

Evaluation of Capacity Development in Danish Development Assistance

Annex I: Capacity and Capability Concepts

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This annex presents the key concepts that revolve around **capacity and capability**. The evaluation team used specific definitions of these concepts in the conduct of this Evaluation and did not use them interchangeably. Although the Terms of Reference for this Evaluation called for the use of the OECD/DAC definition of capacity and capacity development, the evaluation team found that definition to be too broad (not specific and explicit enough) for the exacting demands of this evaluation; open to many diverse interpretations, and limiting¹. For example, it assumes that capacity is an *ability* (to “manage”), rather than a *ratio of performance*; secondly it focuses narrowly on *management*; thirdly it ignores the vital role played by *organisational ecosystems* in which an organisation finds itself and instead focussed inward to the “self” (managing one’s “affairs”), and finally, it deals only with capacity (a ratio of performance) and not capability (an ability to generate). Faced with this issue, the evaluation team used the OECD definition as a backdrop and then built specificity into it.

One important weakness that characterises the capacity development initiatives of most donors is that they have designed their interventions to deal with the problems of “today” and as such they deal with current requirements. Private and large organisations (ex. hospitals, universities, state run enterprises) that engage in capacity development investments, including those that are done by modern public services, are almost always designed so that once the required capacities and capabilities are in place to deal with today, there are “hooks” or “entry points” on which to build the next generation of capacity, because expected results evolve over time.

To understand how to design and manage a CD² investment, one needs to start out by defining what end state is desired (the **outcomes** – i.e. an effect produced by outputs – that will generate desired **impacts** – i.e. an effect produced by outcomes into users/client systems). A selection among strategic options will define what outcomes will be produced and how. How much of those outcomes or impacts that one wants to generate within a given time or space, given assumed levels and means of production, defines the expected levels of **results** at the outcome/impact levels.

By starting from the organisational paradigm for management, it is considered logical that to achieve those outcomes (see previous paragraph), the organisations involved must decide how they will organise (mix, acquire, etc.) **assets and resources**; individual, managerial, strategic and operational **abilities**³, as well as any **entitlements, authorities and delegations** they may have in order to be able to meet expected performance levels. When organised decision-makers (i.e. designed, mixed, orchestrated, grouped, deployed, etc.) to enable a functional or socio-technical system to perform, the integrated groupings are called the **capabilities** of the organisation, and they are characterised in large measure by: a) what they can produce; b) how much they can produce in a given time period or space boundary; and c) whether they are sufficient to enable the

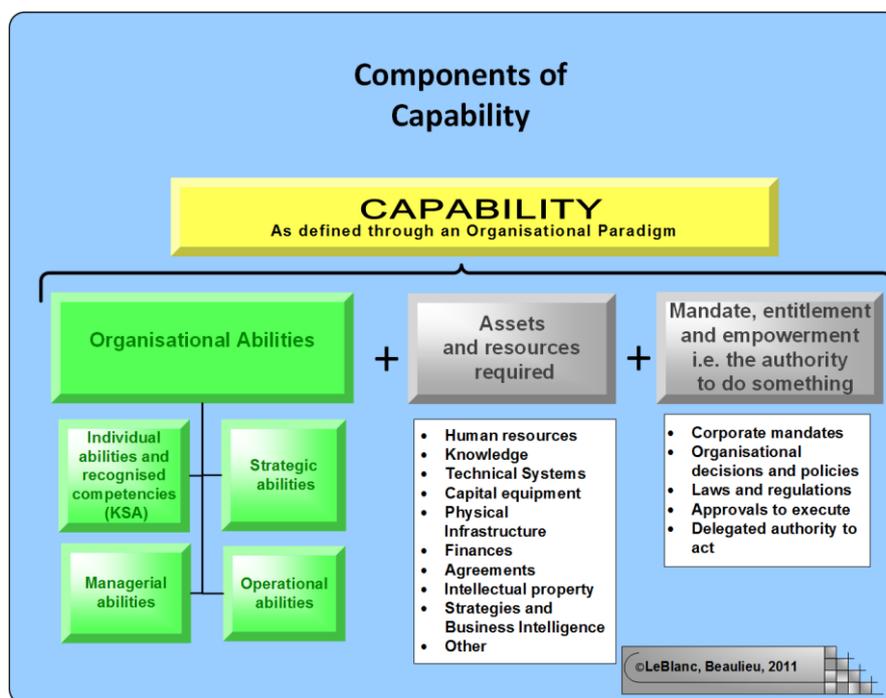
¹ This is also the opinion of the World Bank Institute. Refer to: “Capacity Development Results Framework- A strategic and results-oriented approach to learning for capacity development”, 2009.

