

Effectiveness and value for money of technical assistance approaches: in-house vs contracting

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Question

What is the effectiveness and value for money of different approaches to providing technical assistance?

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1. Overview

In the development field, technical assistance (TA) broadly refers to support for a specific project or country programme in the form of technical advice, research and data sharing, and skills training, among other activities. As a result, TA may be more valuable as a development tool than the amount of funding received. As such, TA is one of the most widely used modes of delivery in international development assistance (Runde et al., 2020; Cox and Norrington-Davies, 2019; Nastase et al., 2020; Nastase et al., 2021).

The primary areas of focus for TA include developing a project pipeline, de-risking investments, and assisting TA beneficiaries in their efforts to improve business standards, as well as supporting policy reforms by developing country governments in areas such as labour laws, fiscal regimes, competition policy, and market regulation (Gavas and Pleeck, 2022).

Because TA recipients may face a variety of issues, effective TA programmes (in design and delivery) can take many forms. TA programmes must be established to address beneficiaries' primary concerns. The goal for both TA recipients and donors should be to determine the main objective of the TA and to select from a variety of technical adviser roles (e.g., **in-house or external advisers and consultants**), taking into account the limitations and enabling conditions for each approach (Nastase et al., 2020).

Some useful principles (or good practices) when designing and implementing TA (through in-house or external contracting) include:

- **Importance of local ownership:** unintended capacity substitution can occur where poor working relationships exist between external experts (e.g., contractors) and TA beneficiaries (e.g., government staff). Poorly designed and/or delivered TA can displace and erode national capacities (Le et al., 2016; Nastase et al., 2021; Cox and Norrington-Davies, 2019).
- **Partnerships and inclusivity:** partnerships are key to development for the simple reason that leadership is a collective process requiring inclusive, powerful, and legitimate partners. Inflexible theories of change and action of TA programmes (whether delivered in-house or via contractors) hamper the holistic visioning of the pathway to long-term impact and goals (Bazeley, 2018; Spoth et al., 2007; Nastase et al., 2021).
- **Effectiveness:** delivering (effective) TA requires a good relationship between the donor and implementer. Achieving measurable results involves using country-led results frameworks and monitoring and evaluation systems. It also involves a process of transparency and accountability, i.e., that countries and their development partners are accountable to each other and constituencies (Nastase et al., 2021; Dercon & Dissanayake, 2020).
- **Value-for-money (VFM):** VFM in TA aims to maximise the impact of every pound/dollar spent to improve the lives of poor people. VFM's drive is to develop a better understanding of costs and results so that donors can make more informed, evidence-based decisions.

TA can be delivered in-house (i.e., by using internal personnel of the donor or development agency) **or by contracting out TA to other firms or suppliers.** However, each approach has certain merits (VFM and other factors) and shortcomings.

Factors leading to good VFM of in-house TA delivery:

- Availability of good in-house expertise (big development agencies seem to have better in-house technical expertise).
- Complexity of commissioning outside experts and suppliers (Commercial proposals have become very complex overtime). Smaller suppliers (and individual expert contractors) will particularly struggle to compete and win bids. There is also an added bureaucratic/transaction costs for issuing and managing bids for the donor – especially for those managing a large number of development programmes simultaneously.
- Challenges of guaranteeing (rigorous) contracting requirements – especially when a donor doesn't have a good ecosystem of 'known' contractors and suppliers (i.e., those with known relevant technical expertise).
- Difficulty in clearing several (and/or larger) contract payments. In case of contracting big suppliers, a donor might make payments per 'milestones,' such as reports, seminars, and other activities – and ease the 'administrative cost' linked to contracting. However, payments per 'milestones' might not be feasible for smaller suppliers. Conversely, clearing the large number of small payments to small supplier firms and individual contractors carries higher 'administrative costs.'

Note: For further details, see [section 3](#).

Other considerations favouring in-house TA delivery:

- Commissioning too many contracts may overstrain staff and agency capacity.
- Criteria for contracting may be unclear, and choice of contracting may be driven by the overall budget than VFM.
- Some contractors may have 'insider' information, making the process unethical.
- Contracting might limit in-house technical (programme) knowledge building.
- Contracting might limit in-house commercial capability.
- Donors might face contractors with inadequate (context, sector, etc.) knowledge of social programming.

Note: For further details, see [section 4](#).

Situations leading to better VFM from contracted TA delivery:

- Availability of exceptionally good outside technical expertise (or lack of good in-house TA expertise in some specialised technical fields).
- Availability of efficient contracting procedures, good track records, and reliable TA suppliers.
- Sometimes contracting may simply costs less than in-house TA delivery.

Note: For further details, see [section 5](#).

Other considerations favouring contracting for TA delivery:

- Finding desired technical expertise outside agency.
- Difficult working environments, where it will not be possible for agency staff to operate.

- Explicit interest by a development agency/donor to expand collaboration and partnership (in the domain of the TA programme).
- Particular interest to maintain consistency, e.g., where past programme phases were contracted to a given ‘quality’ supplier.
- Interest in ensuring accountability, and cases where accountability is better served by a good contract agreement (Contracts generally entail much higher levels of accountability).

Note: For further details, see [section 6](#).

Some useful lessons and evidence from TA delivery approaches by major development agencies:

