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AID EFFICIENCY: CAPABILITIES ENHANCEMENT OR VALUE FOR MONEY

A comparative study of Sida and DFID

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Abstract

Evaluative frameworks of aid efficiency have various approaches based on donor priorities, international agreements and agenda, and existing theories in place. This thesis aims to investigate whether measurement of capabilities enhancement is losing ground to Value for Money Approach – a theory perceived to look into cost-effectiveness and economic growth only. The comparative analysis is performed from a theoretical and empirical perspective. Based on a literature review this thesis identifies the synergies and incompatibilities of the two evaluative frameworks from a theoretical perspective. This research question seeks to understand the definitory aspects of each of the theories based on couple of criteria: ethics, preconditions to alleviate poverty, accountability, aid impact measurement consideration of economic as means or end to development, agency. The empirical study looks into the integration of the Capabilities and the Value for Money Approach in the strategies of the European aid agencies: Sida and DFID. The study concludes that the Capabilities Approach underlies the definitory concepts and approaches of “what needs to be measured”, such as capabilities-freedom to exert ones being and doing. While the Value for Money approach could be used to define the “how to measure” aid efficiency i.e. how to make most of every penny invested. The study as well concludes that both approaches are integrated in the strategies of Sida and DFID, with a higher weight for the Capability Approach in the case of Sida, and higher weight of the Value for Money approach in the case of DFID. The thesis thus invites scholars to go beyond measurement of aid efficiency through cost-effectiveness and economic growth and find ways to integrate both the Value for Money and the Capabilities approach.

Key words: Sen’s capability approach, value for money, aid efficiency, Sida, DFID, agency, well-being

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Abbreviations

BER- Basic Efficiency Resource

CA - Capability Approach

DFID – Department for International Development

GNI – Gross National Income

GNP - Gross National Product

ICAI – Independent Commission for Aid Impact

ICAI - Independent Commission for Aid Impact

MDGs – Millennium Development Goals

ODA- Official Development Assistance

OECD – Organization for Economic Cooperation and Development

SDGs – Sustainable Development Goals

Sida – Swedish International Development Cooperation

UK – United Kingdom

UNDP – United Nations Development Programme

VfM – Value for Money

1. Introduction

In a globalized world with various issues of a social, ethical, and political nature; economic rules and utility maximization are no longer enough to measure the efficiency of aid, nor the only tools in the process of policy making. The evaluative frameworks in development and poverty relief have broadened their scope to the analysis of knowledge, longevity, gender-sensitivity etc. As some scholars have emphasized, this approach is derived from the need of a moral-based approach towards globalization and development (Nussbaum, 1999, p. 32), hence a need to focus on human beings' freedom to achieve what one values to be and to do (Sen, 1999).

Under the leadership of Mahbub ul Haq, starting in 1990, the UNDP has been publishing reports on "human development", grounded in the theory of Sen's Capability Approach. With the emergence of this index, human development started to be analyzed through the lens of education (years of schooling), health (life expectancy at birth) and material welfare (income). Further on, the Capability Approach can be seen as deeply rooted in the concept of development underlying the Millennium Development Goals (MDGs), and now Sustainable Development Goals (SDGs) (SDSN, 2015).

The expansion of the real freedoms or capabilities broadens the views of development in terms of growth of gross national product, income, industrialization, technological advance, or social modernization.

Along with the emergence of the Capability Approach, a parallel discourse on aid efficiency happens among global actors, which results with the signature of The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action in 2005. The two documents are presented as a solution towards better management of the aid funds, donor coordination, as well as the ownership of development policies by recipient countries (OECD, 2005/2008). After more than a decade, with an evident trend to optimize public expenditure through the Paris Declaration and Accra, theories with a focus on quantitative efficiency of aid such as Value for Money (VfM) tend to be consulted more often and integrated in the design of emergency and development responses.

In the context of these parallel developments on the global arena in regards to the measurement of the aid efficiency, the author will focus this thesis research on the analysis of the emergence of the Value for Money approach and potential weakening of the Capability Approach.

To achieve the aim of this research, first, a brief literature review is done on the existing studies related to the Capability and the Value for Money approach. The theoretical chapter starts with an in-depth presentation of the key elements that define Value for Money and Capability Approach. The dimensions represent the backbone in defining the theoretical framework which answers the first research question and lays the foundation for the analytical framework used for the empirical research. The chapter is followed by a discussion on the use of the grounded theory and case study as qualitative methods to answer the research questions.

The second part of the thesis focuses on the presentation of the results from the theoretical and empirical analysis of concepts and data. Thus, the results chapter starts with the author's analysis of the similarities, potential synergies and differences between Value for Money and the Capability Approach from a theoretical perspective. Then, the empirical research conducted through in-depth document analysis is introduced, which addresses the research question on the integration of the Capability Approach and the Value for Money approach in the current development strategies of the DFID and Sida. Based on the literature review and the empirical analysis, the author presents the outcomes derived from the research on whether VfM approach is taking ground from the Capability Approach and concludes with a brief discussion on the results of this study and future research required.

1.1 Research Problem

The Capability Approach is a theoretical concept and a call to the international actors and policymakers to drive the development agenda by ensuring the expansion of the freedoms and the well-being of individuals. The approach defines an evaluative framework rather than a normative one and invites practitioners to tailor the concept based on the context of analysis. Sen thus coins the capabilities and functionings as the dimensions to measure the efficiency of aid and the long-term development goals. With the presumption that development is first of all "*the process of expanding real freedoms that people enjoy*" (Sen, 1999, p. 3), the Capability Approach takes into consideration the freedoms one should have over their lifecycle in order to develop themselves in a human empowering way.

On the other side, VfM in development is a donor-driven concept which does not have a universal definition, however most agencies follow the model developed by the Department for International Development (DFID) of the United Kingdom, which aims to increase the value of each pound donated, focusing on 3E: economy, efficiency, effectiveness (DFID, 2011). The framework may be perceived as a cost reduction approach, though, there is research that argues that VfM goes beyond cost-benefit analysis (P. J. OECD, May 2012; SIDA, 2013). This

approach is oriented more towards maximization of the outcomes of an intervention in a cost-effective way, which might imply both mathematical analysis and qualitative assessment. VfM is thus seen by some as “a way of thinking to designing, programming and reviewing development co-operation” (P. J. OECD, May 2012; SIDA, 2013).

Following the above thread of ideas, it might be concluded that the VfM and the Capability Approach have different angles of measuring aid effectiveness. Thus, while the VfM approach is associated with effectiveness of aid through an economic lens, the Capability Approach would consider the free agency of the people as the fundamental indicator. At first glance, the emancipation of the Value for Money concept as an evaluative framework would suggest the refocus of the development evaluative frameworks on the monetary aspects. Such a shift might be a signal towards a cutback of the Capability Approach, which is still vague in the way it can be operationalized as part of the development agenda. Or, to the contrary, this could signal that the Capability Approach philosophy is being embedded in the value for money approach, where the “value” achieved by the money invested is defined as the valued “beings and doing” (what one wants to be and do) –indicative of the Capability Approach.

1.2 Research Aim and Questions

The aim of this research is to assess the extent to which the Capability Approach operationalization is losing ground in development in favor of the Value for Money approach. Thus, the research will explore one of the prominent gaps raised in the literature - the potential to operationalize Sen’s Capability Approach in aid policies.

The research aim is further deconstructed into two research questions:

1. What are the similarities, differences and potential synergies between the Value for Money and the Capabilities Approach?

This research question seeks to have a comparative analysis between the VfM and the Capability Approaches and identify the potential areas of synergy of the two notions. The research question will be answered by a literature review of the two concepts in development. The distinctive characteristics identified to define each concept are used further as the analytical framework for the empirical study.

2. To what extent is the Capability Approach and the Value for Money Approach integrated in the aid effectiveness strategies of the development donors? This research question brings an empirical perspective to the presence of the Capability Approach and the VfM approach in the

strategies and aid efficiency policies of the two aid agencies. The author investigates if the aid policy is framed around the Capability Approach and the Value for Money Approach with the help of the identified characteristics for each of the concepts in the following areas: ethics, preconditions to alleviate poverty, aid impact measurement, accountability, economic growth as means or end, and individual agency.

1.3 Delimitation

This study is conducted around two case studies, Sida and DFID, both European governmental agencies with prominent expertise in developing aid effectiveness policies and approaches. The study focuses on aid efficiency at a strategical level rather than results assessment. If at strategical level an agency is setting the goals, principles, prioritized areas of intervention, then the results assessment provides the outcome achieved against the set objectives, with a value of the resources committed by the agency. Thus, the focus of this empirical analysis will be the strategies governing the activity of the two agencies, which set long-term direction of aid in the respective countries, rather than the achieved results reflected in the project implementation reports from recipient countries.

2. Previous Research

The Capability Approach is a theory that brought many social dimensions to the aid efficiency measurement and it sparked a series of research to find ways to operationalize it. The three main areas of research are: (I) the use of the theory as an evaluative framework, (II) the definition, selection and weighting of the functioning/capability list, and (III) the operationalization of the Capability Approach.

In the case of the Value for Money approach, there is an evident trend of research from practitioners who operationalize the concepts to drive the aid efficiency agenda. The academic discourse on the Value for Money in development is still at the incipient stages, however the topic is actively present as part of policy lobbying practices, reports, international forums briefings, and evaluative frameworks and guidelines.

Despite the evident gaps, between the available research for the Value for Money approach in comparison to the Capability Approach, this thesis will have both concepts analyzed based on some key criteria which are described in the theoretical framework: ethics, preconditions to alleviate poverty, aid impact measurement, accountability, economic growth as means or end, and individual agency.

Capability Approach

In the 1980s the Capability Approach was developed as an alternative theory to the welfare economics by bringing attention to the indirect relationship between the GNP and the level of infant mortality, life expectancy and child mortality, of some emerging countries such as Mexico, Brazil and Sri Lanka, India, China (Kuklys & NetLibrary, 2005, p. 9; Sen, 1979). The use of the capability theory further extended as an evaluative framework for human development (Gasper, 2002; Sen, 1999), and it brought specific attention in the discourse of social justice (Nussbaum, 1999; Robeyns, 2003) and development economics (Alkire & Oxford University, 2002; Clark, 2005).

Designed as an evaluative *framework*, the Capability Approach does not provide a universalistic recipe but rather leaves space opened to public reasoning. The main components of the capability approach -functionings and capabilities, are broadly defined in a series of Sen's work on development, and it consequently triggered extensive research which aims to deconstruct further the definition of capabilities and functionings. The discourse on the functionings and capabilities may be perceived to be sensitive to personal interpretations, however it highly advocates for the democratic approach in adjusting each concept to local context (Stewart & Deneulin, 2002). The extensive research on this area is presented in the theoretical chapter for a clear delimitation between the two core concepts of the capability approach – functionings and capabilities – which is crucial to identify the presence of the capability approach in aid policies.

One of the most quoted studies grounded in the Capability Approach which tried to direct the discourse in the field of social justice, is Martha Nussbaum's definition of basic constitutional principles. Nussbaum makes a call to governments to think of human dignity enhancement by the provision of a basic social minimum in terms of human capabilities (Nussbaum, 1999). Though considered to some extent a paternalistic approach (Clark, 2002; Stewart, 2001) , the definition of the ten basic central capabilities was one of the first most comprehensive attempts to create a list of valuable capabilities that strategies aiming at improving human development should focus on increasing.

In addition to the list of central capabilities developed by Nussbaum, various researchers explored the definition of an universalistic list of capabilities from a theoretical (Robeyns, 2003), and empirical perspective (Alkire & Oxford University, 2002, p. Chapter4), (Clark, 2002, p. Chapter 4). Thus, Robeyns suggests a list of capabilities for assessing gender

inequality, based on a well-defined theoretical methodology, while Alkire and Clark define the list of capabilities in the context of poverty alleviation through field surveys in developing countries. The literature on the Capability Approach developed by Sen does not provide a predefined list of capabilities by theorists, and argues for a democratic approach opened to public consultation and debate (Sen, 1992, 1999, 2005). Sen encourages performing, first, a reality check on the ground to ensure that the needs and desires of individuals are accurately and in real-time collected.

Another area of research triggered by the Capability Approach in the discourse of aid policies and efficiency is the perception and the agency of an individual in achieving the desired well-being. The Capability Approach is one of the pioneering theories in bringing the well-being of individuals to the center of the development agenda. Some may assume that the Capability Approach perceives the individuals as atoms, excluding the social arrangements, institutions and the notion of collective action (Stewart & Deneulin, 2002), however, Alkire and Robeyns clarify that the Capability Approach does not treat society as a sum of individuals, but rather analyzes the impact of different phenomena on individuals (Alkire & Oxford University, 2002; Robeyns, 2005).

