate way to voice their misgivings over the technical competence of the chosen contractor. The fact that this was a local company made the issue still more sensitive. In general IPPD2 was judged to have violated many basic rules of good practice for the delivery of IT systems.

- More generally, the process of selection of TC providers was in several cases²⁶ undertaken largely on the basis of CVs alone and was therefore much less rigorous than the processes that would be used by an organisation recruiting staff. It was considered that a more rigorous (and in particular interview-based) selection procedure for long-term consultants and other providers of TC would in cases such as these have reduced the likelihood of a mismatch between the individual and the role that reduced the effectiveness of the support provided. PMECP had a particular problem of staff turnover in long-term positions that might have been addressed by more effective selection.
- The quality of certain types of project is likely to be enhanced by the provision of an independent, properly qualified Quality Assurance overseer, who can advise both Government and DFID as an honest broker. This is especially important for IT systems projects but also for complicated Public Finance Management interventions and other systems development activities. The case study for Ghana concluded that a timely intervention by a well-informed and impartial third party could have engineered an early redesign of DFID's support to the MTEF.
- It was noted from both the South Africa and Zambia case studies that project management has to be sensitive to the opportunities and constraints posed by political cycles, and that frequent staffing changes in DFID may pose problems for maintaining institutional memory.
- The use of project management units operating outside the normal civil service structure may be useful and necessary for the task of carrying through a particular task like the management of the development of a new IT system. Examples of the use of this approach include PMECP in Zambia and support to MOLG in Kenya. In both cases while the activities were judged largely effective in system development, impact and sustainability is in question as a result in part of staffing and capacity constraints that the projects themselves did not seek to address.
- The literature on TC has identified the payment of special allowances to government staff and the recruitment of government staff as consultants (often redeployed to their line positions or as advisors at greatly enhanced salaries) as a factor that tends to undermine government capacity and at best provides a short-term benefit at a longer-term capacity and ownership cost. The DFID activities reviewed provided some examples of this practice. Under PMECP in Zambia DFID funded a performance-based bonus scheme envisaged as a pilot for a subsequent government-wide incentive scheme (which was not implemented) but this was discontinued. In Ghana, the use of supplementation and allowance schemes (for

²⁶ Such as in support to the TPU in Zambia and the long-term consultants under PMECP.

instance in the Ministry of Finance and Economic Planning) was judged to have been counterproductive.

Technical cooperation pooling initiatives

5.26 In addition to the four country case studies, the evaluation team also undertook a desk study examining experience with Technical Cooperation (TC) pooling initiatives as a means of improving the effectiveness of TC (through increasing ownership, improving transparency and accountability, reducing administration costs, simplifying procedures and improving efficiency), in the context of the substantial impetus that has been provided to donor coordination and harmonisation/alignment initiatives in recent years. The study reviewed pooling initiatives in Ethiopia, Mozambique and Tanzania to examine the extent to which these objectives have been achieved in particular instances and compares the findings with an earlier review on “The Pooling of Technical Assistance” by Baser and Morgan (2001) which included these and three other African countries as case studies.

5.27 The study suggests that there has been significant progress in improving harmonisation and alignment driven in large part by moves towards providing general budget support and sector support compared to the situation reviewed in 2001. Joint strategy processes and related organisational mechanisms have been developed to strengthen coordination. Governments are increasingly articulating the objective of moving towards receiving aid through General Budget Support (GBS) and of strengthening capacity to procure and manage TC. Policies towards capacity development and the use of technical cooperation are also being developed.

5.28 In terms of the TC funding arrangements used, there has been progress towards extending and deepening pooling arrangements, but in practice different arrangements coexist in each of the countries and sectors examined. While significant progress has been made at the policy level in the approach to TC management, in each of the countries there are constraints to effective implementation, with recognition that capacity development in procurement and financial management in particular is required.

5.29 Harmonisation as a means to increasing aid effectiveness has become a more dominant theme in partner donor relationships since the Baser and Morgan report. Memoranda of understanding for Joint Assistance Strategies focus primarily on achieving measurable and time-specific targets based on the indicators set out in the Paris Declaration and tend to be built around pooled funding as a path to full General Budget Support. TC is provided as part of sector support or as an adjunct to it, either under pooling arrangements or by single donors. The most recently established TC pooling initiatives draw on financing from targeted sector, sub-sector or cross-sector support and pools associated with general budget support. Consequently, they tend to be integrated into national planning and budgeting systems. There are few examples of pooling arrangements that are not complemented by additional bilateral support from pooled fund partners. This move from project to sector and budget support has increased the opportunity to engage in discussions and agreements on the harmonisation of donor practices in line with partner country policies, especially in terms of TC pooling.

5.30 In general it appears that the move towards using pooled financing for supporting donor activities in the form of SWApS and GBS has improved alignment with partner countries' national development strategies, institutions and procedures.

5.31 Designing and implementing common arrangements is generally a great benefit to the partner country. However they can carry considerable costs in terms of time, resources and effort for development partners. It appears that most negotiations revolve around the disbursement of funds and around whose procedures should be used for implementing management if the government systems are not to be used.

