



Synthesis

Capacity, Change and Performance

Study Report

Heather Baser and Peter Morgan

With Joe Bolger, Derick Brinkerhoff, Anthony Land, Suzanne Taschereau,
David Watson and Julia Zinke

Discussion Paper No 59B

April 2008

Capacity, Change and Performance

Study report

Heather Baser and Peter Morgan

**With Joe Bolger, Derick Brinkerhoff, Anthony Land,
Suzanne Taschereau, David Watson and Julia Zinke**

April 2008

I arrived in Kumasi with no particular goal. Having one is generally deemed a good thing, the benefit of something to strive toward. This can also blind you however: you see only your goal, and nothing else, while this something else – wider, deeper – may be considerably more interesting and important.

Ryszard Kapuscinski, in *The Shadow of the Sun*, p.24

Contents

ACKNOWLEDGEMENTS	1
ACRONYMS	2
GLOSSARY	3
GUIDE FOR THE READER	6
1 INTRODUCTION	7
1.1 Background	7
1.2 The focus and positioning of this study	8
1.2.1 A variety of audiences	10
1.2.2 A balanced view of capacity issues.....	10
2 METHODOLOGY	11
2.1 Analytical framework	11
2.2 The case studies	11
2.3 A review of the capacity literature.....	13
2.4 Outputs	14
2.5 Comments on the methodology.....	14
2.6 A systems approach to capacity issues.....	15
2.6.1 The basic principles of systems thinking	15
2.6.2 Some operational implications	18
2.7 A preview of the key themes in this report.....	20
3 THE CONCEPT OF CAPACITY	22
3.1 Analysing the nature of capacity as an outcome	23
3.1.1 Individual competencies and contributions.....	24
3.1.2 Collective capabilities	25
3.2 Five core capabilities	26
3.2.1 The core capability to commit and engage.....	27
3.2.2 The core capability to carry out technical, service delivery and logistical tasks	29
3.2.3 The core capability to relate and to attract resources and support	30
3.2.4 The core capability to adapt and self-renew.....	32
3.2.5 The core capability to balance diversity and coherence.....	33
3.3 Capacity.....	34
3.4 Operational implications	34
4 THE ACTORS	36
4.1 Types and locations of the case actors	36
4.2 General functions and strategic positioning.....	37
4.3 History, age and stage of evolution	38
4.4 A systems perspective on the capacity actors.....	40
4.5 Operational implication of the actors perspective.....	41
5 THE CONTEXT OF CAPACITY AND CAPACITY DEVELOPMENT	43
5.1 Introduction.....	43
5.2 Global and regional trends shaping capacity development	43
5.2.1 The pace and complexity of change.....	44
5.2.2 Global economic pressures.....	44

5.2.3	The growing diversity of capacity challenges	45
5.3	The country context	46
5.3.1	Historical pathways and evolution	47
5.3.2	Governance and politics	47
5.3.3	Trust, diversity and collective action	48
5.4	Operational implications of contextual factors	49
6	CAPACITY DEVELOPMENT	51
6.1	Introduction	51
6.2	Internally driven processes for capacity development	52
6.2.1	Human and organisational development	52
6.2.2	Incentives, rewards and sanctions	53
6.2.3	Awareness, understanding and learning	55
6.2.4	Values, meaning and moral purpose	56
6.2.5	Formal structure and systems	57
6.2.6	Assets, resources and financial flows	59
6.2.7	Ownership, commitment and motivation	59
6.2.8	Leadership, management and entrepreneurship	62
6.2.9	Readiness and absorptive capacity	64
6.2.10	Coherence	65
6.2.11	Resilience	66
6.3	Externally driven processes for capacity development	68
6.3.1	Institutions	68
6.3.2	Demand and supply	68
6.3.3	Power and control	71
6.3.4	Legitimacy	72
6.3.5	The creation and protection of operating space	74
6.4	The dynamics and strategies of capacity development	76
6.4.1	Capacity development as an element of change	76
6.4.2	Three approaches to capacity development	77
6.4.3	Combinations of capacity development approaches	79
6.4.4	The sequencing of capacity development	81
6.4.5	The issue of time	83
6.4.6	Capacity development 'traps'	84
6.5	Operational implications	85
7	CAPACITY, PERFORMANCE AND RESULTS	86
7.1	Performance and results	86
7.2	The relationships among capacity, performance and results	88
7.3	Capacity issues and results-based management	91
8	TOOLS AND FRAMEWORKS	94
8.1	Capacity assessment frameworks	94
8.1.1	Tacit mental models	95
8.1.2	Explicit preset model	95
8.1.3	Customised hybrid approaches	97
8.2	The monitoring and evaluation of capacity issues	98
8.2.1	Patterns in the cases	98
8.2.2	Constraints and challenges	99
8.3	Emerging approaches to the M&E of capacity issues	100
8.4	Operational guidelines for using tools and frameworks	106
9	IMPLICATIONS FOR EXTERNAL INTERVENERS	107
9.1	Patterns from the cases	107
9.1.1	An expanding range of external approaches to capacity development	107

9.1.2	Direct and indirect interventions	108
9.1.3	Support to 'capacity entrepreneurs'	109
9.1.4	Facilitation and support of relationships among country actors	110
9.1.5	Integrating political, social, organisational and technical considerations ..	110
9.1.6	The use and application of learning and knowledge	111
9.1.7	Attention to strengths as well as deficits	113
9.1.8	The potential contribution of small interventions	115
9.2	Operational implications for international development agencies	116
10	FUTURE TRENDS IN CAPACITY DEVELOPMENT	120
11	SELECTED CONCLUSIONS	123
	BIBLIOGRAPHY AND SELECTED READINGS	127
	ANNEX 1: TERMS OF REFERENCE	134
	ANNEX 2: THE CASE STUDIES	137

Acknowledgements

The authors would like to thank four groups without whom this report could not have been produced:

- the staff of various international development agencies, including the Govnet of the OECD's Development Assistance Committee in Paris, who provided financial support, ideas and encouragement throughout the process;
- the actors from the organisations and networks featured in the case studies who gave of their time and energy to help us capture at least part of their experiences;
- the researchers who carried out the case studies, and who used their intellect to analyse the difficult situations that form the core of this report; and
- our colleagues in ECDPM who have provided both intellectual and moral support, especially Paul Engel whose patience has been put to the test by the delays in completing this report.

We would like to thank the authors of the different case studies, thematic papers and workshop reports, which form the basis for this final report: Niloy Banerjee, Joe Bolger, Derick Brinkerhoff, Francisco Campos, Volker Hauck, Anthony Land, Angela Mandie-Filer, Adnan Qadir Khan, John Saxby, Anne Rademacher, Phil Rourke, Suzanne Taschereau, David Watson, Lissane Yohannes, Alex Yule and Julia Zinke. In addition, we would like to thank Valerie Jones for the highly professional editing of this study report.

We would also like to acknowledge the organisations who have contributed to this study:

Australian Agency for International Development (AusAID)
African Capacity Building Foundation (ACBF)
Canadian International Development Agency (CIDA)
Committee of Entities in the Struggle against Hunger and for a Full Life (COEP), Brazil
Department for International Development (DFID), UK
Directorate General for Development Cooperation (DGIS), the Netherlands
IUCN in Asia, World Conservation Union
Japanese International Cooperation Agency (JICA)
L'Organisation Internationale de la Francophonie (OIF)
Swedish International Development Agency (Sida)
SNV Netherlands Development Organisation
St Mary's Hospital Lacor, Uganda
United Nations Development Programme (UNDP)

Amazing things are happening in all parts of the world with respect to capacity issues. We hope this report will help to bring some examples to a wider audience.

Acronyms

ACBF	African Capacity Building Foundation, Harare, Zimbabwe
ADB	Asian Development Bank
AusAID	Australian Agency for International Development
CAS	complex adaptive systems
CD	capacity development
CIDA	Canadian International Development Agency
COEP	Committee of Entities in the Struggle against Hunger and for a Full Life, Brazil
CTPL	Centre for Trade Policy and Law, Canada/Russia
DAC	Development Assistance Committee, OECD
DFID	Department for International Development, UK
ECDPM	European Centre for Development Policy Management
ENACT	Environmental Action programme, Jamaica
ESDU	Environment and Sustainable Development Unit, OECS, St Lucia
Govnet	Network on Governance and Capacity Building, OECD
HSSP	Health Sector Support Programme, Papua New Guinea
IDA	international development agency
IDRC	International Development Research Centre, Canada
INTRAC	International NGO Training and Research Centre, Oxford, UK
IT	information technology
IUCN	World Conservation Union
JICA	Japanese International Cooperation Agency
LenCD	Learning Network on Capacity Development
LENPA	Learning Network on Programme-based Approaches
LGSP	Local Government Support Programme, the Philippines
LGU	local government unit
NACWC	National Action Committee Western Cape, South Africa
NGO	non-governmental organisation
MDGs	Millennium Development Goals
MSC	most significant change technique
M&E	monitoring and evaluation
OD	organisational development
OECD	Organisation for Economic Cooperation and Development
OECS	Organisation of Eastern Caribbean States
PAHO	Pan-American Health Organization
PNG	Papua New Guinea
RRA	Rwanda Revenue Authority
PMU	programme management unit
PRSP	Poverty Reduction Strategy Paper
PSRP	Public Sector Reform Programme, Tanzania
RBM	results-based management
Sida	Swedish International Development Agency
SISDUK	<i>Sistem Dukungan</i> – Local Village Community Development Support System, Indonesia
SWAp	sector-wide approach
TA	technical assistance
UNDP	United Nations Development Programme
WTO	World Trade Organization

Glossary

Actors – organised collectives such as groups, sub-units of organisations, organisations and formal networks

Capacity – that emergent combination of individual competencies, collective capabilities, assets and relationships that enables a human system to create value

Capacity development – the process of enhancing, improving and unleashing capacity; it is a form of change which focuses on improvements

Capacity issues – a shorthand way of referring to both capacity as an outcome and capacity development as a process

Change – a capacity-neutral term referring to a shift in the configuration and behaviour of a system

Collective capability – the skills of a system to carry out a particular function or process. It is what enables an organisation to do things and sustain itself

Competencies – the mindsets, the skills, and motivations of individuals which are an essential part of the broader concept of capacity

Complex adaptive systems (CAS) – systems that are made up of a diverse set of actors whose multiple interactions produce behaviours in the whole system not found in any of the actors. They generate adaptation by changing, both intentionally and indirectly, in the face of new circumstances in order to sustain themselves. Examples of complex adaptive systems include the stock market, social insect and ant colonies, and any human social group-based endeavour in a cultural and social system such as political parties or communities.

Context – the political, social and institutional landscape within which actors struggled to make their way

Contingent – something works some of the time in some situations

Emergence – an unplanned and uncontrollable process whereby properties such as capacity emerge out of the complex interactions among all actors in the system and produce characteristics not found in any of the elements of the system; this is a key concept to systems thinking

Endogenous – derived internally, or growing or developing within

External interveners – actors involved in the capacity development of others, including bilateral donors, multilateral agencies and global NGOs, but also many national organisations

First-order changes – changes relating to the formal aspects of a system such as structure and the configuration of tangible assets

Formal structure – the explicitly designed pattern of relationships, authorities, information flows, decision making, and coordination that shapes how a system such as a ministry or network functions

Globalisation – growing interconnectedness reflected in the expanding flows of information, technology, capital, goods, services, and people throughout the world

Global trends – The full range of processes involved in globalisation, including economic integration, the various shared approaches to development, governance and domestic reform, migration, shift to knowledge economy, increased competition, and the growth of transnational actors.

Incentives – an extrinsic flow of resources in the form of money or power made available to people provided that they adopt a prescribed set of attitudes or behaviours (this compares to motivation to which we give a broader definition)

Institutions – structures, norms and rules of behaviour, both formal and informal, that shape social order of a human community

International development agency – multilateral and bilateral organisations as well as multinational civil society organisations which provide support in various forms to developing countries

Intangible aspects of management (the ‘shadow’ system) – an elusive category including identity, confidence, safety and survival, resilience, power, fear, ethnic capture, etc.

Legitimacy – a generalised perception or assumption that the actions of an entity are desirable, proper and appropriate within some socially constructed systems of norms, values, beliefs and definitions

Motivation – the reason or reasons for engaging in a particular behaviour, especially human behaviour

Operating space – a protected area within which participants can make decisions, experiment and choose and establish an identity, in short, can learn how to self-organise. Such a space can be physical, organisational, financial, institutional, intellectual, psychological or political.

Participants – individuals, either from the donor or the developing country, involved in any activity, from a discussion to a broad development activity

Performance – the ways in which organisations or systems apply their capabilities, and the results of that application in terms of the ability to deliver and to function. It is about execution and implementation; the result of the application and use of capacity.

Resilience – the ability of a system to deal with shocks and disruptions without changing its fundamental nature or its ability to create value

Results – the substantive development outcomes that represent improvements to human welfare, such as gains in health or education

Second-order or deep changes – changes involving altering mindsets, patterns of behaviour, degree of legitimacy and the relationship between the formal and the ‘shadow’ system

Self-organisation – the tendency of any open system to generate new structures and patterns based on its own internal dynamics; actors interact without central direction to

create something of value or to make progress in addressing a problem of concern to all

Structural features – the way societies are organised, the nature of their organisations, and the broad rules they live by

System – an entity that maintains its existence and functions as a whole through the interrelationships of its parts or elements

Systems thinking – a way of mentally framing the world, focusing on processes more than structures or outcomes, and with systems functioning on the basis of relationships among people, groups, structures and ideas

Tangible systems – formal structures and systems, plans, logistical systems, the number and deployment of staff, equipment, building and access to definable assets such as funding. Formal or tangible systems might include strategic planning, monitoring and evaluation, financial management, personnel recruitment systems and many others.

Technocratic-intangible aspects of management – the soft issues such as visioning, strategies for change, patterns of explicit incentives, legal provisions, internal collaboration, and stakeholder management

Guide for the reader

This report is long and the issues presented are often complex. Rather than provide a summary, we present a brief explanation of each chapter so as to guide the reader with limited time who may want to consult only a few sections. The preview of key themes in section 2.7 and the selected conclusions in chapter 11 may be of interest to all readers. External interveners may want to give special attention to chapter 9 on implications for them, and actors to chapter 4 on their role.

The chapters and their contents are as follows:

- Chapter 1 – the introduction – provides an overview of the context in which the study was developed, its original objectives and an outline of some of the major themes covered. It ends with the preview of the themes coming out of the report.
- Chapter 2 – the methodology – presents the original analytical framework and some of the key issues we addressed in the research.
- Chapter 3 – the concept of capacity – unpacks or breaks down the concept of capacity by looking at its key characteristics and its components: competencies and capabilities.
- Chapter 4 – the actors – looks at the structure, mandate and identity of the actors in the cases (groups, sub-units of organisations, organisations, formal and informal networks) who shape the process of capacity development.
- Chapter 5 – the context of capacity and capacity development – assesses the influence of context and its interactions with capacity, and stakeholder demand or support.
- Chapter 6 – capacity development – is the core of the report with a discussion of the different ways to think about capacity development and what works why and when. It looks at the different conditions under which capacity development takes place, then at various strategies for change, both internal and external. It ends with a discussion of the processes of capacity development including different approaches (such as planning and control, emergence or incrementalism), the issue of sequencing, and the importance of time and timing.
- Chapter 7 – capacity, performance and results – analyses the interrelationships between performance and results, and the tension between two approaches to change: one that concentrates on ‘results’ or task achievement and one that focuses on the capacity development. It finishes with a discussion of the implications of applying results-based management with its focus on achievement to capacity issues.
- Chapter 8 – tools and frameworks – suggests how we might think about two major techniques used to address capacity issues, capacity assessments and monitoring and evaluation (M&E), in the light of the findings presented earlier in the report.
- Chapter 9 – the contribution of external interveners – addresses what external groups or organisations can do to strengthen the capacity of others and whether current approaches to capacity development by external actors are ‘good enough’ or need rethinking.
- Chapter 10 – future trends in capacity development – looks at possible challenges in the future for external actors trying to influence capacity development, including seeing capacity as a strategic objective, and the rise of a new generation of actors.
- Chapter 11 – selected conclusions – presents some insights beyond what appeared in the previous analysis, and then returns to the question raised at the beginning of the report: ‘Is there inherent value in the concept of capacity?’ It also provides some general recommendations for external interveners to help them think about how to address capacity and capacity development.

1 Introduction

How is this report positioned?

I would not give a fig for the simplicity on this side of complexity; but I would give my life for the simplicity on the other side – Oliver Wendell Holmes

1.1 Background

Capacity and capacity development have been pervasive concepts in international development cooperation since the late 1980s.¹ But for most of the 1990s, both capacity as an outcome and capacity development as a process – what we call in this report *capacity issues* – attracted little in the way of serious research.² This pattern began to change in 2001 with a major UNDP initiative entitled *Reforming Technical Cooperation*, which was critical of the weak contribution of technical assistance to capacity development.³ In late 2002, the Department for International Development (DFID) approached the European Centre for Development Policy Management (ECDPM) to carry out a research programme that would build on the UNDP work, but would also focus on what could be done to improve the effectiveness of the capacity interventions of international development agencies (IDAs), the multilateral and bilateral organisations as well as the multinational NGOs providing support to developing countries.

This new study was to have a particular niche: to understand better the processes of capacity development and to provide some good practice to guide IDA programming, particularly at the operational level. The study was subsequently included in the workplan of the Network on Governance and Capacity Development (Govnet) of the OECD's Development Assistance Committee (DAC). Funding came from the Govnet members (see Acknowledgments), the country organisations participating in the case work, and ECDPM itself. The agreed purposes of the study were:

- to enhance understanding of the interrelationships among capacity, change and performance across a wide range of development experiences; and
- to provide general recommendations and frameworks to support the effectiveness of external interventions aimed at improving capacity and performance.

The study was thus intended to provide some new perspectives on capacity issues. First, it was to use an endogenous perspective of capacity – how capacity develops from within – rather than looking only at what outsiders, usually international agencies, can do to induce it. This implied considering external contributions as only an influence rather than the entry point of the research. Second, the study was to bring in ideas from the capacity literature beyond that produced by the international development community. Third, the study was to provide evidence of good practice in developing capacity.

¹ To avoid repeating the phrase 'capacity and capacity development', here we use the term 'capacity issues' as a shorter way to include both aspects.

² We do not fuss in this report, with one exception, about the use of various brand names or terms such as capacity 'development' or capacity 'enhancement' or 'improvement' or 'unleashing'. For reasons of consistency, we have settled on the most widely used term 'development'. We do not use the term capacity 'building' given its connection to the engineering or construction mindset, which we do not find useful for analysing capacity issues.

³ Sakiko Fukuda-Parr *et al.*, *Capacity for Development: New Solutions to Old Problems*. UNDP/Earthscan, 2002.

1.2 The focus and positioning of this study

In carrying out this study, part of the challenge has been focusing the analysis. Capacity issues are obviously not simple to address. We have quickly bumped up against the complexity of issues that vary by country, by sector, by type of actor, by scale of activity, and over time. Capacity issues touch on virtually every aspect of development. Capacity itself emerges from the interplay of a myriad of contextual, managerial, economic, social and human factors. Both analysts and practitioners thus need a wide field of vision and a variety of perspectives in order to make judgements and take action.

But an approach based on the ideas that ‘everything must be taken into account’ or that ‘everything is connected to everything else’ can be disempowering and confusing. An attempt at comprehensiveness runs the risk of collapsing under its own weight and losing the focus on capacity as a distinct subject. On the other hand, focusing on a narrow range of subjects loses the systems perspective that we think is crucial to understanding what capacity is and how it comes about. We have thus chosen to focus on a few key issues, which we introduce below.

Addressing the concept of capacity

The usual treatment of capacity as a concept does not give it an obvious intrinsic meaning. Rather, its use is mainly to connect and legitimise other issues, ranging from decentralisation to training to participation to service delivery to structures and systems. Most discussions about capacity lose coherence as the participants involved in them bring forward their different understandings. The chance for any kind of shared understanding soon evaporates and leads to difficulties in the assessing, monitoring and evaluating of capacity. One key question this report addresses is therefore: Is there inherent value in the concept of capacity – does it have any substantive meaning and development contribution of its own? Or is it just an umbrella concept and a symbol or proxy for something else? In answering these questions, we try to unpack the concept of capacity to explain what is inside it and to give it some operational value. We also try to identify the underlying factors that shape capacity.

A focus on the interrelationships among capacity, change and performance

A key objective of this report is to gain a broad understanding of the interconnected dynamics of capacity issues. We see capacity emerging out of a myriad of relationships and connections, with those among capacity, change and performance at the heart of this puzzle. We look at them through a series of 16 case studies of actors – groups, organisations and networks – operating in a variety of circumstances to try to determine, for example, if capacity development processes have any common aspects regardless of their context, or whether they are customised responses to unique circumstances.

An emphasis on explanation and understanding

Most capacity analyses gravitate towards prescription – the ‘what’, ‘how’, ‘where’ and ‘when’ issues. But in our research we have been struck by the limited insight available about the ‘why’ questions. Why does capacity emerge under a range of different conditions? Why do some capacity strategies fail and others succeed? Why do systems behave the way they do? Why do some actors seem to be able to translate capacity into performance, while others struggle to be effective? We believe that unless we understand why capacity develops in some situations and not others, choosing interventions appropriate for the context will continue to be a hit and miss operation. This report therefore emphasises analysis, description, explanation and operational implications based on the case studies and the literature.

A focus on the endogenous aspects of capacity issues

We pay particular attention to the endogenous aspects of capacity issues, a perspective that highlights the energies, strategies and behaviours of country groups and organisations in response to a variety of pressures and influences. Few endogenous efforts at capacity development anywhere in the world are completely autonomous and self-contained. Most are influenced to some degree by external ideas and pressures. Thus it was not always easy to disentangle the two during the research. In some cases there was no external involvement. In the Tanzania public sector reform case, the roles of the World Bank and of government officials, such as those in the Office of the President, were relatively easy to separate. But in others, the distinctions between country and external efforts were less obvious. Many 'foreign' churches in Papua New Guinea had largely indigenised themselves over the years. In less than a decade, the CIDA-sponsored Environmental Action (ENACT) programme in Jamaica had earned sufficient legitimacy. And in many cases, country organisations themselves were also external interveners in the capacity development processes of other national actors.