While a wide range of research acknowledges that Sen's Capability Approach is more informative as an evaluative framework (Kuklys & NetLibrary, 2005), Alkire encourages researches to use the approach as a prospective framework. The operationalization of the Capability Approach in development may be to some extent challenging and seen as the major limitation of the theory (Clark, 2005; Comim, 2001; Stewart & Deneulin, 2002), however there is no doubt on the shift the Capability Approach has on the measurement of human development with the first launch of the Human Development Index.

In addition to the empirical limitations such as difficulties in the collection of data, selection and weighting (Comim, 2001), Fukunda-Parr claims that the capability approach was not fully embraced by policy makers. Therefore, this research will go beyond a theoretical discourse on the operationalization of the capability approach and will analyze the presence of the capability approach in the strategies of two major governmental donor agencies.

Value for Money Approach

Value for Money is by far a new concept, with its origin in the private sector, however it has been later borrowed by researchers and practitioners to measure the effectiveness of aid (ActionAid, May 2017, p. 6). In development, the term of Value for Money was defined by the

Independent Commission for Aid Impact (ICAI) in the United Kingdom which had the task to optimize the public sector management to be able to cope with the budget cuts in 2010 (Antinoja Emmi, May 2011). The former ICAI chief commissioner referred to the Value for Money approach as “a new type of scrutiny” that goes beyond the analysis of aid effectiveness, it actually combines both “value for money” and “effectiveness of aid”(“Can Aid Watchdog stem the sceptics?,” October 2012).

The first references on the use of the Value for Money approach in public sector, date from 1988 when Gledning (Glendinning, 1988) initiated a discussion on the ways this well-known concept can bring added value to public sector organizations. Such a discourse has been further taken by practitioners and operationalized in the measurement of aid efficiency in public sector. The Value for Money concept is researched in a series of studies run by OECD starting in 2010, having as case studies eight governments from developed studies. The goal of the study is to analyze the efficiency of the financial management by governmental institutions after the instauration of the new public management.¹ The series of studies thus brought further attention to the topic of Value for Money and its integration in the work of public institutions. From an academic perspective, the Value for Money approach in development was analyzed to identify scientific rationale and discourse on the prerequisites that need to be in place for the concept to be effectively operationalized in the implementation of projects, such as culture Malcolm Prowle (2016) or staff capacity (Bertha Vallejo, 2016). Some research is still debating the opportunities and the caveats of the Value for Money approach and what is the added value to the practitioners (Antinoja Emmi, May 2011). And finally, some studies are piloting methods to integrate the Value for Money approach into the programming lifecycle of international nongovernmental organizations (ActionAid, May 2017) .

Research Gap

Based on the previous research analyzed, there is a clear gap in the academic research on the VfM approach as a theory that measures the impact of development projects. As well, there is a clear evidence on the difficulty to operationalize and define further the concepts of the Capability Approach developed by Sen. In this context, this thesis aims to bridge the gaps by analyzing the VfM approach from a scientific perspective, while examining Sen’s capability

¹ New Public Management is a series of reforms from 1980s to encourage governments and public institutions to have an efficient and less bureaucratic approach in the management of resources

approach operationalization in the strategy of aid agencies. As well, for the first time, the two concepts will go through a scrutiny of comparison in terms of theory and operationalization.

3. Literature Review

This chapter starts with a discussion on the limitations of the utilitarian and Rawlsian theories, which represent the starting point for the advocacy for the Capability Approach. A more detailed discussion on the Capability Approach model is presented in the second section. In the same chapter the author introduces and deconstructs the notion of the Value for Money.

Finally, the literature review chapter will present conceptual implications of the Capability Approach and the Value for Money approach on the definition of aid effectiveness.

3.1 Capability Approach Model

The capability approach concept in development was for the first time introduced in 1979 by Amartya Sen during the Tanner Lecture on Human Values, where the scholar brings to discussion an alternative development concept to the three main theories on equality: (I) utilitarian equality², (II) total utility equality, and (III) Rawlsian equality³ (Sen, 1979). Sen questions the use of the welfare⁴ theories to measure equality from the moral philosophy perspective. The theories are less sensitive to *the distribution of resources* according to the *different needs of individuals* and the diverse nature of people that influences the perception of utility level.

Considering the limitations posed by the welfare theories (total utility, marginal utility, primary goods), Sen invites researchers to analyze equality from an ethical perspective which would simply answer to a few questions: (1) Why Equality?, and (2) Equality of What?" (Sen, 1992, p. 12). While Sen acknowledges that these two questions are dependent on each other, he highlights that both of them can be answered by defining *the space* in which equality is analyzed (Sen, 1992, p. 15).

While the standard theories on justice (utilitarian, primary goods) analyze the aggregated value of indicators e.g. maximization of utility, the total number of primary goods for basic needs,

² Utility measures the level of satisfaction experienced by a consumer from a certain service or product. (I) utilitarian equality theory, equal treatment is assured as long as the satisfaction gained from consuming an additional unit of the same good (marginal utility) or service is the same for everyone. The (II) total utility equality, in contrast looks at the *absolute equality* rather than the sums of individual utilities.

³ Rawlsian equality is the primary social goods

⁴ Economists usually think of individual welfare in terms of utility functions, a perspective in which social welfare can be conceived as an aggregation of individual utilities or utility functions

the Capability Approach is interested as well in *how the freedom is distributed among individuals*. “The relevance of both *aggregative and distributive* judgements in assessing the process of development is quite central to understanding the challenge of development”(Sen, 1999, p. 286). Thus, the impact assessment of public policies and aid on people’s well-being should investigate the ways resources/freedoms are distributed among individuals as well.

In the pursuit of an ethical approach towards the measurement of people’s well-being, Amartya Sen suggests (Sen, 1979, 1992, 1999) as a first step to identify the appropriate “space” to conduct the evaluation of one’s well-being. For the reasons explained in the previous section, some of the “evaluative spaces” in the existing literature are restrictive, and there is a need to expand the evaluative space of people’s well-being to measure substantive freedoms-capabilities. Well-being evaluated in the space of capabilities tackle the limitations of resource-based theories, which analyze equality in terms of primary goods, utility, income.

The Capability Approach is a normative framework which provides a set of tools to “conceptualize and evaluate” poverty, inequality or well-being, however it does not aim to explain the causes of this phenomena as such (Robeyns, 2005, p. 94). The Capability Approach, thus explores equality through the *effective freedom* one has, known as *capability*, in order to achieve what he/she is able to do and to be - *functioning*.

The evaluative framework from the Capability Approach perspective is referring mainly to two components: *functionings* –the beings and doings, and *capabilities* – the freedom to achieve valued beings and doings. As S. Alkire emphasized in one of her lectures, Sen’s main contribution is to unite these two concepts together (Alkire, 2005, p. 118).

Though the two elements are very much interrelated, the approach is not excluding the resources, and utility. Resources, whether material or non-material, are the necessary inputs to the achieved valued beings and doings. In the space of capabilities, the elements of welfare theories on utility, income, primary goods etc. are not neglected as such, but rather complemented by the freedom one has to choose from the set of opportunities offered. From an economic perspective, the Capability Approach can be seen as functioning at two levels: “at the level of the realized welfare, which is measured by functionings; and at the level of the potential or feasible welfare, which is measured by the capabilities” (Kuklys & NetLibrary, 2005, p. 12).

The process-flow from inputs to outcomes presented by S. Alkire in one of her lectures brings together the Capability Approach mechanism of conversion from resources to functionings in

order to achieve a desired functioning translated in the end in utility. Considering a bike as the resource available (input), an individual will achieve the valued functioning of riding around (outcome) by first being able to ride a bike. The functioning of being mobile and free to move quicker than walking, would not be enabled to the same extent by a bike if a person has some limitations. Thus, the bike itself cannot reflect accurately one’s well-being, by assuming that it will bring more mobility, but rather *the ability to ride the bike around*.

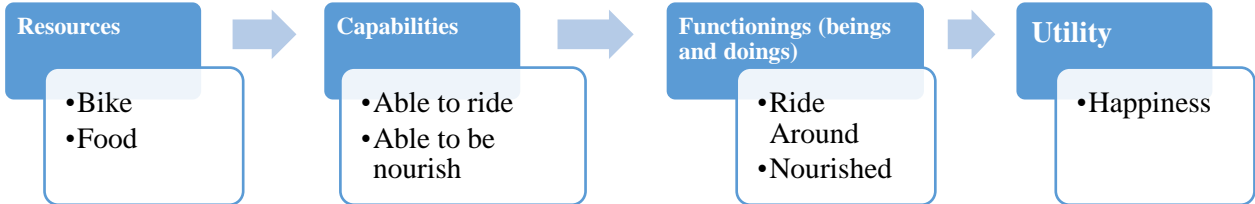


Figure 1 Capability Approach Process Flow as per S. Alkire
 Source: S. Alike “Introduction to Capability Approach” lecture; minute: 29:42.

3.1.1 Functioning and Capability

Functioning

In the context of the Capability Approach, a functioning is an “achievement of a person: what she or he manages to do or be” (Sen, 1985, p. 10). Thus a functioning can be either a state of a person (“beings”), like being well-nourished, being educated, being safe in the house one lives, free to express one’s opinion; or an activity undertaken by a human being (“doings”) i.e. voting in elections, attending certain courses, marrying someone one desires to etc. In a more simplistic perspective, functioning is the way a person *makes use* of the available resources (Clark, 2005, p. 4).

While the frequently used examples of functionings in the current literature have a positive connotation e.g being in good health, e.g. being able to move, a couple of researchers have raised the issue of the potential misuse of the Capability Approach in defining functionings (Clark, 2005; Gasper, 2002). Some functionings might be perceived by the public as bad functionings which restrict the freedoms of another person. For example, being able to care for your child, may be a good functioning as long as the mother is not deprived from other opportunities. But it can similarly turn into a bad functioning if the freedom to exercise this capability is offered only to women and not to men. Women may find themselves in a situation where all the conditions are created only for the mother to care for the child and restrict them from accessing the job market, for example.

The argument brought by Sen on this critique is that capability approach has to be focused on the quality of life one has *reason to value*, which would exclude harmful functionings. This comment has been perceived by some researchers as the fundamental argument for the exclusion of harmful functionings from the evaluative framework of capabilities (Alkire, 2005, p. 121).

Capability

Defined as the various combinations of functionings (being and doings) that the person can achieve, (reference) *capability* is in the end the set of choices/freedom a person has to lead a life he/she has reason to value (Sen, 1992, p. 40). As it can be sensed from this definition, Sen was indeed cautious to be perceived as paternalistic in setting capability in a narrow view, and most elements which define capability such as “freedom” and “reason to value”, are broad enough and complex, and would need further definition. The vague definition of the capability has initiated further discussion and interpretation of the definition of capability, and while some describe capability as “the capability set, which consists of a combination of potential functionings, or opportunity set”, (Robeyns, 2005) others treat capability as the potential functioning itself.

Des Gasper brings a new perspective to the model of capability approach and conversion of resources to functionings by distinguishing the twofold meaning of the capability: S-capability related to one’s skills, capacity and ability, and the O-capability, which stands for options and opportunities (Gasper, 2002, p. 446). As Gasper states the value of freedom has been re-emphasized with the category of O-capability, which is more a policy principle with focus on people who have to decide what is best for their well-being and less a theory of well-being only (Gasper, 2002).

On the contrary David Clark, when mentioning the capability, he refers more to the S(skill)-capability, by quoting the definition of Saith “capability refers to person’s ability to achieve a given functioning (doing or being) (Saith, 2001, p.8)” (Clark, 2005, p. 4).

Despite the various interpretations of functionings and capabilities, what is central to evaluate in the space of the capabilities is to what extent the freedom conceived creates real opportunities to have the life one reasons to value. It is the real opportunities that are the backbone of Sen’s capability approach. As Sen states “In so far as functionings are constitutive of well-being, capability represents a person’s freedom to achieve well-being” (Sen, 1992, p. 49).

