



Sustaining public sector capability in developing countries

Review of the literature

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Abstract

There have been notable shifts in the understanding of capacity development. This paper attempts to go beyond the question of how organisational capability develops, to ask what might be the path to sustained growth in capability. The focus on the role of the individual in the 1960s and 1970s shifted to the role of the organisation, exemplified in the wave of New Public Management reforms in the 1980s. When organisational behaviour did not change significantly as a result of these reforms, the focus changed again in the 1990s to consider the role of politics and the alignment of individuals, organisations and the institutional environment.

We explore why sustained improvements in capability have been elusive, and which donor-supported interventions have worked well, and why. We review 34 cases from Africa, Asia and Europe that relate mostly to donor interventions in public sector reforms in developing countries. These are categorised by applying Dressel and Brumby's (2012) framework, which separates the drivers of capability development into political drivers and bureaucratic drivers.

We find that sustained improvements in capability are most likely to happen where there is high drive for reform from both the political leadership and the bureaucracy, within an institutional environment that provides supporting incentives. While political and bureaucratic drivers can interact, political support is often needed for capabilities to develop and be sustained over time. The way capabilities develop is iterative in nature and often non-linear. Interventions tend to be more successful in areas where task specificity is high, and in cases where outputs are measurable and where there are low levels of staff turnover.

From our analysis we conclude that although capability development is more likely if there is political support, but political support cannot be created by external actors. If political support is lacking, donor interventions are unlikely to result in capability being sustained, though external actors may be able to encourage local actors to find interim solutions to the capability problems confronting them.

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List of abbreviations

AGI	Africa Governance Initiative
AusAID	Australian Agency for International Development
DAC	Development Assistance Committee (of the OECD)
DFID	UK Department for International Development
DLP	Development Leadership Programme
JICA	Japan International Cooperation Agency
LECBS	Liberia Emergency Capacity Building Support
MoF	Ministry of Finance
NRM	National Resistance Movement
OSAS	Overseas Service Aid Scheme
PDIA	Problem-driven iterative adaptation
PEFA	Public Expenditure and Financial Accountability
PO-PSM	Public Service Management Department in the President's Office
PRSP	Poverty Reduction Strategy Paper
PFM	Public financial management
RPF	Rwandan Patriotic Front
RRA	Rwanda Revenue Authority
SES	Senior Executive Service
TA	Technical assistance
TOKTEN	Transfer of Knowledge Through Expatriate Nationals
UNDP	United Nations Development Programme
UNMIK	United Nations Mission in Kosovo
URA	Uganda Revenue Authority
ZRA	Zambia Revenue Authority

Executive summary

Capacity development lies at the heart of the sustainability of international development efforts. Yet despite significant investments by donors to strengthen government systems in developing countries, it is not clear that these efforts have yielded sustainable results. In the light of this, this paper investigates how capacity development can be sustained, why sustained improvements in capacity have been so elusive, and which donor-supported interventions have worked well and why. Our aim is to draw relevant conclusions for agencies working to build public sector capability in low-income, post-conflict or fragile states.

In common language for international development practitioners, ‘capacity development’ is a process whereby external donors seek to enhance the capabilities of public sector organisations and institutions. Capability is the power or ability of an organisation to perform its mandate. In practice, each organisation performs many different tasks and so may exercise many different capabilities. Approaches used by donors can supplement or substitute those capabilities with external technical assistance, but the true aim of capacity development should be to have the organisation sustain and continue to enhance capabilities without further external support. The big challenge is how to make and then sustain the transition.

The paper reviews the existing theoretical literature to examine how capacity development and organisational capability have been understood and analysed. We then discuss key aspects of a review of 34 case studies from Africa, Asia and Europe that relate mostly to donor interventions in public sector reforms in developing countries. The focus is on financial management and service delivery capabilities. In order to reduce complexity, these are categorised by applying Dressel and Brumby’s (2012) framework. This relatively simple framework separates the drivers of improvements in capability of the public sector into political drivers and bureaucratic drivers. Discussions are grouped around four ‘paths’: high political and low bureaucratic drive (path 1), high political and high bureaucratic drive (path 2), low political and high bureaucratic drive (path 3) and low political and low bureaucratic drive (path 4).

We find that capabilities develop where there is a strong drive for reform from both the political and bureaucratic leadership within an institutional environment that provides supporting incentives. We also find that while political support often helps to sustain capabilities (and foster further development), it is not always necessary.

Where political drive is not present, public sector capability may grow through strong bureaucratic drive, although some enabling factors appear to be more important in this context. These may include task specificity, local ownership, stability within the organisation, and local demand.

Where political drive is not matched by bureaucratic drivers, it can still be a catalyst for the development of public sector capability. This has been found to happen where political demand triggers improvements in the quality of existing staff, where it encourages a culture of performance or augments existing staff capacity with external support. Capabilities may then be sustained when bureaucratic leadership responds

to the political demands or takes ownership of the reform. In such cases, capability emerges within the organisation and technical assistance can play a role in supporting its development.

There are a number of nuances which may determine whether these reforms and external support for capacity development will result in sustained improvements in capability. These include factors such as what the reform relates to – for example, the type of organisation being reformed and how susceptible it is to change – as well as other factors, such as ownership and demand for changes.

The way capabilities develop tends to be iterative in nature and often non-linear. The path to sustained improvements in capability may, for example, involve a number of steps that are politically driven, that stall and restart as political support for the underlying reform waivers and is then renewed, before sustained improvements become embedded.

The evidence reviewed suggests that aid can support the development of organisational capabilities by supplementing existing capability during the early stages of reform. However, there are relatively few clear cut cases where state capability has clearly developed and been sustained for long periods as donor support was phased out. In the instances where capability has been more sustained, the transfer of responsibility and knowledge from international technical assistants has been a gradual process. And in cases where the trajectory of state capability has been less clear, the nature of external support appears to have had a bearing on whether capability continues to develop or not. Factors that appear to lead to greater success include the use of coaching and the provision of support over a longer timeframe. In some of the cases reviewed, external support was reduced as advisers were absorbed onto the national payroll. Though not without issues, this appears to have allowed capabilities to be maintained in the medium term at least.

Our observations are not definitive. The often limited scope and detail of the case studies have prevented us from arriving at firm conclusions. The case studies were often neither comprehensive nor detailed enough for us to identify whether capabilities had been developed or sustained, or to get a complete picture of the drivers behind reported improvements. Also, there were relatively few case studies that directly analysed capacity supplementation by donors. This has made it difficult to generalise the analysis. While the Dressel and Brumby model is a useful framework that allows us to reduce complexity, there is a need to further develop the evidence base and link it to the wider discussion on the role of politics and institutional incentives. Further research could explore cases using our framework in more detail.

1 Introduction

Public sector capability lies at the heart of the sustainability of international development efforts. In response to perceptions about the ineffectiveness of aid in the 1990s, development thinking has increasingly emphasised the centrality of effective institutions and organisations. We consider capability to be the power or ability of an organisation to perform its mandate, and the development of capability to be a process whereby the organisation or institution improves its ability to perform. In practice, each organisation performs a range of different tasks and so may exercise many different capabilities, some of which are interdependent. Our focus is predominantly on capabilities for financial management and service delivery.

This paper attempts to go beyond the question of how capability develops, to ask how it can be sustained. We explore some persistently unanswered questions, including: why sustained improvements in capability have been so elusive; how capability develops where there has been no external intervention; and which donor-supported interventions have worked well, and why. Our aim is to draw relevant conclusions for agencies supporting what has become known generally as ‘capacity development’ in low-income, post-conflict or fragile states. To break this down, we distinguish between ‘capacity substitution’, where gaps in domestic capability are filled by capacity brought in from outside the organisation; ‘capacity supplementation’, when external inputs provide supporting capacity; and ‘self-sustaining increases in capability’. In practice, it is not always clear which predominates, so we view capability as being sustained when capabilities are no longer aid dependent.

In terms of methodology, the paper reviews the existing theoretical literature to look at how capability has been understood and analysed. The body of research has highlighted that, despite significant investments, it is not clear that external investments in capacity building in developing countries have yielded sustainable results. In response to perceived failings, there have been notable shifts in international approaches to ‘capacity building’, from a focus on the role of individuals in the 1960s and 1970s to the role of organisations, exemplified in the New Public Management reforms of the 1980s (Teskey 2005). When organisational behaviour did not change significantly as a result of these reforms, the focus changed again in the 1990s to consider the role of politics and the institutional environment. Today the view that ‘turning individual capacity into organisational [capabilities] requires institutional change’ appears to predominate (Teskey 2005:10).