Attention to both theory and practice

We were struck during the case research by a common pattern. Some analysts and almost all practitioners disdained any interest in theories or abstract concepts. They would then proceed to outline their approach to capacity development by articulating a collection of assumptions and action steps which in many cases added up to a theory or a world view about how capacity develops. Such theories about capacity development were, in the end, based on beliefs about human nature, the dynamic of cause and effect, implicit ends and means of development, and the current state of the world. Theory and practice are intertwined in almost all capacity discussions and interventions.

In our analysis we try to combine attention to both theory and practice,⁴ but this is difficult to achieve for three reasons.⁵ First, a good part of the current approach to capacity analysis is focused on the macro and the aggregated levels such as state building, improved governance and democratisation. This viewpoint can provide useful strategic guidance but not much in the way of operational direction. Second, historically, most capacity analysis has arisen out of the operational experience of managing projects and programmes. Much of this analysis is instrumental and preoccupied with prediction, targeting, control, results and accountability.⁶ Third, practitioners are being urged to do more with less. They have less and less time – and patience – to devote to issues they consider abstract.⁷ Most practitioners now only have the space for ideas that are simple, make immediate sense and can be easily integrated into what they are already doing. But the obvious danger is a focus on the operational that lacks any kind of strategic connection or relevance.

We have found it a challenge to get the balance right between theory and practice. We have tried to put forward ideas that could guide action. But it is also true that the mistakes or dysfunctions surrounding capacity issues are as much conceptual and strategic as they are operational. Learning about capacity issues will remain stunted if operational

⁴ See Julius Court and John Young, *Bridging Research and Policy: Insights from 50 Case Studies*, ODI Working Paper 213, 2003.

⁵ 'The conventional division in the world today between policy-makers and their theorising and practitioners is deeply dysfunctional, leaving the former ungrounded and the latter unthinking', quoted in Douglas Reeler, *A Theory of Social Change and Implications for Practice, Monitoring and Evaluation*, CDRA Discussion paper, 2007.

⁶ See Deborah Eade, *Capacity Building: An Approach to People-Centred Development*, Oxfam Development Guidelines, 1997.

⁷ Although this view is not shared by Bob Rosen, *Kiss Theory Goodbye: Five Proven Ways to Get Extraordinary Results in any Company*, 2006.

insights cannot be matched up and combined into some broader theories or frameworks with genuine explanatory power.

1.2.1 A variety of audiences

The original audience of this report was and remains the international development community, particularly those organisations that provided funding for the study. We also hope to reach out to audiences beyond the usual aid technocrats and analysts who work on capacity issues in the public sector in development cooperation. Capacity issues now attract a huge range of non-specialists. The use of 'whole of government' approaches, for example, means that lawyers, the police, customs officers and budget specialists are now in the capacity business. We have tried to shape the content and style of the report to appeal to these emerging wider audiences.

During our research, we encountered many people who were tired of the jargon of some capacity analyses, and what they perceived as the phoney mystification of capacity issues.⁸ Many of the widely used terms have a variety of meanings, including the concept of capacity itself. We have therefore included a glossary of terms used in this report. We have also tried either to avoid the undue use of complex terms or have provided explanations for those that we thought were essential for understanding, especially those adopted from other disciplines.

1.2.2 A balanced view of capacity issues

In this report, we do not make the inflated argument for capacity as the 'missing link' in development, or something that provides an overarching framework for all other interventions. It seems to us that capacity development cannot exist on its own as a subject or an activity. It must contribute to and borrow from other ways of thinking and acting – such as organisational development – in order to generate any real insights. Without the experience of public management, for example, the concept of capacity can tell us little about the structure and behaviour of public agencies. Without political economics, capacity analyses have little to offer in terms of the effects of political power on organisational adaptation. Without institutional economics, capacity cannot tell us much about the rules of the game that shape the effectiveness of many capacity development interventions. But we believe that the study of capacity issues, in combination with these other perspectives, can provide insight and direction in terms of helping individuals, groups and organisations to improve their abilities to create public value. Multi-perspective thinking seems crucial for understanding capacity issues.

⁸ For an effort to 'demystify' capacity issues, see Rick James and Rebecca Wrigley, *Investigating the Mystery of Capacity Building: Learning from the Praxis Programme*, INTRAC, 2006.

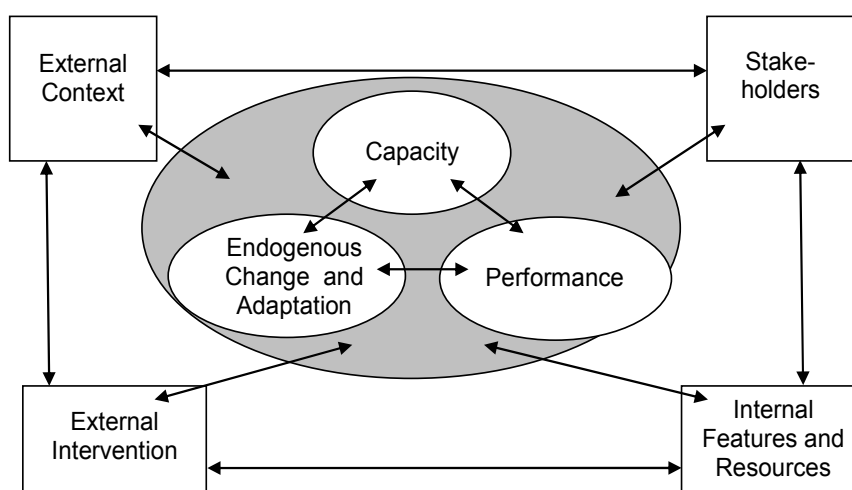
2 Methodology

During the course of our research we have used a variety of methodological approaches, including case studies, literature reviews and workshops. In this section we set out these approaches and their limits.

2.1 Analytical framework

To provide some sort of standardisation across the case studies, we used an analytical framework based on the terms of reference (TOR) of the research (see Annex 1) set out in figure 1. The heart of the framework has to do with interconnected dynamics of capacity, endogenous change and performance. But this dynamic is shaped by four other factors: namely, the external context, stakeholders, internal features and resources and external intervention. As the study and the analysis progressed, we developed more specific ways of defining some of the elements of the framework, based on the experience of the cases. This is reflected in the title of chapter 5 – ‘The context of capacity and capacity development’ – as opposed to *external context* in the framework. Similarly, we have divided the general category of *stakeholders* into *actors* and *external interveners*. *Internal features and resources* are covered by the discussion on capacity development.

Figure 1: Analytical framework for the case studies



This framework includes some key assumptions:

- that capacity issues need to be seen in relationship to the socio-political dynamics of the context within which they take place;
- that capacity, change and performance are interrelated in complex ways; and
- that external interventions are important but only one contribution to the capacity development process.

2.2 The case studies

We carried out 16 case studies, a comparative study of two of the cases, and a review of capacity issues in NGOs in South Asia (see box 1). The cases cover a wide spectrum of capacity situations ranging over different sectors, objectives, geographic locations and

organisational histories. They extend from a national network of networks (COEP, Brazil) to a small unit of the Organisation of Eastern Caribbean States (OECS) to a trade negotiation centre in Russia. The intent of covering such a wide range of examples was to study the process of capacity development under different circumstances. Choices about which specific cases to pursue were taken on the basis of a combination of the potential insights, the availability of funding and donor preferences, case participant interest and our wish to have a variety of sectoral and geographic settings.

Box 1: The case studies

The Lacor Hospital, Gulu province, northern Uganda
 SISDUK, a participatory development programme in Takalar District, South Sulawesi, Indonesia
 COEP – Committee of Entities in the Struggle against Hunger and for a Full Life, Brazil
 The Rwanda Revenue Authority (RRA), Rwanda
 The role of churches in governance and public performance, Papua New Guinea
 The Health Sector Support Programme (HSSP), Papua New Guinea
 Decentralised education service delivery, Pakistan
 Decentralised education service delivery, Ethiopia
 A comparative analysis of decentralised education service delivery in Ethiopia and Pakistan
 The Environmental Action (ENACT) programme, Jamaica
 The Environment and Sustainable Development Unit (ESDU), Organisation of Eastern Caribbean States (OECS), St Lucia
 The Observatório network, Brazil
 The World Conservation Union, IUCN in Asia
 Local Government Support Programme (LGSP), the Philippines
 The Centre for Trade Policy and Law (CTPL), Russia
 NGOs in South Asia
 The Public Sector Reform Programme (PSRP), Tanzania
 The National Action Committee Western Cape (NACWC), South Africa

Summaries of the case studies, and the main insights gained from each one, are presented in Annex 2. Full reports of the case studies are available at www.ecdpm.org/capacitystudy.

The actual research and writing up of the cases depended on the circumstances of each case. Some were carried out in a conventional way by ECDPM staff and programme associates, others by independent consultants or the technical assistance (TA) personnel involved. In some of the cases, there was a necessary trade-off between objectivity and dispassionate analysis, and access to country knowledge and familiarity with particular actors.

Most case studies involved semi-structured interviews with participants and external stakeholders. Again, conditions varied greatly. In one case, the Lacor Hospital in Uganda, security concerns prevented a visit to the site at the time of writing. In others, such as the COEP network in Brazil and the IUCN in Asia, the huge physical distances involved did not allow for wide consultation with clients and beneficiaries.

Some case organisations – the Lacor Hospital, IUCN in Asia, ESDU in the Caribbean, and some churches in Papua New Guinea – were able to use insights from the research to rethink their approaches to issues such as general management, capacity development, learning, advocacy and relationships with their governing boards.

An emphasis on good performers

In general, we favoured cases that appeared to have a good track record of effectiveness in developing capacity or where good performance suggested that capacity had been effectively developed. The aim was to analyse success rather than failure. But we are acutely aware that a sample of 16 cases still represents only a small part of the broad spectrum of capacity interventions in terms of both effectiveness and type. Most efforts at

capacity development from whatever source demonstrate at least unsatisfactory capacity at some point in their development. We thus try to balance the positive experiences in these cases with insights from examples of poor performance found in the wider literature.

Macro, meso and micro

The field of capacity covers a huge range of human activities. One ‘macro’ approach might look at what institutional and organisational infrastructure a low-income country in Africa might need in order to implement its Poverty Reduction Strategy (PRSP). This could include issues to do with building state capacity, decentralisation, public awareness, state–civil society relationships and the role of the private sector.⁹ The ‘micro’ perspective might focus on ways to give individual people in a civil society organisation the skills they need to improve community outreach. Recent trends in development cooperation show that more attention is being paid to the ‘macro’, e.g. public sector reform or the stabilisation of fragile or failing states. At this level, capacity development merges into the area of governance and, once again, blurs in content and strategy.

The analysis is situated at the ‘meso’ level, between the ‘macro’ and ‘micro’ ends of the capacity spectrum, focusing on the capacity of small systems and formal organisations, for the following reasons:

- The case studies mostly do not lend themselves well to addressing macro strategic issues such as governance and state capacity. Their comparative advantage is more on showing how capacity emerges in organisations and smaller systems.¹⁰
- A huge amount of research is currently under way to look at macro strategies for capacity development. We did not think that yet another analysis would add to the present stock of knowledge.
- We have not found a set of universal principles that govern all capacity situations and that can be easily stated.

It is at least arguable that ‘macro-strategies’ for nation building can be implemented from the ground up as well as from the top down. In practice, both approaches are necessary. From this perspective, ‘macro’ and ‘micro’ are interconnected.

The case studies were carried out between 2002 and 2004. Each case represents a snapshot of a situation that existed at a particular point in time, which may have since changed.

2.3 A review of the capacity literature

We have reviewed a good deal of the various capacity literature(s),¹¹ including much of the writing coming out of international development agencies and the NGO community,¹² as well as other sources. For example, analysts focusing on the private sector in high-income countries have been writing about capacity issues for decades, albeit using different concepts, terms and contexts.¹³ There is also a growing interest in capacity

⁹ There is a growing body of experience on this subject. See, for example, Graham Teskey (2005) *Capacity Development and State Building: Issues, Evidence and Implications for DFID*, and Francis Fukuyama (ed.), *Nation-Building: Beyond Afghanistan and Iraq*, 2006.

¹⁰ For a look at the concept of capacity from a macro perspective in the public sector, see Charles Polidano (2000) Measuring public sector capacity, *World Development*, 28(5).

¹¹ For an annotated bibliography see www.ecdpm.org.

¹² A good example is the work of INTRAC’s Praxis programme. www.intrac.org/pages/praxis.html

¹³ See, for example, Salaman, G. and Asch, D., *Strategy and Capability: Sustaining Organisational Change*, 2003; and Hamel, G. and Prahalad, C.K (1994) *Competing for the Future*.

issues in the non-profit community in high-income countries.¹⁴ All these pools of experience were valuable sources of comparative insight.

2.4 Outputs

In addition to the case studies, the team involved in this study produced seven discussion papers¹⁵, as well as three progress reports, including an inception report, an interim report and a background paper for the final workshop. These discussion papers and progress reports were reviewed at a series of workshops in 2005 and 2006.¹⁶

2.5 Comments on the methodology

In judging the findings presented in this report, we would ask the reader to bear in mind the following constraints:

- Case research has advantages and disadvantages.¹⁷ It can provide operational insight into real-life experiences and show patterns across a wide variety of conditions. And it can provide a learning experience for those involved at the field level. But it is better at providing a broad view of a variety of experiences across sectors and countries than it is at generating analytical depth and empirical rigour in particular subject areas.
- The findings from the case studies were revelatory in some areas and unhelpful in others. They yielded a good deal of insight on topics such as change strategies in support of capacity development but relatively little in areas such as monitoring and evaluation or identifying future capacity issues. We have thus supplemented the conclusions from the case work with insights from other field experiences, and from the review of the literature on capacity and capacity development.
- We continually bumped up against the absence of any shared understanding of the concept of capacity. Few of the case organisations or donor agencies had thought systematically about capacity as an independent objective or variable, or had made prior efforts to collect empirical data about it. Almost none monitored or evaluated it systematically. Our conclusions about the nature of capacity have thus emerged from analytical reconstructions rather than from the empirical findings.
- In some cases a conscious decision was made to allow country participants to take charge, and to bring their own understanding of the intent of their work and the desired outcomes, rather than to adhere to methodological rigour and uniformity of analysis. Maintaining a balance between standardisation and responding to circumstances on the ground was a challenge, exacerbated by the ambiguity surrounding capacity issues and how best to apply the categories of the framework in specific circumstances.

The analytical framework is a reductionist approach whereby we look at a variety of different parts or aspects such as capacity or performance or internal features and then extrapolate conclusions that are seen as valid for the whole. Although during the course of the study we began to rethink this framework in favour of one that took into account a

¹⁴ Light, P.C., *Sustaining Nonprofit Performance*, Brookings Institution, 2004

¹⁵ These are listed at the end of the bibliography. The subjects include monitoring and evaluation (M&E), networks as a form of capacity, systems thinking, legitimacy, the concept of capacity, capacity development in fragile states and a balanced approach to M&E of capacity.

¹⁶ The reports and proceedings of all the workshops can be found at www.ecdpm.org/capacitystudy.

¹⁷ There is an extensive literature on this subject. See, for example, Robert Brinkerhoff, *The Success Case Method*, 2003, and Robert Stake, *The Art of Case Study Research*, 1995.

systems perspective, we decided not to switch in midstream but rather to point out the limitations of the framework and their implications in this report.

2.6 A systems approach to capacity issues

There are many ways to think about capacity development as a process of change. We look at a number of different approaches later in this report in chapter 6. Most will be familiar to readers. But one that so far has been little used in international development is the theory and practice of complex adaptive systems (CAS). In this section, we outline this approach to thinking and acting in order to prepare readers for its appearance later in the report.¹⁸

We would stress that we do not regard CAS as the only way to explain capacity development. We do not treat it as a universal explanation. Rather, we try to use it in this report to supplement rather than replace other approaches to capacity development. In practice, a good deal of our analysis is still reductionist in its unpacking of concepts such as context, capacity and change. But in our view, the CAS perspective can have real relevance for understanding capacity issues given its potential ability to explain how and why complex human systems unfold as they do. In cases such as ENACT in Jamaica and the two networks in Brazil, capacity development cannot be understood without looking at it from a CAS perspective.

CAS is becoming more important for the following reason. The nature of development issues is changing. Most interventions now come with contested objectives, uncertainty about means and ends, a diverse and changing cast of participants and actors, and finally, the likelihood of unprogrammable time, energy and resources being needed to make headway. A sector-wide approach (SWAp) would be a typical example. The question then becomes: how can programme participants, country or external, deal with this rise in complexity and uncertainty?

2.6.1 The basic principles of systems thinking

Systems thinking in general is nothing new. It may be one of the oldest methods of human thought, especially in pre-industrial societies. It was codified into a distinct body of principles and techniques in the 1930s and now comes in many forms and sub-branches, including systems dynamics, hard and soft systems methodologies, complex adaptive systems and chaos theory.¹⁹ The specific type of systems thinking we use in this paper – complex adaptive systems – has now come into wider use in many other fields, including the private sector.²⁰ So far, it has had a negligible impact on development cooperation.²¹

¹⁸ See, for example, Uri Merry, *Coping with Uncertainty: Insights from the New Sciences of Chaos*, 1995; Glenda Eoyang, *Coping with Chaos: Seven Simple Tools*, 1997; E. Mittleton-Kelly, *Complex Systems and Evolutionary Perspectives on Organizations*, 2003; Robert Axelrod and Michael Cohen, *Harnessing Complexity: Organizational Implications of a Scientific Frontier*, 2000. In the private sector, see S. Brown and K. Isenhardt, *Competing on the Edge: Strategy and Structured Chaos*, 1998. In the public sector, see L. Douglas Kiel, *Managing Chaos and Complexity in Government*, 1994. For a general review of the implications for management issues, see S. Maguire and B. McKelvey (eds), *Complexity and Management: Where are we?*, special issue of *Emergence*, 1999.

¹⁹ The best single resource describing and comparing the different approaches to systems thinking is Michael Jackson, *Systems Thinking: Creative Holism for Managers*, Wiley, 2003.

²⁰ A huge amount of thinking and writing is now available on a systems thinking and complexity theory. See for example, Fritjof Capra, *The Hidden Connections*, 2002; and Brenda Zimmerman *et al.*, *Edgeware: Insights from Complexity Science for Health Care Leaders*, VHA Press, 1998.

²¹ See Samir Rihani, *Complex Systems Theory and Development Practice: Understanding Non-linear Realities*, 2002; Rachel Hinton and Leslie Groves, The complexity of aid, in *Inclusive Aid: Changing*

Let us turn to some of these key ideas behind CAS. CAS thinking is a perspective or a way of mentally framing what we see in the world. It is more an orientation or a perspective than a formula or prescription. It assumes that all people function within a complex number of human systems and that thinking about the ways these systems shift and move can help to explain individual, group and organisational behaviour. CAS thus helps us understand the way human systems actually work, as opposed to the way we believe they should work. In particular, it provides insight into the unpredictable, disorderly aspects of capacity development, something that most current approaches to analysis tend to stay away from.

In most approaches to thinking about the behaviour of complex human systems four ideas are key. First, CAS thinking focuses on *processes* more than structures or outcomes as a way of managing.²² Second, systems are seen as functioning on the basis of *interrelationships* between people, groups, structures and ideas. The resulting patterns of interaction drive behaviour, events and outcomes. Third, the idea of *emergence* is one of the key concepts in terms of the way human systems change.²³ Complex systems evolve on the basis of countless interactions amongst a huge number of elements. Emerging out of these interactions are system 'properties' such as capacity that have characteristics not found in any of the elements. Finally, human systems – indeed, all complex systems – have an in-built tendency towards *self-organisation*.²⁴ It is this process that drives the emergence of order, direction and capacity from within the system itself.

Most approaches to systems thinking focus on the behaviour and dynamics of the whole, including its fit to its wider environment. Attention to the constituent elements is secondary. Bureaucratic and performance management looks at systems as machines. The new institutional economics tends to see them as markets. Systems thinking prefers the analogy of a living organism.

A critical part of a systems approach is a preoccupation with what is 'inside' and what is 'outside' the system. Two continual questions are, first, what is part of the system and what is part of the context?; and second, who and what are being excluded from any programme of capacity development, and what are the consequences of those exclusions?

CAS does not use a linear, staged approach. It does not proceed in a horizontal line from left to right as in inputs to outputs to outcomes. It is also vertical and circular. The vast number of system interrelationships lead to unpredictable patterns of both disorder and order. Systems are seen as having a dynamic of their own that is only partly open to explicit human direction.²⁵ A key issue is therefore the degree to which the application of intentionality, imposed control and direction, and leadership in a system can be useful and can induce capacity. In practice, CAS thinking tends to trade-off less control for greater adaptation.

Power and Relationships in International Development, 2004; Rosalind Eyben, *High Impact/Low cost Aid Initiatives*, Report to DFID, IDS Sussex, October 2005; Norman Uphoff, *Learning From Gal Oya: Possibilities for Participatory Development and Post-Newtonian Social Science*, 1992.

²² Systems thinking has called this 'means-based management'.

²³ Emergence has to do with the constant need of complex systems to organize themselves into patterns and structures.

²⁴ 'Self-organization has to do with groups of agents seeking mutual accommodation and self-consistency somehow manage to transcend themselves, acquiring collective properties such as thought, purpose and capacity that they might not have possessed individually', Margaret Wheatley, *Leadership and the New Science*, p. 11.

²⁵ Gareth Morgan has estimated that only 15% of all organisational activities are 'controllable' by human agency.

CAS thinking comes with a different view of cause and effect. It does not support the idea of predictable results chains. It sees outcomes in terms of possibilities and probabilities. Cause and effect are usually seen as separated in place and time. Participants must accept that they function at the edge of uncertainty. Unintended outcomes continually emerge. Small interventions can have huge effects, and *visa versa*.²⁶ Processes such as capacity development are thus characterised by a confusing soup of multiple causes, multiple solutions and multiple effects. Composed of innumerable elements, all continuously shaped and reformed through their interactions, the system is constantly creating new elements that in turn may affect (loop back) and change those already in existence. Causality can also run in the reverse direction, e.g. performance leads to capacity which can change the context. CAS thinking thus leads to continuing debates about correlation versus causation or proximate versus root causes.