Conversion factors

Freedom is a central prerequisite for the people to explore their diverse nature, whether in age, gender, race or physical mobility, and at the same time these differences “can make two different persons have quite divergent opportunities of quality of life even when they share exactly the same commodity bundle” (Sen, 1999, p. 69). Thus, besides the various functionings and capabilities available in the evaluative space, the Capability Approach puts emphasis on the role of the *conversion factors* (personal, social, environmental) together with the freedom one has in converting resources and other inputs into valued achievements. Sen identifies at least five distinct sources of variation (Conversion factors) between real incomes and the value we get out of them: 1) Personal Heterogeneities 2) Environmental diversities, 3) Variations in social climate, 4) Differences in relational perspectives, 5) Distribution within the family.

The complexity of the capability approach with its “means” and “ends”, or outcomes and opportunities, influenced by the various conversion factors has been graphically summarized by I. Robeyns (see Figure) (Robeyns, 2005, p. 98).

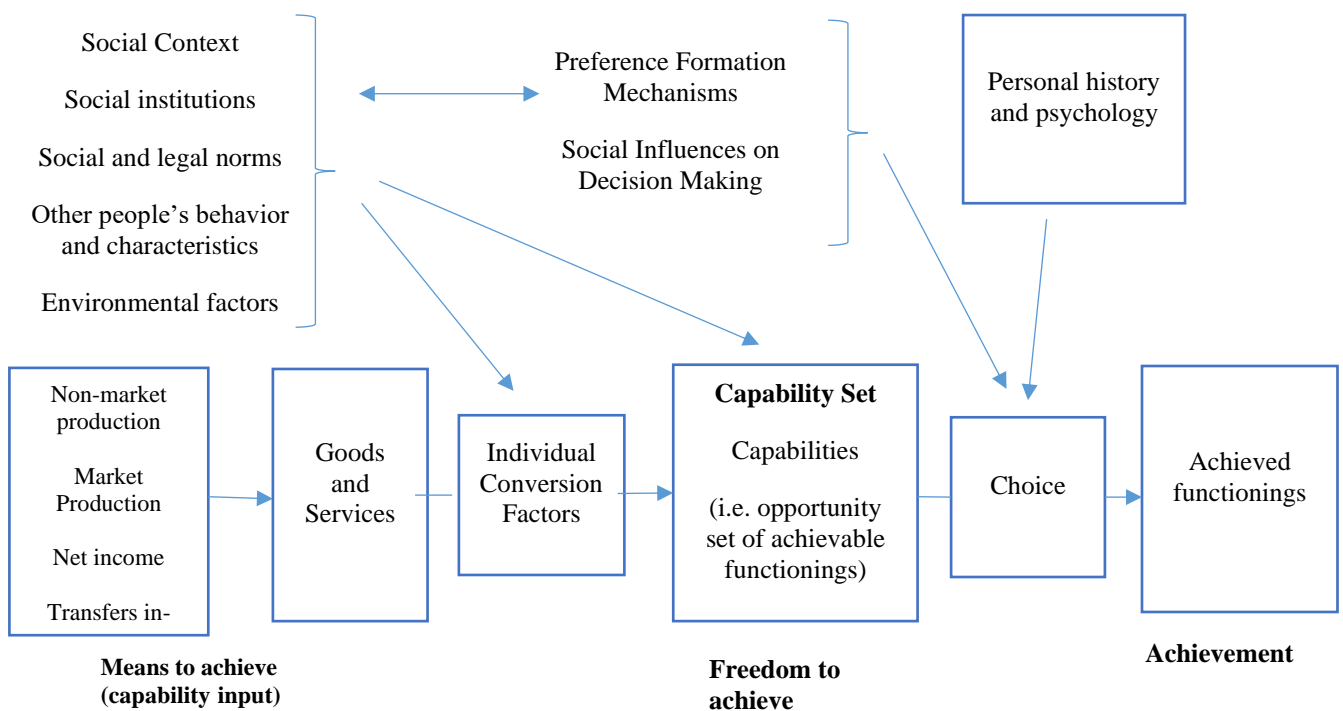


Figure 2 A stylized non-dynamic representation of a person's capability set and her social and personal context

Source: Robeyns, I. (2005). The Capability Approach: a theoretical survey. *Journal of Human Development*, 6(1)p.98

Through this graphical model, Robeyns articulates in a detailed manner the role of conversion factors in the transition of goods and services to achieved functionings in the end.

Though clearly outlined by Sen that capabilities, or the so-called freedoms to achieve the desired functioning, are dependent on conversion factors to make use of resources and achieve functionings, researchers tend to underexplore and underestimate the impact of the conversion factors. In most cases, the current literature refers to conversion factors at the stage of the transition from “goods and services” to “capability set” and explore less the role of conversion factors at the stage of “choice”. Robeyns thus highlights the presence of conversion factors, whether personal, social or environmental, at all transitioning stages of goods and services to capability set and finally functionings. Through this model, Robeyns brings attention to the existence of various “means to achievements” different from goods and services, which are shaped by social institutions i.e. non-market production, transfer in-kind etc. Moreover, she invites researchers to consider as part of evaluative framework the material and non-material circumstances that shape people’s opportunity set, as well as the circumstances that influence the choice itself from the set of capabilities. This model builds on the argument that economic growth and resources are not sufficient to measure the well-being of an individual, thus the impact of aid.

3.1.2 Capability approach and aid effectiveness

Means vs Ends

Refocus our vision from achievement to means of freedom (Sen, 1992, p. 37)

Perceived as “ends” to development and economic growth, the common measures of welfare such as income, primary goods and utility are perceived as limitative to policy and social arrangements analysis. As Sen highlighted, equality in the space of resources such as primary goods and income does not automatically imply the same level of well-being for individuals. Because of the personal diversities the conversion of primary goods into well-being might vary from one person to another. An ethical approach to development would go beyond the productive role of human capital which in the end brings economic growth, but rather treat the economic inputs as *means* to enhance ones well-being. Thus, through the Capability Approach, Sen tries to sensitize the development literature to clearly differentiate the “means” and “ends” to achieve one person’s well-being and keep the focus on the advancement of one’s freedom.

Freedom, Agency, well-being

For a fully functional mechanism of desired well-being achievement, Sen argues that the public should be “active participant in change, rather than a passive and docile recipient of instructions or of dispensed assistance” (Sen, 1999, p. 281). One should make the distinction between the

functionings achieved as result of the opportunities set in place and passively exploited by a person, and the achievement of functionings because of one owns efforts to make it happen (Sen, 1992, p. 57). In this context, an affiliated part of the capability approach is the notion of agency, which is defined as follows: “a person’s agency achievement refers to the realization of goals and values she has reasons to pursue, whether or not they are connected with her own well-being”(Sen, 1992, p. 58).

Perceived as a restrictive concept which treats individuals as atoms influencing their own lives without any interaction, some researchers argue that “both the extent of agency and the objectives that people value” depend on the environment individuals are exposed to, as well as various institutions in place (Stewart & Deneulin, 2002, p. 67). Thus Stewart and Deneulin emphasize the important role of social structures in catalyzing or inhibiting individual agency as well as determining what are the objectives people value (Stewart & Deneulin, 2002). Society itself is the one which might shape the values of a group and an individual and influence the choice an individual makes, therefore the functionings one might want to achieve can be in the end not what he or she desires but what the society has as value. Still, social arrangements and individual freedoms have a mutual relationship: social arrangements expand individual freedoms, while individual freedoms can “make the social arrangements more appropriate and effective” (Stewart & Deneulin, 2002, p. 68). Moreover, the authors let one not forget the notion of “collective action” which still plays a key role in enhancing the conditions that promote valuable capabilities (Stewart & Deneulin, 2002, p. 69). Based on these arguments, Stewart and Deneulin argue that “the task of development policies should be not only to enhance "valuable" individual capabilities, but also to enhance "valuable" structures of living together” (Stewart & Deneulin, 2002, p. 68).

As part of this discourse, Alkire and Robeyns invite scholars to make the distinction between ethical individualism and ontological individualism, which might bring different perspectives to how one reads Sen’s Capability Approach⁵. While ontological individualism sees the society as a sum of individuals and their proprieties, ethical individualism is interested to explore on the direct and indirect effect of some state on individuals (Robeyns, 2005, pp. 107-108). Ethical individualism applies more to Sen’s theory, as it takes into account individuals as the ultimate

⁵“ Methodological individualism is often the term used for what, strictly speaking, is explanatory individualism, the view that everything can be explained by reference to individuals and their properties only. In contrast, ontological individualism states that only individuals and their properties exist, and that all social entities and properties can be identified by reducing them to individuals and their properties”(Robeyns, 2005, pp. 107-108)

units of moral concern, considering the casual importance social structures and institutions have on the individuals' well-being (Alkire: Using the Capability Approach).

“In fact, general analyses of inequality must, in many cases, proceed in terms of groups-rather than specific individuals- and would tend to confine attention to intergroup variations. The crucial relevance of such class-based classifications is altogether undeniable in the context of general political, social, and economic analysis.”(Sen, 1992, pp. 117-118)

Achievement of agency in Sen's latest works seems to play as important a role as the achievement of well-being, both being dependant on each other. Perceived as central concepts to broader the Capability Approach, researchers started to extend the space of the Capability Approach from freedoms and achievement of well-being to freedoms and achievements of agency as well (David A Crocker, 2012) (Alkire, 2005; Gasper, 2002). Thus along with the opportunities set to choose from, capability approach implies a certain degree of responsibility and action. As well, an agency-oriented capability approach brings to light the altruistic nature of human beings to help others even sometimes in the detriment of its own well-being(ibid). As S. Alkire nicely stated “the approach cannot coherently employ an entirely self-interested model of human motivation” (Alkire, 2005, p. 125).

Crocker and Robeyns define four conditions for a person or group to be an agent with respect to something: “ (i) *self-determination*: the person decides for himself or herself rather than someone or something else making the decision to do X; (ii) *reason orientation and deliberation*: the person bases his or her decisions on reasons,such as the pursuit of goals; (iii) *action*: the person performs or has a role in performing X; and (iv) *impact on the world*: the person thereby brings about (or contributes to bringing about) change in the world” (Crocker and Robeyns, p 80).

Linked to the context of direct and indirect involvemenet of citizens in democratic process, the four conditions for agency in the space of capabilities might become a new dimension for the discourse of democracy building in developed and developing societies. In the light of this discourse, researchers stress on the further development of the Capability Approach and the need for a shift to an “agency-focused capability approach”(Crocker, Robeyns). However, with various concerns and ambiguity at place on the basic concepts of capability approach raised by various researches, such as the meaning of functionings and capability itself, the discourse on agency brings an extra level of complexity to the applicability of the Capability Approach in practice. How can we go to advanced notion of the Capability Approach if the basic concepts are not yet clear enough?

3.2 Value for Money Model

The Department for International Development (DFID), the governmental body that enforces aid effectiveness, defines Value for Money as “maximization of the impact of each pound spent to improve poor people’s lives.” (DFID, P.3). Grounded in a quite vague definition, the Value for Money in the context of aid efficiency is further deconstructed by a framework of 3 Es – Economy, Efficiency, and Effectiveness, and cost-effectiveness.

Each of the 3Es is a link between two of the results-based management framework elements e.g. input and outputs, outputs and outcome, outcome and impact, input and impact. Unlike the results-based framework, the 3 E framework follows a logical flow decomposed into three micro levels:

Economy – measures the level of the value for the money to acquire the input, by assessing the purchase value of the services, products or goods delivered either by partner or through direct implementation. Some researchers simply refer to this component as “efficient procurement” (Antinoja Emmi, May 2011, p. 15) which in practice implies a thorough analysis of the cost drivers. What are all the costs related to the delivery of the product in addition to the unit cost of it. (Giordano, 2017, April 20) “*Are we or our agents buying inputs of the appropriate quality at the right price?*” (DFID, 2011, p. 4).

Efficiency – measures whether the conversion of inputs into outputs is maximized with minimum wasted effort or expense. *How well do we or our agents convert inputs into outputs?* (DFID, 2011, p. 4)

Effectiveness – measures whether the set outputs are good enough to lead the achievement of the outcomes. *How well are the outputs from an intervention achieving the desired outcome on poverty reduction?*

Cost-efficiency – measures the level of impact achieved with the help of the inputs used. *How much impact on poverty reduction does an intervention achieve relative to the inputs that we or our agents invest in it?*

The recent research refers to a fourth E element which complements the Value for Money approach - equity. Through **equity** the framework aims to “ensure that the benefits are distributed fairly”(ICAI, 2011) and that aid reaches the most vulnerable ones, namely the poorest people with sufficient target on women and girls (DFID, 2011). Equity is thus an

element that should be considered throughout an intervention lifecycle: from inputs to impact (Ref. Fig.3).