On the basis of the literature review, we identify and apply a framework from Dressel and Brumby (2012). The relatively simple framework separates drivers into political and bureaucratic drivers, and helps us to understand the drivers of capability growth and how it might become sustained. The simplicity of the framework allows us to categorise examples of interventions aiming to improve state capability into four broad ‘paths’, characterised by either low or high political and bureaucratic drivers of capability growth. In doing this we hope to increase understanding of how capability has grown in different contexts. Applying this framework to the cases, we analyse how specific country contexts have enabled capabilities to develop – for instance, where certain features result in positive incentives for the leadership to

improve organisational capabilities. We also explore how, in the absence of political drive, it may be possible for the bureaucracy to build and sustain capabilities if certain conditions are in place.

As we have explored a relatively small sample of cases due to the limited nature of this research, there is a selection bias that will have impacted on our analysis. We take account of this in the cautious manner in which we interpret our findings, and refrain from making firm generalisations. We have looked at 34 case studies in detail, summarised later in Table 1. The cases are from Africa, Asia and Europe, although the majority relate to public sector reforms in African countries. These are from publicly available repositories, which include independent studies of public sector reforms (at both the national and sub-national level) and also the reports of international aid agencies supporting reforms in developing countries.¹ The cases were selected on the basis of their relevance for lessons in the development of state capabilities, mostly for financial management and service delivery. Most relate to donor interventions, and therefore relate to external inputs rather than solely internal processes. This emphasis on external capacity-building interventions helps to make the research relevant for donor policy making and analysis, as we are primarily concerned with the role that donors can play to support partner governments to build and sustain organisational capabilities.

The paper is structured as follows: Section 2 defines and deconstructs the concept of ‘capability’, considers how it might be measured, presents a brief overview of the literature, and outlines the framework for the analysis of case studies. We extend Dressel and Brumby’s (2012) typology of political and bureaucratic drivers of reform to guide our exploration of how the different drivers and their interaction may enhance or erode public sector capability. Section 3 uses this framework to categorise and analyse the different country cases. We discuss the paths of capability development that have been taken depending on which drivers have been active, and the extent to which these have led to a sustained improvement in capability. We also explore the role of external support. Section 4 concludes the paper with a summary of the lessons that we have gathered from our review of the case write-ups. We end with some general messages that may help donors think about their capacity building programmes differently.

¹ Including <http://www.princeton.edu/successfulsocieties/> <http://www.developmentprogress.org/> <http://www.capacity.org/capacity/opencms/en/index.html>.

2 Capability and how it is measured

2.1 Introduction

Capability is a much-used term in international development studies that is often applied without being either specifically defined or grounded in theory. Other complications arise because of philosophical differences (for instance, whether capability is a potential or current state which determines whether it can be grown or only unlocked). This creates confusion in the literature, especially when applied to varied contexts and entities (James and Wrigley 2007:3).

In this section we review the theoretical literature to arrive at a simple analytical framework for understanding organisational capability and how it develops. We settle on a standard definition and reflect on the questions: capability for whom, for what and in what context? This approach reflects the growing influence of ‘systems’ thinking, which involves analysing capabilities in individuals, organisations and systems, and how these relate to one another and the external environment, to become more than just the sum of their parts (Andrews et al. 2012, Baser and Morgan 2008, Bolger 2000).

This is followed by a discussion on the different paths of capability development, using a framework proposed by Dressel and Brumby (2012). The framework distinguishes between political and bureaucratic drivers of reform. We have applied it because of its relative simplicity and potential usefulness in showing how different drivers and contexts influence the path that capability development may take.

2.2 Deconstructing capability

The development of capability is discussed in a wide range of disciplines. Management studies, organisational sociology, human resources, and public administration, among others, have all considered the importance of developing capability.² Applying a standard dictionary definition: ‘Capability is the power or ability to do something’ (Oxford Dictionaries 2014), it is then necessary to ask: capability for whom, for what and in what context? (Hosono et al. 2011).³ These are crucial elements to consider for a clear understanding of the term.

In terms of capability for whom, the most common differentiation is between individuals, organisations and systems. This differentiation is used by Andrews et al. (2012) and acknowledged by Bolger (2000), Hosono et al. (2011) and Teskey (2005). Baser and Morgan (2008) go further and integrate this framework into their definitions of competency (for individuals), capability (for organisations) and

² In many disciplines the concept of ‘capability’ is as difficult to grasp as in international development. For example, Schienstock (2009) argues that the concept is still very vague in its application in the private sector and that there is little agreement on the few core organisational capabilities that firms have to develop to stay competitive.

³ Defining ‘capability’ as ‘ability’ verges on tautological – and gives little additional specificity – but there is currently no better, commonly used definition.

capacity (for systems). These distinctions underscore an important feature of capability: that it has different and overlapping layers that can be analysed both separately and in relation to one another. They also indicate that capability is determined by who or what is exercising it (implicit in Leonard 2008, Keijzer et al. 2011, and UNDP 2008). For example, a civil servant may have great technical skill or demonstrate excellent leadership at the individual level. However, as part of an organisation, civil servants support the collective capabilities for delivering public services or enhancing government legitimacy.⁴ This paper thus analyses collective capabilities of public sector organisations and units within those organisations that are the subject of the case studies discussed later.

Distinguishing between individual and collective capabilities helps to avoid attributing capability incorrectly. It also makes it easier to link particular goals with the type of intervention used to build capability. For example, the technical skills of individuals lend themselves to interventions such as training in order to build capability. On the other hand, the ability to regenerate and adapt to the external environment is a collective capability, so should be assessed in relation to interventions aimed at developing the organisation or system as a whole.

We now turn to capability for what. As a starting point, capability relates closely to the task being performed, so one organisation will have capabilities for a number of different activities. Baser and Morgan (2008) note, for example, that the Lacor hospital in Uganda is at once a government entity, a unit of the public health sector, a member of the Catholic community, and a partner of the international community. So, as well as being analysed at the organisational level, the hospital's capability can also be analysed in terms of these different identities and the tasks associated with each.

Box 1. Measuring state capability

The measurement of capability is closely linked to its purpose. Unsurprisingly, in the public sector this can be vague or contested, suggesting that there are no definitive measures of overall state capability. However, there have been several attempts to define state capability, which are useful to note in the context of this paper.

Measures of state capability generally consider either outputs (what the state produces) or processes (how it functions). The arguments in favour of measuring outputs are closely related to discussions of productivity, while proponents of measuring processes argue that a focus on outputs will reflect value judgements of the society as well as the capability to deliver them (Holt and Manning 2014). Polidano (2000) provides an example of an indicator framework constructed principally from available measures of outputs. These include the availability of country data in international publications, net enrolment in primary education, tax revenue mobilisation, and wages and salaries as a proportion of government expenditure. Such a focus on measuring outputs alone, however, will miss how efficiently and effectively states function (Manning 2014). Fukuyama (2013) has put forth a framework for considering process measures of state capability, mixing aspects of administrative procedure (such as merit-based selection), the ability to deliver certain core functions (such as macroeconomic stability) and autonomy (protection from political micromanagement).

For public financial management systems, Andrews et al. (2014) unpack the core processes into their main functions but do not indicate how these could best be measured, while Dabla-Norris et al. (2010) provide a process-centred indicator framework for the quality of budget institutions. The latter also review previous attempts to construct indicators for cross-country analysis. In this area, the Public Expenditure and Financial Accountability (PEFA) assessments have formed an

⁴ Andrews et al. (2012) argue that a fundamental failing of international development efforts to build state capability has been to place too much emphasis on the individual rather than considering the system as a whole.

important reference point for both academic research and programme evaluations by measuring a combination of processes and outcomes.

Overall, these frameworks suffer from a number of weaknesses, including normative choices over either organisational arrangements (such as the politicisation of the bureaucracy) or outcomes (such as the level of deficit). They also remain largely divorced from the literature and logical frameworks used to measure international support for 'capacity development' (Watson 2006).

2.3 Enabling contextual factors

As for capability 'in what context' it helps to discuss the ways in which external and internal factors can influence how organisations develop their capabilities. This distinction is used in numerous analytical frameworks and reviews of capability (Baser and Morgan 2008, Boesen 2005, Brinkerhoff 2007). Factors internal to the organisation might include access to resources or ownership of reforms, while an external factor could be the political system or settlement (Baser and Morgan 2008:74).⁵ Boesen (2005) makes a practical distinction between the factors (internal or external) that can be influenced and those that cannot.

Though internal factors have long been considered to be a central aspect of donor capacity development, external factors have only recently started to gain prominence. All the frameworks that we reviewed recognise that capability is influenced by the external environment (Andrews et al. 2012, Baser and Morgan 2008, Boesen 2005, Bolger 2000, Brinkerhoff 2007, Dressel and Brumby 2012, Leonard 2008, Teskey 2005). Some external contextual factors include: historical pathways, availability of natural and human resources, governance and politics, globalisation and geopolitics, and social structures and norms – such as attitudes towards government and the status of the public service.