- Through funding from the **Foreign, Commonwealth and Development Office (FCDO)**, the **British International Investment (BII)** group – which is one of the largest bilateral development finance institutions – provides **in-house TA for some of its projects**, e.g., agriculture and health care sectors in Malawi and India. BII’s size and years of operational experience seem to have facilitated its in-house TA capacity. For further details, see [section 7.1](#).
- **US Agency for International Development** usually contracts partners to deliver its TA programmes and projects, across various industries and sectors as well as geographical regions. Its TA favours **local organisations and long-term partnerships**, though individual projects have short-term cycles. In terms of VFM, though not explicit, stresses the importance of “**saving money and reducing the need for US assistance over time**”. The agency also believes in the effectiveness (and VFM) of mobilising private capital by leveraging its TA-related investments. For further details, see [section 7.2](#).
- **FMO**, a major Dutch development finance institution that manages development funds for the Ministries of Foreign Affairs and Economic Affairs of the Dutch government, regularly contracts out consultants, trainers, and experts for its TA, instead of in-house TA. Historically though, the Netherlands (together with the UK) were known for doing better in-house TA than other donors (ECDPM, 2006). Although explicit VFM discussions are unavailable, FMO stresses its work on “resource efficiency”. FMO provides flagship advisory services and works on partnerships and on knowledge transfer. Though its FMOxChange platform, FMO facilitates peer-to-peer learning among TA beneficiaries. FMO also pushes TA beneficiaries in self-identifying their ‘needs’. For further details, see [section 7.3](#).
- The **Belgian Technical Cooperation agency** (now ‘Enabel’) had **challenges in adequately developing broader in-house TA expertise**, though it historically had strong in-house expertise in sectors like tropical health, infrastructure, and education. There were limits to its in-house capacity development since it was a relatively smaller development organisation. Partners of BTC believed that **focusing TA on a few specialised sectors (e.g., where there was good in-house technical capacity) helped enhance TA ‘effectiveness’ and VFM**. For further details, see [section 7.4](#).
- In the **International Finance Corporation (World Bank Group)**, TA delivery is done through **both in-house capacity (since IFC has a highly developed cadre of experienced staff) and consultants**. IFC strategically works on various **cost-efficient** technologies and business models. Its TA is closely linked to specific **needs identified by TA recipients**. For further details, see [section 7.5](#).

- The **Asian Development Bank (ADB)** has historically **relied on consultants** to carry out TA. In TA evaluations, it was reflected that overall, **TA performance was affected by not doing in-house TA, since external consultant performance was variable** from project to project. It was also observed that consulting firms preferred ‘time-based’ contracts, instead of ‘output-oriented’ contracts. It was noted that **output-oriented contracts could improve VFM**, especially for simpler TA projects. Conversely, **hybrid contracting arrangements could also be considered** for TA projects involving research, policy development, institutional strengthening, and other ‘complex’ TA activities. For further details, see [section 7.6](#).

Note: There is a very limited evidence base regarding an explicit discussion of the merits of in-house vs commissioned TA programming. Much of the available (voluminous) evidence simply describes TA programme elements (like objectives, targets, achievements, or milestones) – rather than the VFM (or other considerations) behind business cases for in-house or contracted TA design and delivery.

2. TA to developing countries by development partners

2.1 What is TA?

Aid agencies and development finance institutions (DFIs) provide countries with both financing and technical assistance (TA) to assist them in addressing a variety of development challenges. In the development field, “technical assistance” (or “technical cooperation”) broadly refers to support for a specific project or country programme in the form of technical advice, research and data sharing, and skills training, among other activities. TA activities include, among other things, activities to strengthen countries’ regulatory environments, improve their investment climates, or prepare and mature an institution or investment opportunity. These development institutions’ expertise can improve the outcomes of a programme, project, or investment, and for many countries, TA may be more valuable as a development tool than the amount of funding received (Runde et al.,2020).

Hands-on support, training, peer-to-peer learning, coaching, facilitation, embedding externals in government, and South-South cooperation are all examples of technical assistance practices (Nastase et al., 2020; Nastase et al., 2021),

Some definitions of Technical Assistance:

- The **OECD** states that TA is the “provision of resources aimed at the transfer of technical and managerial skills or of technology” for the purpose of building up general national capacity (i.e., free-standing technical cooperation, also known as FTC) or for the purpose of implementing specific investment projects - i.e., investment-related technical cooperation, also known as IRTC (Gavas and Pleeck, 2022.p2; OECD, 2003; Runde et al.,2020).
- The **World Bank** highlights that TA is “a key instrument for improving policies and project design, enhancing skills, and strengthening implementation capacity, and for institutional development in general.” (World Bank, 2022)
- **US Agency for International Development** defines TA as “the provision of goods or services to developing countries and other USAID recipients in direct support of a

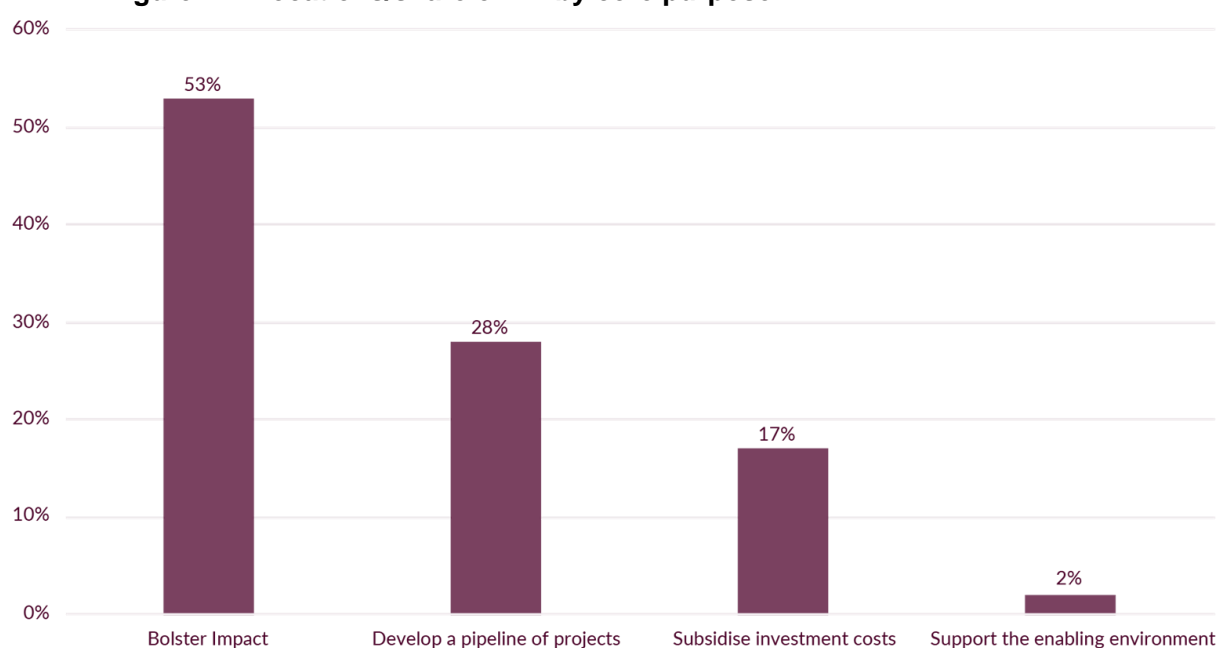
development objective-as opposed to the internal management of the foreign assistance program.” (USAID, 2014.p.271-272)

2.2 Core purposes of TA

In the context of DFI investments, TA serves some core purposes (Gavas and Pleeck, 2022):

- Create a project pipeline by funding feasibility studies and market development research in order to identify and overcome investment barriers.
- To de-risk investments by financing project preparation and management, staff training, legal and contracting fees, and improving financial controls or governance systems in private companies in order to commercialise business ideas and attract investors.
- To increase impact by assisting clients in raising standards, particularly in the areas of environmental, social, and governance (ESG).
- To support policy reforms in areas such as labour laws, fiscal regimes, competition policy, and market regulation in order to create an enabling business environment and market opportunities.