CAS thinking encourages people to try and ‘see’ the systems of which they are a part.²⁷ People everywhere work within a number of systems. But they usually suffer from ‘system blindness’. They see only parts of these systems at work and then make judgements about the whole. They see the present, but not the evolution or history of events that got things to the present. They misunderstand the nature of the relationships that shape system behaviour. And they lose track of processes within the system that make it run. Much of the more rational, linear, quasi-mechanical approaches to capacity development lose relevance because of these blind spots.

Complex systems such as organisations, if they are to develop their capacity, must learn and evolve as they face discontinuous changes in their context over time. They must self-organise, adapt and create some sort of a new order and state of coherence. Eventually, this order will break down and tip over into disorder and become unstable before once again regaining coherence. Issues to do with service delivery or budgetary stability can be understood in this light.

Most conventional capacity assessment frameworks take snapshots of the configuration of the constituent elements such as leadership, structure, communication and so on. CAS thinking, in contrast, tries to look at flow, movement and the recurring behaviours and patterns of a system as it evolves. It pays a good deal of attention to movement, patterns, dynamics and processes. It is more concerned about key moments, tipping points, shifts in direction, the effects of feedback and the resulting changes to system behaviour. System behaviour comes, in part, from the interdependent choices made by individuals, groups and organisations under conditions of uncertainty and change.

CAS emphasises understanding and changing feedback loops as the best way to manage the structure and dynamics of a complex human system. Such ‘loops’ – both positive and negative reinforcing – will be familiar to most readers in the form of ‘virtuous’ and ‘vicious’ cycles that shape system behaviour. The challenge for managers is to become aware of the structures that hold systems in place. To relate these to capacity issues, CAS can frequently explain why systems get ‘trapped’ in dysfunctional patterns and why they do not respond to conventional linear interventions such as training or reorganisation. The challenge for managers is to ‘see’ causal connections in a new way and better understand the leverage points that can lead to change.

²⁶ See Rosalind Eyben, *High Impact/Low Cost Aid Initiatives*, report submitted to DFID, IDS, October 2005.

²⁷ The best book to help people to ‘see’ a system is Barry Oshrey, *Seeing Systems: Unlocking the Mysteries of Organizational Life*, 1995.

2.6.2 Some operational implications

Many people, particularly in international development, are sceptical about the value added of a systems approach. Many of the operational implications remain unclear. But we can outline some of the more obvious patterns that appeared in the cases.

- Complex systems such as organisations are made up of other smaller systems. And they are, in turn, part of bigger systems, some of them global in scope. The Lacor Hospital in northern Uganda, for example, was made up of individual medical departments. It was also part of the Acholi tribe, the national health system of Uganda, the Catholic health system in Northern Uganda and the worldwide Catholic movement (see figure 3, chapter 4). All of these are complex adaptive systems that co-evolve within many capacity ‘eco-systems’. Understanding these dynamics and trying to influence them in some ways is critical.
- Most current capacity assessment frameworks are based on the assumption that many capacity issues can be explained by a close examination of the parts or elements of the system. The systems perspective would hold that no single factor or constituent element – incentives, financial support, trained staff, knowledge, structure – will *by itself* be an explanation for the development of capacity. Thus single interventions, e.g. training, are not likely to make a significant difference to system behaviour unless they represent a key point of leverage that can shift system behaviour.
- Systems thinking places little faith in the effectiveness of controlled, planned, engineered efforts at capacity development. Controlled and directed change, especially that imposed from an outside central source, is seen as having little chance of working over time. Indeed, it may damage the natural process of change by blocking or curtailing unforeseen opportunities for innovation if participants try to tightly design and control outcomes. Resistance to change is given less attention. What matters more from a systems perspective is the way system behaviour is ‘attracted’ to sources of energy. Put another way, effective change must work with the natural dynamics and energy within the system and not against them.
- Having a detailed capacity development ‘strategy’ or design may thus be counterproductive. Complexity theory postulates that change is emergent rather than predetermined. An intervention may need, particularly in the early stages of its life, several different approaches that explore the way forward. The future, particularly in the medium and long-term, is likely to be inherently unknowable. Starting with ‘big bet’ guesses about the ends and means of capacity development may turn out to be counterproductive. The emphasis here is on emergence and opportunities rather than on goals and matching strategies. Approaches need to be ‘good enough’.
- Capacity emerges or grows through self-organisation. It is not assembled like a machine. Systems change appears to take place most readily at the ‘edge of chaos’, i.e. that point in the evolution of a system between being tightly structured and inflexible and being uncontrollable and directionless. That point or space has the greatest potential for productive change. The challenge for external interveners may therefore be one of inducing or encouraging the emergence or self-organisation of capacity.
- A combination of qualitative and quantitative analysis may be the most useful. Other approaches such as applying interdisciplinary analysis, working on the basis of a few simple rules, using metaphors and stories to communicate across boundaries, learning from experience, and experimenting become more important.
- Complexity theory tells us that small initial changes can have huge effects and *visa versa*²⁸. Nonlinear patterns of behaviour can escalate micro interventions up into large

²⁸ See Rosalind Eyben, *High Impact/Low Cost Aid Initiatives*, Report to DFID, IDS, 2005.

system-wide changes. This could mean that big system change could be instigated from the bottom through small interventions as well as pushed from the top through larger, more complex activities. Programme loans, SWAps or other multi-organisational efforts may need to be seen differently. The difference between 'macro' and 'micro' interventions starts to blur. Conventional formulations about 'levels' of capacity such as individual, organisational, multi-organisational become less useful. Macro and micro begin to reinforce each other. Simple rules and minimum specifications can lead to complex behaviours.

- Systems thinking and complexity theory encourage us to rethink the nature of leadership and direction. What is the likelihood of effective prediction, targeting and control in complex systems? If systems have a life and a dynamic of their own, what is the scope for human agency and management? How can leaders get the balance right between direction and adaptation?
- A systems view of capacity issues requires participants to think differently about their work. A group or organisation or a network that sees itself as a living system tends to manage in a different way.²⁹ This view encourages them to think more creatively about the complex interrelationships between capacity and performance. It reinforces the need to think about collective as opposed to individual action. It tends to bring out the imagination and ingenuity needed to develop more effective capacity. And it contests the conventional view that focusing on performance outcomes is, by itself, the most useful way to improve a process.
- Systems thinking suggests a rethinking of most of the current capacity tools and assessment frameworks now in use, starting with the logical framework. Most focus on analysing parts rather than wholes. Results-based management and other product-centred approaches may not fit the complex process needs of capacity development. System feedback is crucial for learning and adaptation. But current approaches to monitoring and evaluation may be constraining the ability and inclination to learn.

Over the remainder of this report, we will follow certain assumptions coming out of complexity theory to see if it can explain the patterns we see in the cases. Table 1 summarises some of the points discussed above.

Table 1: Comparison of assumptions in different approaches to planning

Aspect	Traditional planning approaches	Complex adaptive systems
Source of direction	Often top down with inputs from partners	Depends on connections between the system agents
Objectives	Clear goals and structures	Emerging goals, plans and structures
Diversity	Values consensus	Expects tension and conflict
Role of variables	Few variables determine the outcome	Innumerable variables determine outcomes
Focus of attention	The whole is equal to the sum of the parts	The whole is different than the sum of the parts
Sense of the structure	Hierarchical	Interconnected web
Relationships	Important and directive	Determinant and empowering
Shadow system	Try to ignore or weaken	Accept that most mental models, legitimacy and motivation for action is coming out of this source
Measures of success	Efficiency and reliability are	Responsiveness to the environment

²⁹ For this perspective in the private sector, see Arie de Geus, *The Living Company: Habits for Survival in a Turbulent Business Environment*, 1997. IUCN in Asia funded the position of an advisor on organisational development which, according to IUCN senior management, was seen as 'the underpinning of success, reorganisation and management change. We need people who are mentoring, training and monitoring the system,' Anne Rademacher, *The Growth of Capacity in IUCN in Asia*. ECDPM Discussion Paper 57M, 2005, p.35.

	measures of value	is the measure of value
Paradox	Ignore or choose	Accept and work with paradox, counter-forces and tension
View on planning	Individual or system behaviour is knowable, predictable and controllable	Individual and system behaviour is unknowable, unpredictable and uncontrollable
Attitude to diversity and conflict	Drive for shared understanding and consensus	Diverse knowledge and particular viewpoints
Leadership	Strategy formulator and heroic leader	Facilitative and catalytic
Nature of direction	Control and direction from the top	Self-organisation emerging from the bottom
Control	Designed up front and then imposed from the centre	Gained through adaptation and self-organisation
History	Can be engineered in the present	Path dependent
External interventions	Direct	Indirect and helps create the conditions for emergence
Vision and planning	Detailed design and prediction. Need to be explicit, clear and measurable	A few simple explicit rules and some minimum specifications. But leading to a strategy that is complex but implicit
Point of intervention	Design for large, integrated interventions	Where opportunities for change present themselves
Reaction to uncertainty	Try to control	Work with chaos
Effectiveness	Defines success as closing the gap with a preferred future	Defines success as fit with the environment

2.7 A preview of the key themes in this report

We summarise below ten themes running through this report, set out in no particular order.

The role of politics and power

Capacity development is about altering the access of people to authority, resources and opportunities. It privileges some groups and individuals and not others. Coalitions with power either inside or outside organisations must, in some way, either directly support or tacitly accept these altered patterns and their implications for their own interests.

The potential for capacity development

Every human system – a country or sector or network or group or individual – has within it the potential to develop its own capacity. Capacity development is about the process of unlocking or inducing this capacity. Then the real challenge becomes crafting the combination of strategies, tactics, resources, structures, entry points, space creation, sequencing, demands, relationships, and values that can energise this process. This process of crafting requires looking at a wider range of approaches to at least supplement the conventional technocratic machine-building that still dominates much of the thinking about capacity development.

Capacity development is about the dynamics of change

Capacity development involves the transitioning from one pattern or configuration of behaviour to another. As such, it is fundamentally about the dynamics of change – organisational, institutional, personal, political and logistical. Yet these dynamics remain among the least understood aspects of capacity development. For example, we need to know more about capacity destruction, the interplay between first- and second-order change, the relationship between organisational and technical change, symbolism, the process of institutionalisation and the legitimisation of new patterns of behaviour.

The overt and the hidden

Much of the focus of capacity development interventions remains on the overt, the formal and the recognisable. And yet many of the factors that shape the process of capacity development – the relationships, the structures, the patterns of authority and the resources – are hidden and informal. The nature of the interplay between the overt and the hidden, the formal and the informal is a major determinant of the effectiveness of any effort to develop capacity.

The impact of contextual factors

We know that the process of capacity development is shaped, to a large degree, by its relationship to contextual factors, both immediate and distant. What is less clear is the range of approaches that can be taken to manage that complex set of interrelationships. Included in such a range would be securing an enclave or ‘space’, seeking political protection, selecting and crafting the context itself and mastering the capability for constant adaptation.

Dealing with uncertainty and complexity

Most processes of capacity development must now respond in some way to accelerating uncertainty and complexity. These trends call into question the relevance of many current assessment and management techniques such as planning, detailed design and scheduling that assume the feasibility of predictability and intentionality. Many actors must now find new ways of thinking and behaving. Mastering the processes of adaptation, experimentation and constant learning is now becoming critical.

The nature of capacity

The report puts forward two main ideas with respect to the nature of capacity. First, capacity is about the ability to do something. It can take the form of individual competencies, collective capabilities or overall system ability. Second, these abilities must go beyond the usual task of implementation, i.e. carrying out technical or logistical functions or delivering programmes. They must also extend to the broader abilities that are needed to make an organisation or system endure and perform over time. Put another way, a crucial part aspect of capacity is that of mastering change and capacity development itself.

Commitment and motivation

Participant commitment and motivation are the driving forces behind the process of capacity development. But it seems clear from the cases that quite different forms of these attributes exist among different groups and individuals that make differing contributions to effective capacity development. In particular, both leadership and ‘followership’ are key elements of and contributors to commitment and motivation.

Evolutionary paths of capacity development

Human systems in the form of organisations or institutions evolve through cycles, configurations and phases that shape the nature of their capacity. External intervenors need to be aware of these types of evolutionary patterns. Different types of capacity development will be better at different stages of capacity growth and development.

Using the lens of complex adaptive systems thinking

Most capacity configurations are, in practice, complex human systems whose dynamics cannot be well understood using conventional frames of thinking such as detailed design, the charting of direct cause and effect relationships, planned change, and many others. At the very least, complex adaptive systems thinking can offer another perspective on the way capacity systems actually form and evolve.

3 The concept of capacity

What is capacity?

What individual competencies and collective capabilities are needed?

Anyone researching or assessing a condition labelled as 'capacity', let alone trying to develop it, quickly bumps up against a series of dilemmas. In particular, there is no broadly accepted definition of the concept. And one is not likely to appear in the near future. Some examples of current definitions are presented in box 2.

Box 2: Some definitions of capacity

- The ability of individuals, institutions and societies to perform functions, solve problems and set and achieve objectives in a sustainable manner.³⁰
- Capacity is the ability of people, organisations and society as a whole to manage their affairs successfully.³¹
- Capacity is the ability of an organisation to function as a resilient, strategic and autonomous entity.³²

In the case studies, staff even within the same organisation had different views. Senior managers and operational staff faced different capacity issues. Even staff at the same level had different ideas about the utility of planning, the dynamics of cause and effect, the nature of human behaviour, trends in the context, and many other issues. Different disciplines and bodies of knowledge such as organisational development or management theory see capacity issues quite differently.

Most of the practitioners in the cases had little interest in devising a sophisticated understanding of the term. Their concerns lay in solving daily problems, keeping the finances straight, raising money, meeting deadlines, meeting with funders, getting good staff, protecting their organisation, and so on. Only a few actually talked in specific ways about the overall capacity of their organisation or thought about it in strategic ways.³³

Thus, with some trepidation, we set out below our analysis of the concept of capacity that emerged from the cases. More specifically, we unpack our understanding of capacity based on what we found the participants to be doing as they carried out their work. We do not offer this formulation as the latest candidate for acceptance as a universal approach. Many others are possible and valid. What we hope to provide is some help to people in particular situations to come up with their own understanding which will, in turn, support more effective interventions.

³⁰ UNDP *Capacity Assessment Practice Note*, Feb. 2007, p.5.

³¹ OECD-DAC Network on Governance, *The Challenge of Capacity Development: Working towards Good Practice*, 2006, p.7.

³² Alan Kaplan, *The Core of our Work as Capacity Builders*, Annual Report, CDRA, 2007.

³³ 'In general, there are few, if any, organisations of which it can be said that they are regularly and routinely managing themselves in their changing environments with a conscious, systematic, approach to change. Yes, there are many intriguing initiatives but few stay that course for very long', quoted in E. Olson and G. Eoyang, *Facilitating Organisational Change: Lessons from Complexity Science*, 2001, p. xxv.

3.1 Analysing the nature of capacity as an outcome

Most capacity analyses start from the symbolic ‘capacity is everything’ end of the spectrum. They look at public administration reform or civil society strengthening or service delivery or changes in governance, and come to some conclusions about what changes or reforms must be put in place to achieve a certain set of outcomes, usually in terms of improved development results or performance. They then assume that those changes – organisational, political, institutional – add up to something in the aggregate that can be labelled as capacity. We see this approach as one option to crack the capacity puzzle, and one that fits well with current practices in development cooperation. But it tells us little about what ‘capacity’ might actually be in operation.

This report reverses this approach in an effort to come to grips with the elusive nature of capacity. It tries to unravel the nature of capacity and takes public sector reform or civil society strengthening as the context or the ‘playing field’ upon which participants try to develop their capacity. At some point in the future, we see these two approaches coming together to give a fuller picture of capacity.

Most development concepts have some central characteristics or ideas around which some basic principles can be built. Part of the difficulty in working with the concept of capacity has been the challenge of coming up with its core ideas that can add up to some sort of distinctive contribution. In this report we suggest five central characteristics or aspects of capacity that can give it some substantive and operational shape. All of these characteristics appeared in the cases, albeit in different ways and at different times. We set them out below, in no particular order:

- Capacity was about *empowerment and identity*, properties that allowed an organisation or a group to be aware of itself, to grow, diversify, survive and become more complex. To evolve in such a way, systems needed power, control and space. Capacity had to do with people engaging to take control over their own behaviour in some fashion.
- Capacity had to do with *collective action*. Put another way, the collective capabilities are what allowed groups, organisations, or groups of organisations to be able to do something with some sort of intention and with some sort of effectiveness and at some sort of scale over time.
- Capacity as a state or condition was inherently a *systems phenomenon*. In the language of systems thinking, capacity was an emergent property or the effect of multiple interactions. It came out of a complex interplay of attitudes, assets, resources, strategies and skills, both tangible and intangible. It had technical, organisational and social aspects. It emerged from the positioning of an organisation or system within a particular context. And it usually dealt with a soup of complex technical, organisational and social activities that could not be addressed through exclusively functional interventions.
- Capacity was a *potential* state. It was elusive and transient. It was about latent as opposed to kinetic energy.³⁴ Performance, in contrast, was about execution and implementation or the result of the application and use of capacity. Given this latent quality, capacity was dependent to a large degree on intangibles. It was thus hard to induce, manage and measure. As a state or condition, it could disappear quickly particularly in smaller, more vulnerable structures when motivation disappeared.
- Capacity was about the *creation of public value*. In all the case countries, regardless of their level of development, there are many examples of capacity, some of them both complex and subversive of the public interest, such as organised corruption, the growth of gangs and other hidden conspiracies. What was more difficult was the

³⁴ ‘Capacity is about being not doing’, according to one ESDU staff member.

strengthening of the capacity of a group or system to produce public goods and public value.

We stated above that the core idea underlying the concept of capacity was the ability of a system, large or small, to do something in a certain way at a certain time and at certain scale. Capacity is usually defined and discussed at an aggregate level. Some definitions focus on the capacity of an organisation to deliver its mandate,³⁵ but such a lofty meaning tells us little about what specific abilities might be involved or what the actors in question would actually do. In this section, we try to give these broad ideas more operational content based on the patterns observed in the cases. We look at two interconnected aspects: individual competencies and contributions, and collective capabilities, both functional and intangible.

3.1.1 Individual competencies and contributions

In the cases, many practitioners saw capacity mainly as a human resource issue, to do with skills development and individual training.³⁶ This ‘capacity as skills’ perspective is also still widely held by both international development agencies and country governments.³⁷ It is also maintained by a global training industry intent on promoting its benefits. Such an approach remains at the heart of many external interventions in the form of training and technical assistance. Yet the key to capacity seemed to us to lie elsewhere in the context or in the larger design of bigger systems. The focus on individual action seemed misplaced.

But too many ‘macro’ approaches to capacity development seem to ignore the human element in the quest for the latest strategic or technocratic intervention.³⁸ We have thus returned to the obvious, that is, that the mindsets, motivations and hopes of individuals remain crucial contributions to capacity, no matter how complex the system.³⁹ How organisations and systems are structured and configured into social and organisational patterns still matters. Global and country conditions remain critical. The nature of change strategies can have an enormous effect. But at the heart of every human system are individual people who contribute – or not – to the development and the sustaining of capacity.

Again, we would emphasise the systems perspective here. Working with individual people does not have an immediate linear, causal relationship with overall capacity, as is assumed in some interventions. But individuals do make a myriad of contributions across a range of system activities. One set of individual contributions to capacity includes the so-called ‘soft’ competencies – such as crafting relationships, trust and legitimacy – as well as the more conventional ‘hard’ variety such as technical, logistical and managerial skills. The staff of the Environment and Sustainable Development Unit (ESDU) in the Caribbean, for example, worked hard to develop their social and interpersonal skills in an effort to get more coherence, commitment and balance back into the organisation. This

³⁵ OECD-DAC Govnet, *The Challenge of Capacity Development*, 2006, p.7.

³⁶ See, for example, David Watson and Adnan Q. Khan, *Capacity Building for Decentralised Education Service Delivery in Pakistan*, ECDPM Discussion Paper 57G, p.5; Ruth Alsop and Bryan Kurey (2005) *Local Organisations in Decentralized Development*, World Bank. See also Volker Hauck, *Ringing the Church Bell*, ECDPM Discussion Paper 57E; and the World Bank evaluation of capacity in Africa

³⁷ This view of capacity was prevalent in the church community in Papua New Guinea. In Pakistan, capacity development was seen as ‘formal, career development, promotion-oriented, training’.

³⁸ For two analyses that emphasise a return to a focus on human behaviour, see Groves and Hinton, *Inclusive Aid*, part 2, Power, procedures and relationships; and Rick James, *People and Change*, chap. 3, Making it personal.

³⁹ For a detailed analysis from this perspective, which applies to the private sector, see Sumantra Ghoshal and Christopher Bartlett, *The Individualized Corporation*, 1997.

focus, decided by the staff themselves, was an attempt to balance these ‘soft’ skills against the individual hard skills required in areas such as marine biology or natural resource management.

In many of the cases, organisations like Lacor were the repositories of competencies and skills which could then be transmitted back to individuals. But individuals could also be the ‘holders’ of such competencies that were, in turn, transmitted to others in the organisation. In the Russia case, individuals fed knowledge and ideas into organisations such as CTPL Russia which in turn, fed them on to the government.

Perhaps the most obvious contributions at the individual level were those of *leaders at all levels*. The cases were replete with examples of the influence and impact of individuals and their contributions to capacity. We are talking here about a wide range of leadership functions – strategic management at the top, coordination, supervision and organisational learning in the middle and logistical skills at the operational levels. A small group of key individuals (say 5%) at the core of every system determined to develop its capacity. In practice, individuals were also at the core of the informal or ‘shadow’ structures that actually managed the various systems.

From a different perspective, Amartya Sen has also focused on the empowerment of individuals, although he referred to skills as ‘capabilities’ (see box 3). As indicated above in section 3.1, empowerment is critical to capacity development and is a key element of the core capability to commit and engage described below in section 3.2.1.

Box 3: Amartya Sen’s concept of capabilities

Amartya Sen has outlined an alternative approach to appraising the success of development interventions.⁴⁰ Sen argues for the necessity of going beyond the conventional development targets and measures of success (e.g. in the form of commodities, goods and services) to take into account improvements in human potential. Development, from this perspective, is fundamentally about developing the capabilities of people by increasing the options available to them. This can be done, in part, by focusing on the freedoms generated by conventional outcomes rather than just on the outcomes themselves. These freedoms come in the form of capabilities that people can exercise to choose a way of life they value. The emphasis here is on individuals and their options for making their way. Sen’s concept also reverses the conventional way of thinking by turning conventional development results into means rather than ends.