Teskey (2005:7) is particularly pointed in his analysis, suggesting that while it is possible to understand how state capabilities emerged in one country, it is not appropriate to expect them to follow the same path in other countries. Furthermore, national 'context' does not affect all entities in the same way, as pockets of effectiveness may develop even where capability is generally limited (Leonard 2008). Nor should context be viewed as static (Greenwell and Moore 2014). For example, an economic shock or the outbreak of war can be a trigger for the development of new capabilities or render existing capability inadequate.

Relatively little is known about how these internal and external factors interact to influence changes in public sector capability. Leonard (2008) hypothesises that pockets of effectiveness are likely to emerge in organisations that are able to manage their external environment, can mobilise and manage resources, have leadership that is autonomous of operational political direction, have a pool of people with the right skills, and select staff on a broadly meritocratic basis.⁶ Roll (2011) suggests that in some cases, these pockets may be able to influence wider civil service performance through improved outputs or through staff rotation. However, he also concedes that this is unlikely in most cases for a variety of reasons, not least that people are less likely to move from high performing institutions to low performing ones. Others have suggested that giving staff a stake in the improvement of the organisation might matter, and there seems to be evidence that staff engagement with management does too (The King's Fund 2012). The level of task complexity – or 'specificity' in

⁵ In some senses these may even be considered parts of the enabling environment (as in Bolger 2000), though this oversimplifies the nature of the interactions that an open system approach advances.

⁶ For the full list, see Leonard (2008).

Israel's (1987) terminology – may affect how easily the internal and external factors can be aligned to support capability development (Viñuela et al. 2014, Brinkerhoff 2007). Theoretically at least, it is easier to increase capability where tasks are: more specific; have fewer components that are more easily monitored; and have fewer relations with other systems and political institutions. Andrews' (2009) cross-country assessment of PFM reforms in Africa provides some evidence that task simplicity improves the likelihood of reform success in public financial management. Generally, upstream, concentrated process and practices score higher in PEFA assessments than downstream, de-concentrated ones, which involve more actors (Andrews 2009). This is echoed by Potter and Brough (2004) in their paper on building capabilities in India's health sector. Brinkerhoff (2007) and Baser and Morgan (2008) also suggest that some capabilities will take longer to develop, depending on the type of task, organisation or institution. This could be thought of as a form of institutional 'durability' or 'embeddedness'.

2.4 Drivers of capability development

There is a large body of work that argues that the development of capability in the public sector, particularly over the longer term, depends on leadership. This in turn depends on: (i) the organisation of power in terms of the centralisation of the state; and (ii) incentives through the rent process (the creation, seeking, distribution and utilisation of incomes and rents) (Khan and Jomo 2000; Kelsall, Booth et al. 2010). These factors are based on the structure and incentives of the elite, the leadership, and how they interact with society (Khan 2000: 44). Khan (2010) and Booth (2015) have developed typologies of political settlements that describe how institutions work in a particular context. Khan looks at the characteristics of the political settlement and features of institutions and growth (Khan 2010). Booth considers the modality of inclusion and exclusion of fragmented elites and non-elites and the mode of legitimation (Booth 2015: 6).⁷

Placing individual leadership within this broader institutional environment, there is a rich base of research on the role and importance of leadership in reform. For example, the Developmental Leadership Programme explores how home-grown leaderships and coalitions drive and support development and how power and political processes and settlements can be drivers of or impediments to such change.⁸

In contrast to these high-level drivers, others have suggested that reform can be motivated by government officials seeking a solution to specific problems. In exploring whether reform is successful when driven by individuals with authority and influence (solution and leader driven change), Andrews (2013) finds that it is rare. He proposes instead, that when reforms are problem-driven, iterative and adaptive they are most effective (Andrews et al. 2012).

Given these competing views, it seems reasonable to expect that successful reform is likely to be a combination of drivers from both the top-down and bottom-up. Indeed, some reforms appear to have been particularly successful where leaders from the political sphere and the bureaucracy support one another and work towards common goals or where there is 'ongoing commitment by government at both political and technical levels' (IMF 2010).

⁷ The main difference between the typologies of Khan (2010) and Booth (2015) are the concepts of power that each adopts. Khan considers the balance of power between groups or actors, whereas Booth adopts a broader concept of power that includes power *to* as well as power *over* (Booth 2015: 5).

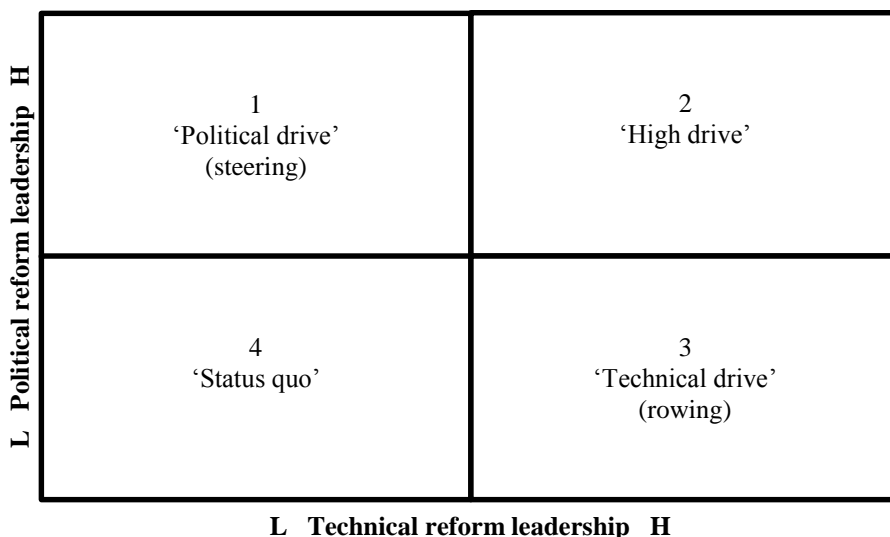
⁸ <http://www.dlprog.org/>

2.5 The framework for analysis

We provide a simple framework for considering some of the key influences of reform in a wide range of contexts. We acknowledge the potential complexity of analysing each enabling factor for each institution and each task, which would not be a realistic ambition, given the varying quality of the case studies available. Instead we aim to use Dressel and Brumby's (2012) framework to cut through some of that complexity to understand some of the common factors that influence capacity development.

Dressel and Brumby's (2012) framework highlights how countries have different reform experiences, depending on the strength of their political and bureaucratic leadership. Figure 1 shows the four scenarios of the framework: where there is no momentum from either and the 'status quo' is maintained (which we have called path 4); when reforms are progressed or 'rowed' by bureaucratic agents without obvious leadership from politicians (path 3); when politicians 'steer' reforms without leadership from technocrats (path 1); and when reforms move into 'high drive' with strong support from both political and bureaucratic agents (path 2). The authors note that reform typologies are not static, but move along a trajectory over time.⁹

Figure 1: Political and bureaucratic typology



Source: Dressel and Brumby 2012

We stress three important limitations of using Dressel and Brumby's framework. First, the framework presents a typology for reforms, whereas we apply it more specifically to the process of developing capability. Of course this distinction is not always clear cut, because one is likely to depend on the other. Second, as capability is impacted by the external environment as well as relationships and processes within an organisation, it is possible that organisations may lose as well as grow capability as they adapt to changing exogenous factors and institutions (Baser and Morgan 2008, Greenwell and Moore 2014). Third, building on this, capability development is not a linear process and once established, capability is not always sustained. In some cases it may even be actively eroded by actors pursuing other interests. In other cases, capability may develop and be sustained even if it is not used, providing a strong basis for future reforms.

⁹ They analyse the specific trajectories for the central finance agencies of Thailand, Uganda and Mozambique within this framework.

We use the ‘institutional environment’ to mean the wider social, political and economic context, which affects each path differently. To keep our framework simple, we have avoided adding this as an additional layer. However, where possible, important contextual factors are considered in the review of the case studies.

Ultimately, we are interested in the role that donors can play to support partner governments to build and sustain organisational capabilities. Approaches used by donors can supplement or substitute those capabilities with external technical assistance, but the true aim of ‘capacity development’ interventions is to have the organisation sustain capabilities and enhance them without further support. To be clear we distinguish between (i) capacity substitution (where external agents take on organisational functions on a long-term basis); (ii) capacity supplementation (when external inputs provide support to existing organisational functions); and (iii) sustained improvements in capabilities (where capability development is internally driven without the need for external assistance).

It is not always easy to objectively assess whether capabilities have truly been sustained. Instead, we look for the following conditions in the case studies as indicators for whether capability has been sustained:

- capability is both demanded and driven by domestic constituents
- organisational functions associated with the capabilities are domestically funded with minimal involvement of donors
- systems have been sustained and further developed beyond the end of a particular programme
- systems have been adapted to local conditions or behaviour has been adjusted, rather than best practice models simply being mimicked.

