Capabilities

Governance; Public finance; Policy implementation

In depth

Problem-driven capacity assessments

Capacity development is at the centre of international development efforts – yet capacity development interventions often fall short of delivering the results expected of them,[1] and capacity remains an elusive concept that is notoriously hard to measure. The OECD estimates that capacity development accounts for 25% of all aid expenditure, amounting to US$15 billion each year.[2] But evidence as to what works is patchy and fragmented.[3] All this makes it difficult for governments and development partners to reliably assess and address capacity gaps.

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Our *In depth* publications aim to share detailed learning and analysis from our practical experiences working with governments, funders, practitioners, and partners to achieve lasting, positive change through policy reform.

Capacity is usually defined in relation to doing something. The OECD defines capacity as 'the ability of people, organisations, and society as a whole to manage their affairs successfully.'[4] Skills, knowledge, attitudes, norms, processes, systems, policies, and laws are often all lumped together under the rubric of capacity. Each type of capacity enables an individual or organisation to carry out certain tasks in order to achieve a certain result. At OPM, we categorise capacity according to whether it relates to people, organisations, or the institutional environment.

The relational nature of capacity makes it a difficult thing to actually measure. This is the case because capacity can mean very different things depending on context, and because capacity does not exist in and of itself, but only in relation to a particular task or mandate. Furthermore, measuring capacity is difficult because we can only really see it when it is being used. For instance, capacity needed in a ministry of finance, such as the numeracy and data literacy skills associated with operating a Financial Management Information System (FMIS), will differ from the expertise required for a small faith-based organisation to work effectively for the rehabilitation of drug addicts. In the latter category, required capacity might include expertise in counselling and nutrition. Furthermore, whether or not an individual in a ministry of finance has the requisite capacity to use an FMIS depends on the tasks that the person is required to perform. Depending on the task, a person may or may not have 'sufficient capacity'. In addition, it is only really possible to assess whether an individual has sufficient capacity to use an FMIS system when the person is actually performing the task (or failing to do so) – this can be measured in a test or by looking at how they undertake their day-to-day responsibilities. Faced with this complexity, many capacity assessment methodologies default to simply asking people whether they have 'enough capacity', or to measuring a few simple proxies for capacity (such as education levels or hours of training provided). Such assessments are focused on the level of skills, and overlook organisational capacity and the institutional environment. This is understandable, but not ideal.

Furthermore, because people often forget that capacity is relational: they tend to see it as a goal in itself, rather than as a means to an end. Interventions therefore get hung up on assessing and developing capacity for its own sake, with little reference to the problems that improved capacity is supposed to address. This means that capacity development initiatives tend to forget or ignore how contextually specific 'capacity needs' are, and they tend to focus on low-level input and output level results (such as numbers of training sessions) rather than outcomes (such as whether new skills and systems are being used to improve an organisation's performance).

We have developed our problem-driven capacity assessment methodology to address these shortcomings. First, our methodology takes an organisation's mandate as its starting point, and it then identifies capacity problems preventing the organisation from executing this mandate. Second, our methodology adopts a nuanced view of capacity, which goes beyond focusing on the skills of individuals. Third, our approach deploys a mix of methods that allows for a more nuanced measurement of capacity, without over-dependence on a small set of potentially unreliable proxies. The sections below explain what our methodology looks like and how we implement it.

[1] Clarke, Peter and Katie Oswald (2010) 'Introduction: why reflect collectively on capacities for change?' *IDS Bulletin* 31(3).

[2] Guy, David (2016) 'Aid workers talk endlessly about capacity building – but what does it really mean?' *The Guardian*.

[3] DFID (2013) 'How to note – Capacity development'. p 4.

[4] OECD (2010) 'Capacity Development: A DAC Priority'. See more definitions in DFID (2008) *Working Paper Series: Capacity Building*.