3.1.2 Collective capabilities

We define a capability as the collective skill or aptitude of an organisation or system to carry out a particular function or process either inside or outside the system. Capabilities enable an organisation to do things and to sustain itself. As will be discussed below, we have grouped these collective skills into five core capabilities that contribute to the overall capacity of a system or organisation.

The effective organisations in the cases could focus intellectual and emotional energy, could put in place a structure in which capabilities could be embedded, could craft the internal and external relationships that underpinned the needed capabilities and could mobilise the political, technical and logistical skills that were needed. Capabilities, in practice, were ongoing processes that emerged out of the system that enabled it – or not – to survive and create value. In our view, this focus on capabilities can help provide more operational and specific ways to approach the broader concept of capacity. In the

⁴⁰ Amartya Sen, *Development as Freedom*, 1999.

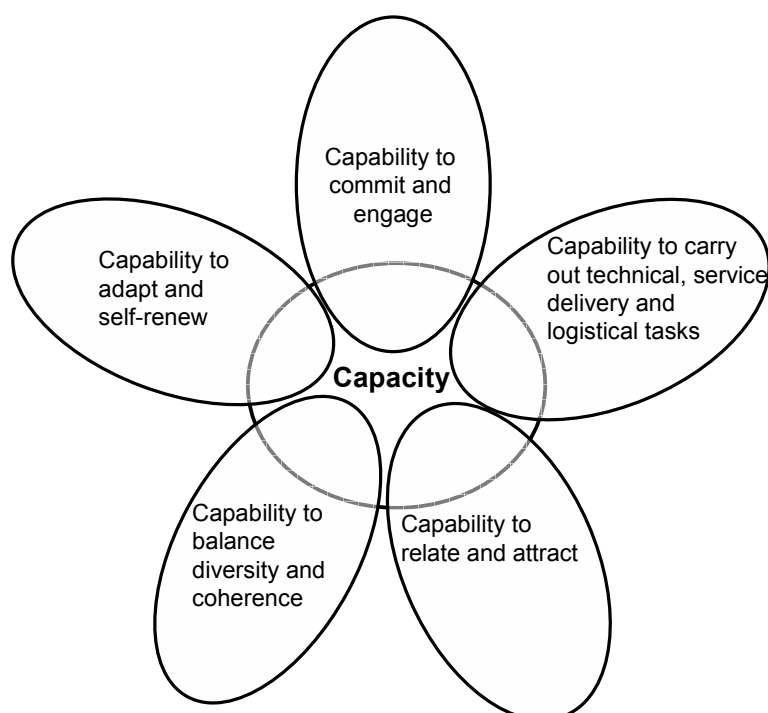
next section, we draw out the concept of capabilities in more detail and suggest how they can be understood and assessed.

In order for an organisation or a system to be able to create public value, it must have competent people committed to generating development results. The system must have the capabilities it needs to create the developmental value that outside groups want. It must have the support structure it needs to manage and sustain its capabilities. It must be able to find the resources and support in the wider context that allows the system to survive and grow. And it must be able to pull these aspects together with some sort of integration, synthesis and coherence.

3.2 Five core capabilities

The existence, effectiveness and interrelationships of collective capabilities are critical to capacity as a system condition. We see five core capabilities as key, all of which, to a greater or lesser extent, can be found in all organisations or systems.⁴¹ These are the capabilities to commit and engage, to carry out functions or tasks, to relate and attract resources and support, to adapt and self-renew, and finally, to balance coherence and diversity. Figure 2 illustrates the various capabilities and how they relate to capacity.

Figure 2: Elements of capacity



We have gone through several iterations in the analysis and description of these capabilities.⁴² As the work on the report progressed, we clarified the distinctions among the different capabilities to make them more useable for policy makers and practitioners. We still consider this framework a work in progress and different groups are currently engaged in testing it to make it more operational.

⁴¹ There is a huge body of experience with capabilities in the private sector. See, for example, Dave Ulrich and Norm Smallwood (2004) *Capitalizing on capabilities*, *Harvard Business Review*.

⁴² In an earlier phase of this study, the capabilities were referred to as (1) the capability to act, (2) the capability to generate development results, (3) the capability to relate, (4) the capability to adapt and self-renew and (5) the capability to achieve coherence (see Morgan 2006; Engel *et al.*, 2007).

Some readers may perceive the core capabilities as insufficiently technical or logistical, or too lightly focused on results and performance. But too often, past efforts at capacity development have added up to little more than narrowly focused efforts at improving project and programme implementation. Or they saw organisations as pieces of technological machinery that needed to be fixed, tuned up or further developed through the process of capacity development. But it was clear that the groups, networks and organisations in the cases were living human systems that needed a wide range of capabilities to survive as well as perform. They functioned as attributes or properties of the whole. The capability to change, for example, involved technical, cultural, psychological and logistical issues. All these capabilities overlapped and formed elements of the others. And all five were necessary to ensure overall capacity. None was sufficient by itself.

3.2.1 The core capability to commit and engage

The case participants did not highlight this capability directly or explicitly. It was assumed to be obvious. But it was not. Indeed, almost all the current discussion in development co-operation about the importance of ‘ownership’ and motivation has to do with this core capability. Its absence – or at least its fragility – dooms efforts at building any kind of a broader capacity. We are talking here about the capability to commit and engage in development activities.⁴³ Organisations must be able to have volition, to choose, to empower and to create space for themselves. This is about the capability of a complex adaptive system – a living system – to be conscious and aware of its place in the world, to configure itself, to develop its own motivation and commitment and then to act.⁴⁴ And to do it in time, over time and frequently, despite the opposition or resistance or non-cooperation of others.⁴⁵ This is a condition that goes beyond conventional notions of ownership. It has a lot to do with attitude and self-perception. In the cases, we can see participants developing this capability in an effort to improve their overall capacity. We thus regard this core capability as the one that energises all the others. We suspect it is also the key to self-organisation that lies at the heart of change in complex adaptive systems. Actors that developed it could overcome enormous constraints. When it was absent or weakened, they produced little of value.

More specifically, this capability is about human, social, organisational and institutional energy and agency. Does the system have the collective drive, confidence and ambition to build its capabilities? Is it stuck or helpless? Is it trapped or immobilised by internal conflict or external forces? Has it been captured and hijacked and its resources diverted to other purposes? Is it in denial in certain areas or about certain issues? Has it given up on carrying out certain activities in the face of their complexity or uncertainty? Does it have a high level of organisational optimism and confidence? Or has the lack of integrity and purpose rendered it helpless in the face of difficulties. Has the system lost awareness and consciousness? Such a capability is obviously not totally present or absent. Some systems may be energised in certain directions but not in others. An organisation may start implementing a programme with energy and commitment, but then lose traction and the willingness to act as the constraints mount.

⁴³ The best definition of capacity from this perspective is: ‘Capacity is the ability of an organisation to function as a resilient, strategic and autonomous entity’, cited in Alan Kaplan, *The Developing of Capacity*, Community Development Resource Centre, South Africa, 1999, p.16.

⁴⁴ See T. Homer-Dixon, *The Ingenuity Gap: How Can We Solve The Problems of the Future?* 2002.

⁴⁵ ‘A staggering number of consequential public problems are rapidly approaching crisis stage, taxing the capacities of governments, communities and nations, which seem at once unable to meet challenges head-on. What is causing this systematic and widespread paralysis that precludes our venerable institutions from acting in time to implement effective and responsible solutions’, summary of *Acting in Time Initiative*, Kennedy School of Government, Harvard University, 2007.

In this report, we differentiate this core capability from that of carrying out technical and logistical tasks (see below). Both have to do with some sort of intentional behaviour. But the core capability for achieving results has more to do with ‘first-order’ change or the manipulation of skills and resources. It is about management, logistics, operations and task accomplishment. The capability to commit and engage, in contrast, is related to ‘second-order’ change, i.e. a complex blend of motivation, power, space, legitimacy, confidence, security, meaning, values and identity. It is connected to deeper patterns of behaviours that are partly structural, partly psychological, and usually deeply embedded.

We can see examples of this core capability on display in the cases. At some point in 1999, ESDU in the Caribbean started to see itself not as a delivery agent for donor-funded programmes, but as an independent actor that needed to develop its own identity and sense of direction. In this process, it changed its consciousness and sense of itself. It began to reshape its relationships with its funders, the member governments of the Organisation of Eastern Caribbean States (OECS) and its own staff. Many of the other cases – the Lacor Hospital, IUCN in Asia, the COEP and Observatório networks in Brazil – all show systems with a core capability to engage with conviction.⁴⁶

Some of the cases, such as the education sector in Pakistan and the health sector in Papua New Guinea, showed the condition of ‘stuckness’ that is the most obvious sign of the lack of this capability. Many organisations get stuck in a ‘low commitment, low capacity, low performance’ equilibrium that is a classic trap of weakened systems. Continuing political and bureaucratic instability causes, and is reinforced by, low levels of commitment, leading to ineffective processes of capacity development. Citizens then withhold support and legitimacy from public agencies, leading, in turn, to a ‘weak demand, weak response’ syndrome that further locks inaction in place. This pattern reinforces the poor performance, which leads back again to low commitment and low absorptive capacity. Many state structures are trapped in this kind of vicious cycle, which is hard to escape solely through narrow technical approaches to capacity development.⁴⁷ In such cases, satisfactory underperformance – lack of engagement and lack of results – becomes the most sensible option available.

The capability to commit and engage can be developed, however. Organisations and systems can be given space. They can be buffered and given political protection. They can be helped to develop a greater sense of awareness and confidence. They can develop more coherence and leadership. They can get access to an increased supply of supply of resources. They can develop a willingness to decide, move and take risks, and to improve the pattern of relationships with outside groups.

It is also, in our view, the capability that is least understood by external actors. Funders can relate to organisations that are technically or organisationally ‘unable’ to do certain things. The design of most technical assistance (TA) is based on the assumption that actors in low-income countries indeed have the capability to commit, but that ‘gaps’ or missing pieces of the capacity machinery account for the lack of effectiveness. Funders are then usually puzzled and frustrated by actors that appear ‘unwilling’ to commit given the pressing needs to be addressed. Actors without this capability are usually characterised as lacking ‘commitment’ or ‘political will’. The deeper explanations – usually political, cultural, psychological, social – also do not lend themselves easily to the conventional ‘needs assessment’ or capacity analyses.

⁴⁶ The management of IUCN in Asia saw its task as putting conviction into the system. Anne Rademacher, *The Growth of Capacity in IUCN in Asia*, ECDPM Discussion Paper 57M, p.14.

⁴⁷ The apparent inability to solve recruitment and under-spending constraints are typical.

This core capability depends on a series of what we call skills or abilities, including:

- the ability to encourage mindfulness;
- the ability and willingness to persevere;
- the ability to aspire;
- the ability to embed conviction;
- the ability to take ownership; and
- the ability to be determined.

3.2.2 The core capability to carry out technical, service delivery and logistical tasks

This second core capability underlies the most common way of thinking about capacity issues.⁴⁸ From this perspective, organisations or systems are in the performance and results business. In most circumstances, they are supposed to deliver services, carry out functions, formulate policies, regulate activities, provide security or create some other form of public value. To do these things, they must carry out technical or logistical tasks such as programme analysis, financial management, project management, advocacy, community policing, vaccination campaigns, public communications and many others. The emphasis is on functional, instrumental ways of meeting a set of objectives and fulfilling a mandate.

This core capability is focused on what many see as larger development results – organisations are regarded as performance actors designed to act in accordance with technical and policy rationality. Attention to this capability matches up with the pressing need for IDAs to achieve or at least to be perceived to be achieving, substantive development outcomes. Many country governments also feel more comfortable with this instrumental perspective on capacity given the resultant shift of attention away from politics and power.

Based on the case study findings, we can distinguish two kinds of organisations:

- Organisations focused on delivering programmatic results such as better policies or improved environmental protection. Task accomplishment was about executing or implementing to a certain standard. In many cases, this capability was equated with effective performance management in the form of better service delivery. The two education sector cases in Pakistan and Ethiopia fall into this category.
- Organisations concerned with improving the capacity of others. These included support or bridging organisations as opposed those engaged in policy or production or service delivery.⁴⁹ The SISDUK programme in Indonesia, the Local Government Support Programme (LGSP) in the Philippines (see box 4), ESDU in the Caribbean, and the Environmental Action (ENACT) programme in Jamaica all fall into this category.

One other point needs to be stated here. The core capability to perform, deliver services or achieve results is an obvious and crucial element of the capacity puzzle. Participants need to make sustained efforts to understand and strengthen the interconnections between capacity and performance. In particular, they need to be clear about which

⁴⁸ Definitions of capacity from this perspective include those of Nils Boesen and Ole Therkildsen: 'Capacity is the ability of an organisation to produce appropriate outputs', cited in *A Results-Oriented Approach to Capacity Change*, Danish Ministry of Foreign Affairs, 2005; 'Capacity is the ability to design and deliver policies', Commission for Africa (2004); and 'The ability of individuals, institutions and systems to make and implement decisions and perform functions in an effective, efficient and sustainable manner' (IFAD).

⁴⁹ See M. Lund *et al.*, *What Really Works in Preventing and Rebuilding Failed States: Catalytic initiatives for country-level peace-building strategies; What are they accomplishing?* Woodrow Wilson International Center Occasional Paper Series, issue 2, 2006.

technical or logistical capabilities are crucial to generating results over time. For an example of where this was done we go beyond the cases done for this study to the Public Financial Management Programme in Tanzania, described in the box below.

Box 4: Building a capability for financial management: the Tanzania experience

The reform of financial management has had a long history in Tanzania.⁵⁰ By the mid-1990s, at least nine donors had separate programmes designed to improve the performance of the government's financial systems. But such efforts lacked connection to a coherent strategic approach to reform. In 1997/98, with the support of Sida and DFID, the government launched the Public Financial Management Programme that is generally felt to have been a success.

Among the critical factors that led to this success were: collaboration among key donors and the government; the technical expertise and commitment within the Ministry of Finance; effective sequencing of the reforms with efforts at expenditure control; the gradual introduction of the International Financial Management System; institutional reform of rules and regulations; recruitment, incentives and training for local IT staff; and the effective use of external TA. Underlying these factors was a special set of conditions: a political leadership committed to improved performance in the public sector in general and the Ministry in particular, a culture of donor collaboration, a stable political system that could, in turn, support stability in key public appointments and improve conditions for staff. Being able to put in place a comprehensive approach to capacity development is itself a rare capability that few governments can successfully attempt.

The core capability to carry out technical, service delivery and logistical tasks includes the following capabilities:

- to deliver services;
- for strategic planning and management ;
- for financial management.

The capability to carry out technical and logistical tasks needs to be supplemented and combined with the four other capabilities to enable sustainable capacity to emerge.

3.2.3 The core capability to relate and to attract resources and support

This third core capability had profound implications for what the participants actually did as opposed to what they reported on. This was the capability to achieve a basic imperative of all human systems, i.e. to relate and survive within the context and in connection with other actors. From this perspective, capacity was not just about the capability to achieve results and carry out programme delivery. Capacity was also about being able to craft, manage and sustain key relationships needed for the organisation to survive. In the real world, organisations needed to attract support and protection, and to enter into relationships that produced new sources of funding, staff and learning. They could more effectively pursue their mandated goals provided they gained the legitimacy, operating space, control and buffering they needed to sustain themselves in a difficult context.⁵¹ This capability is particularly relevant in many low-income countries that are struggling to put in place an institutional and organisational infrastructure.

In the cases, systems ranging from individual organisations to whole governments had to organise themselves in ways that gave them the access to the resources they needed to keep going. Protecting the technical core of the organisation or system was key. Without

⁵⁰ See Kithinji Kiragu, *Tanzania: A Case Study in Comprehensive Programmatic Approaches to Capacity Building*, 2005.

⁵¹ For a more detailed analysis, see Derick Brinkerhoff, *Organisational Legitimacy, Capacity and Capacity Development*, ECDPM Discussion Paper 58A, 2006.

this capability, the chances of achieving a level of real performance were not likely to be good. Thus in answer to the often-posed question ‘capacity for what?’, this capability has to do with consolidating and defending the system’s autonomy, functioning and existence.

The case participants gave careful attention to relational issues such as legitimacy. In the Lacor Hospital case, senior managers made continuous efforts to build relationships with a range of other groups such as citizens and patients, other local hospitals, the national health service and international funding agencies.⁵² From this perspective, actors needed the capability to manage symbolic appearances, to communicate effectively, to enter into productive partnerships and alliances, to manage political conflict and, in general, to secure the organisation’s operating space.

This capability also had political aspects. Organisations frequently had to compete for power, space, support and resources with a variety of other actors, including individuals, informal groups and networks and other formal actors.⁵³ Capacity, especially in the public sector, was thus an outcome of political conflict, bargaining and elite accommodation. Both individuals and organisations tried to establish norms of reciprocity that could be used to address collective action problems. Individuals and groups tried to capture other organisations and use them for public or private purposes. Organisations struggled to institutionalise themselves and to make sure the ‘rules of the game’ favoured their interests. Systems whose capacity was being developed were part of a wider context within which they competed, collaborated and co-evolved with other actors. Mandate, positioning and the system’s operating logic affected this core capability.

This capability operated as much through the informal and the intangible as it did through the formal and the tangible. Operating space, key relationships and legitimacy were usually secured through informal means. Formal structures are frequently induced or imposed through external demands and tend to get detached from the context in which they function.⁵⁴ A preoccupation with strengthening this type of core capability comes with obvious risks. Among the cases, actors needed operating space if they were to have a real chance of building their capacity. They needed political support and alliances to function. But systems that became obsessed with their own survival and vested interests lost the capability to innovate and experiment. They defended their interests using mainly political methods. Performance was quickly sacrificed or at least produced through symbolic means. Loyalty was rewarded over efficiency. The system focused inward in an effort to defend its self-interest.

The core capability to relate includes the following capabilities:

- to earn credibility and legitimacy;
- to buffer the organisation or system from intrusions;
- to earn the trust of others, such as donors and clients; and
- to combine political neutrality and assertive advocacy.

⁵² In the case of the Lacor Hospital, its legitimacy was so strong with local groups that the Lord’s Resistance Army stopped threatening it.

⁵³ For an excellent analysis, see Caroline Hughes and Tim Conway, *Understanding Pro-Poor Change: The Policy Process, Cambodia*, 2003. See also Sarah Lister and Andrew Wilder, Strengthening subnational administration in Afghanistan: Technical reform or state-building? *Public Administration and Development*, 25, 2005.

⁵⁴ For this trend in Africa, see Mamadou Dia, *Africa’s Management in the 1990s and Beyond*, 1996.

3.2.4 The core capability to adapt and self-renew

The fourth core capability that showed itself in the cases was that of adaptation and self-renewal.⁵⁵ Almost all the cases organisations were situated in a context of rapid, sometimes destabilising change. In Russia, the Centre for Trade Policy and Law (CTPL) in Moscow unfolded as part of the effort by the Russian government to transform its structures and policies as part of its campaign to join the World Trade Organization (WTO). In Indonesia, the SISDUK case showed the district authorities trying to cope with the government's new decentralisation policy. In Tanzania, the Public Sector Reform Programme (PSRP) was only the latest in a series of major changes since the late 1980s. The Lacor Hospital struggled to adapt to being part of the Ugandan national health system, which itself was changing as part of its inclusion in a SWAp. IUCN in Asia went through a reorganisation every two or three years in order to keep up with the changing patterns of demand from governments across Asia (see box 5). All the participants reliant on external funding constantly had to change their procedures to keep up with the latest donor initiatives.

Box 5: Developing the capability for adaptation and strategic thinking

Three of the cases – IUCN in Asia, COEP, ENACT in Jamaica and the ESDU in the Caribbean – all worked to develop a capability for strategic thinking. The three approaches varied, but they all had several elements in common, including:

- a realisation of the need to understand and react to global and societal changes;
- all staff needed to contribute to developing this capability;
- a collective awareness of the state of their capability;
- the leadership provided a model of the needed behaviour;
- an implicit understanding of the importance of adapting and changing;
- the critical need for foresight; and
- the need for constant discussion and brainstorming.

What was clear in almost all cases was the pace of change that acted to shape the nature of the tasks facing the participants and to erode the existing capabilities of those organisations that failed to keep up. The process of capacity development frequently took place in a context of enormous institutional upheaval. Windows of opportunity for capacity development opened and then closed. In Papua New Guinea, for example, where ministers and senior officials rarely lasted in a job for more than two years, problems appeared in the form of complex, 'wicked' patterns that were resistant to simple solutions. Factors that used to be seen as transitory constraints on effective implementation – political conflict, civil strife, cultural dislocation – were becoming permanent conditions.

The capabilities associated with adaptation and change included:

- to improve individual and organisational learning;
- to foster internal dialogue;
- to reposition and reconfigure the organisation;
- to incorporate new ideas; and
- to map out a growth path.⁵⁶

⁵⁵ 'In the twenty-first century, the growing disparities between those who adapt well and those who don't will hinder our progress towards a shared sense of human community and erode our new global society's stability and prosperity', Thomas Homer-Dixon, *The Ingenuity Gap*, 2002, p.1.

⁵⁶ For an analysis, see Niloy Banerjee, *A Note on Capabilities that Contribute to the Success of NGOs*, ECDPM Discussion Paper 57P, 2006.

3.2.5 The core capability to balance diversity and coherence

All the case actors needed to deal with the challenge of managing the balance between diversity and coherence. We can look at this issue from two perspectives. First, organisations needed different capabilities, interests and identities, and a variety of perspectives and ways of thinking. In practice, the benefits of this diversity helped them to build their resilience. Yet at the same time, they had to find ways of reining in the fragmentation to prevent the system losing focus and at worst, breaking apart. Increasingly, the pressure on all systems was on the side of greater complexity, diversity and fragmentation. They thus needed ways to balance diversity and coherence, and to encourage both stability and innovation.

The organisations also struggled to balance their different capabilities. If they paid too little attention to the technical and the substantive, they began to lose a sense of themselves as human community. Too much attention to the ‘soft’ capabilities, and they began to lose the ability to deliver technical value and services. Some key capabilities were in contradiction, such as those to with innovation and those to do with coherence and stabilisation. Effectiveness often came at the expense of efficiency. All the actors tried to achieve some balance and coherence amongst their capabilities. Often, this balancing involved trade-offs between, for example, being ‘technocratic’ and ‘political’ at the same time; having ‘hard’ versus ‘soft’ capabilities; focusing externally and internally; focusing on the short versus the long term; emphasising performance versus capacity; and being centralised or decentralised.