The Value for Money approach as presented below goes beyond the results-chain framework, which is primarily focused on the logical connection between the inputs and impact. Value for Money instead critically assesses the quality of this logical flow and its cost-efficiency on the long run. The use of the cost-efficiency as a link between the input and the impact has been interpreted by many research as a pure *cost-benefit analysis* or rather *a cost-reduction*.

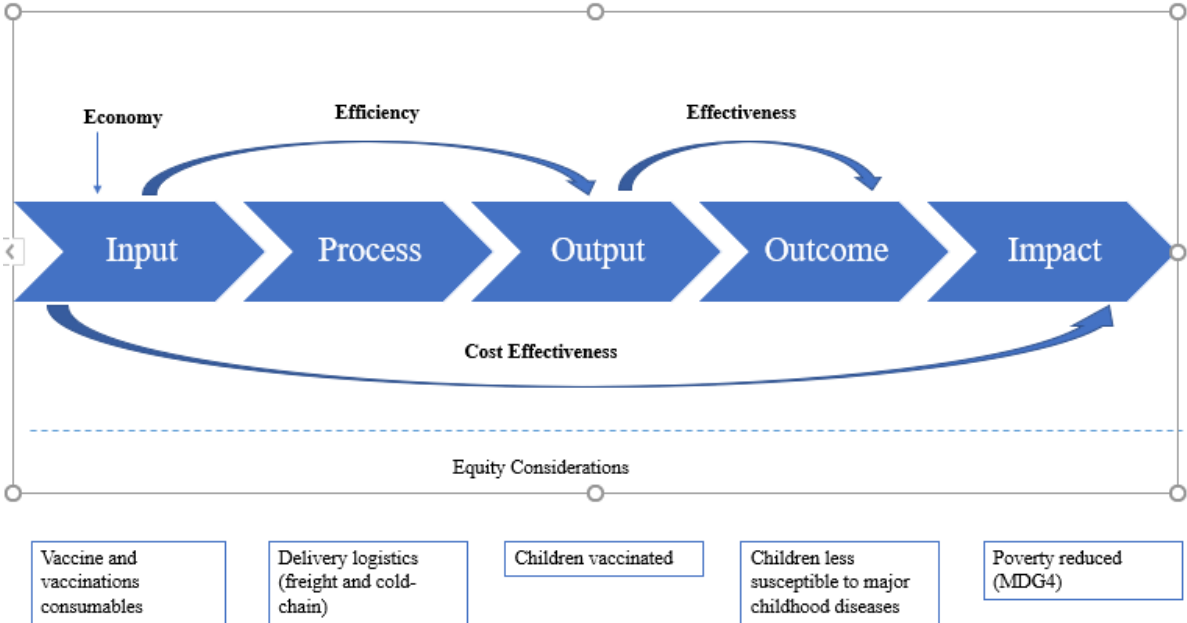


Figure 3 DFID 3Es Framework

Source: DFID’s Approach to Value for Money 2011, p.4

3.2.1 Value for Money approach and aid effectiveness

As a result of an extensive review of the policies and processes of the UK overseas aid and a structural reform, the UK government developed an aid efficiency framework named Value for Money. This concept is built on the combination of the previously developed Results-Based management frameworks in aid sector (see Glossary) and the value for money concept in private sector. The framework in the UK aims to make sure that the government is able to prove the value brought by the investment of each pound to its taxpayers. In ICAI’s view effectiveness is about “achieving a sustained impact for intended beneficiaries” and value for money is about “best use of resources to deliver the desired impact” (ICAI,2011).

There are valid grounds to affirm that the approach aims to reduce costs, considering that the VfM approach was created in the context of overall government budget cuts. Moreover, there is research confirming that practitioners, especially the front line staff, perceive VfM as a pure cost-cutting exercise with a focus on economy over efficiency and effectiveness (Malcolm Prowle, 2016, p. 550). The most tangible efforts in enforcing the VfM approach are visible in the area of financial management, financial reporting, monitoring and evaluation systems, procurement process, and less on the assessment of the quality of the outcome/impact achieved (ActionAid, May 2017).

The most common tools used to assess the Value for Money of an intervention are cost-benefit analysis, cost-effectiveness analysis, social return on investment, Basic Efficiency Resource (BER), Multiple Criteria Decision Analysis (ActionAid, May 2017; Antinoja Emmi, May 2011; OECD, 2012).

Though there is a large critique on the limitations of the current VfM operationalization tools used by practitioners, there is no policy suggesting that VfM should be limited only to cost-cutting. DFID stresses that the VfM framework is used for two main reasons: 1) to assure transparency and accountability to taxpayers, and 2) to maximize the benefit with the available resources (DFID, 2011).

For the above-mentioned reasons there is research conducted in finding ways to operationalize the VfM approach going beyond the cost-benefit analysis. Among all the research, a recent paper published by Action Aid released the successful results of a pilot project which aimed to test different methodologies in six countries in order to define a final methodology that is assessing both the quantity as well as the quality of the interventions (ActionAid, May 2017). The paper concluded that organizations should focus more on having a community-based approach when assessing the value for money of a project, which would imply using several participatory sessions and tools to ask beneficiaries on the value the intervention brings them. As well organizations should go away from focusing to analyze VFM only through assessment of operational systems.

The premise for exploring other assessment tools than cost-benefit analysis lies in the argument that the goal of the Value for Money is the maximization of the outcomes in the most cost-effective way (SIDA, 2013, p. 21). Moreover, VfM should be neither assessed only through “cost” and neither through “effectiveness” only. The two notions are interlinked and should not be isolated to assess the value for money of an intervention (OECD, 2012).

This debate raises a fundamental question when measuring the aid effectiveness through Value for Money approach, namely: How “value” is defined in the Value for Money approach and what does it imply? Value for whom? While in the private sector the value acquired by companies can be measured in monetary values by assessing the return on investment, in development sector the value is rather a non-monetary concept. Thus, a further deconstruction of the meaning of the value as part of the VfM framework to measure aid effectiveness is needed.

There is no clear definition provided by DFID as such on what value means and what is it comprised of, and there is no comprehensive research on the breakdown of the value notion. DFID defines Value for Money as the maximization of “*the impact of each pound spent to improve poor people’s lives*” (DFID, 2011, p. 3). From this definition the intrinsic value of a development/humanitarian intervention is the change that it brings to the poor and vulnerable people as part of the global action on poverty reduction. Action Aid, in the effort to operationalize the VfM approach, referred to the value defined by the beneficiaries of aid as “*the best possible change as defined by people living in poverty*” (ActionAid, May 2017, p. 4). The author further stresses that in achieving this best possible change, the feedback from the beneficiaries should be the centerpiece and the starting point as well, which quite often is considered a rather “good to have” practice (ActionAid, May 2017, p. 14). Following this line of thought, during the High Level Forum on Aid Efficiency Claire Melamed has emphasized the need “to align the priorities of the donors and governments with *those of the people.*” (“Aid effectiveness and value for money aid: complementary or divergent agendas as we head towards HLF-4,” 2011).

To conclude, the current research on the definition and interpretation of the VfM approach across global interventions is rather an opened question, and there is a need for further research, however certainly the VfM approach is getting more popularity across donor agencies and high level forums.

4 Theoretical Framework

The first research question will be answered through a comparative analysis of the Value for Money and the Capability Approach based on the criteria defined as result of a grounded theory approach. Thus, the criteria used for the theoretical framework were not pre-defined by the

author before conducting a literature review, but rather developed once an in-depth explorative analysis of the VfM and Capability Approach has been performed.

The criteria identified to be used for the theoretical framework, based on the grounded theory method are: ethics, preconditions to alleviate poverty, aid impact measurement, accountability, economic growth as means or end, agency.

Ethics

The ethical dimension around development aid and humanitarian assistance has raised the interest of scholars as a critique to the use of aid as a political instrument or an extension to the colonialism phenomenon. Donor countries are considered to use the aid as a mechanism to leverage their self-interests and less the interests of the beneficiaries.⁶ Moreover, donors are criticized for the herd behavior (Gunnlaugsson, 2016) and global politics which directs the foreign aid towards the countries of interest and highly compliant to the donor's requirements rather than to those that are mostly in need.

Considering the critique, scholars are suggesting the use of two layers of ethical consideration when planning and actually allocating the aid (Hans W Singer, 1986). First, donors should be ethical about their motivation to engage in fulfilling a global responsibility to help those in need. Second, donors should be ethical about the effects of the aid in the recipient countries, such as the reduction of poverty and achievement of the Sustainable Development Goals, rather than their own economic or political interest.

In this thesis, ethical behavior of donors will be considered the one that is treating development aid as “the enhancement of human wellbeing and the creation of a good society” (Gunnlaugsson, 2016). Thus, the degree of ethical consideration in the case of the Value for Money approach and Capability Approach is analyzed through the lens of perceiving aid as a way for the donor to fulfill their global responsibility role to enhance global welfare and wellbeing, rather than an instrument for the donor country to achieve its own political or economic interests.

Preconditions to Alleviate Poverty

It is by far a novelty that the end goal of development agenda is alleviation or reduction of the poverty, protection of the planet and promotion of peace in the world. The Sustainable

⁶ <https://www.abc.net.au/religion/ethical-foundations-of-foreign-aid/10358882>

Development Goals deconstruct the preconditions required to achieve the end goal by setting 17 more manageable goals linked to education, health, gender equality, clean oceans etc..⁷ Poverty alleviation is thus defined as the enhancement of the access to all targeted sectors, and empowerment of people.

While, at the global level the preconditions for human development are defined with the help of SDGs, in the case of the Capability and Value for Money approach the underlying dimensions may be different, and this aspect will be further analyzed and discussed with the help of the literature review.

Aid Impact Measurement

The Paris Declaration on Aid Effectives sets the measurement of the results as one of the priorities for aid efficiency. The Declaration is emphasizing the need for a harmonized results-framework between the donor country and the recipient country. It states that “Managing for results means managing and implementing aid in a way that focuses on the desired results and uses information to improve decision-making” (ibid p.7). Thus, in addition to a results-framework set in place, it is as important for the donors to define what is measured and how, and align it as much as possible to the statistical and monitoring system of the partner country.

The dimension of the measurement of aid impact is analyzed in this thesis in the comparative analysis of the Value for Money and Capability Approach. Having a closer look to what is aimed to be measured through the Capability Approach and the VfM approach will help to analyze the characteristics of each of the concepts from a theoretical perspective, and identify the definitory elements in the strategies of SIDA and DFID.

Accountability

The Paris Declaration on Aid Effectiveness states that “Donors and states are responsible for the development results” (p.8). Mutual accountability is thus enforced as a solution to the lack of ownership and accountability from the recipient country, and placement of the burden on the shoulders of donor governments only. Such an approach is supposed to enhance the aid efficiency and the achievement of the Sustainable Development Goals.

In addition to the actors that should be held accountable for the efficient use of the aid resources, the topic of accountability raises an ethical discussion as “to whom should the donors and

⁷ <https://sdgs.un.org/goals>

partners countries be accountable to”. Such a discourse is analyzed in various literature through the lens of the government stakeholders both in developing and developed countries, and the various partnerships among them at regional and global level.

To find the accountability structure at the global level, Hoffstaetder and Roche (Roche, 2011) identify two distinct levels of accountability which is based on the role the government/organization plays in the chain of aid implementation. First, the agencies which represent the donor country, are the ones to respond to the financial contribution of the citizens and the parliament of the specific country. *ibid* It is the taxpayers who are contributing to the budget and have an interest to hold accountable the agency/government on the use of their contribution to the development aid. Second, the counterparts which represent the recipient country, and are responsible for the distribution and monitoring of resources at the grass-roots level should be hold accountable. At this level there are less mechanisms for the local population to hold the government accountable on the use of the aid, and most often the recipient country is accountable to the donor. However, as Roche and Hoffstaetder suggest, the recipient country government can still be held accountable by local counterparts, NGOs, civil society. Thus, the voice of the aid beneficiaries should be heard and considered as the actors to hold accountable the recipient donor country government.

In this research work, the two concepts to measure aid efficiency (VfM and Capability Approach) will go through the scrutiny of accountability level by answering the question “to whom should the aid agencies be accountable to” instead of looking into the stakeholders that should hold the agencies and government accountable for attaining the set goals.