Figure 1: Allocations/share of TA by core purpose



Source: Gavas and Pleeck (2022) using Convergence (2019) data reproduced under CC BY-NC 4.0

The case for TA stems from its critical role in risk mitigation and investor confidence (Gavas and Pleeck, 2022). The United Nations Capital Development Fund (UNDCF) emphasises the importance of TA in blended finance for small and medium-sized enterprises (SMEs) that are too large for microfinance but too small or risky to access capital from traditional debt and equity investors, particularly in LDCs (OECD/UNCDF, 2019 cited in Gavas and Pleeck, 2022).

2.3 Key principles for implementing TA

The international community came together in 2005 and agreed on principles to guide effective aid. This included country **ownership, alignment, harmonisation, results-based management, and mutual accountability** (Nastase et al., 2021).

During the Accra meeting in 2008, an alliance of governments, civil society, and international partners reaffirmed their commitment to three principles: **ownership, inclusive partnerships, and delivering results (e.g., through effectiveness and VFM)**. The Global Partnership for Effective Development Cooperation was later established to aid in the achievement of the Sustainable Development Goals. Their work is founded on the principles established in the Busan Partnership Agreement in 2011, which include country ownership, a focus on results, inclusive partnerships, transparency, and accountability (Nastase et al., 2021).

Country ownership in TA:

When there are poor working relationships between external experts and government staff (i.e., poor ownership by TA beneficiaries), unintended capacity substitution can occur. Poorly delivered technical assistance has been shown in the past to displace and even erode national capacities. Disparities in salaries, equipment, and other softer factors can have an impact on these relationships, leading to low morale among government counterparts (Nastase et al., 2021; Cox and Norrington-Davies, 2019; Le et al., 2016).

Inclusive partnerships for TA:

Building inclusive development partnerships that recognise the various complementary roles of all societal actors is critical for effective TA. Evidence suggests that collaborative TA design improves outcomes. Coalitions are important to development, according to research on the politics of reform in international development, because leadership is a collective process that requires inclusive, powerful, and legitimate partners (Nastase et al., 2021; Spoth et al., 2007).

In recent years, development programmes have increased their focus on building on-the-ground coalitions, networks of champions, and so on to ensure programme sustainability and working within the ecosystem, building on the success of the programme Coalitions for Change. Some of the current challenges relate to involving all stakeholders in the design process, not just during the implementation phase, in order to foster greater ownership and focus on building sustainable processes along the way. Inflexible change theories and technical assistance programme actions impede holistic visioning of the path to long-term impact and goals. No subsystem (for example, health, agriculture, sanitation, etc.) operates in isolation: they are interdependent with other subsystems (Nastase et al., 2021; Bazeley, 2018).

Harmonised TA:

Limited coordination also leads to donor overlap and, in some cases, contradictory or inconsistent reform advice. As such, a lack of organisation frequently results in projects that are not strategic (Nastase et al., 2021; Cox and Norrington-Davies, 2019).

Contracts and terms of reference with the funding institution and the host government bind external technical assistance providers. This formally shifts the burden of coordination between external parties to the host government, which has limited capacity to begin with, perpetuating a

vicious cycle dominated by an inter-partner dynamic in which host governments take a back seat. In the process, government ownership of critical reforms suffers (Nastase et al., 2021; Cox and Norrington-Davies, 2019).

Delivery of effective (results-oriented) TA:

TA needs to achieve measurable results through the use of results frameworks led by countries and monitoring and evaluation systems. This also entails a process of transparency and accountability, in which countries and their development partners hold each other and their respective constituencies accountable (Nastase et al., 2021).

The relationship between the donor and the implementer influences the principle of managing TA for (effective) results. The central conflict in this relationship is about achieving results and managing risks. This is especially noticeable during the design stage, but also during programme implementation, depending on how this tension is handled (Nastase et al., 2021).

Donors come up with their own program-level results frameworks to tighten control over results. These can sometimes result in the formation of counter-bureaucracies that disrupt development projects by focusing too heavily on predefined tasks. Predefined tasks are appropriate for simple problems, but they are ineffective when dealing with complex issues in the public sector. Recent changes within donor institutions that have aligned the development agenda more closely with domestic discourse may have an impact on risk appetite and the definition of results (Nastase et al., 2021; Natsios, 2010; Dercon & Dissanayake, 2020).

Value for Money (VFM):

VFM in TA does not imply doing things at the lowest possible cost, but rather improving understanding of what drives costs and ensuring that the TA programme delivers the desired quality at the lowest possible cost. As a result, VFM in TA programming aims to maximise the impact of every pound spent to improve poor people's lives. The goal of the VFM drive – whether in TA or other types of development programmes – is to improve understanding (and articulation) of costs and results so that donors can make more informed, evidence-based decisions – for example, when deciding between in-house TA and externally commissioned TA (ICAI, 2018; DFID, 2011).

An effective TA can be delivered in-house (i.e., by using internal personnel) or by contracting out TA to other firms, though the adoption (and effectiveness) of either approach may depend on specific cases and contexts. The merits (e.g., VFM and other factors) and limits of both approaches will be discussed in sections 3, 4, 5, and 6 below.

Note: it is worth noting that much of the evidence base for sections 3-6 is derived from FCDO's suppliers. This was largely evidence gathered in connection with International Development Committee's (House of Commons) inquiry into DFID's use of private sector contractors. This is because of severe lack of publicly and readily available evidence for suppliers of other development agencies. Further, there is also lack of systematic academic study on the topic.