Some organisations tried to centralise this capability, only to lose effectiveness as innovation and flexibility were lost. They then entered into a period of oscillation in which the system swung back and forth from decentralisation to centralisation then back again. Some of the actors mounted multi-component strategies to achieve greater coherence including the upholding of certain values, the recruitment of particular types of people, the attention to communication and openness and the use of cross-functional, cross-country, cross-disciplinary teams and management groups. The need for this capability was key at the programme and sector level given the long-standing independence of many of the actors.

In the cases, we see actors struggling with this diversity–coherence dilemma. IUCN in Asia devoted time and attention to being simultaneously decentralised and centralised. The ENACT programme in Jamaica came down on the side of greater flexibility and decentralised experimentation, but then struggled to induce the government to put in place a coherent approach to sustainable development. The COEP and Observatório networks in Brazil maintained a balance by having shared values and processes in some areas while leaving network members free to operate independently in others. Thus all the case actors tried to balance different aspects of their capacity and arrive at some sort of coherence.

The core capability to balance diversity and coherence includes the following capabilities:

- to communicate;
- to build connections;
- to manage diversity; and
- to manage paradox and tension.

3.3 Capacity

We use the term 'capacity' to refer to the overall ability of an organisation or system to create public value. The system must have competent people committed to generating development results. The system must have the collective embedded capabilities it needs to create the developmental value that outside groups want. It must have the support structure it needs to manage and sustain its capabilities. As we shall see later in this report, it must be able to find the resources and support in the wider context that allows the system to survive and grow. And it must be able to pull these aspects together with some sort of integration, synthesis and coherence.

We thus see capacity emerging over time in a number of ways. The system, as it develops, can handle more complexity with more effectiveness over a sustained period of time. Individual skills improve and become more diverse. System capabilities become more varied, more effective, more institutionalised and embedded. The assets and resources of the system also become more varied over time including both tangible and intangible elements. And finally, the system puts in place relationships and partnerships with outside groups and pools of resources that allow it to develop its capacity. Capacity as an overall property of the system emerges through the interactions of all these elements.

3.4 Operational implications

Based on the above analysis, we put forward the following definition of capacity as

that emergent combination of individual competencies and collective capabilities that enables a human system to create value.

In the case organisations, no matter how large or small, we saw participants using these five core capabilities either explicitly or implicitly. The type of capabilities needed varied according to the sector, the mandate, the history and the age of the organisation. The capabilities could be general and almost routine or very precise and well developed, depending on the nature of the tasks at hand and the complexity of the system. Working in a system involving few people where the goals and means were clear required a lower level of capabilities than a more complex system, involving contested means and ends and many actors (see table 2).

Table 2: Examples of the collective capabilities needed to address less complex versus more complex systems

Core capability	Less complex	More complex
To commit and engage	To develop a shared commitment among senior managers to adopt a new personnel appraisal system	To arrive at a consensus across a government system on implementing a new personnel management system, including staffing, appraisal and career development
To carry out technical, service delivery and logistical tasks	To put in place a basic project management system for the restructuring of a small government unit	To plan and implement a major urban infrastructure renewal programme
To relate and attract resources and support	To establish a partnership between a government agency and a private consulting group to train public servants on how to use a new personnel appraisal programme	To secure funding from a range of sources (communities, national/ international, public or private) to improve academic training for future public servants
To adapt and self-renew	To use a monitoring system to provide information to management on a new personnel appraisal system	To develop a national capability for innovation in public sector management
To balance diversity and coherence	To encourage both productive disagreement and consensus in the process of priority setting for an organisation	To build consensus among stakeholders of the most pressing priorities and the sequencing of projects within the budget available for public sector reform

We do not mean to convey the image of organisations or systems systematically developing a portfolio of core capabilities which they then tracked diligently as a way of integrating them into a coherent systemic capacity.⁵⁷ In practice, only two organisations – ESDU in the Caribbean and the LGSP in the Philippines – focused explicitly on the idea of collective capabilities and deliberately tracked their development. But many others did have some implicit sense of what skills they needed and tried in an *ad hoc* fashion to put them in place.

It seems to us to be useful for individuals and organisations to regularly ask themselves the following questions:

- What competencies and capabilities do we need to do our work and to keep functioning?
- To what level do we need these competencies and capabilities?
- What competencies and capabilities do we now have, and to what level?
- What competencies and capabilities are really needed, and at which stage of development?

⁵⁷ See, for example, *The Keystone Capabilities Profiler*: david@keystonereporting.org.

4 The actors

Later in this report we deal with the usual questions of ‘what is capacity?’ and ‘capacity for what?’ In this chapter we look at the question ‘capacity of what?’ A series of related questions then arise. Whose capacity is to be developed? How does the structure, mandate and identity of the actors in the cases – groups, sub-units of organisations, organisations, formal and informal networks – shape the process of endogenous capacity development? What difference did these aspects make to capacity development? We thus emphasise in this chapter the need to understand better the identity of and interconnections among the actors involved in the process.

4.1 Types and locations of the case actors

We have grouped the case actors into categories for purposes of an initial explanation. But we would emphasise the difficulties of easy categorisation. For example, IUCN in Asia can be seen as either a single organisation or a multi-actor system. Differences remained even among actors in the same category. The Public Sector Reform Programme in Tanzania and the COEP network in Brazil were both large-scale, diverse groupings of organisations, yet they acted in quite different ways and needed quite different capabilities. Table 3 gives an idea of the variety of situations represented by just a small cohort of cases, and the potential variation among them in terms of needed capabilities.

Table 3: The wide range of case actors

Category	Public sector	Civil society	Hybrid
Multi-actor	PSRP, Tanzania Education sector, Pakistan LGSP, Philippines Education sector, Ethiopia CTPL, Russia SISDUK programme, Indonesia	Churches in Papua New Guinea	Health sector, Papua New Guinea IUCN in Asia
Single actor	Rwanda Revenue Authority NACWC, South Africa ESDU, Eastern Caribbean		Lacor Hospital, Uganda
Formal networks			Observatório network, Brazil ENACT, Jamaica COEP network, Brazil

We emphasise again the variety of actors represented in table 3, and the ways in which the structure of these actors changed over time in reaction to political crises, external pressures, the needs of citizens and donor preferences.

4.2 General functions and strategic positioning

As illustrated in table 4, the actors in the cases performed a variety of different functions.

Table 4: Functions of case study actors, and the level at which they worked

Category	Public sector	Civil society	Hybrid
Service delivery	PSRP, Tanzania Education sector, Pakistan LGSP, Philippines Education sector, Ethiopia Rwanda Revenue Authority		ENACT, Jamaica COEP network, Brazil Health sector, Papua New Guinea
Support, coordination & facilitation	ESDU, Eastern Caribbean	Churches in Papua New Guinea	Lacor Hospital, Uganda
Multipurpose/policy development	NACWC, South Africa CTPL, Russia Observatório network, Brazil		

What was also critical was the complex process of what we call the ‘strategic positioning’ of the actors in terms of the potential demands, needs and opportunities, and threats they faced (see box 6). We refer to the combination of key assumptions, core ideas, formal mandating, informal direction, structuring – the capacity ‘niche’ in the context – that the organisation or system evolved to fill over time. Such positioning could be shaped by wider strategies of reform such as privatisation, decentralisation, recentralisation, market-based approaches, and so on. From this basic positioning at the ‘macro’ level of the case actors flowed a series of implications at the ‘micro’ level that also contributed to the process of capacity development.

At a general level, we can categorize the strategic positioning of the actors in the cases as shown in Table 5 below. Some did their work in a largely supportive or at least manageable context. Others had to devote a good deal of time to managing contextual factors. Others were, in the end, overwhelmed by circumstances.

Table 5: Types of strategic positioning

Category	Public sector	Civil society	Hybrid
Strategic positioning that fitted the context	Observatório network, Brazil ESDU, Eastern Caribbean		ENACT, Jamaica COEP network, Brazil Health sector, Papua New Guinea, IUCN Asia
Strategic positioning that had both assets and real disadvantages	Education sector, Ethiopia Rwanda Revenue Authority LGSP, the Philippines CTPL, Russia PSRP, Tanzania	Churches in Papua New Guinea	Lacor Hospital, Rwanda
Strategic positioning that had major dysfunctional aspects	NACWC, South Africa Education sector, Pakistan		

Box 6: Strategic positioning: ESDU in the Eastern Caribbean

The ESDU case illustrates the search for a strategic niche in the context of environmental and natural resource management issues in the Caribbean and the consequences of that choice for capacity development. Given the role of the Organisation of Eastern Caribbean States (OECS), the needs and wishes of its members, the resources available and ESDU's own history, what should be its contribution, and to whom? Should it do policy research? Should it implement programmes on behalf of members, or provide facilitation and support services? Should it be an all-purpose actor? What should be its strategic niche, and what capabilities would it need to fill these roles? A key part of the case was the gradual formulation of ESDU's decision to cease implementing 'its programmes' and to become a bridging organisation with the task of connecting, supporting and facilitating the work of the OECS members. The ESDU story then centred on the necessary changes to its capacity as it made its way through this transition.

4.3 History, age and stage of evolution

The structure and behaviour of an organisation or system could be the outcome of a long period of evolution that in turn, reflected societal culture and political dynamics. All the case actors were on a path of evolution and change of some sort. Thus any intentional intervention to develop capacity had to react, in some fashion, to the dynamics of organisational change that were already underway.⁵⁸ This occurred mostly in older systems in the public sector, such as the Ministry of Education in Pakistan, whose organisational roots go back to the days of the British Raj.

Analysts have long tried to categorise or sequence the stages of growth or change of organisations and systems. A common framework is that of the stages of formation, growth, maturity and renewal. In the cases, we saw actors going through a series of stages or cycles that both shaped and reflected the state of their capacity. We can describe these cycles as follows:

- The establishment or entrepreneurial phase, during which the system or organisation begins to find its identity and set up its operating procedures.
- A longer phase of growth, that can go on for years or decades, in which systems become more specialised and internally diverse and develop higher levels of complexity. Frequently, the systems differentiate into sub-systems. They add more capabilities and external connections, which become more formalised and institutionalised. The initial construction work combined with persistence translates into long-term commitment on the part of actors. Among the cases, the COEP network in Brazil was perhaps the best example of this pattern.
- At some point in the growth cycle, the system becomes burdened by complexity, poor coordination, external pressures, declining responsiveness and stifling bureaucracy. More and more energy, skills and resources are needed simply to keep the system going. At some point, the system rapidly loses energy and flexibility, becomes dysfunctional, grinds to a halt or collapses altogether.
- At this point, the system can either die as part of the process of creative destruction, or system participants and supporters can try to revive and reorganise it in an effort to keep it functioning.
- If these supporters succeed in some fashion, the next phase is one of reform or renewal, which will start the cycle again.

Although arguments can be made for and against such categorisations, it does seem valid to conclude that organisations or networks or other types of systems pass through certain macro or life cycle phases as they become bigger, older, more complex and, in

⁵⁸ Thomas Homer-Dixon, *The Upside of Down: Catastrophe, Creativity and the Renewal of Civilization*, 2006, ch. 1.

the process, less flexible and adaptable. Certain types of capacity development intervention are likely to be more appropriate at these different stages. This sequencing also varies depending on the nature of the organisation and the contextual factors. Among the cases, the COEP network, for example, reached a certain level of development using less formal approaches to its growth and development. But at a certain point in its expansion, its management shifted to more formal strategies in an effort to consolidate change and manage the huge growth in complexity.

Table 6 below looks at the cases from the point of view of stage of evolution. We put this forward as a general framework. Each stage often contained complex adaptations. Actors could go through stages of qualitative and structural transformation within the long phases of growth and expansion, as in the case of the COEP network in Brazil. Or the entire cycle could be compressed into a few years, as in the case of the NACWC in South Africa. They could also go through irregular, discontinuous stages or leaps and bounds interspersed with periods of normalcy. Some actors, especially in the public sector, could get stuck at certain points in the cycle or could cease to act in any meaningful way, such as the Ministry of Education in Pakistan.

Table 6: Locating the cases in the cycle of evolution of capacity

Category	Public sector	Civil society	Hybrid
Entrepreneurial	LGSP, the Philippines Observatório network, Brazil NACWC, South Africa	Churches in Papua New Guinea	ENACT, Jamaica Health sector, Papua New Guinea
Growth and development	ESDU, Eastern Caribbean	Churches in PNG	IUCN in Asia Lacor Hospital COEP network, Brazil
Undue complexity	Pakistan education sector SISDUK, Indonesia?		
Reform and renewal	PSRP, Tanzania Rwanda Revenue Authority Education sector, Ethiopia		

The stage and timing of the life cycle of each system influenced the direction and style of the capacity development process. Actors at the entrepreneurial phase and older organisations with less energy and flexibility needed quite different approaches to capacity development. IUCN in Asia and the COEP network in Brazil, for example, were relatively young structures with few embedded practices to overcome. In contrast, the Ministry of Education in the Punjab was over 100 years old and came with layers of procedures, mindsets and vested interests, both internal and external.

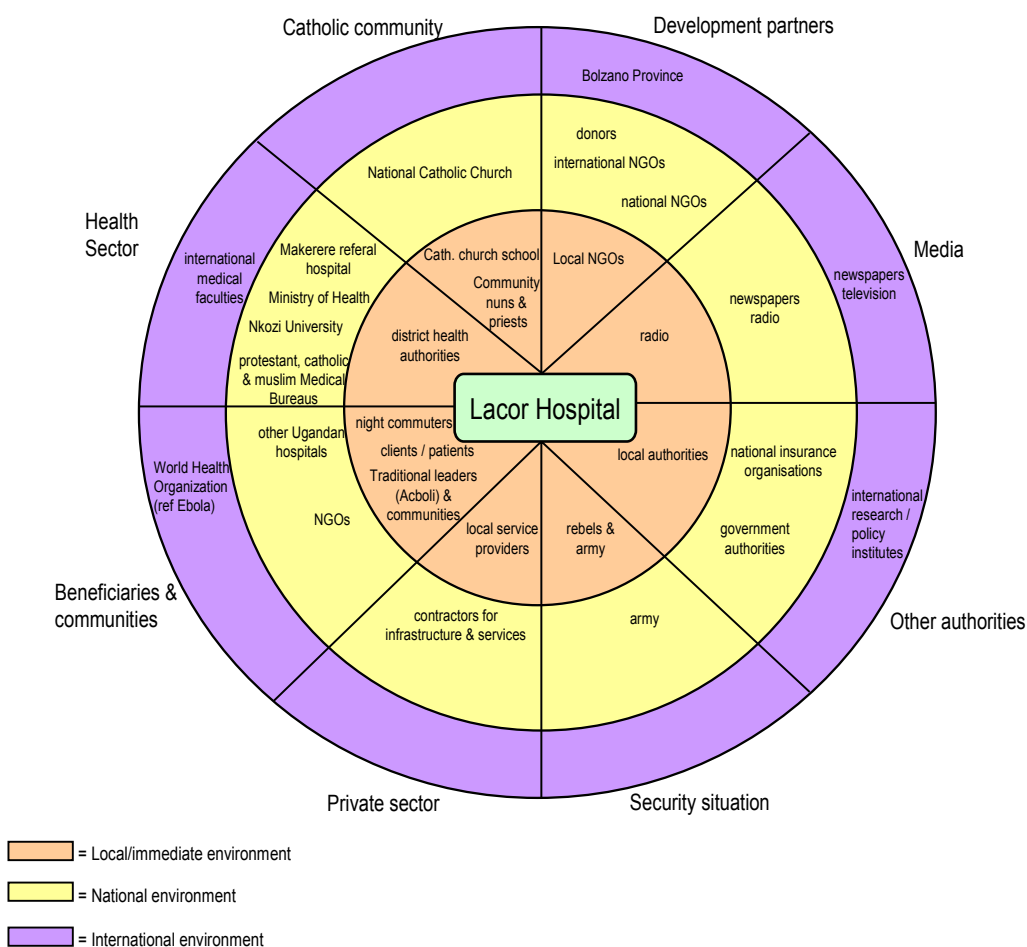
One other notable pattern was that the founding model of the system – its original genetic code – seemed to influence all future attempts at capacity development and change. Efforts that reinforced the original model could be absorbed much more easily, while those that tried to overturn the model proved enormously destabilising and stood much less chance of success. For the most part, organisations or systems designed to operate in a certain way could not do something dramatically different even with some effort to do so. The fateful constraining impacts of early choices had a great influence on how they developed over time. Part of this was related to deeply embedded assumptions about the nature of the organisation and what it was supposed to do – its organisational identity that had grown out of its history, its context and its culture.

4.4 A systems perspective on the capacity actors

One of the most obvious characteristics of the case actors from a capacity perspective concerned their relationships, i.e. their embeddedness in a wider system or systems. Single organisations, for example, could be part of a complex web of connections that could extend across the district, the province, the country or the world. In practice, part of their 'capacity' could be located in these larger webs of other actors whose capacity was affected by and affected each other. In some cases, such as the COEP network in Brazil, the composition of the surrounding system was completely open and permeable with potential actors all over the country entering or leaving depending on their relationship to a particular issue. Originally limited to public entities, COEP's system expanded rapidly to be open to almost any formal organisational actor that was willing to engage in or support social and development action. In the case of IUCN in Asia, the system rapidly spread across the whole of Asia, and included 23 countries such as China, India and Pakistan, IUCN members, international donors and partners, private firms and other interested organisations.

Politics affected the range of these systems of actors. Changes in power dynamics and other political disputes acted to rule some actors in and others out. Much of the process of capacity development at this level centred on the issue of who was seen to be 'in' or 'out', and by whom. Efforts were made, for example, to engage a wider range of civil society actors in the cases in the Philippines and Indonesia. Powerful but tacit actors in the NACWC case in South Africa, previously not seen to be part of the broader context, began to exert a powerful influence which, in the end, brought the experiment to an end.

All these 'systems' in the cases had changing patterns of interactions with other systems. Nor was there just 'one' system. A country or a region could have many systems that differed dramatically. And participants could be situated in multiple systems. The Lacor Hospital, for example, was part of a private not-for-profit health care system in Gulu province, an Acholi tribal system, a regional security system in the north of the country, a Catholic welfare system across Uganda, the national health care system, an international knowledge system in fields such as HIV/AIDS and other infectious diseases, an international aid system based in Italy, and finally an international financing system in parts of Europe and North America (see figure 3). Most of these systems were mutually reinforcing and contributed to the development of the hospital's overall capacity, legitimacy and resilience. Actors who found themselves part of conflicting systems and sets of interests, on the other hand, faced quite different capacity development challenges.

Figure 3: Some of the systems of the Lacor Hospital, Uganda

Conventional sectoral structures and behaviours influenced capacity development in a variety of ways. The power structures and politics of different sectors, e.g. forestry versus health, could vary. Some could be institutionally quite simple. The tax system in Rwanda, for example, consisted of a small collection of agencies in the public sector, including the Ministry of Finance and the Rwanda Revenue Authority, plus a small number of private firms doing tax work and a varied grouping of taxpayers including private firms and individuals in the main urban areas. The health system in Papua New Guinea, by contrast, comprised hundreds of agencies, hospitals, health posts, private suppliers, funding agencies, citizen groups, and so on.

4.5 Operational implication of the actors perspective

We set out here two operational implications regarding the behaviour and relationships of the actors in the cases.

- All actors or systems involved in a process of capacity development come with a history, a process of evolution, a pattern of values and behaviour that can partly explain how they act the way they do and why. Any process of capacity development that is intended to 'start where the actors are' and build on existing systems and patterns needs to understand the nature of the actors involved. Capacity assessment frameworks need to look at the evolution to the present, as well as the present.
- In many cases, the focus on the so-called 'organisational level' is illusory. Almost all organisations are part of wider systems, some of which contribute to their capacity.

The scope of capacity mapping or analysis thus needs to focus on more than the individual organisation.

5 The context of capacity and capacity development

Do contextual factors matter? If so, why and how?

5.1 Introduction

In this chapter we examine the influence of context. That it is necessary to assess context is hardly a new insight. The topic has been extensively analysed in development cooperation and in the private sector, where for decades analysts have studied the environment of the firm. Some questions dealing with the interaction between a process of capacity development and its context include:

- Depending on whether or not a context is 'enabling', do factors arising out of that context largely determine the progress of capacity development? And what is it about the context that is 'enabling', or at least determining?
- Or are the demands of citizens or organised groups more important determinants? Is it the pressure and accountability for performance that, in turn, induces the capacity that will make a difference?
- Or, as many management analysts would assert, can organisations and systems build their capacity if they have the resources, skills and the discipline, *regardless* of the context or the nature of the demand? Can they change their behaviour and capabilities through internal, engineered improvements such as more training, better structures and systems, more skilful leadership, etc.?

In short, what matters most in shaping capacity – external factors or stakeholder demand/support or internal factors? If, as seems likely, it is some combination of all three, how can we better understand those complex interactions?

In the cases the contextual patterns and effects were more complex than we had imagined at the outset. Discussions about contextual issues usually focus on two common images of 'context' at either end of a spectrum: 'enabling' contexts that support the growth of institutions and organisations; and 'dysfunctional' contexts that act as barriers to capacity development. Some evidence of these classic patterns can be found in the cases. But more complex patterns also showed themselves. Part of this ambiguity had to do with the complexity of the context–actor relationship. Countries were becoming more fragmented and unstable. Global forces influenced actor and country behaviour and affected the way capacity did or did not develop. Some organisations, such as the Lacor Hospital in Uganda, faced horrendous challenges but ended up thriving. Others within more 'enabling' contexts succumbed to outside forces. All of this complexity argues for a deeper knowledge of country and global conditions on the part of those who would try to develop capacity.

5.2 Global and regional trends shaping capacity development

Some case participants could focus on their immediate surroundings and speculate on what they should do to improve their capacity. But for others, global and regional changes acted to shape the scope, nature and degree of urgency of capacity development.⁵⁹ What did seem important was the need to make the connection in this

⁵⁹ By the term 'global trends', we refer to processes including economic integration, the various shared

report between global/regional trends and country efforts at capacity development. In some cases the participants were able to take advantage of these trends to access new resources, ideas and opportunities, while others were unable to cope.