² For the remainder of this Annex, and where otherwise specified, the acronym “CD” will designate development in the sense of: a) investments for the capacity development of an organization, and/or b) investments for capabilities development.

³ Modern andragogy notes that an ability has a connotation of knowledge built into it. Generally, abilities require Knowledge, Skills and Attitudes in combination. “Far too often, the instructional strategies used with adult students are informed largely by a “pedagogical” teaching paradigm...lecture content delivery does not necessarily achieve crucial transfer of learning (Lang, 2006), much less personal transformation. Conversely, “andragogical” curricular methods, characterized as the art and science of teaching adults (Knowles, 1984), informs yet a different teaching and learning paradigm, one where students’ needs, knowledge and experience largely dictate what the form and content of the curriculum will offer ... (Howell, 2001)” Quoted in “Adult learners and the dialectic process: A validating constructivist approach to learning transfer and application”, Chaves, C. A., “Journal of Workforce Education and Development, Vol. 3, Issue 1.

organisations to achieve expected performance levels. The following diagram illustrates the integration of the key elements that produce capabilities.

Figure 1: Components of Capability



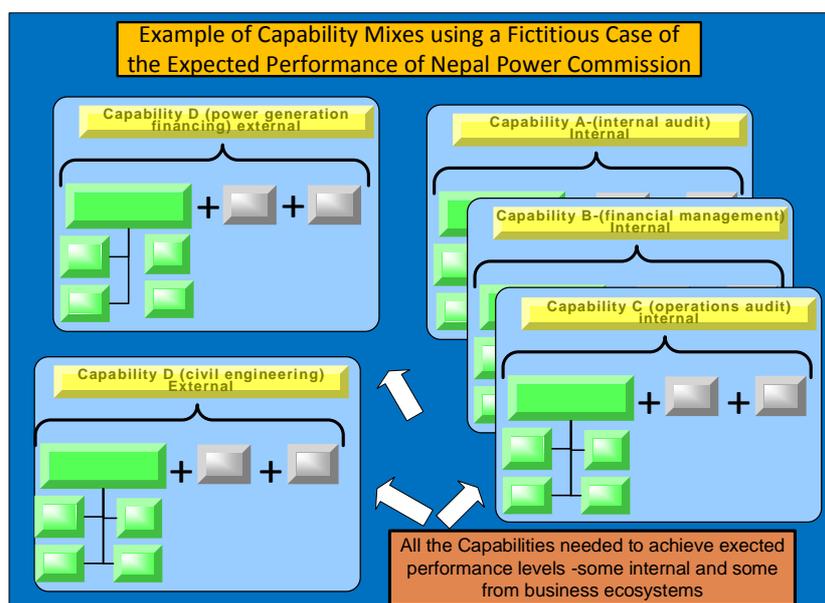
Specific capabilities are thus generated through the optimal arrangement and deployment of:

- Effective operational, managerial, strategic and individual abilities with an organisation
- Assets and consumable resources that are required to support the human-based efforts
- Empowerment, formally assigned through mandates, delegation of power and authority to act; they epitomize the strategic engagement of owners and stakeholders.