3. VFM consideration for in-house TA delivery approach

3.1 Availability of good in-house expertise

The biggest development agencies seem to have the in-house technical expertise to design and oversee effective programmes. External partners that consult major development agencies such as FCDO (previously DFID) believe that the balance is about right (i.e., regrading in-house TA capacity), though they argue financial management and risk management are two areas where additional strengthening may be required (ASI, n.d.).

However, resources are frequently stretched even in large bilateral/multilateral development organisations, especially given the amount that is currently being diverted to deal with increased external scrutiny. ‘Smart rules’, for instance, have proved helpful in the case of FCDO. Less time is spent on pointless paperwork, and there is more clarity regarding what can and cannot be done, but more action is still required to speed up processes and reduce bureaucratic barriers to delivery (ASI, n.d.; HCIDC, 2017; Cox and Norrington-Davies, 2019).

The UK and the Netherlands are two nations that largely adopt the model where in-house TA sector experts provide remote consultation and oversight. Nevertheless, in addition to its internal staff, FCDO/DFID for instance has been relying on its thematic resource centres to support it in keeping track of technical assistance assignments or locating particular expertise, particularly in the short term (ECDPM, 2006).

3.2 Complexity of commissioning outside experts and suppliers

Commercial proposals have become extremely complex. Smaller organisations point out that the commercial proposal now takes about 50% all the time used to prepare proposals, compared to 10% previously. Larger organisations have had to create specialised commercial departments to handle commercial matters. Smaller agencies cannot afford these. Much of the complication appears to have stemmed from official fear of negative media commentary. Smaller organisations would benefit from simplification, and contracting costs would be reduced (ASI, n.d.; HCIDC, 2017; ICAI, 2013).

3.3 Challenges of guaranteeing (rigorous) contracting requirements

Less effective bilateral and multilateral donors frequently employ less rigorous, perverse methods of programme implementation, such as appointing contractors with limited relevant technical expertise (ASI, n.d.; HCIDC, 2017). However, it appears this is not the case with the FCDO. Its approach has been both highly effective and cost-effective, especially given that the drive to develop expertise and innovative approaches has been funded by firms rather than FCDO itself (ASI, n.d.).

Some suppliers believe that FCDO contracting approaches have become overly complex in recent years, even to the detriment of VFM. Aside from simplification, the most important area in which FCDO should focus is on developing stronger partnerships and greater involvement in its contracted programmes. Suppliers argue that the current standard terms and conditions from FCDO are more than twice as long as the previous set and include many more obligations, such as data posting and insurance. There is a trade-off between imposing requirements on contractors and attempting to keep costs as low as possible (ASI, n.d.).

3.4 Difficulty of clearing several (and/or larger) payments

Small suppliers or contractors require prompt payment. Their cash flow cannot withstand payment delays. FCDO typically makes payments per 'milestones,' such as reports, seminars, and other activities. These payments are much less predictable in terms of timing, making it much more difficult for smaller supplier organisations to cash-flow larger projects (ASI, n.d.; ICAI, 2013).

4. Extra considerations favouring in-house TA expertise

4.1 (Too much) Contracting overstraining staff and agency capacity

Despite the value that contractors can bring, certain functions must be performed by in-house TA personnel and cannot be outsourced. With the size and number of contracts growing, there are increasing pressures on staff who may not be equipped with the necessary skills and expertise to manage the technical, operational, and commercial aspects of such large and complex programmes, even with the assistance of commercial advisers (HCIDC, 2017).

Overburdening staff or replacing development expertise with commercial expertise is likely to have an impact on the 'effectiveness' and impact of development programming. The decision-making process at the heart of programme design by development agencies needs to be strengthened (HCIDC, 2017).

4.2 Criteria for contracting may be unclear, and the choice of contracting may be driven by the overall budget than VFM

Major development agencies make internal decisions about when and where to use contractors, though little is known about the decision-making process. Historically, increases in aid budgets have not been matched by increased staffing levels of major development agencies though growing budgets have led to an increase in development programming. Instead, a greater use of contractors has been observed. It has also resulted in more 'light touch' management, with less time for field visits and other activities (Bond, n.d.; Provost, 2016)

A report by HCIDC (2017) assessed DFID staffing and the use of contractors and concluded that "the use of external suppliers should be determined by assessing the best way to achieve outcomes, not by external constraints on administrative costs or staffing levels."

4.3 Contractors with insider information

There is a risk of conflict of interest if contractors who assist in programme design (or program-design-related research) eventually bid on contracts. If certain contractors have inside information, asymmetric information, or upstream information, they will have an unfair advantage because they will have already secured the best consultants, spoken with local partners, and formed their consortium in advance (HCIDC, 2017).

4.4 Contracting is limiting in-house technical (programme) knowledge

There is a risk that contracting reduces development agencies' staffing needs, thereby reorienting the focus to contract compliance – rather than programme learning. Staffing shortages at development agencies, for example, may result in programme reviews being assigned to people who do not have the time or skills to engage with the realities of complex development programmes. As a result, they rely on or are preoccupied with narrow progress on log frame targets rather than broad programme learning and understanding of what is and is not working (Bond, n.d.; HCIDC, 2017; OECD/UNCDF, 2019).

Some warn that the increased use of contractors and the emphasis on commercial expertise should not result in development agency staff becoming “generalists” at the expense of technical knowledge and depth. The strategic value of a given delivery channel should drive the decision to implement a given programme through contractors (HCIDC, 2017).

Bond (n.d.) similarly contends that **the FCDO/DFID has lost many technically skilled advisors in favour of generalists over time.** Because of the loss of Technical Programme Leader positions (since 2005), the agency has significant gaps in many technical areas. They argue that the agency requires enough experienced and knowledgeable personnel on the ground to direct funding based on a thorough political economy analysis and to build relationships with key local players. This allows for a much more politically sensitive and nuanced approach to supporting change, ensuring that aid spending has the greatest possible impact.

According to HCIDC (2017), **FCDO/Smart DFID's Rules should include more detailed guidance on the appraisal portion of the business case, and business cases should clearly justify why the particular channel was chosen (e.g., in-house TA vs contracting),** with reference to the relative benefits over other types of delivery.