5.2.1 The pace and complexity of change

External pressures contributed to the relentless pace of institutional and organisational change. Almost half the cases were in countries that had undergone profound political, institutional and social transformations following major national upheavals. These changes had complex causes but were a response, in part, to global pressures. As a result, many struggled to find the space, the stability, the access to resources and the time to focus on capacity issues.

The pace and complexity of change was not always traceable to dramatic, dislocating events triggered by external forces. A good part stemmed from pressures that affected every country – the growing opportunities for people and organisations to interact through information technology, the pressure for reform and the implications of changes in international institutions. In practice, part of the challenge was to understand the nature of the global changes that were engulfing them. Good governance, democratisation and decentralisation became issues of global attention in the 1990s. States such as Rwanda, Indonesia and Ethiopia needed to respond to this pressure in an effort to retain some sort of international legitimacy. In the ESDU case, the small island states of the Eastern Caribbean struggled to put in place the institutional structures to cope with changes in trade, aid, migration and foreign investment. The global pressure for change put a premium on capacity in whatever form to be increasingly adaptable, ingenious and resilient.⁶⁰ Countries were simultaneously urged to approach capacity development as a long-term investment, and to make rapid progress in the short term.⁶¹

The uncertain relationship between globalising ideas and cultural, ethnic and religious values also appeared in a number of cases. Capacity development is usually constructed as a secular and modernising force complete with the usual technocratic toolkit – programme goals, result matrices, change strategies, milestones, performance indicators, and so on. Such methodologies usually act to reinforce trends to do with universalism, globalisation, integration and harmonisation. Yet the importance of individual identity, group culture, informal institutions and religious values was clear in many of the cases.⁶² In countries like Papua New Guinea, value systems such as religion and ethnicity as much as modernisation shaped individual and ethnic behaviour.⁶³

5.2.2 Global economic pressures

The effects of global economic pressures in the cases were pervasive, including the knock-on impacts on institutions and organisations.⁶⁴ In some cases, global pressures tended to command and capture the policy space and to create pressures to adopt international standards and initiatives even before the basic management structures were

approaches to development, governance and domestic reform, migration, the knowledge economy, increased competition, and the growth of transnational actors.

⁶⁰ See Thomas Homer-Dixon, *The Ingenuity Gap*, 2002.

⁶¹ 'Perhaps never before have so many governments tried to change so much so fast in such similar ways', Donald Kettle, *The Global Public Management Revolution*, 2005.

⁶² See, for example, Akbar Ahmed, *Journey into Islam: The Crisis of Globalisation*, 2007

⁶³ See Douglas Johnston and Cynthia Sampson, *Religion and the Missing Dimensions of Statecraft*, 2004.

⁶⁴ Elaine Ciulla Kamarck, Globalisation and public administration reform, in Nye and Donahue, *Governance in a Globalising World*, 2000.

in place.⁶⁵ In South Africa, many social policies developed during the apartheid era had to be rethought after 1994, with major consequences for the institutional infrastructure that the country needed to develop, as described in the National Action Committee of the Western Cape (NACWC) case. In Tanzania, the government's decision to open the country to global investment led, in turn, to external demands for improved public administration. Almost all the case countries found themselves in a global competitive race for skills, resources, investments and markets and were hard pressed to keep up.⁶⁶ Many were aspirants or signatories to global agreements that compelled them in some way to address specific capacity issues. The deadlines and 'rules of the game' involved with Russia's application for WTO membership, for example, energised the process of developing the Centre for Trade Policy and Law (CTPL) in Moscow (see box 7).

Box 7: Russia's drive for WTO membership

In the early 1990s there were enormous external and internal pressures to integrate Russia into the international trade community and the WTO. This implied preparing government officials for negotiating the terms of accession and building capacity within and outside government for effective implementation of WTO commitments. Between 1994 and 1996, the Canadian International Development Agency (CIDA) financed training and short-term technical assistance provided by the Centre for Trade Policy and Law (CTPL). After two years, it became obvious that national experts were needed who could help design programmes of assistance that would reflect local conditions and constraints. The programme was reoriented to support Russian nationals in establishing a think-tank – CTPL Moscow – that would serve as the focal point for a public-private trade policy and law community. CTPL Moscow became a recognised leader in these areas and active in virtually all government initiatives on trade-related issues. As of 2006 CTPL and CTPL Moscow were the only organisations providing direct negotiating support to the Russian government on WTO accession.

5.2.3 The growing diversity of capacity challenges

Much more than in the past, events in the cases reflected the growing diversity and varied needs of low- and middle-income states around the world. Responding in a more customised way to the needs of specific developmental contexts became key.

- Stable low-income countries such as Tanzania tended to see capacity issues in terms of ownership, sector-wide approaches and poverty reduction support. In such conditions, technical assistance could be used effectively to facilitate interventions such as budget support loans.
- Middle-income states such as Jamaica tended to be more concerned with issues to do with trade, public sector modernisation, environmental management and economic adjustment.
- Small island states, including many in the Caribbean, faced a unique set of constraints due to their size. External assistance could help to supplement their capabilities and expand their options for integration into regional and global groupings (see box 8).
- In a growing number of fragile states, such as Papua New Guinea, the internal political dynamics affected the process of capacity development in different ways.⁶⁷ In some of these states, technical assistance and capacity issues from the 1960s reappeared such as counterparts, gap filling, and 'handovers' reappeared,

⁶⁵ A dilemma that is explored in Merilee S. Grindle, Ready or not: The developing world and globalisation, in Nye and Donahue, *Governance in a Globalizing World*, 2000.

⁶⁶ See Nancy Birdsall, Asymmetric globalisation, *Brookings Review*, Spring 2003.

⁶⁷ Stewart Patrick, Weak states and global threats: Fact or fiction? *Washington Quarterly*, spring 2006.

Box 8: Capacity development in small island states

Small island states such as St Lucia in the Caribbean faced special capacity challenges. They had to carry out a range of national tasks – maintaining border and coastal defences, complying with international treaties, macroeconomic policy making – that could strain the capabilities of small governments. They had to spend a disproportionately high level of their revenues on infrastructure such as roads and bridges. Their meagre resources had to be spread over a wide range of functions, giving them higher per capita costs than those in larger states. Many government agencies found it difficult to break out of traditional management patterns, given the limited internal mobility and promotion possibilities. Many such organisations had senior and junior level staff but relatively few at the ‘missing middle’ levels. For them it was usually difficult to justify major investments in capacity development and/or training, since nationals with marketable skills tended to emigrate.

One of the paradoxes of the current trends in capacity development is that of the simultaneous advocacy of customisation and transplantation. A good deal has been written about the value of country participants devising and owning their own approaches to capacity development. The assumption is that customised solutions that fit a particular set of circumstances will have a better chance of succeeding. From this perspective, capacity emerges from experimentation and learning at the field level.⁶⁸

Yet at the same time, countries and even individual organisations in the cases faced pressures from the international community to adopt generic approaches to capacity development – ‘best practice’ – that had some sort of global legitimacy. These included the new public management, democratisation, results-based management, harmonisation, gender equality, contracting out, decentralisation, privatisation, and many others.⁶⁹ Part of this trend was accentuated by the globalised identity of elites in many countries who attended international forums, and who favoured international best practice. Put another way, countries were being urged to take more control and initiative – to be in the driver’s seat – while at the same time being disempowered by global forces. Among the cases, Tanzania adopted the new public management as the foundation of its Public Sector Reform Programme. Several countries undertook major programmes of decentralisation, including Indonesia, the Philippines and Pakistan. Results-based management was a strong theme in the Philippines, and harmonisation as a policy influenced external interventions in the health sector in Papua New Guinea.

5.3 *The country context*

The cases highlight an almost infinite number of contextual factors at work at the regional, country or local levels. The influence of such factors could not be traced in a linear way through capacity development to capacity and on to performance. In practice, they interacted among themselves to produce pressures, opportunities and traps, some of which could not be understood in advance.

Three sets of factors illustrate the line of analysis around country context: historical pathways and evolution; governance and politics; and trust, diversity and collective action.

⁶⁸ Devising management approaches that supposedly fitted the needs of low-income countries received a good deal of attention in the 1960s and 1970s. This concern disappeared in the 1980s and 1990s with the rise of global best practice.

⁶⁹ See Donald Kettle, *The Global Public Management Revolution*, Brookings Institution Press, 2005

5.3.1 Historical pathways and evolution

Many of the capacity processes in the cases represented the latest stage in a complex process of institutional, political and organisational change that had been emerging for years, decades or even centuries.⁷⁰ Some sort of understanding of the institutional heritage, pathways and historical evolution was therefore useful in understanding the dynamics and limits of capacity development.

In Tanzania, for example, the debate about salary incentives for public servants was shaped, in part, by the legacy of a 40-year debate about elite prerogatives, social justice and national identity. In the Philippines, much of the energy behind the Local Government Support Programme was a legacy of the revolution in 1986. In Pakistan, capacity building for decentralised education could not be understood without knowing something about the history of devolution, and the influence of practices and institutional structures devised in colonial times. Cases such as these illustrate the connections between the emergence of organisational capacity and the energy coming – or not – from the deeper dynamics of political, institutional and societal change. These deeper changes both supplied some of the tangible, human and intellectual resources and pushed actors in certain directions, and excluded some possibilities. A key to capacity development in cases such as COEP and ENACT was their awareness of energy and commitment, to find it and then to develop themselves as institutional expressions of these deeper trends and expectations.

The influence of history did not lead inexorably to a ‘path-dependent’ pattern of capacity evolution in all the cases. In Rwanda, South Africa and Ethiopia, major societal convulsions shattered old structures and habits, and allowed the space for new patterns to form and new groups to gain power. In some cases, new generations were determined to overturn old habits and structures in pursuit of modernisation. The new generation of local mayors in the Philippines, for example, pushed for new participatory practices as part of improved governance at the municipal level.

5.3.2 Governance and politics

A theme running through this report is the pervasive influence of politics and power. Capacity development was not just a technical exercise in achieving better development performance. It was, in practice, a process that allocated authority, opportunity, resources and security to some and not others.

In the Philippines, decentralisation and devolution were key components of the government’s strategy to provide more democratic, responsive and accountable government. Devolving power to local authorities allowed the government to respond to public demand for power sharing, to reward key supporters in the provinces, to develop a regional power base for the administration and to reduce political competition at the centre. Two coalitions of power supportive of the government, one at the centre and one in the provinces, could benefit. Resistance was limited to central government departments that were disinclined to share power and resources with lower levels of government.

In Rwanda, government support of the Rwanda Revenue Authority can be explained in conventional terms by the country’s need to have an effective tax collection system. Such a function would be part of the capacity ‘inventory’ of any stable state. But of equal

⁷⁰ See Daron Acemoglu, *Root causes: A historical approach to assessing the role of institutions in economic development*, *Finance and Development*, 2003.

importance was the government's need to find acceptable ways to exert its authority after the 1994 genocide. Capacity development thus combined the basic existential drive of a new government and the need for modern, more effective structures. Such a combination tells us a good deal about the deeper motivations underlying country ownership.

The Tanzania case shows the workings of a political system in which elites had developed an interest in, and incentives for, getting state agencies to perform. Indeed, this case demonstrates the complex interplay, sometimes unseen, between politics and capacity building. Presidential leadership was crucial in energising public sector reform and encouraging better service delivery. But senior bureaucrats actually managed the reform process with little input from politicians. On display here was the practice of 'buffering', in which key groups in power protected the process of capacity development from intrusions and political capture. This 'space' allowed the programme to focus on the planning and implementation of technical, functional strategies of reform. Similarly, in the ENACT case in Jamaica, senior managers structured the process so as to avoid disputes with other established political and bureaucratic interests.

The cases show some of the dynamics of an 'enabling political environment' and how actors could act politically without 'being' political. The challenge was to combine buffering from political capture and intrusion, while at the same time gaining political support and legitimacy. The COEP network in Brazil, the Lacor Hospital in Uganda, IUCN in Asia and CTPL Moscow all gained a reputation for non-political performance in pursuit of national or regional interests. Part of their effectiveness in finding this balance can be traced to a combination of national legitimacy, nimble leadership and a track record of performance. As a result, outside political groups saw little benefit in risking their interests by trying to capture or control these organisations, as long as they operated within implicit rules and understandings.

We can also see country actors defending their capacity by forming, or being formed by, protective alliances. A key part of capacity development had to do with creating and strengthening constituencies that were willing to protect and support the work of a particular actor. These constituencies varied from the patients of the Lacor Hospital, donors in the cases of ESDU and IUCN in Asia, and politicians in Tanzania. Organisations without such alliances were vulnerable, as in the case of the NACWC in South Africa, *regardless* of their growing capacity and performance. Indeed, in the last case, improving capacity and performance became a liability given the potential threats to other actors in the technical education sector. The tactics of coalition building could vary with the nature of the capacity, the dynamics of the political system and the intensity and source of the opposition.

5.3.3 Trust, diversity and collective action

There is considerable experience in the development community with the relationship between high or low levels of social trust, diversity and the ability of people to engage in collective action. This condition had a strong influence on capacity development especially in cases with a large number of actors. The essence of the problem is the way these social structures interact with the political and administrative structures of the state. The mixture produces few incentives for government performance. Few modern state structures command legitimacy and few central decisions can be enforced throughout the country. Actors find it hard to muster a critical mass of resources, relationships and effective leadership to energise and direct capacity development over the medium and longer term.

One of the most obvious examples in the cases was that of Papua New Guinea, one of the most diverse countries in the world, a country with 700 languages, 1000 dialects and many tribes, sub-tribes, clans and sub-clans. The underlying social and ethnic structures were more cohesive and resilient than formal organisations based on western models. In Tanzania, in contrast, much of the success of the Public Sector Reform Programme can be explained by the supportive contextual conditions within which it functioned. Tanzania has a relatively homogeneous population, and a national language (Swahili). The military does not play a dominant role in political decision making, and regional differences in economic and political power are less in evidence than in neighbouring states. In such an environment, power struggles over the control of public sector organisations play less of a role, and few groups appear to have an interest in undermining their capacity.

5.4 Operational implications of contextual factors

Three types of context–actor relationships showed up in the cases:

- Four organisations (the PSRP in Tanzania, the COEP and Observatório networks in Brazil, ESDU in the Caribbean) operated in mainly supportive contexts. Participants were still required to be nimble in making use of opportunities but they did not spend a great deal of time or resources protecting their existence. In practice, they consciously manipulated and managed contextual factors for their advantage. In some crucial ways, these groups acted to create their own context.
- Six organisations (ENACT, the Lacor Hospital, IUCN in Asia, the Philippines LGSP, CTPL Moscow, the Rwanda Revenue Authority) operated in difficult contexts but were buffered from hostile forces by bureaucratic and political allies. They also developed their own capabilities to manage contextual forces.
- In five of the cases (Pakistan, two in Papua New Guinea, South Africa, Indonesia), the actors struggled, usually unsuccessfully, to overcome a range of contextual constraints. At this end of the scale, the influence of contextual factors determined the dynamics and outcomes of particular interventions.
- Current thinking about capacity issues gives more attention to context, i.e. relating any interventions, internal or external, to the history, structure and pattern of the context. We agree with this line of thinking. But we would emphasise the complexity and the paradoxes of many context–actor relationships that do not conform to a linear pattern of cause and effect.

Some additional implications of paying attention to context include the following:

- Being aware of contextual factors encouraged participants, especially external interveners, to understand how cultures, political systems and organisations actually work, as opposed to how they should work. Such operational insights were frequently essential in designing or crafting capacity interventions.
- Context was not always an aggregated condition that reflected broad country conditions. Many of the actors worked within ‘micro’ or local contexts that differed from wider country trends. Yet the effects on the behaviour of actors could be profound.
- Some analysts describe the ‘context’ as an aggregated fixed pattern ‘out there’ whose influences have to be taken into account. But in almost all the cases, contexts were shifting, expanding and becoming more complex. The Lacor Hospital was forced to shift its view of its own context as it was absorbed into the national health system. The NACWC in South Africa failed to recognise the complexity of its context and, as a result, paid too little attention to politics and bureaucratic decision making in Pretoria. In practice, actors usually struggled to understand the nature of the broader context

of which they were a part.⁷¹ IUCN in Asia, for example, made continuous efforts to keep up with changing conditions and policies to do with species protection. Many of them had mental models of the world that led to misunderstandings of the contextual dynamics that were outside their frame of reference. Most, for example, missed global trends that were indirectly affecting them, and ended up developing capabilities that would later be insufficient for their emerging purposes.

- In some ways, the context acted as it does in nature, i.e. imposing patterns of natural selection, weeding out weaker actors and rewarding those who could adapt quickly to change. A key part of this pattern would be the context itself moving and changing, sometimes rapidly. What mattered was not so much the nature of the contexts that actors faced, but rather the ways in which they related to those contexts. Those who consciously faced outwards, and had the flexibility to adapt to contextual changes did better than those who faced inwards.⁷² Some tried, and succeeded, in selecting and crafting their own context. They had the operational space, the strategic flexibility and the initiative to go into certain lines of work and to buffer themselves from dysfunctional trends. They tried, in effect, to find a niche in the context or 'ecosystem' within which they could survive and even prosper.
- A good deal of capacity development, and indeed of development cooperation itself, is premised on being unresponsive to contextual factors. Many of the case actors put in place practices to do with gender, human rights and the rule of law and professional standards of work that did not reflect local custom, i.e. they adopted strategies that relied on 'lack of fit'. A number of actors – IUCN in Asia, ESDU, ENACT, PSRP Tanzania, the Rwanda Revenue Authority – could actually manage and even shape their context and were, in turn, influenced by it. Too much 'fit' with the context might indicate a lack of dynamism and commitment to try to ignite change and reform. A certain amount of 'misfit' was needed to energise capacity development.
- In some cases the context was the source of capacity rather than just an influence on it. Capacity development interventions could be based on country strengths in the form of pools of energy, commitment, informal resources and values. In effect, capacity could exist in forms other than formal organisations and institutions, and part of the challenge was to mobilise them.

⁷¹ For an example of county participants struggling to understand their own context, see Uan Fernando (2007) *The Serendipity of Capacity Building: A Story from Sri Lanka*, INTRAC Praxis Note 29.

⁷² This applies beyond the narrow boundaries of capacity development. For an explanation of the role of adaptation and change in avoiding a societal collapse, see Jared Diamond, *Collapse: How Societies Choose to Succeed or Fail*, 2005.

6 Capacity development

**What processes seem to induce capacity development?
Which processes work where and why?
When does an intervention become a capacity development intervention?
What is the difference between organisational change and capacity development?**

My friend, there is no road. You make the road as you walk – Spanish proverb

6.1 Introduction

Despite the preoccupation with the concept of change in the form of capacity development, actors in international development programmes, both in the countries and in donor agencies, have paid little explicit attention to understanding its patterns and dynamics. The huge body of experience about change processes that has been built up in the private sector is largely missing in the field of international development.⁷³ A lot of prescription – the ‘should’ and ‘must’ and ‘how to’ stuff – appears at the front end of most capacity development efforts. And a great deal of attention is paid to the back end, i.e. results in the form of tracking *outputs* and *outcomes*. But the space in between, the dynamics of change in complex systems, remains poorly understood.

In the cases, everyone, be they analysts or practitioners who dealt with capacity issues, had some sort of tacit mental model of change in the form of capacity development.⁷⁴ In many cases, the organisations subscribed to certain principles and assumptions about what motivates people, about what leads to what, or what makes people and systems become effective, or what capacity issues matter more than others. Their perspectives led to views about where to start a process of capacity development, what to do, and in what order. Each way of thinking, in practice, reflected different theories of change and different perspectives on human nature. Even the most ‘practical’ people carried out their work on the basis of theories about change.

We can see these different approaches to capacity development at work in the cases. The Tanzanian Public Sector Reform Programme relied heavily on concepts to do with incentives, competition, accountability and demand-side pressures. IUCN in Asia developed its capabilities using principles of strategic management. The CTPL Russia case was based on an approach to strategic positioning common in the private sector. The ENACT programme in Jamaica and the ESDU in the Caribbean used many ideas to do with human behaviour and learning. And most donors tried to apply the basic ideas underlying bureaucratic and performance management in their approach to results-based management (RBM).

⁷³ Peter Senge *et al.*, *The Dance of Change: The Challenges of Sustaining Momentum in Learning Organizations*, 1999; Esther Cameron and Mike Green, *Making Sense of Change Management*, 2004.

⁷⁴ See Donald Schön and Martin Rein, *Frame Reflection: Toward the Resolution of Intractable Policy Controversies*, Basic Books, 2004.

Even assuming that a process of capacity development was under way, it was not always clear in the cases if it led to a condition that could be labelled as capacity, let alone performance. For example, most of the cases went through some form of restructuring. Efforts at some sort of staff training were common. Some sort of institutional change, in the form of new laws and regulations, was always under way. But the effects on capacity, i.e. the collective ability to do things better, were not always clear.

Finally, it was difficult to disentangle and identify the various capacity development strategies. The participants invariably operated with a wide range of views (mainly implicit) about capacity and about capacity development strategies. Few operated on the basis of an explicit strategy whose implementation they then tracked carefully. Some used a combination of strategies. In many cases, there was a difference between what people said they were doing and what they actually did. This divergence between 'espoused' theories of change versus actual 'theories in use' was pervasive. And, inevitably, other pressures for change unrelated to the process of capacity development acted independently to alter outcomes.

We need to clarify our use of the terms 'change' and 'capacity development'. Change, meaning a shift in the configuration and behaviour of a system, is a capacity-neutral term. It simply refers to a continual process of altering and shifting. Things can be getting better or worse. Capacity development refers to a form of change that focuses on improvements to the ways in which things get done. In this report, we focus on capacity development as a form of change.

In the following section, we describe the various internally and externally driven processes for capacity development. We then consider the dynamics of the process observed in the cases, and the strategies used.

6.2 Internally driven processes for capacity development

6.2.1 Human and organisational development

A common approach to capacity development in the cases was organisational development (OD). This process-oriented approach stresses the importance of human and organisational qualities such as resourcefulness, identity, resilience, innovation, collaboration, adaptiveness, courage, imagination and aspiration (see box 9).⁷⁵ Individuals and groups could lack confidence and cohesion. Their individual creativity and initiative could be latent or suppressed. Internal communication could be inadequate, leading to mistrust and conflict. In the cases, organisations used OD techniques to try to address these issues by encouraging new attitudes, new roles and relationships, and altered forms of organisational behaviour. OD could help staff to craft emotional and psychological incentives for capacity development., OD was used to put the human element into capacity development strategies. OD thus represented the 'process as outcome' end of the capacity development spectrum, as opposed to the 'product as outcome' approach of some other approaches.