In the next section we will apply this framework to the case studies of public sector reforms and consider the following questions as we analyse how some cases illustrate the presence of paths to sustained improvements in organisational capability:

- What has been the trajectory or path of reform and how has that changed over time? For example, are political reforms in high drive? Or have they shifted from political steering to technocratic rowing?
- Are there any common factors associated with each path? For example, are technocrats more likely to be able to steer a reform where the task is specific?
- Is there a point at which reforms and capability become sustained? Do reforms ever reach a turning point beyond which capability is sustained?
- What role do donors play in the reform trajectory? How can aid improve state capabilities in recipient countries and how can it support a transition to where capability is sustained once aid is phased out?

3 Paths to sustained capability development: case study analysis

3.1 Introduction

This section analyses a series of country cases using the framework set out in section 2.5. Where capabilities are not explicitly discussed in the documents reviewed, we analyse progress in the relevant public sector reforms themselves, as these are documented and mostly tied to the development of capabilities. The framework suggests that in a given institutional environment, the success of the reform agenda is determined by two key factors: the strength of the political leadership and the strength of the bureaucratic leadership. This can help to determine whether the reform agenda is simply politically led (steering), simply bureaucratically led (rowing), or in a period of high drive, where both forces are interacting successfully together. Alternatively, there may be no drive at all, in which case the reforms may stall, or become undone.

The aim is to review cases of public sector reforms in developing countries where there appears to be evidence of capabilities that have developed and been sustained for at least a period of time, and to examine the paths that led to their achievement. We use the framework to look at how capabilities developed, and to identify some of the common factors that might help to explain why organisational capabilities emerged in some instances and not in others. The findings from the case study review are grouped based on the relationship between political and bureaucratic leadership at the particular point in time covered by the case study. As a result, case studies of a longer timeframe may overlap across sections, where the drivers moved from one path to another. The case studies reviewed are summarised in Table 1.

In section 3.2 we look at cases of political steering, where there is high political drive but low bureaucratic drive (path 1). Section 3.3 looks at instances of high drive, where both the political and bureaucratic leadership is high and focused on the same reform agenda (path 2). Section 3.4 examines where reforms are supported by bureaucratic drive (path 3). No case studies were selected where reforms did not take place at all due to the lack of drive for long periods, but the final section 3.5 considers ways that this status quo may be broken (path 4). Section 3.6 highlights the main conclusions from the analysis.

Table 1: Summary of case studies

Country	Sector / case	Years	Path*	Source
Afghanistan	PFM reforms	2010-2010	4→3	Fritz et al. 2012
Bangladesh	PFM reforms	1993-2001	3	World Bank n.d.(a)
Botswana	State and economic development	c.1960-2000	1→2?	Acemoglu, Johnson and Robinson 2001
Cambodia	PFM reforms	1991-2010	4→3	Fritz et al. 2012
Dominican Republic	Electricity sector	c. 2000-	4→3?	Fritz et al. 2014
DRC	PFM reforms	2001-2010	4→3	Fritz et al. 2012
Egypt	Central Bank	2003-2006	3	Fritz et al. 2014
Ethiopia	PFM reforms	1996-2008	3	Peterson 2011
Ghana	VAT	1995-2000	1→2→3→4	DFID (2001)
Kenya	Rapid Results	2005-2009	2→4→3	Majeed (2012)
Kosovo	PFM reforms	1999-2010	4→3	Fritz et al. 2012
Liberia	Ministry of Finance	2003-2009?	2	World Bank n.d.(b)
Liberia	Civil Police	2003-2011	1→3?	Friedman (2012)
Liberia	Civil Service	2006-2011	2→4?→3?	Friedman (2012)
Madagascar	Rapid Results	2005-2009	2→4→3	Friedman (2012)
Mauritius	State and economic development	c.1968-2000	4→2→3	Sandbrook 2005
Rwanda	Revenue authority	1997-2004	2→4→3?	Land (2004)
Rwanda	DFID Support to revenue authority	1997-2010	2→4	DFID (2010)
Rwanda	Civil service	c. 2000 -	1	Booth et al. 2014 Booth and Cammack 2013
Sierra Leone	Security system	1997-2007	3	Jackson and Albrecht 2008
Sierra Leone	Ministry of Finance	c.1998-2014	3?	Viñuela and Barrie 2014 Welham and Hadley 2015
Tajikistan	PFM reforms	1997-2010	4	Fritz et al. 2012
Tanzania	Public sector reforms	1996-2001	2→4	Booth et al. 2014
Tanzania	Ministry of Finance (External finance)	2000-2010	3	Tilley (2014)
Tanzania	SNV accountability	2010-	3	Tilley (2013)
Uganda	Ministry of Finance, civil service	1986-2006	4→1→2→3	Whitworth and Williamson 2010 Booth et al. 2014
Uganda	Revenue authority	1991 – 2000	2→4→3	DFID (2001)
West Bank and Gaza	PFM reforms	1993-2010	4	Fritz et al. 2012
Zambia	Revenue authority	1997-2000	1? → 3?	DFID (2001)

Note: Our classification of the paths is based on our review of the cases. For the sake of transparency, the question marks indicate some uncertainty on the part of the authors about the classification, suggesting that more in-depth analysis of the case may be required.

3.2 Path 1: High political drive – low bureaucratic drive

In the case study review, we have identified a number of examples where organisational capability was developed with a high degree of political leadership,

which Dressel and Brumby (2012) describe as political drive or steering. In these examples, a strengthening in the political leadership's focus on reform does not initially coincide with strong bureaucratic drive, due to a lack of interest or capability at the relevant level of the bureaucracy. A common recourse for political leaders who find themselves in these situations is to supplement organisational capability using external actors. Capacity supplementation may be short term or long term, local or expatriate. In some cases, donor capacity supplementation may instead result in capacity substitution, which makes it harder to assess if local capabilities have improved but could even inhibit the growth of domestic capabilities. We also explore the wider institutional context to see how this might interact with the leadership.

The role of aid and capacity supplementation

Aid cannot steer, but it can play an important enabling function where there is country commitment to reform. In some of the case studies where there was strong political leadership in support of reforms, a steering dialogue with donors was enabled and trust developed, thus increasing the likelihood of capabilities being developed and sustained. Where donors have assisted governments – through financing, or the direct provision of inputs such as technical assistance or training – the interaction of demand and supply for assistance appears to be an important element in determining its sustainability. 'A partner agency [that] has a very clear view (vision) of its own future' was considered a critical success factor in a review of PFM reform in the Pacific Islands (AusAID 2004). Similarly, 'country-led planning' is believed to be a primary element in designing effective interventions for building state capabilities (JICA 2008).

Liberia presents an example of where the president played a central role in maintaining good relations and soliciting support from donors to develop civil service capabilities (Andrews 2013). A further example is in Sierra Leone, where presidential leadership enabled the health ministry to have open and frank discussions with donors about how poorly health systems were functioning. This allowed trust between donors and the ministry to develop. The president had invested a significant amount of political capital in the Free Healthcare Initiative and the state house was actively involved in monitoring progress towards delivery, including direct reporting on progress to the vice-president. This allowed the technical assistance to the health sector to be particularly effective (Welham 2014).

In an effort to move away from external capacity substitution or supplementation towards sustained improvements in capabilities, countries such as Sierra Leone and Liberia have used large numbers of local technical assistants as a means of bridging the gap. Following her election in 2006, President Johnson Sirleaf of Liberia was faced with a civil service that was heavily dependent on external technical assistance. While the need to develop local capability was recognised, given the imminent scaling down of external assistance, Liberia also faced the constraint of an education system that had been destroyed during a 14-year civil war. The government therefore targeted the educated Liberian diaspora as a means of bridging the gap between technical assistance and local staff capacity required to implement Liberia's Poverty Reduction Strategy.

Donors and NGOs funded the salaries of highly qualified Liberians to staff key high-level positions, including 16 ministerial appointments.¹⁰ This occurred against the

¹⁰ UNDP and the Open Society Initiative created a US\$3.25 million Liberia Emergency Capacity Building Support (LECBS) fund. In addition a number of other programmes placed skilled Liberians in key Poverty Reduction Strategy implementation roles throughout line ministries. The Transfer of Knowledge Through Expatriate Nationals (TOKTEN) programme funded 70 people to work in the health and education sectors in particular; the Senior Executive Service (SES) programme placed 100 skilled Liberians in sub-ministerial management posts to implement the PRS; and the Stott Family Fellows programme placed 30 master's degree graduates with two years' relevant experience.

backdrop of wider public sector reform, including the reduction in the size of the payroll. This in turn facilitated wage increases, the development of training institutes and universities to train future civil servants, and a civil service capacity-building project. These efforts are suggestive of a transition from path 1 to path 2 (with high political and bureaucratic drive) discussed further below.

Releasing latent capability

A high level of political leadership may also simply unlock latent capability. There is evidence in some cases that capability was already present, but was not fully exercised. Efforts to unlock this latent potential contrast with interventions to add new capabilities through, for example, training or new systems.