5.32 What looks to have worked well in some of these initiatives are coordinated bilateral arrangements. Under this arrangement donors harmonise activities in terms of an effective pool, yet deal with the implementing management individually. This reduces the development partners' costs of harmonisation.

5.33 There seems to be an increase in transparency between donors around TC related issues under the various types of pooling arrangements. This is not necessarily so between donors and government, as donor relationships are managed through formalised structures with less frequent interaction than under bilateral arrangements. Therefore if reporting and monitoring is weak, transparency is weakened.

5.34 Compared to the earlier assessment by Baser and Morgan in 2001, progress appears to have been made in several areas:

- Progress has been made in addressing the capacity constraints that they identified as obstacles to progress, including through a more realistic assessment of the time and resources required to establish effective mechanisms. This is recognised in the range of arrangements that are being used.
- National ownership of both the overall policy agenda for harmonisation and alignment in relation to TC, and in relation to the management of TC under the arrangements reviewed, does seem to be increasing, though it is not complete particularly in relation to the strategic management role.
- The lesson that incremental and context-sensitive approaches work best appears generally to be reflected in the approaches taken for advancing the initiatives reviewed.
- This study has not been able to examine whether the introduction of these arrangements has led to a reduction in the quantity or cost of TC, though the arrangements may have led to an increase in the effectiveness of TC as a result of greater government ownership and more transparent selection procedures.
- Making progress in establishing pooling arrangements remains labour-intensive and time-consuming for both donors and government.

5.35 The overall conclusion of the pooling study is that while pooling initiatives have now begun to realise their potential for improving ownership, there remain important constraints on progress. Key strategic decisions tend to remain under joint (effectively donor) control, and there is a conflict between the ability to meet urgent demands (which can be effectively addressed by informal coordination arrangements or individual bilateral donors) and the process of capacity building for effective procurement and management of assistance. The scope for progress (and the priority to be placed on moving forward in this

area, compared to lower cost and simpler processes of coordination and cooperation between donors) depends on the national context but the long-run determinants of success are likely to be the strength of government commitment to exercising more effective control over TC, and the level of success in developing organisational capacity for effective procurement and financial management.

6. Implications and Recommendations

What could have been done differently?

6.1 The overall assessment of the evaluation is that the DFID activities reviewed have been generally effective in producing the outputs intended, mainly in terms of technical systems development and transactional support to enable organisations to carry out their functions. Much of what DFID has supported in Ghana, Kenya and Zambia can be seen as potentially laying the groundwork for future progress, and in each country there are some promising signs that this groundwork might be built on. However, the overall impact on capacity development to date has been limited and significant concerns about sustainability remain. The exceptions are in the small minority of cases where wider constraints on organisational capacity (staffing, incentives, management and the role and mandate of the organisation) have been addressed before the support that has been reviewed.²⁷ The extent to which the DFID activities have sought to address these wider constraints has been limited. The record of limited and uncertain reform implementation in key areas affecting public sector capacity in Ghana, Kenya and Zambia justifies a cautious view of the achievements and prospects. Much depends on whether recent improvements in economic performance, progress in democratisation, and greater coherence of the reform agenda around a poverty reduction strategy and moves towards partnership general budget support represent a sustained improvement in the prospects for reform.

6.2 In assessing what alternative approaches might have been applied the focus here is on the broad strategic options (rather than at the level of how specific projects could have been made more effective for instance through improved design). The de facto DFID strategy that emerges from the case studies (at least for Ghana, Kenya, and Zambia²⁸) can be characterised as follows:

- TC has been used principally to support systems development or to provide more narrowly transactional assistance, which is seen as strategically significant.
- This has taken place within the context of broad reform frameworks agreed between governments and donors, although the level of government commitment and the effectiveness of donor coordination around them have varied between countries and over time.
- There has been no attempt to use TC explicitly to influence policy (or to operate on the demand-side for the systems developed) or comprehensively to address the key constraints on organisational capacity.
- The approach has been to support promising initiatives where there appears to be sufficient or potential government ownership within the overall reform framework with the (implicit) expectation either that wider reform processes will address the more

²⁷ Earlier phases of DFID support to ZRA and the Ghana VAT Service did focus on these wider issues.

²⁸ For South Africa, the de facto strategy (at least in relation to central government organisations) can be characterised as providing responsive, demand-led support that provides access to skills and expertise that it is difficult for South African organisations to source in other ways, but with a presumption that the overall institutional and organisational setting is strong enough to allow an effective process of skills transfer.

systemic constraints on capacity, or that the initiatives supported will generate increased government commitment to enable them to be sustained.

6.3 This characterisation suggests some questions and strategic alternatives that might be considered:

- Was the focus on supporting system development in relatively unpropitious conditions appropriate, or should more attention have been paid to ensuring that more progress was made on addressing the wider systemic constraints?
- Were there in fact possible actions that might have addressed the wider constraints (for instance a more “demand-focused” approach to capacity development)?
- Could more have been achieved in terms of capacity impact had there been a stronger focus on training and skills transfer and in addressing constraints at the level of the particular organisation (e.g. through supplementation and incentives schemes to encourage staff retention)?
- Was the overall level of resources provided appropriate?
- Would a more explicit strategic approach to the use of TC and to capacity development have assisted in making the activities reviewed more effective?
- Was the level of harmonisation with other donors and alignment with government policies sufficient or would a more strongly coordinated approach have proved more effective?