4.5 Contracting is limiting in-house commercial capability

According to evidence gathered by the International Development Committee (IDC), it may be advisable for 'an arms-length body' to assume some project management responsibilities. It has been argued that this will strengthen expert oversight in FCDO/DFID projects while also increasing market competition. A body like this could help to strike a good balance between in-house and outsourced expertise. It would also allow DFID to conduct more direct oversight of contract-based delivery, which would be a significant benefit given recent concerns about contractor misconduct (HCIDC, 2017). DFID 'partially agreed' with this recommendation (forming an arms-length body) and added that it had established a commercial capability reform programme, with the goal of building commercial capability within DFID (HCIDC, 2014b, cited in HCIDC, 2017).

Contractors such as Crown Agents (n.d.), on the other hand, have argued that the more robust procurement process led by FCDO's Procurement and Commercial Department, as well as increased scrutiny by in-country or regionally based commercial advisers, has improved the commercial expertise of in-house TA programme managers.

4.6 Facing contractors with inadequate knowledge of social programming

Evidence gathered by IDC on the merits of contracting has shown that some contractors have “limited experience and understanding of social programming” (Plan UK, n.d., cited in HCIDC, 2017).

5. VFM consideration for outside TA delivery approach

5.1 Exceptional outside technical expertise (or lack of good in-house TA expertise in some fields)

Where a potential supplier (e.g., an NGO or community-based organisation) has the most extensive experience and can present the best team in a proposal that offers the best value for money, it should be chosen to carry out the work (ASI, n.d.). According to Crown Agents, outsourcing services to contractors “allows DFID to have flexibility and speed to its response, access to wide-reaching technical experts, drive more targeted VFM [value for money] and support services tailored directly to the local context and DFID strategic objectives than compared to other programme delivery channels.” (Crown Agents, n.d. cited in HCIDC, 2017)

FCDO and UKaid suppliers must also continue to develop staff capabilities to work in conflict-affected areas, especially considering more than half of FCDO’s development targeted budget is directed towards fragile and conflict-affected states (FCAS). Beyond FCAS generalists, suppliers provide quick and cost-effective access to experts with specific geographic specialisation and technical subspecialties who can provide tailored solutions to maximise impact during disasters and conflict (Crown Agents, n.d.).

In comparison to other major aid organisations, FCDO/DFID has one of the more diverse and competitive supplier markets, with its top five suppliers receiving only 35% of the contracted work. In comparison, US Agency for International Development awarded 50 percent of its tender contracts to its top five firms in 2015. Other countries with a small pool of contracted suppliers include Germany, which has three main contracting firms, Canada, which has two main contracting firms, and Australia, which awards 69 percent of its contracts to three firms (Crown Agents, n.d.: p2).

5.2 Availability of efficient contracting procedures, track records, and good suppliers

Contracting is a status-neutral mode of operation in which the best organisation for the job is hired, regardless of whether it is an NGO, a private company, or a university.

However, in a competitive tender, the decision as to which organisation should be chosen should be clearly made on the basis of merit, rather than on subjective preference for one organisational form over another. The organisation that submits the best proposal with the best value for money should be chosen (ASI, n.d.; ICAI, 2013; Crown Agents, n.d.; HCIDC, 2017).

Improved compensation for ethical contractors who collaborate with local, on-the-ground partners would advance long-term VFM incentives. Long-term transformation is heavily dependent on local and SME agencies continuing to provide services within their countries after international actors have left. As a result, it is critical that donor agencies develop a process in

which their contractors are incentivised to collaborate with and upskill local partners and SMEs. This would necessitate a greater emphasis on the effectiveness of VFM. This may result in less upfront economy and efficiencies at times. However, because of the ‘double aid impact,’ these investments will drive VFM in the coming years by increasing the competitiveness of local actors (Crown Agents, n.d.).

The FCDO’s Key Supplier Management (KSM) Programme ensures that VFM is monitored and evaluated across the entire portfolio of suppliers. The supplier’s major DFID projects are rated using the Corporate Performance Review scoring system, which includes a specific VFM category. This scoring system encourages strong accountability and better communication between DFID and suppliers (Crown Agents, n.d.).

FCDO is one of the more sophisticated global aid organisations in terms of supplier engagement, hosting Early Market Engagement (EME) workshops. These events enable contractors to obtain additional information and raise questions early in the tender process. Engaging suppliers’ earlier results in better bids and more efficient delivery (Crown Agents, n.d.).

5.3 When contracting costs less

Low rates are driving experienced consultants out of development and discouraging competent new entrants (e.g., high technical competence and extensive experience, working in complex and insecure environments to deliver real value for money). According to a key FCDO supplier, this is not good for VFM. The market determines the costs of contracted services through a highly competitive process influenced by the design of tender evaluation criteria. FCDO/DFID, for instance, has increased the percentage of marks assigned to cost in tender evaluations in recent years. This, however, puts downward pressure on fee rates as bidders try to win by assembling a cheaper, less experienced team. Such an approach has a negative impact on value for money (ASI, n.d.; HCIDC, 2017).

6. Extra considerations favouring TA contracting

6.1 Finding desired technical expertise

If development organisations attempted to manage and implement all of their programmes, it would not only be more expensive, but also impossible. It is not feasible to retain (on a permanent basis) the extremely broad range of technical skills required by programmes that can be delivered by external technical assistance experts in-house. Most interventions necessitate the use of specialised skills that are only needed for a limited time. These skills are needed on a project-by-project basis, not on a permanent basis. If FCDO, for example, created a permanent cadre of staff to handle its current implementation needs, it would quickly discover that the cadre was unsuitable for changing requirements (ASI, n.d.).

One of the stated benefits of using contractors is that it allows major development organisations to engage in a wide range of contexts and types of (TA) interventions that they would not be able to deliver with in-house staff. It was estimated that if DFID/FCDO implemented all of its programmes directly, it would need to hire an additional 25,000 to 30,000 people (ASI, n.d., cited in HCIDC,

6.2 Difficult working environments

Some programmes (e.g., in conflict zones) could no longer be realistically carried out if development agencies like FCDO were directly responsible for their implementation. This would be prohibited by the duty of care rules applicable to civil servants in some priority FCDO countries. Because of the strict security protocol imposed on serving officials, many conflict-affected areas are largely inaccessible to FCDO staff (ASI, n.d.; Provost, 2016).