The adoption of the Rapid Results methodology in both Kenya and Madagascar provides examples of where latent capability was released by political steering during periods of high political leadership. In both cases, coaches from the private sector were brought in and paid higher salaries. However, the civil servants that participated in the projects and achieved the results did not receive any additional pay or promises of promotion. In both cases the methodology became institutionalised and survived the subsequent collapses in political support, particularly in the case of Kenya (discussed further in section 3.4).

There is also evidence that the Rapid Results methodology was adapted to local conditions and that local ownership was important for the widespread acceptance of the methodology. One of the reformers involved noted that ‘in an environment like Kenya, we have to guard against Rapid Results being seen as a foreign practice’ and that ‘unless you know the history of reforms in that country, it is difficult to adapt it to the context’ (Majeed 2012). Task specificity also seems to have been a factor in the success of the methodology. Reflections from coaches who worked on the programme highlighted the importance of setting clear and measurable goals to ensure successful outcomes (Friedman 2012).¹¹

Institutional factors interacting with political drive

Where does this political drive come from? In some cases the change in political leadership arose from a change in political regime, while in other cases an internal or external crisis prompted change. As discussed above, high political drive requires a positive set of institutional conditions. This is likely to be where there is a ‘purposive coordination of elite factions’ with associated informal rules or norms, rent distribution and the provision of public goods (for example in Rwanda) (Booth 2015: 10).

In Rwanda, political power is not linked to economic power, a separation enabled by rules that prevent the concurrent holding of political and business positions and require the declaration of assets. The strong enforcement of rules under President Kagame has been extended to a demand for performance from ministers, empowering them with personal responsibility for delivering upon their portfolios. The constitution outlines that no more than 50 per cent of ministers can be from the ruling Rwandan Patriotic Front (RPF) party, and in addition to this power-sharing requirement, appointments are merit based. This has facilitated a coherent approach to policy implementation, demonstrable in the effective performance disciplines that are in place (Booth et al. 2014, Booth and Cammack 2013). Rwanda’s leaders have

¹¹ Reasons that coaches gave for why reforms failed to meet the 100-day targets or eventually became unsustainable, included: the lack of political commitment; a focus on outcomes rather than outputs; a distrust of outsiders; challenges in retaining short-term consultants; and difficulties in institutionalising specific projects in local governments.

neither the need to satisfy multiple constituents that Tanzania's leaders do, nor the micromanagement approach and fire-fighting style of Uganda's President Museveni.

In Uganda, in contrast to Rwanda, there is a strong interface between political and economic power bases, such that those who hold political power tend to have a substantial influence over economic power (Booth et al. 2014: 56). This institutional structure and the strong political and economic networks have influenced the path of capability development in the public sector. There has been recognition of the importance of a strong administration for political success and an indication that President Museveni respects capable officials who stand up to him, despite some of his own managerial weaknesses (Booth et al. 2014: 61). While there are weaknesses in areas of the public administration and challenges in reform implementation, Uganda's finance ministry is an example of where high-level politically driven reform (path 1) was quickly followed by high drive (path 2) once the finance and planning ministries had been merged by the President. President Museveni and the National Resistance Movement (NRM) gained power in 1986 and initiated a series of economic, constitutional and administrative reforms with the support of the donor community, which has provided as much as half of the resources in the annual budget. The nature of the reforms was shaped in part by two key dynamics (Whitworth and Williamson 2010). One was the power delegated to the new finance, planning and development ministry to restore macro-fiscal discipline after recourse to central bank credit to finance public expenditure in the early 1990s stoked inflation and depleted foreign reserves that were needed to repay external debts.¹² The other was that the roots of NRM power were in local resistance councils, creating momentum for the decentralisation of public services. From around 1992, a radical reform programme ensued, leading it onto path 2 and a period of high drive.

Summary

In summary, political drive, in the absence of a high level of bureaucratic leadership at the relevant level, is a path that is generally characterised by the substitution or supplementation of capabilities rather than developing and sustaining internal capability. A positive set of institutional conditions are necessary for high political drive to arise, and these have been noted in the case of Rwanda and Uganda. The bureaucratic leadership emerged in different ways, and did not initially interact with strong bureaucratic drive in these cases, due in part to a lack of capability at the relevant level of the bureaucracy. This appears to indicate that sustained improvements in capability are unlikely to take place under conditions of high political drive alone.

When the government leads the dialogue, aid can play an important enabling function that allows trust to be developed between donors and government, which can sustain capacity building efforts in the event of a shift onto path 2. Stability appears to be important, such that when the risk of staff turnover is minimised, changes can endure. Task specificity also seems to have been important as key reforms can be specifically targeted, as in the case of Rapid Results.

Whether this path subsequently leads to a period of high drive in which capabilities are developed and sustained depends on a number of factors. These are discussed in the next section.

¹² A fiscal crisis was triggered by shortfalls in aid which was compensated for through high domestic borrowing (rising to around 40 per cent of money stock). This caused inflation to accelerate to an annual rate of 200 per cent (Whitworth and Williamson 2010).

3.3 Path 2: High political drive – high bureaucratic drive

The case studies suggest that in certain circumstances an increase in the level of political leadership interacts with a sufficiently high level of bureaucratic leadership to enhance and sustain capabilities. This combination results in high drive and strong progress in developing capability.

Political stability and changes in political direction

The clearest examples are Botswana (Acemoglu et al. 2001) and Mauritius (Sandbrook 2005). These two countries have been the strongest growing economies in Africa since the 1960s. Institutional stability and strong leadership appear to have been key in allowing the bureaucracy to build its capability, sometimes through external capacity substitution or supplementation (notably Botswana). These examples are the exception as the bureaucracy was successfully protected against the negative effects of patronage, poor pay and the associated undermining of professionalism.

A key feature in Mauritius' development is that while politics were highly contested, the political settlement and respective government priorities remained stable over long periods. This allowed the bureaucracy to build capability and follow through reforms, despite changes in government. After independence, Botswana continued to use external capacity substitution and supplementation (it is not clear which predominated) in the education sector while the sector was being developed. Expatriates continued to work in a number of key positions in the bureaucracy into the 2000s.¹³ It is notable that while there is limited information about how the transition actually happened, it appears that high-level leadership encouraged the steady improvement of bureaucratic capability from a relatively low base.¹⁴

Political drive does not necessarily have to arise as a result of a change in the political regime or even an election. Tanzania's public service reform from 1996 to 2001 followed a fiscal crisis, which enabled the government to call in the IMF and use the enforced macroeconomic targets to drive a major reform process, while deflecting political criticism from itself. This involved radically reducing the payroll numbers, restructuring ministries and departments, and increasing pay levels in line with performance targets. Prior to the reforms, most public bodies were starved of recurrent funding and capability was highly constrained. Low pay and insufficient differentials meant that incentives were weak. Following the reforms, the situation was improved with some positive trends in departmental and agency performance. Senior-level, high quality technical assistance was instrumental in facilitating change, but it enhanced and reinforced the power of Tanzanian bureaucrats who themselves acted with the authority of the president.¹⁵

In particular, the organisational positioning of the department leading the reforms (the public service management department in the president's office (PO-PSM)), under the president protected it from 'undue political intrusions' and provided the space to manage the reform process (Morgan et al. 2010: 29). After the change in

¹³ This included large numbers of Overseas Service Aid Scheme (OSAS) officers who received a supplementation on top of the local salary to bring it up to the equivalent British rate.

¹⁴ In his first speech as President, Seretse Khama announced: 'My Government is deeply conscious of the dangers inherent in localising the public service too quickly. Precipitate or reckless action in this field could have disastrous effects on the whole programme of services and development of the Government' (Acemoglu et al., 2001).

¹⁵ The TA provided technical analytical skills (such as wage bill modelling, analysis of allowances, and the design of retrenchment schemes) as well as strategic advice and a very visible reform committee function to the permanent secretary. The PRSP involved a large number of consultants to install and support systems that both exceeded the capabilities of the ministries, such as managerial contracts, performance reviews and citizens' charters. Much of this has now been scaled back.

president in 2005, the momentum of the reforms changed from path 2 to path 4 (status quo): ‘PO-PSM began to lose its effectiveness as a change agent’ (Morgan et al. 2010: 35). Thereafter, capability in the public sector was undermined by political corruption, both small and large in scale (Booth et al. 2014: 44).

Political support to key institutions

Much of the success of the revenue authorities of Rwanda and Uganda can be traced to their establishment alongside high political support. In contrast, during the late 1990s, lack of political commitment was identified as a constraint on the development of capabilities at the Zambian Revenue Authority (ZRA). The objective of establishing independent revenue authorities was to replace existing institutions that suffered from low capability and corruption (DFID 2001, DFID 2010, Land 2004). They have generally been considered success stories, based on their initial records of increasing revenue collections, though empirical evidence is contested. In order to overcome constraints on staff capacity, salary differentials were used, and expatriate experts were often brought in, including in the role of Commissioner-General.