A problem-driven capacity assessment

To address these challenges, we have developed a problem-driven capacity assessment methodology.[5] Our approach takes the mandate and functions that an organisation is supposed to perform as its starting point. Statements such as the organisational mission and policy objectives explain what the organisation is supposed to achieve and how it is expected to do this. Functions vary from one organisation and sector to another, and may include everything from policy development and procurement to the provision of extension services, monitoring, and field visits.

Once the mandate and functions have been mapped, we assess the extent to which these functions are currently carried out (is the organisation delivering against its mandate and performing expected functions?), and we investigate the underlying causes of performance challenges (why is it not performing as desired?). Causes are categorised under three types of capacity: individual, organisational, and institutional. Figure 1 provides an illustration.

The institutional environment is the broad social system within which people and organisations function. It provides the formal and informal 'rules of the game', and includes laws, policies, and regulations, as well as the informal rules, public narratives, and social norms that govern the interactions between an organisation and its external environment, and between organisations and individuals.

The organisational level includes capacity related to how people are organised to enable them to play their individual roles within an organisation. Organisations are made up of formal and informal structures and may be defined as 'a system of consciously coordinated activities or forces of two or more persons'.[6] Formal structures include processes and systems, as well as resources. Informal structures include ideas, organisation-wide values and norms, path dependencies, and unspoken rules and conventions.

The individual level focuses on the capabilities of people. This includes people's knowledge and skills, and their attitudes in the workplace. We distinguish between technical capacity (the technical capabilities required by a role's distinctive tasks) and functional capacity (the more generic and cross-cutting skills required for all organisations to function effectively). 'Attitudes' refers to the ways in which people think and feel about their role and workplace.

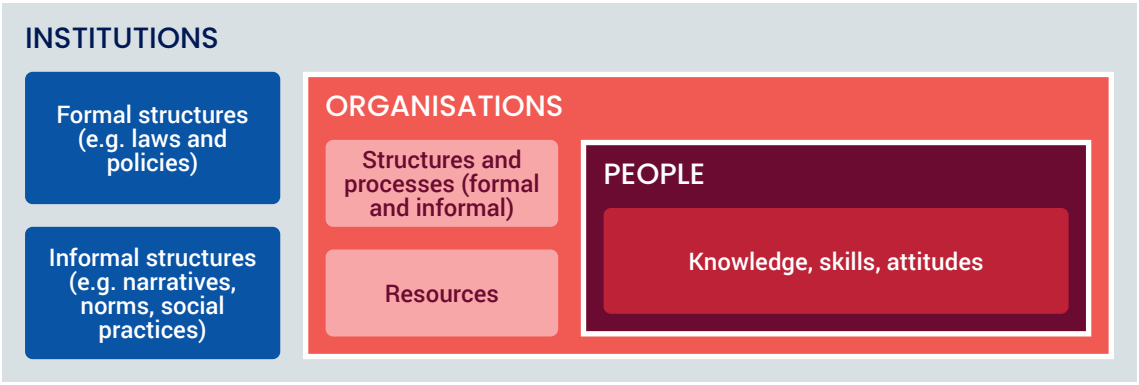
By approaching capacity in this way we are able to develop a holistic picture of why performance challenges exist in an organisation. However, there are obstacles to performance improvements that a capacity assessment is not well placed to uncover. For instance, power and politically related dynamics are crucial determinants of how and why states perform the way they do, but a focus on capacity lends few insights on these matters.[7] We therefore tend to deploy our capacity assessment methodology in combination with other analytical tools better positioned to capture wider governance and political economy dynamics.

[5] This methodology has been developed over several years, based on a series of capacity assessments and capacity development interventions across sub-Saharan Africa, the Middle East, and central and south Asia.

[6] Barnard, Chester. I. (1938) *The Functions of the Executive*, Harvard University Press, Cambridge.