Contractors, on the other hand, can carry out development projects in the most difficult and dangerous locations on the planet. This significantly increases international development agencies' reach in many of their key target countries. However, the risks are high, as several contractor employees have been killed or injured in recent years (ASI, n.d.).

6.3 Expanding collaboration and partnership

The majority of proposals for carrying out complex programmes are often submitted by consortia. These alliances frequently include a mix of large suppliers, niche players, and international and local non-governmental organisations (ASI, n.d.; Provost, 2016; ICAI, 2013; HCIDC, 2017).

The market response to FCDO's tender, for instance, is driven by a competitive process in which DFID's ecosystem of providers is flexed to ensure the best possible mix of service providers - whether private, public, non-governmental organisation, international, or local (ASI, n.d.).

Transferring implementation responsibility to a single monopoly contractor (i.e., less competition) would result in less innovation, collaboration, and partnerships, as well as a decrease in skill diversity and, most likely, complacency (ASI, n.d.).

6.4 Ensuring Consistency

While civil servants rotate through various departments and country offices of major development agencies, the use of contracted expertise can help to ensure programme consistency – i.e., by leveraging long-serving institutional memory and subject matter expertise (Crown Agents, n.d.).

6.5 Ensuring accountability

Contracts generally entail much higher levels of accountability and donor control, with contractors held accountable for delivering tangible results. Contractual arrangements include monitoring and evaluation, so activities and results are transparent (ASI, n.d.; Runde et al., 2020; ICAI, 2013; Cox and Norrington-Davies, 2019).

7. Evidence from TA delivery approaches of development agencies

7.1 FCDO (funding for British International Investment (BII) TA)

In-house TA vs Contracting

The BII (formerly CDC Group) is one of the largest bilateral DFIs. It provides training sessions and develops toolkits on environmental, social, and governance (ESG) standards (Runde et al., 2020).

BII has a training and support facility known as 'BII Plus' (previously 'CDC Plus'). FCDO is funding this, with the goal of contributing to five SDGs: poverty, gender equality, decent work and economic growth, inequalities, and climate change (Runde et al., 2020).

Some of the BII's TA projects use in-house TA and collaborate with local institutions. In other projects, 'BII Plus' chooses a partner to be in charge of hiring and managing a team of experts. It is also known as the "implementing partner" and is responsible for financial management, human resources, operations, and risk management. The BII's investments are concentrated in Africa and South Asia (Runde et al., 2020).

Time frame:

TA programme is long-running but individual programmes have a short-term cycle.

VFM of TA:

Not mentioned explicitly.

Effectiveness and/or efficiency of TA

BII targets cost-efficient technologies. For instance:

- In Malawi, BII has been assisting Jacoma Estates Limited, which farms macadamia nuts, chilli peppers, and paprika in northern Malawi, in analysing the effects of climate change on water resource availability on its farms. Jacoma is implementing water-resource management plans with the help of Mzuzu University and BII technical assistance to reduce water consumption and increase water-use efficiency in its own operations and those of neighbouring smallholder farmers (BII, 2018).
- In India, two of BII's healthcare investee companies have used the recently established BII's Resource Efficiency Facility - a pool of finance to assist BII investee companies in developing measures to reduce energy consumption and greenhouse gas emissions. Rainbow Hospitals, a network of pediatric hospitals, is installing rooftop solar panels at five of its locations. Rainbow expects to generate 345,000-kilowatt hours of renewable energy and save over 290 tonnes of carbon dioxide equivalent per year of operation (BII, 2018).

Delivery options for TA

The BII's TA training sessions focus on improving occupational health and safety standards, improving working conditions and accident reporting, and managing risks in supply chains (Runde et al., 2020).

Ownership of TA

BII delivers TA often with local partners (BII, 2018; Runde et al., 2020). However, there is not a lot of explicit information on "ownership."

What works (or doesn't)

BII Plus is a training and support programme that aims to improve the lives of underserved groups by increasing economic opportunity, raising living standards, and creating a more sustainable environment. In doing so, it hopes to contribute to several of the United Nations' Sustainable Development Goals (1, 5, 8, 10 and 13) (BII, 2022).

BII identifies and creates opportunities that are beyond the scope of returnable capital by leveraging its extensive experience as an investor in emerging markets. BII collaborates closely with the FCDO to ensure that BII's work complements the FCDO's overall TA work and objectives, particularly pipeline and portfolio projects/enterprises in Africa and Asia.

7.2 US Agency for International Development (USAID)

In-house TA vs Contracting

The majority of USAID's TA is contracted out to a network of implementing partners, including NGOs and contractors both local and based in the United States (Runde et al., 2020).

Its country missions frequently seek senior and mid-level technical advisors (i.e., individuals from institutions, universities, or other organisations) in a variety of technical areas (USAID, 2013).

USAID offers various types of TA, with a focus on various industries and sectors. The Research Technical Assistance Center establishes a global network of universities to assist USAID Missions, Bureaus, and Independent Offices in making sound strategic decisions (Runde et al., 2020).

Time frame:

TA programme is long-running, but individual programmes have a short-term cycle.

USAID emphasises that it strives to work with more local organisations and individuals in developing countries to build capacity and new and effective long-term partnerships, thereby reducing the need for foreign aid over time (USAID, 2013).

VFM of TA:

Not mentioned explicitly. However, through schemes such as 'USAID Forward', the agency notes the importance of "saving money and reducing the need for US assistance over time" (USAID, 2013).

Effectiveness and/or efficiency of TA

USAID emphasises (to its employees and contractors) the importance of working together with other offices and organisations to ensure that activities are carried out in a timely and cost-effective manner (USAID, 2013).

Delivery options for TA

Mobilising private capital is an important part of USAID's TA activity in developing countries (e.g., the USAID INVEST programme), where USAID (Runde et al., 2020):

- Conducts market assessments to identify investment opportunities.
- Creates funds, investment platforms, and financial products.
- Offers transaction advisory services to connect investors with businesses.

The goal of the TA programme is to improve development outcomes by facilitating collaboration between USAID and the wider investment community (Runde et al., 2020; USAID, 2020 and 2022).

USAID notes that mobilising investment into high-impact areas necessitates collaboration with firms that have valuable, sector-specific expertise, including many organisations that have not previously collaborated extensively with USAID. INVEST uses user-friendly procurement and subcontracting processes to level the playing field and ensure that USAID can work with the best firm for the job, regardless of size, location, or previous experience with government contracting. INVEST's activities span 76 countries and 15 development sectors, with participation from 34 USAID Missions, Bureaus, and Independent Offices (USAID, 2022).