6.4 Answering these questions in any definitive way is difficult, not least because it is too early to judge the extent to which the system development investment will in fact yield results. For instance the achievement of HIPC completion in Ghana and Zambia might yet prove to be decisive steps in strengthening the economic reform process and lead to stronger and more focused reform efforts from government. Making an assessment of whether the overall level of resources applied was adequate would require an assessment of the trade-offs with what else was in fact supported within country programmes, and taking a comprehensive overview of the total donor effort in support of economic management capacity development, which falls outside the scope of the evaluation.²⁹

6.5 However, while noting these limitations, the conclusions of the evaluation are that key elements of the overall (implicit) strategy were appropriate but that impact might have been greater had DFID had a more systematic approach to the analysis of capacity development (in general and in each specific country context) that would have both improved the design of the activities supported and served to highlight the importance of progress on improving the institutional framework. Specific points to be made are the following:

- The general approach has involved seeking harmonisation and alignment around agreed government strategies and focusing on supporting key government economic management systems and functions (catalysed in particular by the move towards

²⁹ It should be noted however that a general picture appears to emerge (though there are some problems interpreting the data) that levels of expenditure on the activities reviewed were lower than planned and also delayed. This suggests that the capacity to absorb more resources at least within the project frameworks as they were designed was probably limited in most cases and so the efforts were not constrained by availability of funds.

GBS) through TC and other interventions. This strategy appears in principle to be valid. As noted above, the recent Joint GBS Evaluation concluded that progress towards GBS has improved the effectiveness of TC. Ghana, Kenya and Zambia have made relatively less (or more recent) progress in this than some other African countries – had the evaluation focused on these countries it might well have found a more positive outcome.

- This approach has to be seen as a long-term one which is likely to encounter obstacles and setbacks particularly in countries like Kenya that have long records of failed reform efforts and deep-seated political and institutional problems. An approach that maintains a long-term perspective and focus on the key elements of the systems and organisations that will be required to improve economic management is therefore required. Relatively speculative investments in such systems may be justified even in unfavourable circumstances if it is seen as part of a long-term process of institutional and organisational development. However, the concerns noted above about whether such investment might lead to an overstretching of capacity and a diversion of management focus from fundamental problems remain valid and need to be taken into account in the design of such long-term programmes.
- While elements of the “new consensus” on capacity development focus on the need for actions focused on the “demand-side” there is currently a lack of well-established models for how in practice donors can effectively strengthen the demand for good economic management. There are initiatives underway that focus on strengthening civil society voices and capacities to engage in and use information on economic management issues, as well as to ensure that donor practices strengthen rather than undermine local accountability. While it would be valuable to experiment with the potential of such approaches, they certainly could not be a substitute for effective support in systems development and there are reasons for caution about the extent to which donors can genuinely exert influence on such complex political processes. An approach to donor support that focuses on responding to demand (rather than seeking to create it, or focusing on supplying systems without attention to the demand for them) therefore seems generally appropriate until firm evidence emerges that donors are effectively able to operate on the demand-side.
- A stronger focus on institutional and organisational analysis including benchmarking assessments and a more explicit focus on monitoring capacity might have encouraged greater realism about the extent to which progress could be achieved. This could have increased the focus on these wider issues in the more general policy dialogue between government and donors. The evidence reviewed for the case studies suggests that attempts to address incentive and retention problems at the level of an individual organisation (at least within the structure of government ministries) will be difficult and may be divisive and not lead to any sustained impact. Such efforts need to be carried forward within a more general government approach towards pay and incentive reform, either comprehensively or in the form of selective accelerated salary enhancements.

Implications for DFID’s practice

6.6 The main implications of the findings of the evaluation for DFID’s policy and practice in the provision of support to capacity development may be summarised as:

- The commitments towards strengthening harmonisation and alignment that are set out in the Paris Declaration provide an improved framework for the effectiveness of capacity development and for technical cooperation in many contexts. The impetus towards GBS helps to reinforce this. All DFID's practice should continue to emphasise and reinforce these commitments and the principles behind them. This should include the articulation of and commitment towards strengthening the capacity of governments effectively to manage and use technical cooperation resources.
- A more rigorous and systematic approach to the assessment of the institutional and organisational context is required if DFID's activities are to contribute to the sustainable building of capacity – that is to have a transformational impact on the organisations supported and to bring about the strengthening of the economic management process.³⁰ This needs to be reflected in a long-term and strategic approach to engagement in capacity development processes and a greater attention to understanding the process by which change may occur as well as strengthened monitoring of key factors affecting the scope for effective capacity development. Both DFID's general policy guidance, and the treatment of capacity development issues within Country Assistance Plans may need to be reviewed.
- A systematic approach to capacity development requires a clear framework that encompasses a comprehensive analysis of the context for capacity development, including the partner government's policy commitments, that seeks to benchmark the capacity of the organisation supported, takes a realistic view about what can be achieved, and chooses instruments that are appropriate for these objectives (and monitors performance against them). The ECDPM case studies of capacity development (Morgan, Land and Baser, 2005) discussed in section 2 raised questions about the value of formal monitoring frameworks in positively influencing capacity development and the risks of replacing internal with external accountability. However, whenever aid is used external accountability requirements have to be addressed. The approach set out in the Paris Declaration that seeks to base results reporting and monitoring on a locally led capacity development strategy seems the appropriate way to address these requirements.
- In general to achieve transformational impact a wider framework of action (that will need to be agreed and implemented with involvement from all donors and clear government leadership) that addresses identified institutional and organisational issues will be required. The implementation of reforms and strengthening of management within the public sector of the government supported will be the key steps in this process. In the absence of progress in these areas, there may be a case for providing support with a more explicitly transactional focus as well as for some investment in systems development, but the limitations of what this is likely to achieve in terms of longer-term capacity development and impact need to be recognised.