The motivation for establishing the authorities in Rwanda and Uganda differed. In Uganda, a revenue agency had been established since 1991 but collections were stagnant. The President wanted to increase collections and therefore established the Uganda Revenue Authority (URA). While increasing revenue collections was one motivation, the opportunity to replace corrupt and incompetent public servants was also a major driver.

Donor support appears to have been a significant factor in the success of the organisation, with external capacity supplementation playing a key role. The flexibility and long-term nature of the support was also important. DFID’s support to URA ran from 1991 to 2000.¹⁶ In the first phase of the project, DFID funding was used to fill line management posts in the URA.¹⁷ With essential staff in place, phase 2 of the project focused on management systems. Phase 3 built on earlier progress in improving management systems, but also created the post of the Deputy Commissioner General Revenue, which was filled by an expatriate. This highlights how moving from capacity supplementation to internal development of capabilities is not a linear process, and nor does capability develop automatically as an organisation moves away from using capacity supplementation.

The Rwanda Revenue Authority (RRA) was the vision of the then Minister of Finance, as he recognised the importance of the mobilisation of domestic resources. He was supported in the establishment of RRA by four capable technocrats from the finance ministry. DFID provided support for more than a decade after the establishment of the RRA in 1997, gradually reducing the level of support over time.¹⁸ The project design, however, remained short term and flexible, reflecting a situation of rapid change and uncertainty, and allowing for an iterative and adaptable approach to support the vision of the RRA. A flexible fund was used for the achievement of broad goals and allocation decisions were taken by the Commissioner General and implemented through DFID’s long-term project manager. Capacity supplementation (or substitution) was also a significant component, with international experts playing a key role in management positions until 2001. The emergence of local ownership of the agenda, and the subsequent transition to a new national management team in 2001 has been identified as a turning point in the

¹⁶ It covered five main activities: setting up the URA; introducing VAT; strengthening revenue administration management systems; providing technical and management training; and improving customs infrastructure – and included funding of £8.6 million over that period.

¹⁷ Although there was not an explicit focus on developing organisational capability.

¹⁸ In 2003 DFID support accounted for 34% of RRA’s budget. This had fallen to 11% by 2008 (DFID 2010).

evolution of RRA (Land 2004). This suggests that ownership may play a significant role in the path to sustained improvements in organisational capability.

Human resourcing issues related to pay grades have, however, been identified as a significant risk to the long-term sustainability of these organisations' capacities. This is particularly the case where staff grading systems are linked to the pay structures in the civil service. In the ZRA, high staff turnover tangibly reduced the impact of training (DFID, 2001). In the case of Rwanda it was feared the RRA would develop a 'missing middle' unless the organisation could internally groom a new cadre of middle management after it began losing staff to other public institutions and the private sector (Land 2004). It was further noted that the RRA struggled to balance the achievement of short-term revenue collection targets and its pursuit of longer-term development of its organisational capabilities (DFID, 2010).

While overall, the establishment of independent revenue authorities has arguably been successful in increasing tax-to-GDP ratios in Uganda, Rwanda and Zambia, particularly in the years immediately after they were established, there remain concerns about their ability to sustain and further develop this capability. All three countries have resisted recommendations to allocate sufficient funding to their revenue authorities, particularly in relation to allowing them to retain a proportion of the revenues they collect to ensure adequate budget allocations (DFID 2001 and 2010).

The example of the Ugandan finance ministry illustrates a path to sustained capability growth that transitions from path 1 (political steering) to path 2 (high drive) through a successful leadership-led intervention that released the latent capability of the ministries of finance and economic planning. It also illustrates the importance of internal stability and of institutional incentives. While the political settlement depended on rent distribution among elites, non-elite compliance was secured by the provision of public goods and informal rule enforcement (Booth 2015). This promoted a public service of requisite capability, aligned government and donor objectives, and supported the decentralisation of service delivery.

Following the merger of the ministries of finance and planning in Uganda, the new consolidated ministry introduced a cash budget and was given full authority from the president to control the expenditures of line ministries. A highly capable permanent secretary was appointed (from the economic planning ministry) with the freedom, authority and professional background to establish and develop an institution capable of effectively carrying out the core public finance functions. Leadership was strong, strategy clear and subordinates were held accountable and promoted mostly on merit. Special monetary incentives were introduced to augment the low public service salaries. Donor support was utilised effectively to provide specialised advice and training, such as on macro-fiscal policy, budgetary management and tax policy. The capability of the ministry grew over time, with a performance culture established among Ugandan staff by the permanent secretary and cultivated by senior officials (Kuteesa et al. 2010). A salary top-up programme was implemented, which increased the professionalisation of the ministry. Following a call through the public sector reform programme in 1998, a window of opportunity to restructure the ministry was exploited and this greatly increased the capability of the budget function. The Ugandan finance ministry was, for a time, one of the leading central finance agencies in sub-Saharan Africa. Later, however, it was to move to path 3 as political attentions diverted to other priorities – namely securing electoral victories (see section 3.4).

Liberia also appears to have moved from path 1 onto path 2, expanding training opportunities for thousands of civil servants, and making the civil service a more

attractive place to work.¹⁹ It is difficult though to conclude that the initiatives had by 2011 led to sustained improvements in organisational capabilities. In particular, the Senior Executive Service programme was criticised for the creation of salary differentials, which caused tension between those on programmes and regular civil servants. A promised salary harmonisation had not occurred by 2011, and the World Bank criticised the project for failing to plan adequately for the transition.

Clearly, in terms of our funding measurement indicator, where capability development is predominantly domestically funded, aside from the fact that salaries were increased each year up to 2011 and donors had agreed to extend support for an additional year, it is difficult to conclude that new capabilities in the Liberian civil service have been sustained. However, the period under review is relatively short, especially when compared to Botswana and Mauritius. It remains to be seen whether the high level of political leadership, coupled with external capacity development assistance for the Liberian civil service, will eventually lead to sustained improvements in organisation capability.

In the similar case of the Sierra Leone finance ministry, a large number of technical assistants were recruited to line management roles. They were recruited mostly locally and from the diaspora, on relatively high pay, with various donors initially funding their salaries. It has been observed that this group of senior officials, including the financial secretary and most of the directors, work well together to deliver a basic level of functionality, mostly targeted at aggregate spending controls (Viñuela and Barrie 2014).

Importantly, in terms of our self-sustaining indicator of capability development, these positions were subsequently absorbed onto the payroll, mostly over a period of three to seven years. These officials continue to make up most of the senior leadership, but also many of the technical staff in some departments. However, sustainability issues were noted. It was observed that limited delegation and succession planning have resulted in an underutilisation of existing capability and the risk that it may even reverse if key individuals leave without transferring institutional memory. While Sierra Leone's experience is suggestive of a path to sustained improvements in public sector capability, it highlights the possibility that there may be many more obstacles to overcome. In addition, our case studies for Sierra Leone focus only on the finance ministry, where greater task specificity may be critical to the successful capability development that has been observed to date.

Post-conflict Kosovo stands out as a successful example of long-term capacity supplementation (and substitution) transitioning to sustained improvements in public sector capability. The United Nations Mission in Kosovo (UNMIK), which exercised administrative power, partnered an international minister of government with a local minister. It also partnered all directors of ministries with expatriates. Initially the international staff did most of the work, but gradually they became advisers. Currently, all positions are held by locals who have been fully trained (Tavakoli and Saneja 2012).²⁰

The case study on the introduction of value added tax (VAT) in Ghana highlights the iterative nature of capability development and the opportunities presented by political windows. Ghana's competitive democracy often results in fluctuating political commitment to reform following the electoral cycle. An initial attempt to introduce value added tax (VAT) in 1995, with technical assistance from DFID, ultimately failed when political support for the reform failed amidst civil unrest.

¹⁹ As evidenced by a reversal in the trend of civil servants leaving for the NGO sector.

²⁰ Despite these positive observations of progress made in building capability, challenges in retaining staff remain.

When there was renewed political support in 1997, Ghana already had many of the bureaucratic capabilities in place to implement the reform (DFID 2001).

Summary

In summary, there are a number of cases where capabilities have been developed and sustained under high levels of political and bureaucratic leadership. The standout examples are Botswana and Mauritius, where public sector capability was developed after independence under highly favourable institutional and political conditions. However, the case studies suggest that most countries that experienced high drive were only on this path for several years. For most of the cases, this limits the extent to which firm conclusions can be drawn. What does appear to have been important in a number of cases is the supplementation of existing capacity with long-term advisers (either international, from the diaspora or local) and their eventual absorption onto the payroll.

Many of these examples highlight the iterative nature of capability growth and its relationship to political leadership and the reform agenda. The bureaucratic leadership developed during the initial reform phase often remains strong enough for subsequent iterations of previously failed reforms to move directly into high drive once the political leadership has been renewed. This can be seen as a ratchet effect, where improvements in capability have been ratcheted forward in fits and starts, and capabilities maintained even during periods where political support has waned.