Economic Growth as Mean or End

Enhanced economic growth in developing countries has been one of the main incentives for the establishment of international development agencies and institutions in the 1940s. The aid framework at global level was deeply framed around the economic theoretical models, and it thus considered economic growth as an end to development through the measurement of the GDP. The emergence of the concept of aid along the years brought new theoretical models in the measurement of aid impact, beyond economic values, considering and measuring social impact as well. Such a development determined a shift of the economic growth from an “end” to “means” to development.

In this context, the comparative analysis of the VfM and the Capability Approach will analyze if the concepts are considering economic growth as an “end” or rather as “means” to development.

Agency

The identification of the donor and partner country as the main actor in the efficiency of aid may have shaped a perception of the beneficiaries of aid as passive recipients. The decision-making process on the strategic decisions on the flows of aid in developing countries, may look paternalistic at times with a strong power of decision in the hands of donor countries. Without a thorough analysis of the way beneficiaries can be active agents in shaping their future with the resources and opportunities offered, the donor strategies may suggest a top-down approach rather than a bottom-up one. Therefore, an emerging literature related to aid efficiency, discusses the importance to treat beneficiaries as agents of aid i.e. the empowerment one gets together with the aid. Agency becomes even more important in the context of the Sustainable Development Goals, as the more beneficiaries are empowered the more they can self-sustain and ensure sustainability of the invested aid funds.

The presence of the agency of people will be looked into when deconstructing the differences and similarities of the Capability and the Value for Money approach through the identification of discourse that suggests the empowerment of beneficiaries to decide over their live.

5. Methods research

The Capability Approach is a complex normative theory grounded in social sciences, which can be best explored in terms of its incorporation in strategies through qualitative analysis. Moreover, as presented in the previous chapters the vague definition of the capability approach leads to a slow and scattered operationalization of the theory, thus a quantitative analysis might be a premature attempt to assess its impact and integration. Quantitative methods have been used to measure the level of capabilities of vulnerable groups of people (Kuklys & NetLibrary, 2005), gender budgeting (Addabbo, Lanzi, & Picchio, 2010) or capability deprivation (Majumdar & Subramanian, 2001).

Similarly, the integration of the Value for Money approach in the strategies of development aid agencies can be best analyzed through a qualitative analysis. As well, as stated above, this research is interested to analyze the operationalization of the concept at the strategy level and not at the operational level, which is best performed with a qualitative research.

This study is concerned with the comparative analysis of two theories. First, from a theoretical perspective, through identification of similarities and differences of the concepts that underly the Value for Money and the Capability Approach. And second, from an operationalization perspective, through the analysis of the integration of the two theories in the policies and strategies of aid agencies. Such a structure of the research requires two separate methods of data analysis used for each of the research questions. Thus, the first research question will be answered by using the grounded theory as a method, and the second research question will be answered with the case study analysis. The two methods are complementing each other and interrelate. The outcome of the analysis from the grounded theory will be used as an analytical framework for the case study analysis.

Research Design: Grounded Theory

“Grounded theory is an open, reflexive form of research where data collection, analysis, the development of theoretical concepts and the literature review occur in a cyclical and interactive process” (Christine Daymon, 2011, p. 130). Grounded theory thus is a more explorative, inductive method to conduct research, which best suits the purpose of the study that aims to explore the synergies and incompatibilities between two emerging theories. Such a research is performed with an open mind, without being framed by pre-existing models and frameworks. The latest are rather developed along the study, rather than set as a starting point for the research.

According to Daymon and Holloway (2011, p.133) “grounded theory is useful in situations where little is known about a particular topic or phenomenon, or where a new approach is needed to garner novel insights in familiar settings.” Having little research and theoretical knowledge on the Value for Money, the use of grounded theory as a method will help thus in defining further this concept with the help of its deconstruction in the space of the Capability Approach, without losing the unique definitory characteristics of the Value for Money approach.

The grounded theory approach will help identify the synergies and incompatibilities between the Capability and the Value for Money Approach.

Research Design: Case Study and Case Selection

The second research question will be answered with the help of case study analysis, mainly the strategies of DFID and Sida. A strategy is the narrative part of a long-term direction of an

agency, which analyzed through a theoretical framework, such as the Capability Approach and VfM, implies an in-depth analysis and interpretation of the text case by case. Therefore, the study is framed around two cases studies, which are representative for both Capability and VfM approach.

The selection of the case study as an approach for the empirical research is driven from the incentive to extend the findings of the research to a larger group, in this case governmental aid agencies, by the in-depth analysis of two representative development agencies, DFID and Sida. The inspiration of this approach comes from the definition of case study as “the intensive qualitative analysis of a single unit or a small number of units (the cases), where the researcher's goal is to understand a larger class of similar units (a population of cases) ” (Seawright & Gerring, 2008, p. 296).

As the aim of the second research question is to explore the extent to which the Capability Approach is losing ground to the VfM approach, the strategies of the two development agencies will be analyzed via the distinctive characteristics of the two concepts for which an analytical framework will be detailed further on. The analytical framework creates the ground for a comparable-case research design (Levy, 2008, p. 10).

Selection of cases should best illustrate the processes or features of interest for the research (Silverman, 1999), which in this case is the applicability of the VfM and the Capability Approach in framing the aid provision and effectiveness strategy. Considering that the Capability Approach has been highly integrated at the global level by the United Nations through the Sustainable Development Goals, the focus of this research is the development agencies at the national level.

The two agencies selected for this research represent the interest of top ten donor countries of official development aid (ODA), which are as well important global actors in terms of policy making. The governmental agencies under discussion are the Swedish International Development Cooperation Agency (Sida) from Sweden, who is leading with the highest ODA as percentage of the GNI-1.40 %, and the Department for International Development (DFID) from the United Kingdom who committed 0.71 % of GNI to ODA in 2015. ⁸

⁸ OECD Official Statistics Site <http://www2.compareyourcountry.org/oda?cr=oeecd&lg=en>

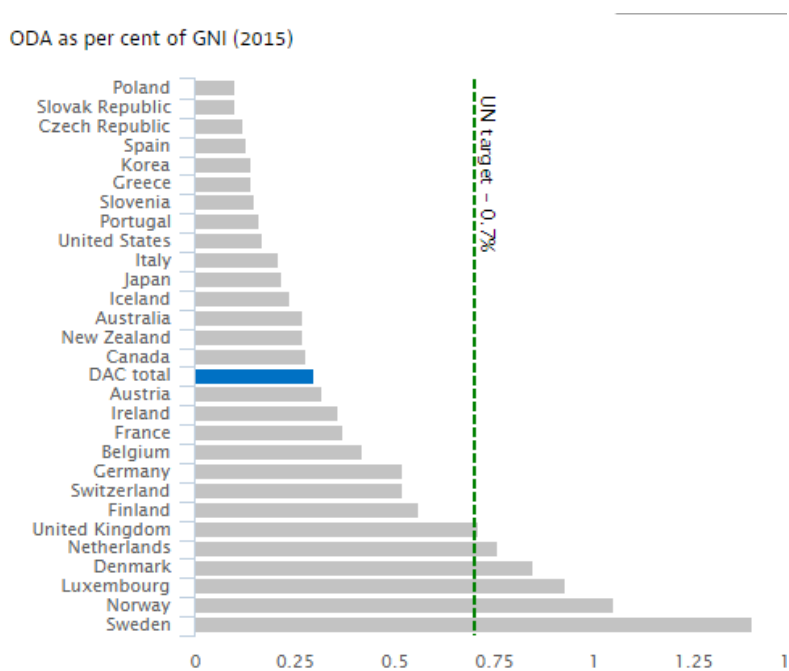


Figure 1 ODA as per cent of GNI

Source: OECD Official Statistics Site

Though, Sweden is followed by Norway in the top donor countries of ODA, the United Kingdom’s active participation in policy making in measuring aid efficiency, and especially the role of the country as pioneering in the Value for Money approach in development, makes DFID a relevant case study for this research.

Swedish International Development Cooperation Agency (Sida) Profile

The Swedish International Development Cooperation Agency (Sida) is a government agency implementing the agenda of Swedish government on poverty alleviation, as part of the Sweden’s Policy for Global Development. Since 1965, when the government agency Swedish International Development Authority was constituted to manage state’s development assistance, more than 125 countries benefited from the Swedish aid.⁹ After 2007, three thematic priorities were established: democracy and human rights, environment and climate, and gender equality and women's role in development. The key principle of the Swedish aid is to empower recipient countries to decide and be responsible of the development agenda, thus encouraging “people themselves as agents of change who can influence their own development”(Communication, 2016). Since 2006, the Swedish Government contributes to ODA with 1 percent of its gross national income.

⁹ <http://www.sida.se/English/how-we-work/about-swedish-development-cooperation/>

Department for International Development (DFID) Profile

The Department for International Development represents the interests of the government of the United Kingdom (UK) in ending extreme poverty. Since 1997, when it was established, DFID aims to build a healthier, safer and prosperous world for both people in developing countries and the UK. With a primary focus on countries from Asia, Africa and Middle-East, UK aid reaches the Caribbean and Latin countries through regional programmes and multi-country global programmes. Amongst the five priorities of the DFID’s agenda is to end extreme poverty, strengthen global peace, build resilience and response to crisis, and deliver value for money. Integration of the Value for Money approach as part of the aid effectiveness framework has become a central tool throughout the project lifecycle funded by DFID. The UK government has committed 0.7 % of its national income to overseas aid, and the goal of the agency is “to maximize the impact of each pound spent to improve people’s lives” (DFID, 2011).

Data

Constrained information availability in identifying the necessary capabilities and freedoms is one of the limitations towards operationalization of the capability theory, but as Sen highlights practical compromise should be considered in terms of “the range of the ultimate interest”, as well as information availability itself (Sen, 1992, p. 49). For the purpose of this research document analysis will be performed on a range of strategies, policies and other governing documents which are publicly available.

Table 1 List of Policies used for the Empirical Study

Documents Selected	Objectives
Swedish International Development Cooperation Agency (Sida)	
<i>Policy Framework for Swedish Development Cooperation and humanitarian assistance</i>	Presence of the capability approach and Value for Money concepts in the definition of the Swedish Aid strategy: vision, mission, principles, target areas
<i>Results strategies in such areas as: social, sustainable economic development, capacity development, environmental sustainability, sustainable social development</i>	Presence of the capability approach and Value for Money concepts in the definition of the Swedish Aid strategy in the area of sustainable development
<i>Results strategies in such areas as: sustainable peace, human rights, democracy, and the rule of law, gender equality etc.</i>	Presence of the capability approach and Value for Money concepts in the definition of the Swedish Aid strategy: human rights law and democracy.

Department for International Development (DFID)	
<i>UK aid: tackling global challenges in the national interest International Development Act 2002 Bilateral Development Review 2016</i>	Presence of the capability approach and Value for Money concepts in the definition of the strategy of UK Aid: vision, mission, principles, target areas
<i>DFID's Approach to Value for Money (VfM) 2011</i>	How is the "value" defined as part of the VFM approach
<i>Economic Development Strategy</i>	Analysis whether the economic development is treated as means or end to development

The respective documents (above table and those mentioned in Appendix 1) will go through the scrutiny of an in-depth analysis based on the analytical framework defined in the fifth chapter.

6. Results Analysis

6.1 Synergies and incompatibilities between Value for Money and Capability Approach (based on literature review)

This chapter starts with a discussion on the similarities and differences between the Value for Money and Capability Approach from theoretical perspective, which represents the author's views based on the literature review. This analysis will serve as the analytical framework for the empirical study, the results of which will be presented in this chapter as well.

The Capabilities Approach and the Value for Money approach are both evaluative frameworks which question the way the efficiency of aid is measured. Though the concepts have been introduced in the literature twenty years apart from each other (CA -1990, VfM - 2010), there is still significant research focused on both topics. The extent to which the frameworks are operationalized though are yet to be questioned, as the discussion at the high-level forums on aid efficiency is centered more on the VfM applicability rather than the Capability Approach.

Ethics

From an origin perspective, the Capability Approach emerged as an ethical evaluative framework, as a critique to the resource-based theories which analyze social equality in terms

of income, primary goods, utility. It tries to find a fair evaluative space for aid effectiveness to enhance people's well-being. On the other side, the VfM approach emerged as result of the shrinking of the governmental budgets in 2010. The focus thus is rather on the efficient use of the resources to maximize the impact. Hence, the VfM approach does not neglect the ethical considerations and introduced a new component to the 3E frameworks, namely equity. Through the lens of equity, it assured that all benefits are distributed fairly. The capability framework has still a stronger ethical epicenter as the framework is built on ethical premises – ensure enhance capabilities of people. The VfM brings the emphasis on the ethical aspects mainly in regard to the distribution of the outcomes.