³⁰ DFID produced internal guidance on "Promoting Institutional and Organisational Development" in 2003 (DFID, 2003a, 2003b). These guidelines highlight a number of the issues discussed in Section 2 and present an approach for carrying out organisational and institutional assessments. These guidelines were produced late in the period covered by the evaluation and so were not available to inform most of the design undertaken, and the extent to which more recent project design has built on these guidelines has not been explored in the evaluation. One issue may be that many of the projects covered by the evaluation were not primarily conceived of as comprehensive organisational development activities (as opposed to initiatives to establish particular systems) and so only limited wider contextual analysis was carried out.

- TC can be highly effective in a range of contexts (including ones where the institutional setting for capacity development is poor – indeed it may be of most value in achieving transactional impact in such conditions) but this effectiveness is not necessarily related to capacity development. TC alone only contributes to building organisational capacity in circumstances that are especially propitious (particularly where the most fundamental constraints on organisational capacity have been addressed). Technical cooperation is not fundamentally what builds organisational capacity, since high levels of organisational effectiveness are in general needed for technical skills to be absorbed and used within an organisation. It would be helpful also to move away from the common tendency in donor practice to equate TC with capacity development, or to assume that TC has a particularly privileged position as an input into a capacity development process. More widely, the tendency to view TC as a particular aid instrument is deeply embedded in donor practice. Examples of this tendency are the requirement to identify TC expenditure in international aid statistics as well as the view that it is appropriate to try to evaluate technical cooperation as a class of activities defined by their input content, rather than grouping activities to be evaluated in relation to their objectives.
- For long-term technical cooperation staff (whether provided as consultants or seconded staff), the quality and appropriateness of skills for the role and organisation are critical, with interpersonal skills being particularly important. Selection processes should be as rigorous and individualised as would apply for the appointment of permanent staff within the organisation. This has implications for the procurement process that is most appropriate for fulfilling this role. Where technical cooperation is provided to an organisation, the lines of reporting and management control should be extremely clear and the organisation supported should play the key role in the selection and management of technical cooperation staff, against clearly defined objectives and criteria.
- Even in relatively unfavourable environments for capacity development, greater attention to the design of particular activities (including the terms of reference for TC providers) could plausibly be expected to increase the capacity development impact (even if only at the level of skills transfer to individuals) through ensuring activities are as well-tailored as possible to the context. General principles of good project design and management apply in relation to TC as much as in any other type of project and are particularly important in difficult contexts. These include:
 - A good understanding of context.
 - A focus on ownership and a shared vision with key stakeholders.
 - Clarity about objectives and a monitoring framework that assesses progress against them.
 - Proactive management in response to problems, and
 - Procurement processes that focus on ensuring quality and value for money and facilitate ownership by the organisation supported.
 - The ability to make a realistic assessment of the opportunities for achieving capacity development and to design support (and select TC providers) with a view to maximising this impact.
- Lack of progress in civil service reform emerges as the most significant factor in explaining the limited capacity development impact achieved in three of the four country case studies, and this issue (and the constraints it imposes) does not seem

to be sufficiently addressed in the various recommendations on capacity development that emerge from the evaluation and policy literature on capacity development reviewed in Section 2. This suggests that DFID should strongly emphasise the fundamental importance of effective reform in this areas, and support measures that contribute to progress in addressing this issue through coordinated donor and government action, noting the limited success that has been achieved in this area to date and the substantial obstacles to reform that there appear to be in many countries. Making progress here is critical to, for instance, implementing the recommendations of the evaluation of General Budget Support (GBS) (summarised in section 2.1) since progress at this level could be seen as a precondition for any sustainable progress in strengthening capacity in the specific areas the GBS study identifies. Exploring the conditions for success for wider public sector reform initiatives (and what role donor agencies might play in bringing about these conditions) emerges as a priority for further investigation.

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Terms of Reference

DEVELOPING CAPACITY?

AN EVALUATION OF DFID-FUNDED TC PERSONNEL FOR ECONOMIC MANAGEMENT IN SUB-SAHARAN AFRICA

1. Introduction

A team of suitably qualified consultants (the evaluation team) will be contracted to carry out an evaluation of DFID-funded technical cooperation (TC) personnel in Sub-Saharan Africa over the last five to ten years. The focus will be on TC in support of public sector management, and specifically economic management in the form of economic experts employed in partner country government ministries and agencies. The evaluation will assess the contribution of this type of TC to capacity expansion in the short-term and longer-term capacity development in partner countries.