[7] World Bank (2017) *World Development Report 2017. Governance and the Law.*

Figure 1: Three types of capacity



How to approach the assessment

We approach capacity assessments in three steps:

1. What is this organisation supposed to do?

We identify the goals that the target organisation is intended to achieve per its mandate.[8] These policy objectives will often be identified in national development visions and planning frameworks, as well as in organisational mandates and responsibilities as specified in legislation and an organisation's strategic plan. For example, for a capacity assessment in the Tanzanian electricity sector, a key guiding document was the country's Electricity Supply Industry Reform Strategy and Roadmap, which sets out the overall objectives and responsibilities for public agencies working in the sector.[9] Stakeholders within and outside of the organisation in question, along with beneficiaries (such as recipients of electricity services), are also a key source of information, as they add a more nuanced picture of what the organisation is intended to achieve. We may therefore consult with them about what the organisation is meant to do.

2. What is the organisation currently doing?

The second step builds on the first, as it seeks to reveal how an organisation is currently performing against its mandate, and where performance challenges exist. A variety of qualitative and quantitative data may be used to gauge existing performance. International rankings and standardised assessments (such as Public Expenditure and Financial Accountability (PEFA) assessments) are useful, as are sector-specific performance indicators, as captured in national monitoring and evaluation systems and country-wide surveys. Data from focus group discussions (FGDs) and key informant interviews (KIIs) with beneficiaries and stakeholders (such as staff in other ministries) will also be useful, as will direct consultation with technical and leadership staff in the organisation in question.

[8] The target entity for a capacity assessment will often be an organisation such as a ministry, though this may vary depending on the focus of the assignment. For simplicity, we will refer to organisations as the subject of a capacity assessment.

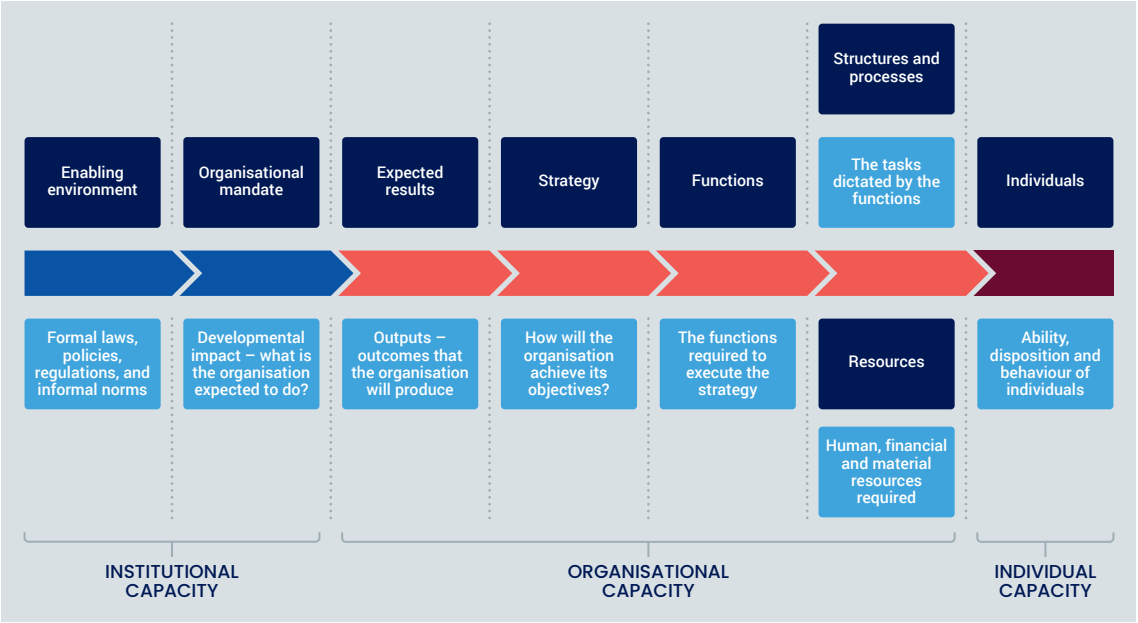
[9] For details see: www.opml.co.uk/projects/capacity-development-tanzania-energy-sector

3. What is causing performance challenges?

The third step identifies whether and how individual, organisational, and institutional capacity gaps affect an organisation's performance. We map these gaps according to how they relate to particular functions in the organisation – meaning that challenges related to a function may be a result of a range of individual, organisational, and institutional capacity gaps. At times, a capacity assessment is expected to also propose remedies for addressing capacity gaps. In these cases, we work with our counterparts to identify capacity development interventions. A variety of interventions may be needed; formal training sessions alone will rarely do the trick. For instance, an outdated policy, a dysfunctional organisational culture, and a lack of technical skills require very different approaches.