When organisations judiciously mix and match capabilities, they expect to be in a position to execute their strategy and perhaps (if their assumptions are correct) reach their expected outcomes. The vast majority of these capabilities are internal to the organisation, but some may not be. Amazon, for example, has highly developed logistics capabilities but it does not manufacture what it delivers to the consumer’s home or office, nor does it have the capability to actually transport most of its packages. In those cases it uses the capabilities of companies with those types of capabilities such as Sage Publishing (as an example of manufacturing) and Fedex (example of transport), respectively. The following simplified diagram illustrates this concept using as an example a fictitious Nepal Electricity Authority. The diagram illustrates how, for that particular example, a number of internal capabilities must be complemented by externally supplied external capabilities. The internal capabilities must be adequate, appropriate and sufficient to be “mixed” with the right blend of external capabilities to generate the “performance” that is required of the organisation (Nepal Electricity Authority), eventually at the outcome level.

It is capabilities (not capacity) that give to an organisation and/or institution the effective power to deliver enduring outcomes in relation to its mandate. Capacities are a measure of the extent to which the capabilities produce what they are designed to produce. **Capabilities** must be the focus of **capacity development** efforts and these must be tightly linked to clearly identified development outcomes (and impacts). The quality of the identification and specification of these capabilities is determinant for the effectiveness of development co-operation.

Figure 2: Example of how individual capabilities combine to generate the organisational capability required to achieve expected outcomes



Source: adapted from Beaulieu and LeBlanc 2011.

Capabilities must constantly evolve. They usually are shared within networks of organisational units and/or organisations, meaning that each organisation does not need to possess all the elements of the level of capacity it needs; it can, and in fact rely on elements elsewhere to function at appropriate levels. Capabilities are subject to erosion (ex. employees leave or computer programs need to be upgraded) and/or to leverage effects (ex. when a partner in the network improves its own capability, thereby improving that of other network partners).

For a given organisational entity its **capacity** will be the resulting effect generated from the assemblage, orchestration, mobilization and manifestation of its **capabilities** (abilities, assets, resources and mandates). Capacity will be dependent on a number of factors that can increase or constrict the level (proportion) that can actually be generated. The capacity indicates the level of effectiveness of an organisation at whatever level is being examined: the organisation, of a division or a sub-unit. The capacity ratio can refer to an organisational or individual level and moreover can refer to sub-sets or sub-functions at the individual, organisational or enabling environment levels.

Research on CD⁴, supported by the field and desk studies of this evaluation, have shown that CD plans tend to be linear and static, even if the description of many CD models⁵ start off by referring to the need to contextualise and be flexible. For many reasons, CD cannot ever be considered either linear or static. It takes place in a highly evolving environment and takes place in many dynamic layers with which CD must be managed. A dynamic approach excludes linearity and brings the momentum on the organisational awareness on its ecosystem and its relations to the accomplishment of the targeted outcomes, among other considerations.

⁴ Refer to the literature reviews referenced in this report (especially the EU and Sida literature review, as well as the one generated specifically for this evaluation) as well as the bibliography.

⁵ Including those of the Approach Paper that formed part of the ToR for this Evaluation.

Terminology applied in the Synthesis Report

Best-fit approach: The OECD notes that: “A best-fit approach to capacity development implies stepping up donor efforts to understand country contexts, identify sources of country-owned changes, design appropriate forms of support, and share lessons from experience. The best-fit approach to capacity development calls for a systematic effort to think through what might work in the particular circumstance (OECD/DAC 2006)”. This definition is not particularly helpful for strategic analysis because it does not define anything; instead, it describes the characteristics of a thing and, importantly, it focuses on “what might work” rather than “what would work best”. This evaluation used the more precise concept of best fit, which requires an analysis of options and scenarios to achieve a desired end result and a selection among them (using a pre-defined selection grid) that will result in the overall results of that grid. This concept is similar to best-fit approaches used in statistical analysis, and provides a clear picture of what “works best”.