The next section considers the paths of capability development in instances where political leadership has dissipated (or never existed) but the level of bureaucratic leadership remains high.

3.4 Path 3: High bureaucratic drive – low political drive

Mid- to senior-level bureaucrats can be the main drivers of reform and improvements in organisational capability, within the available political space. However, there are relatively few case studies in our sample that fit this path. That may be because these reforms are less successful, or are not as visible to the academic or donor community. Still, they do provide some potentially useful insights.

When limited capability prevents the articulation of demand for reform, aid can play an important role in helping the government to determine gaps in its capabilities (Tilley et al. 2014). Although this is a challenging process for any government, it can be supported by trusted arm's length partners who understand the country and sector context. An example of this taking place in a context of limited wider political drive for change, was in Tanzania: a window of opportunity for increasing local-level accountability allowed SNV (the Netherlands Development Organisation) to facilitate the development of skills among councillors. Through coaching and training, SNV successfully worked with local councillors to realise their roles and responsibilities in relation to the water sector.²¹ Councillors worked as a team and with support from local 'capacity builders' they developed a problem-solving mentality and a team spirit legacy (Tilley 2013).

Where the recipient government designs the interventions and therefore effectively owns them, this facilitates change. This was found to be the case in the aid coordination department of Tanzania's finance ministry, where the deputy-commissioner for external finance responsible for aid coordination established the aid coordination department. She assigned specific roles to staff and ensured an

²¹ Coaching helped councillors better understand their roles and how problems could be solved. Using local 'capacity builders' the coaching brought councillors together as a team so they could challenge the technical staff, and subsequently, opportunities for improved financial management of the council were seized.

emphasis on developing the abilities of local staff. This clear and effective management encouraged enhanced individual capacities and continued professional development (Tilley 2014).

More challenging, however, is reforming institutional culture, which changes less frequently than formal institutional arrangements (Williamson 2000). Certainly, the merging of the finance ministry and the planning and development ministry in Sierra Leone has not immediately led to an integration of the recurrent and development budgeting processes (Welham and Hadley 2015). Institutional reforms take a long time to implement and various case studies highlight the importance of longevity in technical assistance and reform monitoring over the longer term: Rwandan civil service (AGI 2014), Sierra Leone military (Jackson and Albrecht 2008) and the Tanzanian Aid Coordination Department (Tilley 2014).

Flexibility within a longer-term vision appears to have been important in Ethiopia and Bangladesh. A fundamental difference between these cases was that the reform strategy in the successful cases was developed by the government and actively managed by donors. Also, the reforms targeted broad ‘platforms’ of basic financial management capabilities, rather than pockets of best practice, while maintaining a high degree of flexibility over sequencing during implementation (Peterson 2011). After starting slowly, Bangladesh’s donor-funded civil service reform programme was reoriented to have a longer-term horizon, to focus more on intermediate steps than high-level objectives and to take on problems that were identified as problems by the government (World Bank n.d. a).

Internal stability may also be critical for reform success. Reforms in the Central Bank of Egypt happened at a time when the usually high levels of turnover among key staff abated (Fritz et al. 2014). And in Mauritius, substantial progress made in economic diversification and development has been partly attributed to a stable political consensus over priorities, even between political parties. This has enabled the civil service to focus on making reforms happen, uninterrupted by changes in government (Sandbrook 2005).

Sustained demand for maintaining capability during periods of low political leadership appears to have been important in Kenya and Madagascar. The collapse of the political leaderships that supported the use of Rapid Results for the reform agenda might have led to the erosion of capability for implementing the methodology. In the case of Madagascar, the NGO sector maintained demand by hiring practitioners and engaging with government on the basis of the methodology, while there is anecdotal evidence that many of the civil servants trained in Rapid Results continued to use elements of the methodology. In Kenya, demand for using Rapid Results declined following the change in government in 2009, but the capabilities for using Rapid Results was maintained through strong demand for the methodology from local authorities, before being subsequently revived at the national level in 2012 when political support was renewed post-elections under the Lubembe Government.

Summary

In summary, where reforms are driven by mid- to senior-level bureaucrats within the available political space, factors such as the design, longevity and ownership of external assistance are important if capabilities are to be developed and sustained. External assistance can either directly support the development of capability in government bureaucracy, facilitate problem solving, or follow other approaches that encourage sustained improvements in capability. In most of the case studies, the improvements in capability did not yet appear to be sustained as there was still heavy donor involvement, though it is not possible to predict the future trajectory capability

growth will take. Progress along path 3 is also related to past political leadership. For there to be sufficient mid- or senior-level bureaucratic capability or leadership in place there must have been an earlier period in which it was politically expedient to establish those individuals and systems.

3.5 Path 4: Out of status quo

When there is no political or bureaucratic drive, reform is unlikely to take place and the ‘status quo’ under our framework is maintained with no development of capabilities. Indeed, capabilities may become irrelevant or even be eroded over time. The selection of case studies reviewed here did not include cases where there was no reform or where reforms were regarded as unsuccessful. Instead, there are a number of cases that point to changes in the appetite for change, which may provide some insights into the ways that countries move in and out of this ‘status quo’ position.

One possible angle that has been discussed already is the use of capacity substitution or supplementation to provide a platform for capabilities to develop in an organisation. Capacity supplementation (or even substitution) by donors for PFM reforms appears to have been important in Kosovo, the DRC, Cambodia and Afghanistan, but not in Tajikistan and West Bank and Gaza. When Fritz et al. (2012) reviewed PFM reforms in these countries, they found that in two-thirds of the cases that showed progress, technical advisers introduced reforms and performed the functions themselves. This highlights the importance of the role that external capacity supplementation can play in the early stages of reform.²² However, the transfer of skills and responsibilities from international technical assistants took place gradually, and was most likely to have been supported by bureaucratic and political drive, suggesting these countries had already moved into paths 1, 2 or 3 in our framework.

There may also be windows of opportunity to leverage small changes in stakeholder interests. A look at the electricity sector in the Dominican Republic suggests that where a group of actors supports reform there is the potential to move the reform out of status quo. In this case the political-institutional context was preventing reform of the sector, but within this apparent deadlock there were different stakeholders in different positions and some that were adjusting their support. These included: (i) an unstructured coalition that supported reforms in the sector; (ii) a group of actors who were beginning to support the idea that reforms were needed; and (iii) political parties and distribution companies ‘who are politically connected and hamper any attempt at reform by claiming social costs and a risk to political stability’ (Fritz et al. 2014: 108). Applying our framework, the second group of actors could be seen as in effect moving from path 4 to path 3.

A review of donor support to the ZRA in the late 1990s identified a lack of progress against the project objectives, including the goal of replacing expatriates with an effective Zambian senior management team. Following the uptake of the recommendations of the review, progress against objectives improved significantly and the next evaluation concluded that the project had ‘largely achieved its purpose to develop into an effective, efficient and well-managed organisation with Zambian top management’ (DFID 2001). This suggests that donor support, when effectively designed, can be effective in supporting an organisation’s transition from path 4 to path 3.

²² Notably, in two cases – Liberia and Kosovo – international staff took key macroeconomic decision-making roles to establish confidence in the government in the post-conflict environment before gradually relinquishing these powers (World Bank n.d. b, Fritz et al., 2012).

In some case studies, there appears to have been a fall into status quo as progress in reforms and the development of capabilities has slowed, or reversed. For example, in Sierra Leone, while investment in public finance management systems has been ongoing for more than a decade and there appears to have been rapid progress in establishing basic systems in the first five years, there has been a slowing thereafter (Welham and Hadley 2015). The example of the Tanzanian public sector reforms, discussed under path 2, shows a move into path 4 following a change in the political leadership. The previous high drive from the political leadership was lost under the new president in 2005. This is a result of a combination of ‘an unstable alliance of public and private interest groups practising competitive patronage’. This is combined with ‘corruption and disarray in public administration’ (Booth et al. 2014: 41). These cases suggest that political and administrative issues can reinforce stagnation. In this way they support the notion that certain capabilities can be sustained for too long, blocking other efforts to reform.

Summary

In summary, there is a handful of cases that gives insight into the transition out of status quo (path 4) into a situation where there are bureaucratic drivers of reform (path 3). This has been achieved after capacity supplementation took place in the early stages of reform and where technical advisers performed key functions themselves (Fritz et al. 2012). It is difficult to identify the features that enabled some of the cases to move out of path 4 and not others, and we did not review any cases that were clearly stuck without political or bureaucratic drive for long periods. There is, however, a suggestion that when confidence in government is built up, supporters of reform may emerge to encourage this shift (for Liberia, World Bank n.d. b, and for the Dominican Republic, Fritz et al. 2014). Unsurprisingly, it is clear that funding and donor support alone were not sufficient to kick-start and then sustain the growth of organisational capabilities in the cases reviewed.