The section below provides an outline of how we assess capacity gaps. The process is illustrated in Figure 2. This process may look linear on paper, but in practice it is implemented in a flexible and iterative fashion.

Figure 2: The capacity assessment process



Assessing capacity in the institutional environment

The formal institutions. A capacity assessment includes gaining an understanding of how the current policy and legislative environment (including the absence of policy or regulation) affects how an organisation performs. This assessment relies partly on a review of existing literature and formal policy documents, and partly on primary data from surveys, KIIs, and FGDs, in order to reveal how these structures affect performance. Whom to interview will depend on the assignment, but key informants will usually include senior decision makers in relevant ministries and stakeholders in the private sector and civil society.

The informal institutions. In many cases, informal institutions matter as much as (or more than) formal institutions in terms of setting the bounds for acceptable, desirable, and appropriate behaviour in an organisation. When mapping informal institutions we consider values and social norms within relevant organisations and social groups, the existing mechanisms used to communicate and enforce these informal rules, and the actual (as opposed to 'on paper') allocation and exercise of power among actors. These things are not recorded in documents, so we use interviews and observation to get a sense of the role that informal institutions play in an organisation.

Assessing organisational capacity

Organisational capacity relates to both formal and informal structures that govern the way an organisation performs its functions. To cover these, an assessment of organisational capacity will therefore have to rely on different types of data and research methodologies. Similar to the assessment of the institutional environment, formal structures are assessed by the review of organisational documents, such as organograms, job descriptions, and an organisation's strategic plan. In addition, assessing organisational capacity relies on primary data from interviews, FGDs and surveys. These lend insights not only into whether and how formal structures affect performance, but also into the role of unspoken rules, organisational culture, and path dependencies. In addition to interviews, we recommend observation as a valuable source of insight into the daily dynamics of an organisation.

Assessing individual capacity

There are various methods for measuring individual capacity. Semi-structured KIIs, FGDs, and self-administered questionnaires may all lend insights. Similarly, an organisation may have internal data that are useful, such as information about the professional backgrounds of staff, or performance appraisal data. Furthermore, it is possible to measure the capacity of staff in real time through tests such as multiple-choice quizzes. The key is to adopt a systematic approach that balances multiple objectives, such as measurement reliability and validity, analytical rigour and depth, and cost-effectiveness. Triangulation of different types of data source is necessary. For an assignment in the social welfare sector in east Africa, for instance, we built a holistic picture of a ministry's capacity by using a mix of primary data collected from KIIs, FGDs, and surveys, combined with administrative data on staffing and educational backgrounds.[10]

In the past two years we have been testing the use of a project-specific function-centred competency framework. This approach starts out with agreeing on the functions to be performed by employees and the corresponding competencies required to perform those functions. Based on this, we undertake a gap analysis to decide the current levels of each competency in relation to the ideal levels. This is usually done through consultations with managers and technical staff in the target organisation, and it can be triangulated with available measures for performance in the organisation, to overcome potential biases in informant responses. As the approach involves more extensive interviewing it is a more costly option for assessing individual capacity.

Concluding remarks

This paper has provided a short overview of why it is so hard to measure capacity, and how this challenge can be mitigated though a problem-driven capacity assessment methodology. Because of its flexible and problem-driven nature, this approach is applicable across sectors and country contexts, and it can be used within the confines of large and small budgets alike. For assignments where greater resources are available, we can deploy more granular and sophisticated measurement techniques, and thereby achieve even better measurement validity.

[10] For details see: www.opml.co.uk/projects/assessing-and-building-capacity-for-social-welfare-zanzibar

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