Capability: To achieve any pre-defined level of performance, organisations involved must decide how they will organise (mix, acquire, etc.) assets, resources; individual, managerial, strategic and operational abilities, as well as any entitlements, authorities and delegations they may have in order to be able to best meet expected performance levels. When organised (i.e. designed, mixed, orchestrated, grouped, deployed, etc.) to enable a functional or socio-technical system to perform, the integrated groupings are called the capabilities of the organisation, and they are characterised in large measure by: a) what they can produce, b) how much they can produce in a given time period or space boundary, and c) whether they are sufficient to enable the organisations to achieve expected performance levels.

Capability gap: A capability gap refers to the lack of (or an insufficiency of) those capabilities required of a socio-technical system (one composed of human and technical vectors) to achieve its strategic objectives and targeted outcomes and impacts. Importantly, the absence of a single capability may risk that the expected performance level cannot be attained.

Capability traps: A concept put forth by Lant Pritchett and his colleagues in their study of why developing countries are not able to generate the capability that will allow them to catch up to other countries. His theory is based on a combination of the effects of isomorphic mimicry and premature load bearing. Just increasing capacity without improving the effectiveness and efficiency of capability mixes will never allow a country to get out of a capability trap – a dynamic in which governments constantly adopt “reforms” to ensure ongoing flows of external financing and yet legitimacy never improve.

Capacity:⁶ For a given organisational entity, its capacity will be the resulting effect actually generated from the assemblage, orchestration, mobilization and manifestation of its capabilities (abilities, assets, resources and authorities). Capacity indicates the level of effectiveness of an organisation at whatever level is being examined: the organisation, of a division or a sub-unit.

Capacity gap: A capacity gap refers to the difference between an actual capacity (as defined through evidence-based analysis of performance) and the required or planned one, (or the one that could be delivered if the socio-technical system was as efficient and effective as it could be). Development initiatives to fill capacity gaps will follow a planned and/or emergent capacity development path chosen from many options with different value-added potential contributions. Managers select capacity paths who transform them into change management plans.

⁶ OECD/DAC's definition on capacity development is more general and is presented in Section 2.3, Box 3.

Competency has only one valid meaning in management; to be competent is to be recognised by third parties (that have legitimacy as “gatekeepers”) that one has an ability (or a set of abilities) that can be exercised at pre-established levels of proficiency. Those abilities are based on transparent and known standards. The term **performance** refers to the actual generation of something at any level of the results chain. So one may speak of performance at generating outcomes, or outputs, or any other level.

Dynamic Capacity and Capability Approach (DCA): The DCA is a strategic and operational model linking an organisation’s specific mandate and its expected results to the possible mixes of means (abilities, resources, authorities) that must be put into place to achieve those results. DCA is based on a logical development framework supported by a set of fundamental assumptions related to the proactive management of the organisation’s performance through the identification of the capabilities required. DCA is also founded on a series of management and organisational concepts that provide a more refined understanding of the agendas surrounding capacity and capabilities development than merely improving transformational efficiency (inputs to outputs) or increasing the number of outputs. The Dynamic Capability and Capacity Approach⁷ (DCA) provides a twelve-step road-map that coincides with a conceptual description of capability, its positioning and its management⁸.

Problem Driven Iterative Adaptation (PDIA): PDIA is based on four core principles. The four elements stress that reform activities should: i) aim to solve particular *problems* in particular local contexts via; ii) an ‘authorizing environment’ for decision-making that encourage experimentation and ‘positive deviance’, which gives rise to; iii) active ongoing and experiential (and experimental) learning and the iterative feedback of lessons into new solutions, doing so by; iv) engaging broad sets of agents to ensure that reforms are viable, legitimate and relevant – that is, are politically supportable and practically implementable.

Sociotechnical systems (STS): STS in organisational development is an approach that recognises the interaction between people and technology. An organisation is defined as a sociotechnical entity (composed of technical and human vectors) dedicated to collective action in the pursuit of the generation of outcomes that will be transferred to the various elements of its ecosystem(s) within which it is embedded.

⁷ The DCA has important intellectual property restrictions. See the appropriate annex for details.

⁸ DCA represents a practical model of the current practices used in many public and private sectors. For example, a version of the DCA model is used in the Danida-financed telecom development programme in Ghana.