2. Background and rationale

Technical cooperation (TC) is the provision of advice and/or skills, in the form of specialist personnel, training and scholarships, grants for research and associated costs. TC can be classified (among other ways) into transactional and transformational depending on its purpose. Transactional TC aims to bridge capacity constraints in order to achieve operational goals, whereas transformational TC aims to develop partner countries' capacity in the longer term. In practice, most TC will combine these two purposes to some extent.

Partner country capacity is crucial to the achievement of the Millennium Development Goals. It is particularly important in the context of the discussions on the scaling up of aid, as increased resources need to be accompanied by increased capacity to manage them. Given TC is a key input in bridging capacity constraints and developing capacity it follows that TC has a potentially important role to play in making progress towards the MDGs.

Moreover, over £500 million of DFID's bilateral programme was used to fund TC in 2003/04, about half of which is accounted for by TC personnel. These amounts have remained relatively stable over the past five years. Despite the lack of a formal policy on TC in DFID (see appendix 1 for a Policy Division core brief on technical assistance), there have been some interesting developments in the past five years, such as the untying of aid (including TC) and the halving of expenditure on training and scholarships to just £23 million.

Despite this, there is little empirical evidence (particularly DFID-specific) supporting or attempting to establish the links from TC inputs to capacity outcomes and impact in a systematic way (appendix 2 provides a succinct summary of the evidence). The demand for this DFID-specific evidence is increasing both within and outside the organisation.

3. Scope and purpose

3.1 Scope

The evaluation will focus on DFID-funded TC personnel for public sector management, and specifically economic management, in Sub-Saharan Africa over the last five years to ten years. TC personnel is defined for DFID purposes as assistance provided to recipient countries in the form of specialists, including consultants. Personnel may be engaged long term (one year or longer) or short term (less than one year). Of particular interest will be the role of experts seconded to partner country Ministries of Finance (including Overseas Development Institute fellows). Other projects in the economic and governance sectors (e.g. public sector reform, privatisation and deregulation) that include TC personnel (particularly Technical Cooperation Officers, TCOs) based in partner country public sector bodies will also be considered for inclusion in the evaluation.

Covering this specific type of DFID TC will allow an in-depth analysis of an aid modality of growing importance and interest to DFID within the timescales suggested (the publication *Statistics on International Development* shows that DFID expenditure on TC personnel in the economic and governance sectors to Africa was approximately £200 million over the period from 1999 to 2004).

The evaluation will also provide lessons that are relevant more generally to: (1) TC to the economic and governance sectors, which accounted for £200 million overall in 2003/04, over a third of all TC; (2) TC to Africa, the region that receives the largest share of DFID TC (30 per cent); and (3) more importantly TC personnel, accounting for over half of all TC.

The applicability of the evaluation's findings to other sectors, regions and types of TC is likely to be limited. Nevertheless, it is expected that it will provide a framework and methodology that can be usefully applied in future studies of TC. Moreover, some of the counterfactuals that will be considered will include questions about whether other types of TC (e.g. training or the use of local consultants) might have been better suited to deliver the desired outcomes. Finally, the feasibility of carrying out a broader survey of TC in Africa as part of this evaluation will be considered.

3.2 Purpose

The main purpose of the evaluation is to map and test the chain of results from DFID-funded TC personnel inputs to enhanced partner country capacity and better policies and service delivery. In doing so, lessons will be drawn on the best ways to provide TC personnel in different contexts in order to maximise effectiveness, efficiency and impact on partner country capacity. The key broad questions that will be answered are:

- To what extent does DFID TC aim and achieve to (1) bridge capacity constraints in order to deliver operational outputs ("getting the job done") and (2) support partner country capacity development?
- What have the most efficient and effective ways of providing long-term TC personnel to Africa been for DFID (focusing on differences between consultancy and other personnel such as TCOs and ODI fellows, short and long-term personnel, local and expatriate consultants)?
- What is the role of recipient country ownership in the delivery of DFID TC? What difference does it make to the effectiveness, efficiency, impact and sustainability of TC?
- How does the context in which DFID TC is delivered influence the relationships mapped above?

The evaluation will also explore possible counterfactuals, addressing the question of whether another type of TC or aid modality (or indeed doing nothing) would have been better suited to deliver capacity outcomes than TC personnel in specific circumstances and contexts.