The strong ethical incentives of the capability approach is a fundamental pillar for development, which is supported by the UN Agenda for Sustainable Development. The United Nations Deputy Secretary-General Jan Eliasson in one of the forums stated that “universal inclusiveness of the 2030 Agenda for Sustainable Development is an ethical imperative” (News, 2016). However, in a world focused on efficiency is the ethical focus of the Capability Approach strong enough not to lose grounds to VfM?

Preconditions to Alleviate Poverty

The ultimate goal of both approaches is to evaluate to which extent poverty decreases. If the Capability Approach analyzes the poverty reduction as the enhancement of human well-being through the measurement of capabilities, then VfM analyzes whether the poverty reduction level is maximized based on the resources invested. In the case of the Capability Approach, poverty reduction does not stop when economic growth is achieved, or resources/services are delivered. Poverty is alleviated once people have the necessary freedom to achieve what they are able to do and to be (functionings). Therefore, the Capability Approach can be considered a more comprehensive approach as beyond the ultimate development goal of poverty eradication it advocates for the enhancement of people's capabilities.

Accountability

At the heart of the Capability Approach are the receivers of aid, those people in need for the freedom to achieve what one values to be and to do. The concept prioritizes people's needs over the economic or other needs, bringing social justice, human rights and poverty alleviation at the forefront. In the case of the Value for Money the accountability to taxpayers is the main growing emphasis, which shadows the accountability to the beneficiaries of aid. A diversion from the aid recipients to taxpayers as part of the VfM poses some concerns to practitioners who perceive

additional donor requirements as a rather bureaucratic approach than an added value to the beneficiaries (ActionAid, May 2017). Practitioners and policy makers are advocating thus for the feedback from the beneficiaries to be at the center of “value” definition *ibid*, and align them with the priorities of the governments and donors (HLFEA, 2011). There is much contrary evidence in the Proceedings from the High Level Forum on aid efficiency that suggests that “there is an increasing demand for aid to deliver immediate benefits and value for money, for reasons of accountability to taxpayers ...” (HLFEA, 2011, p. 243). Thus, it can be seen a discrepancy between the high level discussions and the grassroots level towards whom donors should be accountable. Because of the reduced focus on the taxpayers the Capability Approach may lose ground to VfM. However, there is yet more often one voice and understanding among stakeholders at different levels (high level panels, policymakers and practitioners at grassroots level) on the accountability towards beneficiaries, and less on the accountability towards taxpayers.

Results-based chain

Both frameworks entail a logical chain between the inputs and outcome, which in the existing literature is known as the results-based framework. On one hand, CA has a less defined logical flow broadly referring to the conversion of the inputs i.e. resources to outcome i.e. capability and functionings. On the other hand, the VfM approach is fully grounded on the results-based framework and each of the 3 Es is a connection between the two components of the logical framework. Considering that VfM builds on a widely used tool to monitor and evaluate aid impact, it may have better chances to be operationalized by practitioners and gain grounds to the Capabilities Approach.

Aid Impact Measurement

VfM measures what “constitutes the good value for money” from an investment efficiency perspective. VfM approach focuses on the measurement of the efficiency outweighing the measurements of the “value” itself. A less clear definition on what value means in this context leaves room for measuring what is more quantifiable i.e. cost efficiency. In the case of the Capabilities Approach, the ultimate value would be the welfare of people in need measured through capabilities or functionings. While there is no doubt on what to be measured, Capability Approach provides a less defined methodology to follow on how to measure the impact. Thus, from a measurement perspective the VfM approach has a better definition of how to measure aid effectiveness, while having a vague reference to what to measure. On the

contrary the Capabilities Approach is strong in defining the “what” part, and weak in providing guidelines on “the how” part.

Following the above-mentioned arguments the Capabilities Approach and the VfM differ in the measurement, however combined, VfM and Capabilities Approach frameworks may cover both the “what” part and “the how” part. In this way the Capabilities Approach can complement the VfM approach by articulating the meaning of the value, thus fulfilling what it is lacking. The same may apply on the use of the VfM to define the operationalization of the Capabilities Approach from a results-chain perspective.

Economic Growth as End or Mean

The underlying foundation of the Capability Approach is the discourse around the “means” and “ends” of development. By criticizing the perception of the economic growth as an end to development, the Capabilities Approach invites scholars to clearly make the distinction between the “means” and “ends”. For an intervention to be effective it first has to analyze whether the “means” and “ends” defined bring added-value to aid recipients. In the context of aid efficiency this discussion has a significant role as what is meaningful to the beneficiaries may be overlooked in the development of a logical flow from inputs to impact. Therefore, while both theories are referring to the “means” and “ends”, the Capability Approach is devoting more emphasis on the deconstruction of these two concepts to align to the needs of the beneficiaries.

Individual Agency

Beneficiary-centered approach is directly linked to the agency of the aid recipients. The Capabilities Approach advocates for the active participation of people in change, as opposed to “passive and docile recipient of instructions or of dispensed assistance” (Sen, 1999, p. 281.). Aid is thus efficient when humans are empowered to achieve their goals or what they value. The Capabilities Approach has proven to be an agency-centered theory by emphasizing the need for active participation of communities at all stages of project delivery, starting with the definition of the capabilities and functionings. There is however less evidence to account VfM for agency enforcement. On the contrary, the concept has been criticized for weakly engaging beneficiaries when defining the “value” and aligning it more to the donor’s needs. Considering that the Paris declaration on aid efficiency is highlighting the ownership¹⁰ principle by

¹⁰ Ownership - Partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions. (Paris Declaration,p.3)

providing a leading role to the local actors to act, VfM concept may lack behind, as the agency-driven concept is less present as part of the framework.

Operationalization

Despite a well theory-grounded concept which critically challenges the normative aid efficiency approaches, a framework will take more ground depending on the level of operationalization. In this respect, practitioners and researchers have explored various ways to operationalize the aid efficiency frameworks discussed. The VfM and the Capabilities Approach have been both criticized for poor operationalization due to complex and vaguely defined concepts.

First and foremost, both frameworks are designed to measure the impact of aid on development, which by nature is a set of long-term objectives and rarely immediate results. Having a long-term perspective, the efficiency of resources in development is challenged by the difficulty to have in place objective measure. Considering this complexity as a starting point, the task of the Capabilities Approach and VfM approach is to set some measurable parameters for a transformative agenda. From the operationalization perspective, VfM thus may be preferred by practitioners as it provides more practical tools on how to set objectives and how to measure the effectiveness at each step of the results chain (from input to impact). The Capability Approach however is less elaborative on how to operationalize the measurement of aid effectiveness by encouraging a participatory approach in defining both what to measure and how to measure.

A common challenge for operationalization of the Capability Approach and the VfM approach is the lack of reliable data. The capacity of an entity to measure aid efficiency is directly linked to the presence or absence of data as well as the quality of the data provided. Thus, developing countries, where the aid is fueled to, are quite often in a limbo of proving efficiency of aid due to lack of systems and resources to collect reliable data. For the Capability Approach this risk may have a higher impact on operationalization, due to abstract definition of the “capability”.

Table 2 Summary on the differences and similarities between the Value for Money and Capability Approach

CRITERIA	CAPABILITY APPROACH	VALUE FOR MONEY APPROACH
Ethics	The concept is grounded in ethical theories	Equity defined as all the benefits are distributed fairly

CRITERIA	CAPABILITY APPROACH	VALUE FOR MONEY APPROACH
	No one should be better off at the expense of someone else's well-being	
Preconditions to alleviate poverty	Poverty reduction as enhancement of human well-being through the measurement of capabilities	Poverty reduction level is maximized based on the resources invested
Accountability	Aid implementation accountability to individuals	Accountability to taxpayers
Aid Impact Measurement	Welfare of people in need measured through capabilities or functionings	Measurement of the efficiency outweighing the measurements of the "value" itself
Economic Growth as End or Mean	Economic growth as means for development	Economic growth as an end to development
Individual Agency	Aid is efficient when humans are empowered to achieve their goals or what they value.	Weakly engaging beneficiaries when defining the "value" and aligning it more to the donor's needs.
Operationalization	The capability approach is less prescriptive and more inviting in defining the evaluative space in a participatory manner	The framework is prescriptive on the ways aid efficiency should be measured.

6.2 The extent the Value for Money Approach and the Capability Approach are integrated in aid strategies

DFID and Sida's activity are governed by a series of aid strategies developed by the government which are further operationalized and mainstreamed in the design of interventions. The series of documents are defining the strategic objectives and priority sectors for the aid to be further channeled to programme budgets.

This chapter seeks to present the results which show the evidence of the integration of the Value for Money or the Capability Approach in the strategies of DFID and Sida. A discussion on the analysis of the identified results will be presented though in the following chapter.

Swedish International Development Agency (Sida) of Sweden

Ethics

The ethical dimension in the strategies governing Sida's activity is shaped around the main goal of the aid framework, which reveals the motivation behind the assistance provided to developing countries. The strategy states the following:

The aim of Swedish international development cooperation, as stipulated by the Riksdag, is to create preconditions for better living conditions for people living in poverty and under oppression. (Govt. Comm. 2016/17:60, p.4)

The Swedish aid thus emphasizes the motivation behind a moral obligation towards ensuring an environment, or in terms of the Capability Approach - a space for individuals' freedoms, to enhance their well-being and be out of poverty.

From the results perspective, the framework outlines the morality behind the responsibility of the development actor towards *“addressing the challenges the world is facing and the opportunities created by the clear global direction towards sustainable development”* (Govt. Comm. 2016/17:60, p.5)

As part of the discourse related to the results aimed to be achieved, Swedish aid policies make an appeal for the strategies to tackle the need for equitable development sensitive to the needs of the most vulnerable and at times the disadvantaged groups such as women and children.

Activities within the strategy will aim to contribute to healthier lives and lifestyles, as well as socially sustainable and equitable development, with a particular focus on women and children living in poverty. (Government Decision UF2014/32091/UD/MU 2014, p.1)

Social protection systems fulfil a key function for a more equitable and gender-equal distribution of welfare throughout people's lives. (Govt. Comm. 2016/17:60, p.32)

The overall objective of the Strategy for human rights, democracy and the rule of law is to contribute to secure, just and inclusive democratic societies that protect and respect the equal rights of all.

Preconditions to alleviate poverty

The Swedish aid policy acknowledges the multi-dimensional facet of the root-causes of poverty, thus the diversity of the prerequisites that need to be in place to alleviate it (Govt. Comm. 2016/17:60 p.14). As result among the preconditions for poverty alleviation, Swedish

aid policy considers such sectors as education, healthcare system, human rights, democracy and the rule of law, gender equality, economic development, and climate change among others.

“Poverty is rarely caused by one single problem but is the combined result of the deficiencies and limitations experienced by people who have fallen into poverty. Poverty is multidimensional.” (Govt. Comm. 2016/17:60, p.14).

The Swedish aid policy develops further on the equally important role that plays the economic, social and environmental aspects. These are factors that are interrelated and depend on each other to advance the development and humanitarian agenda.

Economic, social and environmental circumstances and processes are all equally important in principle and so constitute prerequisites and opportunities in relation to each other. (Govt. Comm. 2016/17:60, p.5-6).

The strategy elaborates as well on the importance of the presence of strong public institutions to enable the abovementioned preconditions for poverty alleviation. The strategy states that *“In countries with well-functioning public institutions, the prerequisites for development are better in place.”* (Govt. Comm. 2016/17:60, p.9).

The Strategy for Sweden’s humanitarian aid sets the preconditions required from the perspective of a humanitarian response to alleviate poverty, and states, that every humanitarian intervention should be "needs-based, fast and effective". (Appendix to Government Decision UD2017/01299/KH p.1)

The strategy highlights the importance to complement development effort with the humanitarian ones and identify the synergies that will further enhance people’s resilience and adaptability to crises.

Accountability

One of the pillars of the Swedish aid policy is the *perspective of the poor people on development*. Such a focus suggests the strong links which the Swedish development agenda has with the end beneficiaries of aid, as well as accountability towards them. The policy is considering the rights, needs, conditions, interests and priorities"(Govt. Comm. 2016/17:60 p.14) of the people that are living in poverty or are under oppression.