3.6 Summary of case study analysis

The case study analysis has presented some evidence of where sustained improvements in capability may arise. In most of the case studies, however, organisational capabilities did not yet appear to be sustained as there was still heavy donor involvement. Also, the narrow scope of the case studies limited the extent to which we could examine evidence to answer the research questions in section 2.4:

- What has been the trajectory or paths of reform and how has that changed over time?
- Are there any common factors associated with each path?
- Is there a turning point at which reforms and capability become sustained?
- What role do donors and external agents play in the reform trajectory?

However, there are some broad patterns that the analysis has highlighted in terms of the trajectory of reform. Path 1 (political drive) was a transitory phase, which was usually dependent on external capacity supplementation rather than building internal capabilities in the public sector. In some cases capacity supplementation eventually transitioned into more sustained improvements in capability when other factors came into play, notably increased bureaucratic drive with a transition to path 2.

It is most likely that capability will be improved and sustained when political and bureaucratic drives are high and working together (path 2). However, the real challenge is how to remain on this path for long enough, and our cases did not yield strong conclusions to this question. Out of the case studies examined, only Botswana

and Mauritius sustained high drive sufficiently to allow for sustained, long-term improvements in bureaucratic capability. While the role of institutional incentives was critical in both cases, the two case studies did not discuss the approaches taken in any great detail, which limits the extent to which this question can be answered.

There was little evidence of a turning point in most of the case studies examined. The case of the Rwandan Revenue Authority suggested that where a high degree of local political ownership is accompanied by high ownership among the bureaucracy, this may have presented a turning point after which capability has been sustained. More common was a ratchet effect, where capabilities were built in an initial period of political support and maintained despite a later reduction in that political support. When political support arose once again, political and bureaucratic levels interacted positively and capabilities continued to develop. This was demonstrated most clearly in the cases in Ghana (relating to VAT), and in Kenya (relating to Rapid Results).

Donors supporting efforts to supplement capacity with technical or financial assistance may, depending on specific enabling factors, support more sustained improvements in capability. Important elements in the case studies were (i) the absorption of local advisers (or other qualified staff) onto the payroll and the role of salary differentials and (ii) the transfer of the capability and skills provided by aid-funded experts to the local workforce. This was evident in pre-colonial Mauritius, and post-colonial Botswana. It also appears to have been important in Kosovo and in strengthening the capabilities of the ministry of finance in Sierra Leone. It certainly seems reasonable to expect that unless these elements are successful, organisational capability developed with donor support is less likely to be sustained.

A crucial caveat is that the successful development of capabilities appeared to be more common in areas that are highly technical and task specific. In the cases reviewed, with the exception of Mauritius and Botswana's state development, the reforms that were most positive in their appraisals were generally linked to more specific functions of the state. These included public financial management, revenue administration and the implementation of the Rapid Results methodology. The success of other examples was not so clear cut – though there were exceptions, such as improvements in the security sector in Sierra Leone. This supports the theoretical suggestion that specific tasks involving fewer stakeholders may be more conducive to developing capabilities.

In summary, external assistance alone was not sufficient for fostering sustained improvements in capability in any of the cases. However, with a positive environment, aid was able to directly support the development of the capabilities of the government bureaucracy, facilitate problem solving, or follow approaches that encouraged sustained improvements in capability. National ownership was particularly important. Where this was maintained there was more likely to be sustained improvement in organisational capabilities. The other factors that appear to have enabled sustained improvements in capability include trust in state institutions that can arise from internal stability and the stability of institutions, such as low turnover, stable priorities and stable leadership.

Although this case study evidence is by no means conclusive, it provides a useful context for the role of aid in building capability in public sector organisations in developing countries.

4 Conclusion

This analysis of publicly available case studies provides a number of useful insights that, while not definitive, may be useful to donors engaging in ‘capacity development’. These conclusions consider who is driving the improvements, how this may change over time, what enabling factors have supported improvements in capability, and where aid has played a supporting role.

4.1 The paths of capability development

Overall, there were examples of organisational capabilities developing in three ways. First, sustained improvements in capability can happen where there is high drive from both the political leadership and also from the bureaucracy within an institutional environment that provides supporting incentives. Second, there are examples where capability growth was solely driven by political leadership, though this was usually a catalytic period rather than a long-term feature of capability development in the country’s public sector. Third, sustained improvements in capability can also emerge when there is a strong bureaucratic drive without the political drive, although a number of specific enabling conditions appear to be important. Unsurprisingly, the path of capability growth can change.

Strong high-level leadership can lead to positive changes in the capability of institutions. We found that this happened in some countries by: (i) supplementing the existing national staff with external or local advisers; (ii) starting again with newly recruited local staff, by creating a semi-autonomous unit; or (iii) pooling existing talent by merging institutions. Though many were heavily reliant on external capacity supplementation, in some cases capabilities began to emerge, or at least were sustained, internally through domestic technical advisers. However, sustained capability development was found to be very unlikely to take place without any support from the bureaucracy.

High drive, combining political steering and bureaucratic drive, is the path where sustained improvements in capability were most likely to take place. This arises where the institutional environment, through the organisation of elites and the structure of power, requires rule enforcement and legitimation through the provision of public goods (Booth 2015, Khan 2010). Our case study examples include periods in the histories of the revenue authorities in Rwanda and Uganda and the Ugandan finance ministry, as well as the public sectors in Botswana and Mauritius. The capability of the bureaucratic leadership may develop in a number of different ways if the political leadership is sustained. Whether this leads to successful, sustained improvements in organisational capabilities depends on a number of factors, such as task specificity and institutional stability.

In contrast, there were fewer examples of capability development driven by bureaucratic leadership with limited political leadership. In most of these case studies the improvements in capability did not yet appear to be sustained, as there was still heavy donor involvement. Improvements in capability were also limited by the political space available. For there to be sufficient mid- or senior-level bureaucratic capability or leadership in place there must have been an earlier period in which it

was politically expedient to establish those individuals and systems. However, this should not take away from the substantial role that these officials can play in transforming the capabilities of the organisations in which they work – as was the case in the finance ministries of Uganda and Sierra Leone after political support for the ministries reportedly waned.

The cases examined highlighted that capability development is iterative in nature. The emergence of capability may involve a number of steps forward that are politically driven, that stall and restart as political support for the underlying reform waivers and is renewed, before growth in capability becomes more established. This ratchet effect highlights the point that progress is not always linear. Here, bureaucratic leadership is the result of previous rounds of reform, some that were ultimately unsuccessful in delivering the reform agenda, but nevertheless resulted in a higher level of bureaucratic leadership being developed.

4.2 Enabling factors and other issues

There are a number of nuances which determine whether new capabilities will develop, and be sustained. These include factors such as what the reform relates to, as well as other issues such as local ownership, stability within the organisation and local demand. Externally supported interventions to build capability tend to be more successful (at least initially) in areas where task specificity is high and organisational durability low. However, this does not necessarily imply that such characteristics are associated with the long-term sustainability of capability.

Ownership, which is often evidenced (as in the study of Rapid Results in Kenya) by the ability to adapt best practice to local conditions, is undeniably important. However, there are different levels at which it functions. It does not necessarily have to be broad or driven from the highest levels of government, as the lack of high-level ownership presents an opportunity to deliver change at a lower level of bureaucracy. If it is to be effective, any technical or financial assistance from donors to support capacity development needs to understand and respond to the priorities of senior decision-makers in its counterpart organisation.

Demand also plays a significant role in sustaining capability, particularly during droughts in political support. This was found to be the case in a number of case studies, where demand for a public service was sustained by local constituents following the withdrawal of political support from the reform agenda.

4.3 External interventions and capability development

We found aid to be important in supporting the strengthening of organisational capability through external capacity supplementation during the early stages of reform. In some countries, this was the springboard from which capability could develop within the organisation itself. In those cases where capability has emerged and has the potential to be sustained, the transfer of capacity from international technical assistants has been gradual. However, case study evidence is insufficient to provide a comprehensive picture of the extent to which capacity substitution or supplementation can support organisations to develop their own internal capabilities, or how sustainable such efforts are likely to be.

The mode of external support may also have a bearing on whether capabilities continue to grow once external support is phased out. Features that appear to be more successful in encouraging the continued development of organisational capabilities include the use of coaching and a long-term perspective within which the support is provided. No doubt many other factors are also crucial, such as the quality of

technical support, the scale of funding and engagement and the approach to problem-solving. However, these were not discussed in sufficient detail in the cases reviewed.

In conclusion, from our analysis we find that while aid can play a role in supporting capacity supplementation, for capabilities to develop, be sustained and continue to grow in the long run, it is necessary that there are national political or bureaucratic drivers, or even both. In the cases we reviewed, political support was not created by external actors and in its absence donor support may not result in sustained improvements in public sector capabilities. However, in the absence of political support, external actors may be able to assist local actors in finding solutions to capability problems.

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