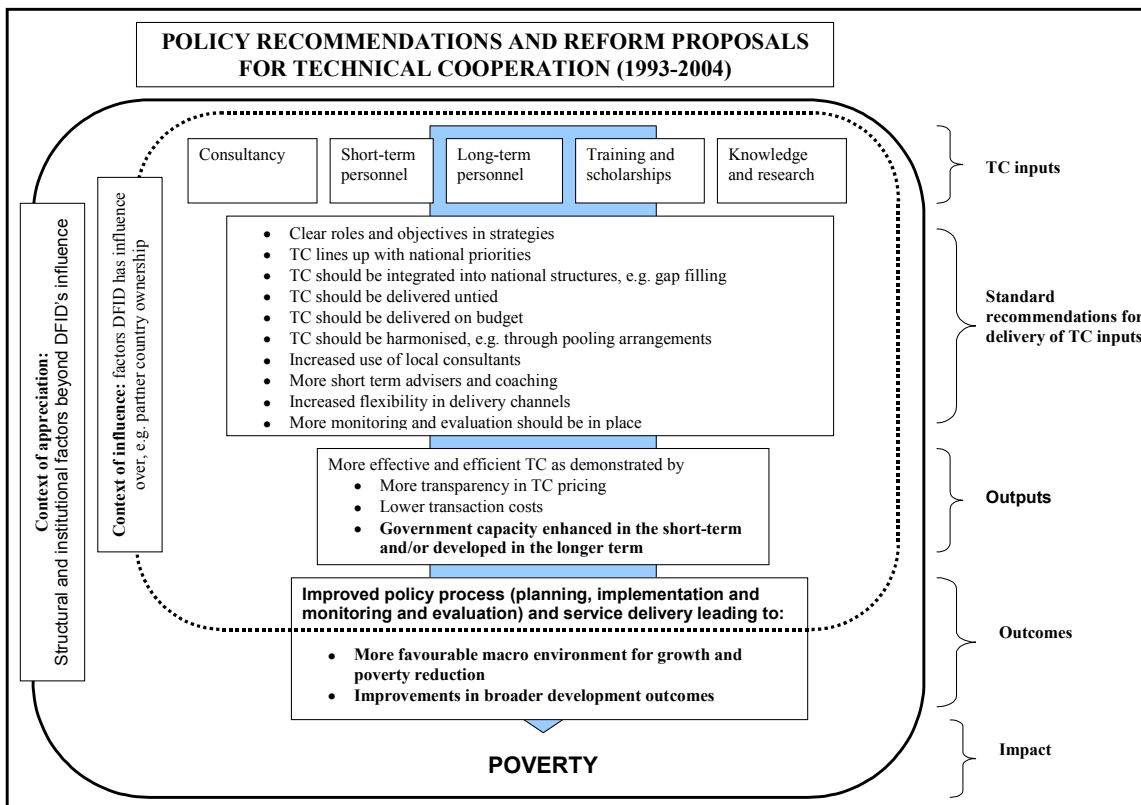
3.3 On capacity and capacity development

For the purposes of this evaluation different types of capacity will need to be considered. These capacities relate to the stage the policy process is at, whether that is planning, implementation or monitoring and evaluation. Capacity development will need to be explored at a number of different levels: individual, institutional and societal. Moreover, at least six key facets of capacity development should be addressed: knowledge acquisition, institution building, institutional and environment partnerships, policy environment, country commitment and autonomy and results and accountability. For a more detailed discussion of these issues see Browne (2002).

4. Key Evaluation Themes and Issues

Figure 1 provides a preliminary map of the chain of results from TC inputs to outcomes and poverty impact. It also lists many of the recommendations for the delivery of TC that have been made in the literature over the past few years, starting with those contained in the Berg (1993) report. Although the evaluation team will be expected to expand and modify this chain of results, it provides the context for dealing with the key themes below.

Chain of results from TC inputs to capacity outcomes



4.1 Relevance

Although there is DFID guidance available as well as the recommendations for delivery summarised in Figure 1, DFID does not have a formal policy on TC and therefore practice varies. The evaluation should establish what the current state of play is in terms of DFID practice and what the main changes have been over time. It should also establish the extent to which practice, guidance and the recommendations in the literature are not consistent with each other, offering explanations for observed inconsistencies.

4.2 Effectiveness and efficiency

The evaluation will assess how effective and efficient DFID-funded TC personnel have been in expanding or developing partner country capacity and improving its policy-making, public sector and economic management and service delivery. It should also make an assessment on how efficiency and effectiveness vary depending on the way in which TC is delivered, and whether DFID experience bears out the evidence that the standard recommendations summarised in Figure 1 deliver more transparent TC pricing and lower transaction and overall costs.

4.3 Impact and sustainability

At the outcome level the study should focus on the impact of enhanced and/or developed capacity on partner country public sector, economic and financial management, policy processes (planning, implementation and M&E) and service delivery. The evaluation should explore both intended and unintended outcomes. Testing the links to lower level outcomes, such as improvements to the macro environment and to broader development outcomes, falls outside the scope of this evaluation.

The final DAC evaluation criterion to be addressed is sustainability. The key question is what are the circumstances in which the impacts of DFID-funded TC personnel are sustained beyond the project's lifetime. Where this happens capacity will have been developed; where impacts are not sustained capacity constraints will merely have been bridged in the short term.

4.4 Counterfactual

As stated above the evaluation will explore a number of possible counterfactuals, addressing the question of whether another type of TC or aid modality (or indeed doing nothing) would have delivered capacity outputs more effectively and efficiently than TC personnel. In particular:

- Would training and coaching, or increased use of local consultancies or repeated visits have better met partner countries' capacity needs?
- Would other donors have been better placed to provide assistance aimed at addressing the identified capacity needs (what is DFID's comparative advantage)?

4.5 Gender

The evaluation will also explore the gender dimension, particularly in terms of the level of understanding and mainstreaming of gender issues in TC projects.