In order to enhance the accountability towards the development stakeholders, Sida is investing efforts towards building capacity of civil society organizations. This area is seen as important and crucial one for the civil society actors, so that they are able *"to improving their prospects*

of advocacy, influencing decision-makers, providing service delivery to communities, etc." (Strategy for support via Swedish civil society organisations p.8). Strong and capacitated civil society organizations thus imply a better accountability of civil society organizations, as well as better capacity in terms of "demanding accountability" from other development actors.

Finally, accountability is reflected towards the recipient governments, whose national strategies represent a starting point for alignment of the Swedish development policies.

The starting point is the problems and challenges that the Government wants Swedish aid to help resolve and that have been identified on the basis of the partner country's national development strategy, among other things. ((Government Decision UF2014/32091/UD/MU 2014 p.3)

Aid impact measurement

The value from the invested aid is to be achieved if it reaches first of all the objectives stated above to help alleviate poverty. The main objective being "to create preconditions for better living conditions for people living in poverty or under oppression". The objective as such covers a diverse range of areas (economic, social and environmental), enhancing, to a large extent, human capabilities defined based on Sen's Capability Approach framework. To mention a few, gender equal health, education and research, human rights, democracy and the rule of law etc. In addition to the objectives, impact is measured via three perspectives which are overarching the development objectives of Sida. The three perspectives are: conflict sensitivity, gender equality and climate change. These three perspectives are seen to be subject to extensive mainstreaming among the priority areas of intervention and action.

Economic growth as means or end to development

In the case of Sida's aid strategies the economic growth is referenced in the context of enhancement of other freedoms and choices for human- i.e. capabilities.

"The lack of social protection systems cements people's vulnerability and undermines their opportunities to escape poverty through economic activity." (Govt. Comm. 2016/17:60, p.8)

"Economic development is also about the contributions people make to the growth process and their enjoyment of its effects, rather than about growth as such. It is about the realization of the potential of humans by enhancing their capacity, especially the economic rights and empowerment of women and youth." (Economic Development Strategy, January 2017 p.3)

Let alone, economic growth is not enough for development as long as inequalities on the distribution of resources still persist. A solid evidence highlighted in the Swedish aid policy, is the fact that the middle-income countries have most of the people living in poverty.

Poverty is increasingly about an inequitable distribution of resources and opportunities, oppression, a lack of security and respect for human rights, and social exclusion, rather than an absolute lack of resources. Growing inequalities weaken the value of economic growth in increasing prosperity and reducing poverty. (Govt. Comm. 2016/17:60 p.8)

Development cooperation may therefore also play an important role in middle-income countries although it should be limited in financial terms since the fundamental problem is not a lack of resources but the way in which the resources are distributed within the country in question (Govt. Comm. 2016/17:60, p.50)

As part of the discourse on the means and ends to development, the Swedish aid strategies focuses on the “democracy, and respect for human rights, gender equality and the principles of the rule of law” (Strategy for Sweden’s development cooperation in the areas of human rights, democracy and the rule of law, p.6) , which can be considers as end goal but as means as well.

Agency

The Swedish Aid framework lays the foundation for a poverty alleviation agenda, by considering “the perspective of the poor people on development and by a rights-based perspective” (Aid framework p.4). Such an approach suggests that the views of the beneficiaries and their inputs stays at the heart of poverty alleviation agenda.

The agency of people in the Swedish Aid policy is analyzed through the lens of gender equality. Thus, for an efficient and inclusive aid agenda the framework should acknowledge people as a heterogenous group of individuals.

Women and girls, men and boys, are not homogeneous groups but individuals with different identities, needs, circumstances and influence. (Govt. Comm. 2016/17:60, p.23)

The agency of women and girls and their empowerment is seen as essential towards achieving the goals of the strategy on human rights, democracy and rule of law. The strategy is emphasizing the need to ensure the preconditions for the enjoyment of equal rights thus equal agency of women and girls.

Strengthened preconditions for the full enjoyment of human rights by women and girls, empowerment of women and girls, and gender equality

Particular attention has been given to the agency of children, who are to be consulted and involved in the decision-making process.

Children and young persons are important rights-holders and actors and must be included in the decision-making and implementation processes of building society. (Govt. Comm. 2016/17:60, p.21)

The strategy for humanitarian response is tackling the aspect of agency even in humanitarian responses. The strategy appeals for the use of the skills and knowledge of people affected by a humanitarian crisis, so as to accelerate the design of the response.

Increased influence for people affected by crises. People's ability to act, their right to be involved in decision-making and ability to design humanitarian activities themselves are important for an effective response. (Appendix to Government Decision UD2017/01299/KH p.4)

Department for International Development (DFID) of the United Kingdom

Ethics

The ethical perspective is present in the UK Overseas Development strategy. It considers the commitment towards the world as a moral obligation, while acknowledging the national interest as well.

"The strategy is underpinned by a very clear guiding principle: that the UK's development spending will meet our moral obligation to the world's poorest and also support our national interest." (DFID, 2015 p.9)

In the context of a moral approach to development and the overseas aid, the UK government outlines the implications through the lens of gender equality and law, stating the below:

This commitment is now enshrined in law, and is a powerful demonstration of the UK's moral commitment to helping the millions of people around the world who live in poverty(DFID, 2015 p.5)

Moreover, the moral obligation of the UK develops further on the dimension of gender mainstreaming by targeting the well-being of women and girls as part of the global UK commitment on leaving no one behind. In this regard the UK aid strategy claims that:

"Throughout all its development spending the government will continue to prioritise the needs of girls and women... No country can develop successfully if half its population is left behind.

This is a moral imperative, and it will make for a more stable, secure world for us all.” (DFID, 2015 p.18)

The morality towards the efficiency of aid is inferred as well in the context of what is sought to be associated with the Value for Money approach i.e. the “*moral obligation to maximise the cost-effectiveness of our work*”. (DFID, 2016 p.47)

The policy goes beyond cost-effectiveness and defines further what is implied behind cost-effectiveness. Thus, the morality is linked in this strategy with the commitment to save the lives of people, which proves that cost-effectiveness is not purely about financial aspects.

“The more we can achieve with our resources, the more lives we can save and the more people can lift themselves out of poverty for good.” (DFID, 2016 p.47)

The concepts of equity is present in the Economic Development Strategy as well, where an appeal to the fair distribution of benefits and opportunities is made.

Life-changing progress comes from growth that transforms economies; that creates productive jobs and private sector investment; and that spreads benefits and opportunities right across society. (DFID,2017 p.4)

Preconditions to alleviate poverty

Among the UK government agencies, DFID is the department that has as a core purpose the alleviation of poverty. The UK government sets a series of objectives and actions in order to alleviate poverty, by defining four strategic objectives, and details some directive areas of work. Thus, the UK aid framework is built upon four main goals (I) strengthening global peace, security and governance, (II) strengthening resilience and response to crisis, (III) promoting global prosperity, and (IV) tackling extreme poverty, and helping the world’s most vulnerable (DFID, 2015 P.9).

In addition to the upper-mentioned directions, the UK aid is targeting three areas of intervention from the Sustainable Development Goals, such as health, nutrition, and education. The three sectors of intervention are present across a series of documents governing the UK aid development and humanitarian response.

“The new goals focus on eradicating extreme poverty forever and finishing the job of the Millennium Development Goals in key areas like health, nutrition and education. But they also go further, recognising that economic development, good governance, job creation, peace and

security, and the fight against climate change are vital to sustainable development. " (DFID, 2015 P.7).

"Critically, we will promote transparency, tackle corruption and confront vested interests that stifle economies and sow instability. This work will complement our investments in health, nutrition and education to help people lead safer, healthier and more prosperous lives." (DFID 2017, p.3)

An overarching factor over the above-mentioned directions is the economic development, which is seen as a prerequisite to advance the agenda on poverty alleviation. The strategy is highlighting the positive impact of the private sector, as well, which should not be neglected when it comes to poverty eradication.

"The government committed to do more on economic development, which is fundamental to eradicating poverty" (DFID 2015, p.5)

Another precondition for poverty alleviation stated by the UK aid is the presence of the good governance and the rule of law, areas, where efforts has been invested by the UK aid funds.

The government has increased activity on good governance, which is vital for development." (DFID 2015, p.5)

The UK aid strategy considers the implication of the humanitarian response as part of poverty alleviation effort. Though it implies a different approach in comparison to the development agenda, the humanitarian interventions are sought to be as important to enhance the efforts towards poverty eradication as the ones linked to development agenda. The UK aid policy emphasizes the high level of preparedness of the UK government when it comes to responses to climate change effects and disaster response.

"The government will also do more to strengthen the resilience of poor and fragile countries to disasters, shocks and climate change." (DFID 2015, p.15)

The gender perspective is brought to discussion in the context of poverty reduction. The Bilateral Development Review paper emphasizes particularly the importance of girls' education, family planning, economic empowerment.

We will continue to support comprehensive, evidence-based development and humanitarian action for girls and women, including investments in girls' education, family planning and women's economic empowerment. (DFID 2016, p.38)

Accountability

The UK aid strategy clearly states that the accountability on the use of the governmental funds is directed first of all to UK taxpayers. The accountability towards taxpayers is enforced across various governing documents aiming to build “a strong nation with global outlook” (DFID,2016 p. 17)

Our aid budget makes working people in the UK safer and more secure. We will continue to ensure that the people who pay for our aid budget benefit from it. (DFID, 2016, p. 17)

DFID is committed to supporting other Government departments to help them ensure that all their ODA spend is value for money for the UK taxpayer. (DFID, 2016, p.21)

A strong focus to its taxpayers, though does not necessarily imply that accountability and inclusiveness of the beneficiaries of aid is left behind. As part of the Transparency Initiative, UK aid is lobbying for the donors to enhance the transparency of aid and improve the accountability towards the beneficiaries of aid.

Aid transparency has many benefits. It enables proper scrutiny and supports accountability to the UK taxpayer. It facilitates better coordination and allocation of effort across aid organisations, allows better planning by partner governments, and is a necessary building block for accountability between the citizens we are trying to help and their governments. (DFID, 2016 p.44)

Such an approach, as a first step would imply seeking feedback from the recipients of aid (governments) as well as the end beneficiaries. And as a second step the collected feedback and data is fed into the programme design, implementation and assessment. The feedback from beneficiaries is thus seen as one of the pillars to bring added value to the programmes implemented by the UK aid.

We will listen to the people whose lives we are trying to improve to achieve the best results on the ground. By accessing timely information about the people we are working with and their most pressing needs we can improve programme design and delivery and monitor our results more effectively. This helps us to identify and manage risks and makes us more responsive and accountable. Ultimately it improves value for money and outcomes for people. (DFID,2016, p.46)

Aid Impact Measurement

Following an in-depth analysis of the governing documents for UK aid, three prominent factors has been identified as having a significant weight on the measurement of aid impact.

The first factor is the economic growth which is sought to be one of the main indicators for the enhancement of people's life.

Since 2000, the number of people living in poverty has fallen dramatically ...The driving force behind this reduction was economic growth and job creation. Continued progress depends on maintaining high growth rates and making growth more inclusive. (DFID,2016 p.11)

The second factor used to measure the impact of UK aid is cost-effectiveness, which is a dimension tightly linked to Value for Money approach.

“We will work to build equitable and efficient health systems which use evidence to prioritise the most cost-effective interventions, so as to maximize our impact on health outcomes.”DFID,2016 p.34)

The third factor looks into the long-term sustainability and durable solutions of the intervention and seeks to consider the ownership of the government once a project is finalized.

We will support our partner countries to make faster progress towards a sustainable exit from aid, helping them to collect more and fairer tax, spend public money more transparently and accountably on behalf of all citizens, and reduce corruption. (DFID,2016, p.30)

Economic growth as end or means to development

Economic growth is one of the centerpieces of the UK aid development agenda. The strong emphasis on the need to ensure economic prosperity in order to eradicate poverty is manifested throughout most of the governing documents.

The way to end extreme poverty and aid dependency is through inclusive economic growth, jobs, investment and trade. (DFID,2016 p. 26)

Every country benefits from global prosperity. Global prosperity is vital for poverty reduction; no country can eradicate poverty or graduate from aid without economic growth. (DFID, 2015,p.17)

Economic growth is essential for overcoming poverty and for allowing human potential to flourish. No country can prosper or move beyond reliance on aid without it. (DFID, 2017, p.6)

Such a strong phrasing around economic growth as a precondition for poverty alleviation suggests that the later is rather an “end” in itself than a “mean”. In other words development interventions are implemented successfully once economic growth is ensured.