Figure 2: USAID INVEST programme

This image has been removed for copyright reasons. The full image can be viewed here:

https://www.usaid.gov/sites/default/files/styles/732_width/public/nodeimage/INVEST_Report_Graphics_new_partners.png?itok=knMP1F18

Source: USAID (2022)¹

Ownership of TA

In its TA delivery, USAID emphasises the importance of facilitating dialogue between government and social partners, as well as promoting national ownership of policy solutions and programmes (to its staff and contractors) (USAID, 2013).

What works (or doesn't)

Increased collaboration with the private sector, civil society, and foreign governments will spur investment and growth while improving transparency and accountability (USAID, 2013).

¹

https://www.usaid.gov/sites/default/files/styles/732_width/public/nodeimage/INVEST_Report_Graphics_new_partners.png?itok=knMP1F18

7.3 FMO TA

In-house TA vs Contracting

Instead of employing in-house personnel, FMO (a Dutch DFI) hires consultants, trainers, and experts for its TA (Capacity Development (CD)) programme (Runde et al., 2020).

Time frame:

Over the ten years prior to 2017, FMO's TA Programme has contributed €52 million to over 500 projects; when FMO clients' contributions to these projects are included, TA has catalysed more than €100 million (FMO, 2017).

VFM of TA:

Not mentioned explicitly.

Effectiveness and/or efficiency of TA

No explicit definition is available. But FMO notes that "resource efficiency" is a field in which its TA team expects to do more, i.e. together with its consulting partners, especially IBS Consultancy, "a firm specialised in resource efficiency" (FMO, 2018).

Delivery options for TA

FMO provides technical assistance in two ways: capacity development and the provision of ESG toolkits. The FMO's capacity development programme aims to support businesses' long-term growth by focusing on gender equality, governance and risk management, and environmental and social risk management (Runde et al., 2020).

The FMO has created toolkits that can be downloaded and used by any company or individual from their website. The toolkits cover topics such as ESG risk management for private equity investments, corporate governance for banks, corporate governance for corporations, multilateral finance institution and SME sustainability guidance, among others (Runde et al., 2020).

Focus areas are (FMO, 2017, 2018, and 2022):

- Environmental and social (E&S) risk management: assist clients in identifying, managing, and mitigating E&S risks, and assist FMO's financial sector clients in improving portfolio quality.
- Gender: assist clients in gaining access to inclusive business opportunities by raising awareness of and investing in women.
- Governance and risk management: assist businesses in reducing risks through improved governance, the implementation of appropriate risk management frameworks, and the enhancement of management information systems to aid decision making.
- Green: assist clients in improving their green and sustainability credentials, such as through the development of green finance products.

Delivery models (FMO, 2017):

- External advisory services: Advisory is the CD Program’s flagship service and one of FMO’s main differentiators in helping clients manage risks and capitalise on opportunities.
- FMO ACADEMY: The FMO Academy is the organisation’s primary learning and personal development forum. FMO clients have access to certain courses, seminars, and workshops. The Future of Finance Academy and the Future of Finance Credit Risk Seminar are two excellent examples.
- FMOXCHANGE: FMOxChange is a platform that allows like-minded clients to learn from one another. This platform is also used by FMO to organise learning journeys.
- Partnerships: FMO has formed partnerships with leading consulting firms and experts to expedite the start of your project. FMO currently has partnerships for projects related to SME Finance, Risk Management at Financial Institutions, and E&S Risk Management, but this will expand; inquire with the CD team for more information.

Ownership of TA

Not explicitly stated. Some of its TA delivery tools show that TA beneficiaries are actively involved in self-identifying their ‘needs’ (i.e., demand-led approach) and that different TA beneficiaries’ learn from each other’ through FMO facilitation, such as through the “FMOxChange” programme (FMO, 2017 and 2018).

What works (or doesn’t)

FMO facilitates the transfer of knowledge and the provision of technical expertise that its TA clients indicate a need for; thus, the programme is demand-driven (FMO, 2017).

The higher number of green projects (and thus higher fund allocation for this theme) is due to the B-CD program’s strategy of supporting a wide range of topics, from water and waste management to forestry. From the start, the green component of this CD programme has successfully aligned its strategy with green project investments under Dutch government funds, namely Infrastructure Development Fund and Access to Energy Fund (FMO, 2018).

The FMO notes that regional targets have been mostly met. While the target for Africa has been met, the target for Asia has been slightly missed. The TA team has successfully shifted the focus from LAC/global projects to Africa and Asia while maintaining regional targets (FMO, 2018).

7.4 Belgian Technical Cooperation (BTC)

In-house TA vs Contracting

It has been claimed that BTC has not been able to adequately capitalise or develop in-house TA expertise. However, Belgian TA had a long history of success in particular fields such as tropical health, infrastructure, and education (ECDPM, 2006).

Time frame:

Building capacity is a time-consuming process. It cannot be accommodated by time constraints, quick fixes, or the pursuit of short-term results. Engagement in capacity development must be long-term and consistent (ECDPM, 2006).

VFM:

Partners are concerned with ‘value for money.’ Some partners believe that BTC would be more effective and have a greater impact as a smaller development organisation if it focused and specialised in a few areas. Some argue that increased specialisation only adds value when combined with a programmatic approach or in collaboration with other development agencies (ECDPM, 2006).

Effectiveness and/or efficiency of TA

In principle, BTC adhered to the tenets of ownership, harmony, alignment, results, and mutual accountability are key definitions that correspond to the Paris Declaration (ECDPM, 2006).²

Delivery options

It was shown that results-based management approaches, unless carefully tailored to the context, tend to emphasise short-term ‘product’ or delivery and discourage the emergence of long-term change processes (ECDPM, 2006; Watson, 2006).

Ownership

In evidence gathered from interviewees, it was shown that they unanimously believed Belgian TA would be more effective if there was better ownership, e.g., if programme delivery and evaluations were shared by BTC and partner countries (ECDPM, 2006).

What works (or doesn’t)

There are some promising success stories to draw inspiration from, but they are mostly at the project and programme levels. The use of TA in sector-wide approaches and budget support should be closely monitored (ECDPM, 2006).