4.6 Context

- A key finding that emerges from the evidence on TC is that the success of specific interventions is as dependent on the context in which it is delivered as it is on its design and implementation. Thus, the evaluation will address the following questions:
How does the institutional context in which DFID TC is delivered influence the relationships mapped above? Focus should be placed on issues such as corruption, institutional weakness, low initial partner country capacity, political commitment (the presence of a project champion?), aid dependency and failing states.
- Is the performance of DFID-funded TC personnel (as defined by the DAC evaluation criteria) dependent on: the mix of aid instruments being employed; whether other resources accompany TC; the overall level of TC; other donors' activities?
- How is the performance of TC personnel influenced by partner country ownership at the following levels: ideas and strategies, processes, resources and outcomes? How does ownership fit into the chain of results – e.g. is it just part of the context, is it in some instances treated as a desired outcome?

These questions should be assessed giving consideration to Boesen and Therkildsen's (2004) classification of context. Firstly, there is the context of appreciation, which refers to "structural and institutional factors, and actions of agents beyond influence" by DFID in this case. On the other hand the context of influence refers to "structural and institutional factors, and actions of agents within some influence" of DFID. The evaluation should assess the extent to which DFID influence over some contextual elements has influenced the chain of results from inputs to outcomes and impact. It is likely that placing the analysis of ownership in this framework will be of particular relevance.

5. Methodology and Evaluation Phases

5.1 Inception

During this phase the evaluation team will develop further the chain of results to be tested, the approach and methods for the evaluation in preparation for the country case study phase. An initial stakeholder analysis will also be required. In developing the methodology the evaluation team will draw on:

- The UNDP's work on TC and capacity development (see Fukuda-Parr et al, 2002, Browne, 2002, and Lopes and Theisohn, 2003);
- SIDA's work on ownership (summarised in Edgren, 2003);
- DANIDA's work on evaluating capacity development support in sector programmes (Boesen and Therkildsen, 2003);
- The review of Technical Assistance literature and issues carried out by Oxford Policy Management (OPM, 2003) for DFID.

The evaluation team should also discuss arrangements for ensuring the robustness of their findings. These arrangements are likely to include triangulation, e.g. by cross-checking the consistency of findings obtained from different stakeholder groups and by different methods.

This phase will also include a desk review of relevant and readily available project documentation, which should be analysed in the framework provided by the methodology

developed above. All projects and programmes in Kenya, Zambia, Ghana and possibly South Africa recording some expenditure since 1999 and having an element of public sector and economic management TC personnel since 1999 should be identified and included in the review. A selection of the most relevant TC projects in other countries should also be included if the broader survey of TC projects is deemed feasible. This review should enable the identification of specific TC interventions to be explored and key people to be interviewed during the country case study phase and cross-country survey.

The end product of this phase will be an inception report and a presentation to the DFID reference panel. The country case study phase will only start once this report has been approved by Evaluation Department.

5.2 Country case studies

This phase of the evaluation will consist of 15-day field visits to Kenya, Zambia, Ghana and possibly South Africa. The criteria for this selection of countries were: (1) the likely availability of data (proxied by the DFID's TC expenditure); (2) including a range of diverse policy and institutional contexts; (3) avoiding overlap with other on-going and planned evaluations.

The country case studies will rely mainly on the collection of primary data and key informant interviews and any further methods approved in the inception phase. Key informants will include DFID and other donors' staff, previous and current job-holders of DFID-funded TC posts where possible and, more importantly, staff in partner countries' institutions that have been supported by TC personnel (ministries and government agencies). As wide a cross-section of staff that would have had dealings with TC personnel should be interviewed. It will also be important to gather views from broader civil society in partner countries to establish changes in institutions' capacity.

For this phase at least, the evaluation team will include local consultants, who should play a key role in this phase of the evaluation. Given the tight timescale, the evaluation team should carry out at least two of these case studies simultaneously.

The preliminary findings should be shared with partners at the end of the field mission through a stakeholder workshop. Comments at the workshop will feed into the three separate final country case study reports. These should be presented in the same format and be of publishable quality.

5.3 Use of a broader cross-country survey

Given the small sample of three countries the evaluation team should consider the appropriateness and feasibility of carrying out a broader (telephone based?) survey addressing the same issues as the key informant interviews. A more succinct format would enable a wider (if more superficial) coverage of the issues, in particular dealing with other African countries and perhaps other TC inputs. The evidence gathered could be used in order to tackle some of the counterfactual questions and to carry out triangulation of the findings from the country case studies.

The survey would take place at the same time as the field phase and results would be analysed, with the findings presented in a separate report (concluded at the same time and in the same format as those for the country case studies).

5.4 Synthesis

The findings from the country case studies and the broader survey will be summarised in a synthesis report, which should include recommendations for the future use of DFID-funded TC personnel in Sub-Saharan Africa.

The synthesis report will include a stand-alone two-page executive summary and should be of publishable quality.