⁷⁵ See, for example, W.L. French *et al.*, *Organisational Development and Transformation*, 1994. See also Rick James and A. Mugore, 2002, Does organisational development fit into African cultures? in Rick James, *People and Change: Capacity-Building in NGOs*, INTRAC.

Box 9: The importance of identity and confidence

Capacity frequently emerges out of a technocratic combination of functional skills, assets and resources and mandate. But in many of the cases, intangibles such as identity and confidence assumed major importance. In ESDU, ENACT, IUCN in Asia, the Rwanda Revenue Authority, the COEP and Observatório networks in Brazil, the PSRP in Tanzania and CTPL Moscow, the participants worked, both directly and indirectly, to foster a collective identity that could be recognised both internally and externally. Coupled with this sense of identity was the growth in confidence and mastery, which led participants to develop a belief in their ability to make a special contribution to those with whom they worked. This belief, in turn, generated feelings of loyalty and pride that deepened the emotional and psychological relationships underlying the capacity,⁷⁶ and expanded the range of activities that people thought they could attempt.

All approaches to capacity development have their limitations, and those using OD techniques are no exception. They pay little attention to the role of power and control; they are more useful at the micro and meso than at the macro level; the links to external factors, technical change and performance can be tenuous; and integrating changes at the individual, group and system levels is a challenge. The implication is that OD approaches need to be combined with other approaches to capacity development.

At some point, all the case participants used a variety of OD techniques such as team building, participation, cultural change and external facilitation. The SISDUK programme in Indonesia used OD techniques during its exploratory design phase. TA staff facilitated meetings of stakeholders, both to raise awareness and highlight new opportunities coming out of the shift to decentralisation. They tried to encourage learning and internalisation of new concepts, relationships and behaviours. The emphasis was on achieving consensus and local ownership. In Jamaica, ESDU staff used OD techniques to develop their capabilities and to counter a sense of fragmentation in the organisation. After internal reviews, they decided that poor relationships and behaviours were the problem, rather than a lack of technical skills. They then concentrated on overcoming these negative patterns by giving support staff more responsibilities, flattening the structure, changing the leadership style and working to improve collective approaches. Staff worked to develop a sense of organisational citizenship.

6.2.2 Incentives, rewards and sanctions

Incentives, rewards and sanctions especially in the public sector collapsed in many low-income countries in the 1980s and 1990s.⁷⁷ Salaries fell, and working conditions and career prospects declined. Chronic absenteeism, corruption, demoralisation increased. Deeper patterns of predation and impunity at the national level destabilised entire governments. In practice, the pattern of institutional and political incentives in many countries was stacked against capacity development. Given these conditions, non-performance was an entirely rational response.⁷⁸

Most capacity development strategies include some attempt to counter these trends by changing the pattern of incentives within organisations and systems. Approaches such as the 'new public management', for example, use incentives and sanctions to erode the usual bureaucratic pathologies and encourage more attention to results and performance. Included in such a list of incentives would be salary supplements,

⁷⁶ For an analysis of the impact of confidence, see Rosabeth Moss Kanter, *Confidence: How Winning Streaks and Losing Streaks Begin and End*, 2004.

⁷⁷ See Robert Klitgaard, Incentive myopia, *World Development*, 17, 1989; and Richard Heaver, *Bureaucratic Politics and Incentives in the Management of Rural Development*, World Bank Staff Working Paper 537, 1982.

⁷⁸ See Arturo Israel, *Institutional Development: Incentives to Performance*, 1987.

performance-based incentives, efforts to boost demand and accountability, greater transparency and increased use of contractual relationships, competition and internal markets within organisations, especially those involved in service delivery. We can see the effects of incentives at work in the cases:

- The pattern of incentives inside the Tanzanian political system had evolved to the point where politicians, in most cases, could gain more by encouraging public sector performance than by ignoring or blocking it.⁷⁹ The structure of incentives in Papua New Guinea's political system, however, had the reverse effect. A number of organisations – the Tanzanian public sector, the Lacor Hospital, CTPL Moscow, the Ministry of Education in Pakistan – struggled to put in place salary structures that would be sufficient to attract and retain key staff. The careful use of incentives and rewards in the LGSP in the Philippines acted as stimuli to induce mayors to shift towards change and reform.
- In the education sector in Ethiopia, demand-side pressures coming from citizens acted as incentives and sanctions.

But there is still some uncertainty about the relationship between capacity development and incentives, rewards and sanctions. The patterns in the cases were ambiguous on this point. First, the issue of incentives, unlike learning, comes with ideological aspects, making it difficult to sort out objectively. Some analysts, especially economists in large multilaterals, see them as absolutely determinant.⁸⁰ Observers of civil society organisations, by contrast, pay them almost no attention in explaining effective performance.⁸¹ Second, it is difficult to be clear about what exactly is an incentive. Some analyses go beyond the tangible and the financial to include anything that provides pleasure or satisfaction to an individual. Pursuing the most selfless behaviour could then qualify as responding to incentives. Third, it was often difficult to understand how country participants at different times and at different organisational positions perceived incentives, rewards and sanctions, particularly those embedded in informal institutions and practices.

The cases show a complex mixture of 'extrinsic' and 'intrinsic' incentives at work at the individual level. In some cases, extrinsic incentives were key – such as the career development opportunities and free medical care offered by the Lacor Hospital. In others, they had little effect on participant choices, as in the case of the staff of CTPL Moscow, who appeared repeatedly to act against their short-term interests in order to accomplish larger goals in which they believed. And in yet others, incentives could undermine the very commitment they were trying to encourage. For example, the large funds put at the disposal of MPs in Papua New Guinea created expectations among constituents of gifts and bribes at election time that acted against candidates who refused to make such payments. This pattern of incentives, in turn, affected the quality of candidates prepared to run for election.

Nothing but the broadest definition of incentives could account for some of the behaviour in the cases, such as the great risks taken by some Lacor Hospital managers to deal with an outbreak of Ebola. Narrow definitions of self-interest could not explain the willingness of some Brazilian companies to support the collective action of the COEP network. Put another way, explanations based solely on self-interest could not capture the complexity of human nature or behaviour. In practice, a variety of other motivators – non-financial, national pride, faith-based, values-driven, loyalty to colleagues – were also at work. The

⁷⁹ A startling analysis of this aspect can be found in P. Chabal and Jean-Pascal Daloz, *Africa Works: Disorder as a Political Instrument*, 1999.

⁸⁰ See, for example, S. Kayizzi-Mugerwa, ed., *Ownership, Incentives and Capabilities*, 2003.

⁸¹ Incentives and rewards are completely absent from NGO analyses such as Alan Fowler, *The Virtuous Spiral: A Guide to Sustainability for NGOs in International Development*, 2000.

patterns of behaviour in the cases have led us to assume that people did more than act on the basis of logical, rational decisions designed to maximise their personal self-interest.⁸²

There was a point beyond which incentives and rewards could add up to the purchase of the temporary compliance or cooperation of others. Such an effort was unlikely to lead to committed behaviour over the medium term. They could have the cumulative effect of undermining the ownership and capacity they were supposedly trying to induce if they were not 'autonomy respecting'. But they could end up being external incentives for an activity that would need to be internally motivated in order to succeed.⁸³

Based on the experiences in the cases we draw three main conclusions:

- Incentives at the individual level mattered a great deal, but not all the time and not for everything. They were part of a 'soup' of motivators that influenced and shaped human behaviour.
- The intentional 'design' of incentives could be a tricky business. Designers needed a detailed knowledge of the functioning of the system and the causes underlying current behaviour. Some incentives could have little effect or unintended consequences elsewhere. In many cases, the policy, regulatory or bureaucratic changes required for altering incentives were not feasible in the short term.
- Finally, it was difficult to sort out the differences between incentives acting on system behaviour versus those designed to affect individual behaviour. Incentives operating at the macro level, sometimes embedded in institutions or in informal arrangements, could have powerful effects on the functioning of formal organisations.

6.2.3 Awareness, understanding and learning

Changes in human cognition and understanding play a key role in capacity development. Country participants who became more aware of an issue or idea would, in some instances, begin to reflect on and alter their behaviour. Managers who better understood a range of issues such as global trends or complex donor proposals were more likely to be committed and engaged. A sense of ownership, for example, was more likely in cases where country participants felt comfortable with the main outlines of a programme. Capacity development from this perspective was helping people to think differently.

Capacity development in the form of learning was a priority for both IDA staff and country participants. Learning was both a means to, and an end of, capacity. This usually entailed absorbing and mastering new ways of thinking and then turning that new knowledge into capabilities for action and performance. But it also could lead to 'unlearning' or capacity destruction, a usually painful process in which people faced the prospect of giving up behaviours and skills that had long been effective and which provided them with respect, identity and access to resources.

We do not dwell on the debate about formal training as learning either in the form of academic or even professional courses.⁸⁴ Among the cases, only the LGSP in the Philippines, the Lacor Hospital and the Ministry of Education in Pakistan invested heavily in formal training. The Lacor Hospital, given its remote location and recruitment problems, followed a 'make' rather than 'buy' approach to improving skills, and invested 11% of its

⁸² See Craig Lambert, The marketplace of perceptions, *Harvard Magazine*, March/April 2006.

⁸³ For a detailed analysis of this pattern, see David Ellerman, *Helping People Help Themselves: From the World Bank to an Alternate Philosophy of Development Assistance*, 2006

⁸⁴ Mark Nelson, *Does Training Work? Re-examining Donor-Sponsored Training Programs in Developing Countries*, World Bank Brief 15, February 2006.

budget in staff training. IUCN in Asia also de-emphasised formal training, preferring operational learning and mentoring. Even those that favoured the conventional 'capacity development as training' eventually shifted away from this approach given the meagre results. With the possible exception of Lacor, formal training did not make a decisive contribution to capacity development in any of the cases. We are, however, aware of many other cases where training has functioned effectively as a cornerstone of capacity development.

Approaches to learning covered a wide spectrum of activities, including academic and professional courses, action learning, coaching, mentoring, benchmarking, self-reflection and group discussions. In many cases, individual participants favoured action-oriented learning or on-the-job training usually through peer-to-peer contacts and technical assistance. Learning arose out of experimentation, dialogue and discovery, rather than absorbing pre-selected material. In many instances, the participants had to figure out what they needed to learn, let alone how. Favoured methods included on-site coaching, special courses, supported replication, relationship building, and local knowledge creation and dissemination. Part of the value of this action-oriented approach was the chance to come up with learning – social as well as technical – that was customised for a particular situation or organisation.

A learning-oriented approach to change has many supporters in the international development community who see it, unlike politics, as one of the most productive ways to encourage capacity development. But it is apparent from the literature and the case experiences, that making organisations in low-income states 'learning-friendly' presents some major challenges.⁸⁵ Nevertheless, groups and organisations in the cases did manage to learn, sometimes in dramatic fashion. But to be effective, they had to focus on learning explicitly and make an effort to master it as a capability. They needed space, encouragement and protection to do it successfully. In many ways, the challenges to effective learning mirrored those faced by capacity development itself.

6.2.4 Values, meaning and moral purpose

Most analyses of capacity development have focused on the 'how' issues – i.e. the structural, the technical, the functional, the procedural and the instrumental – or on the capability to carry out technical tasks. In recent years, this narrow scope has widened to include political and the economic issues. But we were struck by the contribution of the psychological and – dare we say it – the spiritual to the emergence of capacity. We are talking in particular about values, meaning and moral purpose. From this perspective, genuine capacity in many of the cases was based on more than changes to technique, structure and assets. In some cases, organisations could acquire legitimacy and an identity based on their contribution to some sort of higher purpose or ideal. In the process, such an achievement could unleash the allegiance, loyalty and motivation of the participants in ways not possible with restructuring, incentivising or strategising. Put another way, for capacity at a deeper or second-order level to emerge, there had to be a convincing answer to the 'why' of capacity development that went beyond organisational self-interest, personal advantage or greater efficiency.

We stress here the potential capacity benefits of a genuine allegiance to a set of accepted values. The case actors that achieved this – the Lacor Hospital (see box 10), ENACT, COEP, ESDU, IUCN in Asia, and the churches in Papua New Guinea – appear

⁸⁵ For two good analyses of why learning is often heralded and usually suppressed, see Roper, I., Pettit, J. and Eade, D., *Development and the Learning Organisation*, 2003, Carlsson, J., and Wohlgemuth, I., *Learning in Development Co-operation*, 2000.

to have put in place an informal psychological contract with their staff and supporters that yielded benefits in the form of recruitment and loyalty, greater coherence across units and political protection.⁸⁶ Under these circumstances, moral purpose functioned as a sort of glue that kept the organisation resilient under difficult circumstances. It anchored the process of capacity development and provided a moral basis for collective action. It helped organisations to develop the capability to commit and engage.

Box 10: Values, meaning and moral purpose: the Lacor Hospital, Uganda

The values of the Lacor Hospital were a key element underpinning its capacity. Yet a closer look reveals the complexity behind these values. Many staff and patients saw the hospital as a symbol of Acholi tribal identity, but it was also a standard bearer of the values of Catholic humanism and its concern for the poor and the dispossessed. For many, the effectiveness of the hospital represented modernism and the opportunity for Ugandans to master professional and logistical challenges at a world class level. Over the years, the leadership managed to fuse these differing values and ways of thinking into a broad, emergent, inclusive pattern of meaning. No religious dogmatism was allowed. No particular pattern of values could dominate. As one respondent explained, the leadership 'created a culture based on hard work, honesty, no compromise on patient issues, good relationships and friendships, and being with the people'.

The power of values and meaning was apparent in many of the cases. The COEP network in Brazil derived much of its power from its efforts to promote social justice, citizenship and democratic values that had come to prominence after the end of military dictatorship in 1983. Indeed, almost all its relationships were designed to harness the energy of individuals, groups and organisations who were seeking ways to support these values. The goal was to bring forth and harness new elements, new institutions, new behaviour and a new legitimacy in support of these values. In South Africa, the impetus behind the establishment of the NACWC programme was the desire to see the 'post-apartheid' period produce benefits for all citizens. ESDU in the Caribbean, IUCN in Asia and ENACT in Jamaica were working in support of the values of environmental management and sustainable development. ENACT, in practice, built national capacity by mobilising social energy to protect the environment. The government of Jamaica selected a network approach on the assumption that such energy and values could not be harnessed through formal public sector institutions.

Adopting a 'values' approach to capacity development was clearly not a short-term endeavour. Those organisations that accomplished it sometimes took decades to establish the trust, the legitimacy, and the integrity to make a difference. It could also be difficult to combine a strong allegiance to a set of values with the compromises needed to build and manage a capable organisation, especially in politicised contexts. Organisations that revered a particular set of values could end up limiting their relationships with other less committed actors, or those who felt their values to be under attack would resist being changed in the name of capacity development.

6.2.5 Formal structure and systems

One of the most common approaches to capacity development was to change the formal structure and functional systems of the organisation or system. All the case actors had a formal organisational structure of some sort, e.g. a network such as the Observatório, a centralised core such as the Lacor Hospital, or a complex multi-actor system such as the Tanzanian public sector. By the term 'formal structure', we refer to the explicitly designed pattern of relationships, authorities, information flows, decision making, and coordination

⁸⁶ In the case of the Lacor Hospital, this took the form of citizens and officials protecting the hospital from attack by the Lord's Resistance Army.

that shaped how a system such as a ministry or network would function.⁸⁷ Put another way, the structure was a depiction of the formalised rules that shape organisational activities, mandates and exchanges among individuals and groups.

But we need to be careful about equating the general term 'structure' with explicit formality. In practice, there were two other types of structure at work in the cases, both of which influenced the development of capacity.

First, in some instances, there was an informal structure or 'shadow' system that had its own pattern of relationships, access to power and information flows.⁸⁸ This informal structure could be the main repository of capacity, with the formal being in place for symbolic rather than operational reasons. In many cases, informal structures, both inside and outside the formal system, were intertwined with that formal system in ways that both supported and hindered capacity development.⁸⁹ In some, such as ESDU in the Caribbean, it remained marginal and generally supportive of the larger formal system. In others, such as the health sector in Papua New Guinea, the informal system or network dominated the small formal system. No approach to capacity development in such circumstances could be effective without addressing the interconnections between the two.

Second, another invisible structure or pattern of interactions governed the way the 'system' shifted and moved over time.⁹⁰ We are talking here about such dynamics as vicious and virtuous cycles that affected both capacity development and performance.

Structures or systems, both formal and informal, were key factors in shaping the state of capacity in two ways. The structure was instrumental in helping to induce a combination of specialisation and coordination that lay at the heart of effective capabilities. Those structures, especially networks, were instrumental in reaching out to pockets of energy, knowledge and resources in the wider society.

- In four of the cases – COEP, ENACT, the Observatório, and IUCN in Asia, all of which were outside the public sector – the participants put in place innovative structures that gave them the capacity to carry out complex tasks in a rapidly changing environment. IUCN in Asia, for example, implemented a trans-national team-based structure that allowed the organisation to be simultaneously decentralised and integrated. The choice of network structures of the COEP and Observatório in Brazil were themselves strategic decisions that shaped the future direction of capacity development.
- Five of the cases – the Philippines, Indonesia, Pakistan, Papua New Guinea and Ethiopia – shifted from centralised to more decentralised structures. In Tanzania, the Public Sector Reform Programme followed many of the structural prescriptions of the 'new public management' by shifting operational capabilities to new executive agencies and giving managers more autonomy.
- Frequently, the question for the participants was what was, or should be, the relationship between changing the structure/system and developing capacity? Were changes to the formal structure and /or system the most important issues to address? Should capacity development start with them? Or should it be assumed that structural change would only work if the intangibles, e.g. culture, motivation or learning, were

⁸⁷ See, for example, Henry Mintzberg, *The Structuring of Organisations*, 1979.

⁸⁸ The term 'shadow system' comes from Ralph Stacey, *Complexity and Creativity in Organisations*, 1996.

⁸⁹ For an insightful analysis of the complexity of this process of intertwining, see Pak Kimchoen et al., *Accountability and Neo-patrimonialism in Cambodia: A Critical Literature Review*, Cambodia Development Resource Institute, Working Paper 34, March 2007.

⁹⁰ For an analysis of these system structures and how they can work, see Peter Senge, *The Fifth Discipline*, p.106.

addressed either first or simultaneously. In the case of the Tanzanian PSRP, the government opted for structural change first, followed by cultural change.

6.2.6 Assets, resources and financial flows

Capacity development depended to some degree on the ability of the system to attract resources in the form of development funding, buildings, operating costs, equipment, information and location. Some analytical frameworks focus on these aspects.⁹¹ They tell us more what the system looks like or what resources it has. As such, they are a key part of the capacity puzzle, but they tell us little about what the system can actually do. Examples of these elements in the cases include COEP's internal computer and communications network in Brazil, and the ESDU building in Castries, St Lucia.

Many of the case organisations encountered genuine difficulties in funding capacity development. They did not have the operating budgets to support training, or to buy new equipment, vehicles, petrol or other assets. The shortage of staff housing in places such as Papua New Guinea constrained the recruitment of staff particularly to rural areas. Thus, in these cases, the source, composition and conditionality of financial flows had a determinant effect on the process of capacity development. Governments, for example, that could not provide financing on time to its ministries and agencies in the field ended up with unspent allocations and demoralised staff.

6.2.7 Ownership, commitment and motivation

An unsurprising conclusion of this report confirms what is already conventional wisdom: namely, that progress on capacity development depends critically on the level of ownership, commitment and motivation of country actors, i.e. their ability to commit and engage. In the cases, participants who were determined to develop their capacity overcame all sorts of constraints and obstacles, while those with less resolve made little progress. This basic point has led over the last two decades to an increasing emphasis on the need for country ownership and commitment in some form. They are key elements of the Paris Declaration and the Millennium Development Goals. Country actors, it is said, must be in the 'driver's seat' and must ignite and energise the process of capacity development. Over the medium and long term, country energy shapes the emergence of the institutions and organisations that countries need in order to make progress.

But once we get beyond praising the idea of ownership and motivation, what is really known about these aspects across a range of conditions at the country, organisational and individual levels? And what do we know about the implications of different kinds of commitment? In addressing these questions in the research, we were struck by the complex range of patterns all hiding under the generic labels of ownership and commitment. These patterns lead us to conclude that the interconnections between ownership, human motivation, commitment and capacity development are still only dimly understood even by the participants themselves, let alone external interveners. In essence, capacity development remains a voluntary activity. IDAs obviously cannot develop the capacity of others without their permission. But country organisations themselves cannot compel their own staff to develop either individual or collective capacity.

⁹¹ A huge number of assessment tools focus on the attributes, resources and elements of an organisation or system. The IDRC *Toolbox for Self-Assessment*, for example, looks at strategic leadership, human resources, financial management, organisational processes, programme management, infrastructure and inter-institutional linkages. The 'six-box model' of Marvin Weisbord deals with purposes, relationships, structure, leadership, rewards and helpful mechanisms.

Even more puzzling, the international development community appears to devote only modest efforts to understanding the issues of ownership and motivation despite their obvious importance. Criminologists and psychologists spend huge amounts of time trying to understand the motives for human behaviour. But development practitioners still seem focused on a range of other issues including programme design and management, performance measurement and structure and systems.⁹²

The terms ownership, motivation and commitment are often used interchangeably. In the cases, what we were looking for was the capability to commit and engage, or the will to act and the inclination to keep on acting until the job was done. What we were looking for was conviction – a group or an organisation that would commit real resources to an activity, would persist in overcoming problems that inevitably emerged during implementation and would act to sustain the activity regardless of the level of external assistance. In the cases we found a variety of sources of commitment:

- At one end of the spectrum, ownership and commitment arose from deeper shifts and political changes in a society that created the space, motivation and resources for organisations and individuals to take action. The Russian government's commitment to trade reform stemmed from its wish to benefit from the global economy through WTO membership. In Rwanda, the commitment to tax reform came from the government's drive to enforce its power and legitimacy after the 1994 genocide. The implication is that certain types of capacity development may depend for their effectiveness on the pace of deeper levels of commitment and historical evolution that may take years or decades to unfold.
- At the other end of the spectrum, a quite different example of commitment was that of motivated individuals, or 'capacity entrepreneurs', both inside and outside of government, who seek new ways of developing capacity. They would get access to resources, find space and protection, model committed behaviour and then try to scale up, inducing more legitimacy and commitment from others as they made progress. In such cases, capacity grew around individuals and gradually spread out to form larger systems. External interveners, in effect, could fill the role of capacity investors picking committed energetic people and then supporting and protecting them as they made their way. In such cases, broader organisational commitment was an outcome not a precondition.