7.5 International Finance Corporation (IFC)

In-house TA vs Contracting

At the IFC, one of the world’s largest multilateral development agencies, TA is provided by a cadre of experienced staff and individual consultants, the majority of whom are based in developing countries (Runde et al., 2020).

Time frame:

TA programme is long-running, but individual programmes have short-term cycle.

VFM of TA:

Not mentioned explicitly.

² <https://www.oecd.org/dac/effectiveness/34428351.pdf>

Effectiveness and/or efficiency of TA

IFC targets cost-efficient technologies and business models.

- Agribusiness: IFC assists companies in improving productivity and standards by establishing efficient value chains, ensuring food security, and providing significant economic, social, and environmental benefits to small farming enterprises and communities, among other things (World Bank Group, 2022).
- Energy and water advisory: IFC encourages companies to use energy and water more efficiently in order to improve their performance and environmental sustainability. FMO also promotes the growth of renewable energy markets and increases people's access to modern energy services (World Bank Group, 2022).
- Green buildings: IFC works with companies to build green buildings that use less energy, water, and materials—by providing tools and training. FMO also assists governments in developing related policy frameworks and collaborates with banks to launch green-finance products (World Bank Group, 2022).
- In FY20, a “Global Platform” (Energy Services Companies (ESCOs)) was also launched to scale up innovative and cost-effective telecom operator technologies and business models. ESCOs use renewable energy solutions to reduce telecom operators' operational costs and carbon footprint. This allows operators to improve the availability and quality of their services, as well as increase the number of people who have access to telecom services in remote and low-income villages (IFC, 2020).

Delivery options for TA

Through its advisory platform, the IFC provides TA to companies and governments. For businesses, the IFC provides market insights as well as advice on how to improve operational performance and sustainability, as well as how to implement good practices and standards to boost competitiveness and productivity. For governments, the IFC assists in the formation of public-private partnerships (PPPs) in infrastructure and basic services, as well as the implementation of reforms that encourage private investment (Runde et al., 2020).

The IFC's strategy includes identifying and addressing key market gaps in order to create opportunities. The IFC's strategy, also known as upstream work, primarily consists of pre-investment TA (e.g., technical support and capacity building). The IFC's upstream approach is critical to driving global economic growth and requires collaboration from other agencies; it is about working together to develop markets in their early stages. The IFC also works with other DFIs and aid agencies to structure investments and crowd in more capital or technical assistance. The DFC can assist the IFC's SME Ventures programme with both technical assistance and investments. The programme, which focuses on high-risk markets, assists investors in expanding their businesses by providing risk capital and TA (Runde et al., 2020).

Ownership of TA

IFC is adopting a more “strategic approach,” which entails systematically linking TA advisory programmes to the most pressing needs identified by TA recipients, such as country and sector strategies (World Bank Group, 2022).

What works (or doesn't)

IFC is increasingly focusing on developing high-impact projects that can assist TA clients in obtaining the necessary financing, particularly in the world's poorest and most conflict-affected regions (World Bank Group, 2022).

7.6 Asian Development Bank (ADB)

In-house TA vs Contracting

The ADB business model relies on consultants to implement TA; however, many TA evaluations have discovered that consultant performance varies, affecting overall TA performance. The use of templates and standard processes for consultant recruitment, selection, and contracting (rather than tailoring the processes to best fit the TA objective) is a source of concern for TA because it can stymie efforts to emphasise quality project designs, specialised knowledge, and innovation. Terms of reference for consultants are not always well prepared, due to a lack of training among those who prepare them and insufficient time spent on the TA itself. As a result, contract variations are common.

Time frame:

Consulting firms have preferred time-based, input-oriented contracts over output-oriented contracts (ADB, 2014).

VFM:

Lump-sum contracts, which emphasise outputs and improve value for money, could be used more widely for recurring activities and simpler TA projects such as workshops and studies. For TA projects involving research, policy development, institutional strengthening, and other complex activities, more hybrid contracting arrangements that emphasise performance could be used (ADB, 2014).

Effectiveness and/or efficiency of TA

ADB aims to enhance both the “efficiency and the effectiveness of TA” – and hints that a crucial approach to attaining these objectives was to “increase country ownership” (ADB, 2014).

Delivery options

Contracting companies are in charge of carrying out larger and more complex TA projects. The nature of the assignment should dictate whether a team of individuals or a firm is formed. When output delivery is dependent on a team effort, a consulting firm should be chosen because a firm is better able to impose output delivery discipline on a team (ADB, 2014).

Knowledge transfer

Increased demand for knowledge transfer, as well as many of ADB's Developing Member Countries' (DMCs') transition to middle-income status, may present a need and opportunity for reimbursable TA to play a larger role in the future (ADB, 2014).

Ownership

ADB lags behind the World Bank and the IADB in terms of delegating implementation responsibility to member countries and executing agencies. The latter agencies base their delegation levels on institutional and risk assessments (ADB, 2014).

The intentions of the TA policy to improve ownership and move implementation closer to the client, decentralise resident missions, and delegate TA administration to executive agencies did not materialise as planned (ADB, 2014).

What works (or doesn't)

Although the TA portfolio is diverse in terms of objectives, and time-based contracts do not always meet all requirements, time-based contracts account for the vast majority of TA contracts. Time-based contracts are input-oriented rather than output-oriented, and their implementation is frequently overly rigid. Contract variations are common because these contracts are frequently accompanied by poorly prepared TA concept papers and inadequately defined consultant terms of reference. Contracts that are input-based rather than output-based limit a firm's ability to decide how to best use its expertise to produce the output. Other contracting methods are permitted by ADB, but they may take longer to develop the terms of reference and prepare cost estimates, comprehend the theory of change, and set appropriate milestones (ADB, 2014).

More lump sum contracts that promote value for money by focusing on milestones such as output delivery, as permitted by the guidelines, can be used for some recurring activities (e.g., financial audits, training). Payments are made to the consultant when certain milestones are met, indicating that the consultant has completed or delivered specific project deliverables. Contract milestone payments for these assignments, as well as a reasonable estimate of the required consultant inputs, must be clearly specified to enable effective monitoring. More hybrid contracting arrangements focusing on performance could be used for TA projects involving institution strengthening and other complex activities (ADB, 2014; ADB, 2010).

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