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Evaluation matrix for country case studies

<i>Evaluation Criteria</i>	<i>Questions</i>	<i>Information sources</i>	<i>Method and responsibility</i>
A. CONTEXT FOR CAPACITY DEVELOPMENT			
	Main features of the state and political system in terms of structures, institutions and agents – role of political elites, donor agencies, civil society. Key economic and political developments over 1999-2004 (and longer where necessary)	Drivers of change studies DFID CAP, World Bank CAS and other studies EIU reports and similar sources	Preliminary work by researchers and national consultant
	Key features of economic management performance over period – inflation, fiscal management, policy development and implementation	World Bank and IMF reports External assessments (e.g. CFAA, CPIA)	Preliminary work by researchers and national consultant
	National policies and practices on technical cooperation and capacity development and relation to overall national priorities over the period	Poverty Reduction Strategy Other government policy documents	Preliminary work by researchers and national consultant

<i>Evaluation Criteria</i>	<i>Questions</i>	<i>Information sources</i>	<i>Method and responsibility</i>
	Classification of contextual factors potentially affecting capacity and organisational effectiveness, including the extent of effective political demand for organisational capacity		Whole team
B. ORGANISATIONAL CAPACITY FOR ECONOMIC MANAGEMENT			
	<p>Overview of organisational roles in economic management and selection of focal organisations for the evaluation</p> <p>Mapping of organisational processes – formal and informal – and products and services of the selected organisations</p>	<p>Documentation on national budget process etc</p> <p>Political economy studies</p> <p>Interviews with key informants</p> <p>Review of documents produced by organisation</p>	Organisational development specialist using agreed framework and listing of types of outputs
	Identification and assessment of role of stakeholders in the selected economic management processes	<p>Interviews with key informants</p> <p>Stakeholder analysis</p>	National consultant using agreed instrument for stakeholder classification and analysis

<i>Evaluation Criteria</i>	<i>Questions</i>	<i>Information sources</i>	<i>Method and responsibility</i>
	<p>Benchmarking of status of organisational processes and functions – [in relation to period of specific DFID interventions]</p> <p>Identification of changes in outputs and organisational processes</p> <p>Assessment of changes in capacity</p>	<p>Survey of stakeholders (users of outputs)</p>	<p>Organisational development consultant</p>
C. CONTRIBUTIONS TO CAPACITY CHANGE [FOR EACH FOCAL ORGANISATION]			
	<p>Identify changes in factors affecting capacity over the period (including budget, staffing), including inputs provided as part of planned capacity development activities</p>	<p>Information from the partner organisation and other development partners</p> <p>Derived from analysis above under A and information from partner organisation</p>	<p>Organisational development consultant</p>

<i>Evaluation Criteria</i>	<i>Questions</i>	<i>Information sources</i>	<i>Method and responsibility</i>
	Documentation and analysis of key DFID supported activities – what inputs provided and approach, process, management arrangements	DFID project documentation	Preliminary analysis by researchers supplemented by field visits
	Consideration of “counterfactuals” – how might greater improvement have been achieved?	Brainstorming discussion with stakeholders	
D. ASSESSING THE DFID INTERVENTIONS			
Relevance	<p>What were the objectives of the DFID TC? To what extent was the provision of the TC part of a strategy for improving capacity for economic management</p> <p>Did the design and approach of the DFID TC take account of the context?</p> <p>Was the approach consistent with actions of other development partners and other capacity development inputs?</p>	<p>DFID project documentation</p> <p>Partner organisation documentation</p> <p>Interviews with partner organisation (using structured interview format)</p> <p>Interviews with partners</p> <p>Interviews with service providers</p>	

<i>Evaluation Criteria</i>	<i>Questions</i>	<i>Information sources</i>	<i>Method and responsibility</i>
Effectiveness	<p>What outputs were provided through the DFID TC?</p> <p>Did the approach have sufficient ownership from the partner organisation?</p> <p>Was the approach coordinated/harmonised with other capacity development efforts?</p> <p>Was the approach gender-and culture-sensitive?</p>	<p>DFID project documentation</p> <p>Partner organisation documentation</p> <p>Interviews with partner organisation (using structured interview format)</p> <p>Interviews with partners</p> <p>Interviews with service providers</p>	<p>Develop preliminary conclusions on this for validation/triangulation with views of stakeholders in the process</p>
Efficiency	<p>Costs of provision in relation to possible alternatives?</p> <p>Timeliness of provision against original schedules</p>	<p>DFID project documentation</p> <p>Comparison with alternative approaches</p>	<p>Comparison with counterfactuals ... were there models for more efficient delivery?</p>
Outcomes	<p>What were the results of the DFID activity in terms of (a) the products and services of the organisation and (b) improvements in capacity associated with the outputs provided?</p>	<p>Review of organisation products and services and information on DFID activities</p>	
Impact	<p>Were there improvements in economic management as a result of the DFID TC?</p>		

<i>Evaluation Criteria</i>	<i>Questions</i>	<i>Information sources</i>	<i>Method and responsibility</i>
Sustainability	<p>Was there a capacity improvement beyond the period during which the DFID input was provided?</p> <p>Was a coherent exit strategy prepared in advance?</p>	<p>Review of organisation products and services</p> <p>Consultation with stakeholders</p> <p>DFID Project documentation</p>	
E. CONCLUSIONS			
	<p>Overall assessment of the DFID activities evaluated – what was achieved? What could have been done better?</p> <p>What hypotheses emerge in terms of potential lessons or issues for further investigations?</p>		

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

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