On the other hand, the policies have evidence where the dimension of economic growth is seen as a prerequisite to the well-being of individuals as well, in particular youth, girls and women, who tend to be the most vulnerable to instability. However, this type of narrative is less present than the one mentioned above.

Getting economic development right is crucial to these young people's future, to social stability and to the empowerment of girls and women. (DFID, 2017 p.6)

We will use UK aid to make a transformational change in the health and wellbeing of the poorest people around the world. (DFID, 2016 p.33)

Agency

The agency of individuals in the policy of DFID is achieved through the investment and intervention in the three sector identified as priorities for the UK aid, and namely health, education, and nutrition. Among the areas of intervention, a pivotal role plays investment in youth, women and girls, family planning and stronger health-care systems.

We will invest in human capital, helping everyone achieve their potential.(DFID, 2016 p.33)

We will focus on developing stronger evidence and new approaches to ensure education reaches marginalised groups. (DFID, 2016 p. 35)

7. Discussion

In this chapter, the author looks into the strategies results from the previous chapter to identify to what extent the VfM and the Capability Approach are integrated in the strategies of DFID and Sida. The analysis is performed based on the analytical framework identified in the previous chapter.

Ethics

As stated in the theoretical chapter, the ethical dimension as part of this thesis is twofold, first when it comes to the motivation to engage in development interventions, and second, ethics towards the effects on the recipient country.

If to look into the motivation of the agencies to advance the development agenda, both agencies have proven to integrate the moral obligations dimension as part of the long-term strategies. From a results perspective in the recipient countries, DFID and Sida commit to achieve the overarching Sustainable Development Goals in a moral-sensitive manner.

Both agencies have emphasized the need for a moral obligation from a gender equality perspective. Women and girls tend to be the vulnerable group in terms of accessing

opportunities, thus enhancing their human capabilities is sought to be a priority. Therefore, it is reassuring to have evidence that both agencies have considered the gender perspective when it comes to the moral obligation to advance the development agenda.

From the Capability Approach perspective, the strategy of Sida looks to have a stronger link to the Sen's capabilities theory. Such a statement is proven by the overarching main goal of Sida's development agenda which is *to create preconditions for better living conditions for people living in poverty and under oppression*. (Govt. Comm. 2016/17:60, p.4)

The strategies of DFID have less evidence of the presence of the Capabilities Approach concepts, however it does have ethical dimension discussed in relation to cost-effectiveness. The strategies bring light to what it is implied when a strategy is rooted into a moral cost-effectiveness agenda. As stated in the previous chapter a moral cost-effectiveness would imply a commitment to save the lives of people. Such a discourse would suggest a stronger presence of the Value for Money approach in the strategies of DFID, with slight nuances of the Capability Approach though.

To summarize, both agencies seem to have integrated the Capability Approach concept into their strategies, with a stronger evidence for strategies governing Sida. The Value for Money approach lacks to be reflected in the strategies of Sida from an ethical perspective, however it is nicely developed in the strategies of DFID with a link to the Capabilities Approach.

Preconditions to alleviate poverty

Both agencies, acknowledge the multidimensional aspect of the prerequisites required to be in place for an efficient development agenda towards alleviation of poverty. A series of capabilities could be identified as emerging from the overarching goals such as health, nutrition and education in the case of DFID, or human rights, rule of law, climate change, gender equality, education, health etc. in the case of Sida.

The four goals governing DFID activity could be seen as reflecting some of the capabilities by ensuring a peaceful, secure environment – space which is the key in advancing human capabilities. The link to the Capabilities Approach, though, is less strong in the case of the DFID's development goals as opposed to the Sida's goals.

Both agencies identify the governance and the presence of institutions as the laying foundation for the alleviation of poverty, with a particular focus on rule of law and good governance.

Another aspect tackled by both agencies in the effort to alleviate poverty is the need for considering the responses designed for humanitarian purposes. The governing strategies underline the complementarity of the humanitarian and development interventions. An intervention thus should investigate the synergies between the humanitarian and development sector and apply a holistic approach in ensuring human capabilities.

In the case of DFID, as mentioned in the previous chapter, one of the predominant factor in achieving the development goals is economic development. Such a focus directs the strategies of DFID towards a Value for Money approach, which is characterized by the maximization of the outcomes, i.e. poverty reduction, through the resources invested.

Aid Impact Measurement

The aid impact measurement approach of DFID and Sida is analyzed by looking into what each agency is defining as “added-value” in the space of development agenda, and whether efficiency is prioritized over the achievement of the added-value.

The aim of the Swedish Policy on aid is to “create preconditions for better living conditions for people living in poverty and under oppression.” (Sida, Aid Policy 2016, p.4). This statement, to an extent broad enough, paves the foundation for a strategy which is based on Sen’s Capability Approach. If to make a parallel with the Capabilities Approach terminology, the “preconditions” in this case could stand for the human-being “capabilities” and the “better living conditions” – for the functionings achieved. Thus, the value in the case of the Sida, would be in the long term, the achievement of functionings.

From the evidence presented in the previous chapter, in the case of DFID, the efficiency on the use of resources seems to have a huge weight on the measurement of aid impact. The three identified factors such as economic growth, cost-effectiveness and long-term sustainability, can be considered as defining the “value” for the DFID aid strategy. With two of the factors rooted in the Value for Money approach (economic growth and cost-effectiveness), the DFID aid strategy seems to be inclined more towards the Value for Money approach, while still recognizing the importance of durable solutions.

Accountability

The Capability Approach and the Value for Money approach have a distinctive characteristic in terms of accountability. The Capability Approach has at the center of an intervention the beneficiary, while the VfM approach puts more emphasis on the taxpayers. Such a distinction can be followed as well along the lines of the Sida and DFID governing strategies. As follows,

Sida has a stronger reference of accountability to the final recipients of aid, and DFID has a stronger emphasis on the accountability to taxpayers.

It is important to mention, though that the prevalence of the upper-mentioned trend does not exclude the fact that both agencies are considering the feedback and consultations of beneficiaries as pivotal in the design and implementation of the development programmes.

Economic growth as end or means to development

To account for the multidimensional aspects of poverty, the Swedish policy aid is referring to the shift of poverty from low-income countries to the middle-income countries, which questions empirically the focus to measure welfare through the economic growth. This discourse is in alignment with the theoretical discourse where, economic growth is more considered as means to development rather than an “end” as per the Capability Approach. Moreover, Sen’s capability approach was developed as a critique to measure welfare in terms of economic growth only.

While the debate on economic growth as means or end to development is still ongoing and controversial, from the two cases studies analyzed, UK Aid has a stronger inclination towards considering the economic growth as an “end” in itself, or rather the key means to reach the SDGs. Thus, the UK aid policies reflect a lower integration of the enhancement of human capabilities as such, defining the welfare/utility more through the lens of economic prosperity.

Individual Agency

Individual agency stays at the heart of the Capability Approach. As it has been presented in the theoretical chapter, the agency of individuals in the development sector is seen as an active involvement rather than a passive reception of aid. The analysis of its presence in the aid strategies plays, thus, an important role in the documentation of the Capability Approach operationalization.

The agency of individuals for the Sida’s development agenda is set at the global governing level by stating that the perspectives of the poor are to be taken into consideration. The strategy goes beyond a siloed approach, where the perspectives of beneficiaries is taken into consideration sporadically. The strategy mainstreams the concept of agency across all its governing strategies. Characterized by a feministic foreign policy, Sida’s aid strategy emphasizes the agency of women, children and youth as pivotal in advancing the development agenda.

In the case of DFID, the agency of individuals is less present, however the strategies do not lack to consider the importance of the human capital and their empowerment to achieve the desired potential.

8. Conclusion

In the light of a moral-based aid agenda, the use of traditional metrics for development, such as income or primary goods, are considered insufficient to assess the impact of aid. There is no doubt that income is indispensable for development, however the limitation of aid efficiency analysis through income only, shrinks the evaluative space considerably. Consequently, Sen, through the Capability Approach, sends the message that wealth in itself is not the descriptive metric of an individual's well-being, but rather the metric rests on the freedom one has to make use of this wealth and achieve in the end what one values. In this thread of ideas, Sen highlights the need to shift from perceiving income as an *end point* to development by rather treating it as a *means* to achieve well-being. (Sen, 1979, 1992, 1999). A higher degree of freedom extends not only the agency of one's own well-being but also the impact on the world, which is one of the central processes to development (Sen, 1999, p. 18)

The research has shown that the Capabilities Approach is significantly reflected in the Swedish policy aid with less of a focus on the Value for Money, while in the DFID case is rather the opposite. One can clearly notice that the Value for Money is getting more attention in the international arena, as it is less vague and more practical approach. While this poses threat to the operationalization of Sen's Capability Approach, from the theoretical review it can be concluded that the Value for Money approach is not necessarily excluding the capabilities approach. It aims to make efficient use of every dollar invested to achieve the results, however the results themselves maybe framed through the Capability Approach. Thus, a new combined model of the Value for Money and the Capability Approach can be designed, where the efficiency of aid is assured through VFM approach and the efficacy is assured through the definition of results through the lens of human capabilities to be achieved. Value for Money for achieving capabilities.

While Sen, through the Capability Approach, is looking at what to measure, VfM is more focusing on how to measure. A successful development intervention would thus be a combination of the two, where the aid efficiency is measured through the Value for Money approach, and value would be defined through the apability Approach.

The research shows as well that capabilities approach is yet not fully prescriptive for both agencies but more normative, which is a partial confirmation of the research of Fukunda-Par (Fukunda, 2011, p.8). SIDA has a more prescriptive tone on the integration of the Capabilities Approach by deconstructing every single thematic areas of intervention to the grassroots level. In the case of DFID the prescriptiveness is quite often linked to the economic growth and its impact on poverty alleviation.

Further studies can be conducted on the middle income countries where the poverty level is rising and the underlying factors can surface the most efficient approach towards aid: economic growth, and value for money or capabilities.

Glossary

Sustainable Development Goals (SDGs) –a set of objectives set at the global level by the United Nations which lead the aid development and humanitarian agenda of various stakeholders.

Results-Based Management – project implementation and monitoring tool which aims to track the contribution of every input to the end result

Official Development Assistance (ODA)- is defined as government aid designed to promote the economic development and welfare of developing countries (OECD definition)

Gross National Income (GNI) the total amount of money earned by a nation's people and businesses. It is used to measure and track a nation's wealth from year to year. (Investopedia definition)

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Annex 1 Selected strategies for the Empirical Study

DFID

1. International Development Act 2002
2. Smart Rules – Better Programme Delivery
3. UK Aid: Tackling global challenges in the national interest , DFID, November 2015
4. Economic Development Strategy: prosperity, poverty and meeting global challenges, DFID, January 2017
5. Rising to the challenge of ending poverty: the Bilateral Development Review 2016, DFID, December 2016
6. Department for International Development single departmental plan, [DFID, Updated 27 June 2019](#)
7. DFID's Approach to Value for Money (VfM), DFID, July 2011

SIDA

1. Strategy for Sweden's development cooperation in the areas of human rights, democracy and the rule of law 2018–2022, Government Offices of Sweden, MFA
2. Strategy for research cooperation and research in development cooperation 2015-2021, Government Offices of Sweden, MFA
3. Strategy for Sustainable Peace 2017–2022, Government Offices of Sweden, MFA
4. Strategy for capacity development, partnership and methods that support the 2030 Agenda for sustainable development, Government Offices of Sweden, MFA
5. Strategy for Sweden's global development cooperation in the areas of environmental sustainability, sustainable climate and oceans, and sustainable use of natural resources 2018–2022, Annex to Government decision 01.03.2018
6. Strategy for multilateral development policy, Annex to Government Decision 21 December 2017
7. Strategy for support via Swedish civil society organisations for the period 2016–2022, Government Offices of Sweden, MFA
8. Strategy for Sweden's global development cooperation in sustainable economic development 2018-2022, Annex to Government Decisions, May 2018
9. Strategy for Sweden's development Cooperation for global gender equality and women's and girls' rights 2018–2022, Government Offices of Sweden, MFA
10. Strategy for Sweden's global development cooperation in sustainable social development 2018–2022, Government Offices of Sweden, MFA
11. Policy framework for Swedish development cooperation and humanitarian assistance Government Communication 2016/17:60, Appendix to Government Decision 26 January 2017
12. Aid policy framework– the direction of Swedish aid, Government of Sweden, 2013
13. Strategy for Sweden's humanitarian aid provided through the Swedish International Development Cooperation Agency (Sida) 2017–2020, Appendix to Government Decision 26 January 2016