To understand this issue in the cases, it was helpful to look more deeply into the nature and limitations of commitment. The question of 'commitment of whom?' appeared frequently. Commitment could be strong at the top of a structure where decisions were made, but not at the middle and operational levels where actual implementation took place. Commitment could exist for one issue but not another. It could be strong at the beginning of a process but then drain away over time. It could grow and strengthen in circumstances where people had developed a better understanding of a particular strategy or initiative and became convinced of its relevance to their own needs, but required time and space to emerge. In this sense, ownership and commitment were dynamic qualities that could ebb and flow.

Two situations arose in the cases in response to the question 'commitment to what?' First, participants could be committed to a complex range of things, a set of outcomes, a process, a policy, an idea or set of values, a group or an individual, a potential personal

⁹² 'I believe that that desire is at the heart of the matter of work and perhaps of all things human. It is often said that 'where there is a will there is a way'. But we spend most of our time trying to understand 'the way' and very little time trying to understand the source of 'the will'.' T. Gallwey, *The Inner Game of Work*, p. 217.

benefit or an existing system.⁹³ They could, for example, favour incremental changes to an existing institution but not an effort at sectoral transformation. In the Indonesian case, we see a complex pattern of commitments and motivations at play at the district levels that unravelled during implementation as the variations in commitments and interests became apparent (see box 11). In the event, multiple participants had multiple motives at different levels and on different issues. Second, a general sense of commitment did not regularly extend itself to cover capacity development. Participants might be committed to a certain kind of result or a distribution of benefits, but often were not committed to developing the capacity to achieve them. Individuals might have conflicting commitments that acted against capacity development.

Box 11: Commitment and ownership: the SISDUK programme, Indonesia

The SISDUK programme in Indonesia contended with a variety of commitments during the course of the programme. Policy makers and bureaucrats in Jakarta wanted fast-disbursing, widely spread programmes that would generate visible benefits in the short term. Provincial technocrats wanted to manage the programme using tested planning and budgeting techniques. Village heads wanted direct control over programme budgets. Community participants and programme field workers who understood the system best ended up having the least power.

In some of the cases, IDAs were reluctant to lose control of programmes they supported even at the risk of eroding country ownership. Much of the current enthusiasm for country ownership assumes that such a condition will be strengthened by a reinforcing sense of donor ownership. This may not always be the case.

Commitment can be an intensely political question. In highly politicised societies such as Papua New Guinea, it is almost impossible to develop broad commitment around a set of choices or policies. Commitment could frequently be determined by who wanted what, and who supported what, and what power they had to enforce their preferences. The type and level of commitment could alter as alliances shifted under conditions of instability and uncertainty. These fragmented political forces also made it difficult to sustain a coalition or consensus into the medium term. From this perspective, both 'weak' and 'strong' commitment came with risks and downsides. Contested commitments could be as troublesome as weak ones.

This idea of contested commitment showed itself in the cases as groups tried to convert commitment into some kind of policy direction, budget allocation and organisational form. Without a broad consensus or centralised enforcement, this process would normally result in internal bureaucratic struggles and stalled action. The decision of the government of Jamaica to put in place an integrated approach to sustainable development was delayed for years due to the inability to reach agreement despite the general sense of national commitment. This conversion of commitment into action was also complicated by the high staff turnover rate within most country government bureaucracies.

The act of exercising ownership by country actors could have positive or negative effects. Country 'owners' could have no interest in developing capacity and no wish for anyone else to do so. Ownership could be contested or unevenly distributed. In the cases, certain types of ownership emerged as a vested or blocking interest. Country participants who 'owned' a project could be reluctant to integrate into a SWAp. Teachers' unions, for example, frequently exercised their ownership to block educational reform. In the Pakistan case, the 'ownership' of certain officials led them to resist all kinds of initiatives.

⁹³ See Rosalind Eyben, *Who owns a poverty reduction strategy? A case study of power, instruments and relationships in Bolivia*, in Groves and Hinton, *Inclusive Aid*.

For that reason, the type and degree of ownership did not always correlate with qualities that lay at the heart of capacity development – commitment, motivation, persistence, courage, confidence and determination. Thus the presence of some kinds of ownership, contrary to current thinking, could be dysfunctional in terms of capacity development.

6.2.8 Leadership, management and entrepreneurship

Capacity analyses within the development sector have paid relatively little attention to the issue of leadership.⁹⁴ Most have focused on structural issues, on skills development and/or the dynamics and impact of broader institutional and political forces. To the extent that the issue of leadership has been addressed, it has usually been in connection with results and performance, or with producing more and better leaders that all countries need to make progress.⁹⁵ As a result, the interrelationships among the issues of leadership, capacity and capacity development remain poorly understood.⁹⁶ Is, for example, the leadership needed for capacity development different from that required to achieve results? If so, how? Here we look at this narrower issue of leadership for capacity development.

The cases, as usual, portray a diversity of leadership contexts, styles and outcomes. The nature of the leadership role and possibilities of the permanent secretary of the Ministry of Education in Pakistan, for example, were obviously different from those of the head of a small NGO in the Caribbean. But some common patterns did appear.

Box 12: Leadership for capacity development: the Observatório network, Brazil

In the Observatório network, leadership developed in the form of an 'invisible steering group' that reflected, and indeed composed, an informal governance agreement among the members. This informal unit grew out of a group of like-minded academics and analysts that formed in the 1960s and 1970s to advocate for better public health. Members of this leadership group circulated through various universities, research organisations and the public sector (particularly the federal Ministry of Health) while maintaining their involvement with the network. Over time, this first generation was slowly replaced by a second in the 1980s and 1990s. This approach to leadership was based on a common allegiance to the same agenda of democratisation and improved public health. The style was much more informal, collegial and values-based, as opposed to formal, individual and heroic.

In some instances, such as the Observatório in Brazil (see box 12), a pattern of collective leadership appeared at the beginning and remained. But in others, such as COEP, the Lacor Hospital, ESDU, the PSRP in Tanzania and IUCN in Asia, the style of leadership shifted from that of the heroic dominating figure to a more distributed approach. Over time, a leadership group would emerge, connected by shared values, formal organisational structures and past experiences. In the Lacor case, this group numbered 15–20 out of about 500 total staff. Such groups usually developed a confidence and an optimism about their ability to meet a wide range of challenges and raised the

⁹⁴ For example, DFID's early work on 'drivers of change' makes almost no reference to leadership.

⁹⁵ 'Increasingly, it is understood that these principles require greater attention to strengthening the capacity of leaders at all level – those actually responsible for defining results and accountable for achieving them.' World Bank Concept Note, Capacity Day 2007 on leadership development, chapter 5. See also *Leadership and accountability: Creating a culture of results*, Third International Round Table on Managing for Development Results, Hanoi, Vietnam, 2007 (www.mfdr.org/RT3/Glance/Documents/Leadership-final.pdf); and *Leadership for Results: Leadership Development Programme in Lao PDR*, WBI presentation, 2008.

⁹⁶ A small body of analysis does exist; see Rick James and Chiku Malunga, Leadership development in a culture of fear and insecurity, in Rick James, *People and Change: Exploring Capacity-Building in NGOs*, INTRAC, 2002.

organisation to a new level of capacity and results. In practice, the capability to commit and engage appeared to emerge out of this leadership group. We can thus see in many of the cases the practice of leadership as both a means and an end of capacity development.

A key relationship in the cases to do with leadership was time in position. Most personnel systems especially in the public sector rotated senior managers quickly through a variety of positions, mainly for political reasons. But leaders who were intent on making a difference needed to be in place for a considerable period of time in order to have an impact on the capacity of the system. In the Tanzania case, for example, the Permanent Secretary in charge of public sector reform remained in position for almost 10 years at the wish of two presidents in an effort to sustain the process of reform. Yet some organisations that kept top staff in place for a long period also faced the potential problem of stagnation and lack of renewal. This applied in particular to smaller civil society organisations that were vulnerable to the ‘founder’s trap’ syndrome – leaders who created the organisation but who stayed too long in position. Conversely, the issue of rapid turnover at senior management levels after political changes also led to instability and loss of direction.

Most leaders were faced with the demands of one or two extremes – either huge instability and uncertainty, or inertia and ineffectiveness. In the cases, few leaders presided over organisations that made progress in an atmosphere of steady but predictable change. Many organisations in low-income states, especially those in civil society, function in a culture of fear and insecurity.⁹⁷ Governments and other groups can be actively hostile. Staff with extended families to support cannot risk losing well paid jobs that cannot easily be replaced. Thus, for leaders in who wished to make the transition to a more open, participatory approach to management, the challenge tended to be much greater than in many high-income organisations. Resistance to change could be easily triggered. The structure of many organisations, i.e. power at the top, a ‘missing middle’ in terms of skilled or experienced staff, and a large unskilled operational group at the bottom, made it difficult to create a sense of ‘followership’ to support efforts to delegate authority from the top.

A key contribution of leadership for capacity development was that of a strategic mindset. In the cases, some senior managers showed a genuine interest in, and commitment to, capacity development as an end in itself. They wanted to help create and strengthen the institutions and organisations that their country needed to make progress. They persuaded their organisations or networks to be ‘mindful’ about capacity issues. Such managers also developed a sense of strategic management and adaptation, i.e. the ability to adapt the system or organisation to the needs and challenges that it was facing (see box 13),⁹⁸ and to understand what kind of change the system could and could not manage. In the case of the Lacor Hospital, for example, managers put in place a process of external and internal consultation and reflection that helped it navigate through security breakdowns, a transition to ‘publicisation’ and changes in donor financing.

Box 13: Two leaders change, adapt and learn: IUCN in Asia and ESDU

Two of the cases are revealing about the relationships between capacity development and leadership. The leadership paths of the directors of IUCN in Asia and the ESDU in the Caribbean showed remarkable similarities. Both were women. Both were members of minority communities within their countries and regions. Both worked in the environment field. Both were heads of regional units that were part of larger international organisations. Both were interested in building

⁹⁷ James and Malunga, Leadership development in a culture of fear and insecurity, *Ibid.*

⁹⁸ For an analysis, see Phil Hanford, Developing director and executive competencies in strategic thinking, in Bob Garratt (ed), *Developing Strategic Thought*, 2003.

the capacity of their organisations to make a major contribution to their region. Both began their work by relying on a model of leadership based on heroic and centralised direction. At a certain point, both realised that they needed to do three things: focus directly on capacity development as a priority; develop their own capability and that of their organisation to think and act strategically; and change their approach to leadership from one of heroic direction to a more facilitating, distributed style in an effort to encourage initiative and ownership at the middle and lower levels of the organisation. Both these leaders and their staffs struggled to make the collective transition to a new style of leadership.

An implication here has to do with the common image of effective leadership as heroic, hierarchical, dominating and charismatic. In several cases, leaders did emerge who could 'drive' performance and results. Yet it seems clear that such a style could also be ineffective in meeting the longer-term challenge of capacity development in the form of resilient and effective organisations.

We talk elsewhere about creating and protecting 'operating space' and its connection to capacity development. Leaders play a special role in inducing these conditions. In almost all the cases, we can see leaders negotiating for resources, building coalitions and political support and protection. They used their networks to keep their operating space intact. In some instances, they would link up with coalitions of other activists intent on improving performance. In cases such as the COEP network and the Lacor Hospital, the integrity and legitimacy of the founding leaders, even after their deaths, acted to maintain organisational credibility and capacity.

We can look at the role of leadership in the cases from a systems perspective. For example, a key capacity contribution of leaders was that of igniting self-organisation.⁹⁹ Some organisations lacked the capability to engage, act and take initiatives. The accomplishment of their leaders was to succeed at instilling energy and conviction into their organisations. In the process, empowered staff were encouraged to self-organise or to get the system moving without constant central direction. A key task for leaders was thus to engage with other actors in the system to encourage motivation, learning, connectedness and new patterns of interaction.¹⁰⁰

A final comment on the relationship between leadership and systems relates to the issue of agency and intentionality. Systems thinking assumes that complex change emerges over time out of the dynamics of system behaviour. To a large extent, such change does not lend itself to planned changes managed from the top. But this pattern of uncontrollable change did not hold up in the cases. What was evident was that leaders could act to increase the likelihood of success even in complex situations. Intentionality had limits but was possible in cases such as IUCN in Asia, ESDU and the Rwanda Revenue Authority.

6.2.9 Readiness and absorptive capacity

The terms 'readiness' and 'absorptive capacity' may be familiar, but they give a misleading impression of the processes at work. They convey the sense of a system with a fixed ability to respond to or implement capacity interventions, much like the ability of a sponge to absorb water. In practice, such a framework tends to be used by external interveners to assess the state of groups and organisations with whom they wish to collaborate. Yet it was apparent in the cases that readiness and absorptive capacity are

⁹⁹ Self-organisation is defined as the tendency of any open system to generate new structures and patterns based on its own internal dynamics. Organisational design and behaviour is not imposed from above or outside; it emerges from the interactions among the agents in the system. E. Olson and G. Eoyang, *Facilitating Organisational Change*, 2001, p.10.

¹⁰⁰ For tools for leaders in a systems approach, see Olson and Eoyang, *ibid*, p.46.

elastic, dynamic qualities that are shaped over time by a broad array of factors, indicating that they link back to many of the other issues outlined in this report:

- the level of organisational commitment and motivation to deal with a particular capacity intervention;
- the level of confidence of the participants in the eventual utility of the intervention;
- the proposed speed, timing, complexity and duration of the intervention;
- the perception of the risks involved;
- the climate for and politics of the intervention;
- the nature of the country understanding about an intervention; and
- the attitudes of other stakeholders and external groups.

In the cases, readiness and absorptive capacity were about 'fit' and matching, and also about intangibles such as confidence, inducements and level of understanding. Why would an organisation or system accept a particular prescription or intervention? What would be the limits of such acceptance and openness? They were also about the willingness and ability to manage change in the form of capacity development. Organisations that had some experience in shifting their structures and behaviours would usually have greater levels of readiness and absorptive capacity than those that did not. They also varied over time and with the nature of the intervention – large, comprehensive efforts were more likely to fail, while smaller, more experimental interventions might succeed. Every organisation or system contained within it a series of rejection mechanisms that could be triggered by the nature and scope of the intervention.

The capability to absorb effectively could also come with risks. In Indonesia, Takalar district 'absorbed' the SISDUK programme by dispensing with its unique features and getting it to 'fit' within the regular procedures of the district bureaucracy. Effective absorption or 'mainstreaming' could thus have the unintended effect of killing or diminishing promising capacity development experiments and innovations (see box 14).

Box 14: Readiness and receptivity: the LGSP, the Philippines

The LGSP in the Philippines tried to work with a variety of local governments. A key factor in the selection of specific local government units (LGUs) as partners was their 'readiness' or 'receptivity' to work with an external intervention. Over time, the programme came up with a checklist of indicators of their readiness or absorptive capability:

- the willingness of mayors to support capacity interventions;
- the level of interconnections between each LGU and others involved in the reform;
- the level of internal teamwork between the mayor and the elected council;
- the level of community involvement and participation in LGU affairs;
- the state of the security situation in the area; and
- the LGU's perception of the relevance of the external assistance on offer.

Most LGUs showed weaknesses in some or all of these factors. About 20% were rated as having a 'low' readiness and required a tailored approach to developing their capacity.

6.2.10 Coherence

All the actors in the cases struggled in some way to address a basic issue that shaped their capacity – the balance and the tension between diversity and coherence. They needed the ability to focus on their particular mandate and identity. In many cases, they had to respond to different clients, accountabilities and contextual factors. They divided the organisation into sub-units as it grew in order to generate more control and efficiency. But if such diversity tipped over into fragmentation, coherence and coordination began to falter. The chances to develop capacity and performance diminished. Thus all the actors, including the external agencies, faced the challenge of reconciling in some way the

demands of individual action and collective efforts. Since meeting this challenge was critical to capacity development, the ability to balance diversity and coherence is one of the five core capabilities (see section 3.2.5).

We can see this tension at work in several cases. IUCN in Asia, for example, began building its capabilities by focusing its attention at the country level supported by a headquarters and support unit in Bangkok. Yet over time it became apparent that clients were also demanding more comprehensive regional approaches that could address transnational issues. IUCN in Asia was then forced to balance country versus regional approaches in some kind of coherent way. This demand led, in turn, to a different type of organisational structure, different capabilities and mindsets, and even different types of staff.

Some of the new approaches to improving service delivery emphasise the need to focus on the accountability of individual managers, and contracting out to private sector suppliers or NGOs, each of which might have multiple lines of reporting. The resulting diversity and fragmentation could eventually become incoherence. The challenge once again is to achieve some higher level of coordination, collective action and coherence at the local level. One of the best examples is the perennial issue of aid coordination. Readers will be familiar with the pattern of individual donors pursuing separate agendas with different procedures and, in the process, undermining the coherence of programmes. The Paris Declaration is an effort to swing the pendulum back to the coherence side through SWAs and other efforts to promote collective action. This in turn has required donor agencies to adjust their own interventions to promote collaboration. The question of what inducements and incentives can encourage individual actors to collaborate remains a key issue, however.

Achieving coherence is one of the keys to forming capacity. Individual competencies have to be combined into collective capabilities which, in turn, have to be balanced to produce a capable system or organisation. Coherence is thus both a means to and an end of capacity development. It has also acquired greater importance as development interventions have become more complex and diverse. Capacity as a condition lost effectiveness at both ends of the diversity-comprehensiveness spectrum. Too diverse, and the fragmentation may overwhelm collective action, but too much emphasis on integration can lead to a loss of variety, innovation and flexibility.

6.2.11 Resilience

Much has been made of the need to make capacity sustainable. But too often, sustainability has amounted to little more than unproductive or even predatory longevity, a pattern that could be seen at work in many of the public sector organisations created in low-income countries in the 1960s and 1970s. Indeed, sustainability *as a condition* in such cases proved so dysfunctional that it had to be countered by efforts to reduce and eliminate it in the 1990s.

Some of the cases, especially the Lacor Hospital, highlighted the need to think more about the concept of resilience (see box 15),¹⁰¹ or the ability of a system to deal with shocks and disruptions without changing its fundamental nature or its ability to create

¹⁰¹ There is a growing body of experience with the concept and practice of resilience. See, for example, Building personal and organisational resilience, *Harvard Business Review*, 2003; K. Weick and K. Sutcliffe, *Managing the Unexpected: Assuring High Performance in an Age of Complexity*, 2001. See also websites such as www.resilience.org and www.resiliencealliance.org. For a view of resilience from the private sector, see Yossi Sheffi, *Resilient Enterprise: Overcoming Vulnerability for Competitive Advantage*, 2007.

value. Such a capability is becoming more important in the context of rapid change, instability and fragility in many states. The immediate question is thus whether such a capability can be intentionally embedded in an organisation or system, and if so, by whom, and how?

Box 15: Resilience in a difficult context: the Lacor Hospital, Uganda

The Lacor Hospital operated in what must be one of the most difficult contexts imaginable. Gulu province in northern Uganda had been devastated by war, HIV/AIDS, growing poverty, and in the early 1980s an insurrection involving the Lord's Resistance Army. At various times the hospital was looted and some senior managers were kidnapped. In 2002, Lacor led the fight against an outbreak of Ebola, resulting in the containment of the disease but also the deaths of 12 of its senior medical and nursing staff. A series of massacres in May 2004 led to the nightly inflow into the Lacor compound of over 10,000 'night commuters', mostly women and children seeking sanctuary. Later, the hospital had to adapt to being integrated into the national health service under the aegis of a SWAp, a transition that involved wrenching changes to its financial and reporting status. Yet throughout these dramatic events, the hospital showed its resilience by gaining in capacity, legitimacy and effectiveness.

Capacity seems to be directly correlated with the quality of resilience. We do not put forward here a theory of resilience development, but a few insights from the cases seem useful.

Part of the explanation appears to lie in organisational character and authenticity. In the cases, organisations that were loyal to a set of values that participants clearly supported had the ability to withstand strain and disruption. Such values acted as an internal scaffolding and a coherence device. People would continue to battle for the future of the organisation regardless of the state of its tangible assets. Put another way, the capability for resilience appeared to come out of the informal, intangible side of the system. One of the key intangibles was a sense of confidence and mastery, a feeling that no matter what the challenges, the organisation had the spirit and presence to overcome them. Confidence in some of the case organisations came from pride in past achievements and faith in the leadership. It also arose from an expectation of external support based on legitimacy and acceptance by society.

The organisation or system might have a formal structure designed to withstand stress and disruption. The emphasis here would be on simplicity, decentralisation and delegation to allow distributed sources of energy and leadership to emerge in the event of shocks and societal collapse. Some sort of tacit redundancy would also likely be present in the form of informal partners, network allies and other actors able to free up resources and support the organisation in the event of shocks. In the Lacor case, the family of Catholic institutions provided emergency staff, resources and moral support. IUCN in Asia deliberately set out to develop a capability for resilience. Part of the strategy lay in diversifying sources of income. Part lay in developing their capabilities for adaptation, learning, strategic thinking and scanning the context for approaching crises. Part had to do with being aware and mindful of the issue and having it as a subject of periodic discussion. Such organisations saw resilience as a partial enabler of results in the medium term. But in the short term, they were prepared to sacrifice some performance and results in the interests of investing in greater resilience.

6.3 Externally driven processes for capacity development

In this section we look at the various externally driven processes and how they induce capacity development. These include the following:

6.3.1 Institutions

Most of the cases, indeed most of the discussions about capacity development with country participants, centred on the structure and workings of formal organisations. Yet it was clear that institutional issues – the formal and informal rules of social and political interaction, or rules of the game – could shape the boundaries of the context, and create and maintain patterns of incentives. They could influence actor behaviour and determine the pattern of constraints and opportunities associated with capacity development.

Some other points struck us in the cases. These institutions could be formal or informal. They could be laws and regulations or long-standing ways of interacting that had deep historical roots, and were themselves changing, albeit with different rhythms and for different reasons. Changes to formal institutions such as laws could be put in place relatively quickly. Examples include the 2001 Decentralisation law in Indonesia, the 1991 Local Government Code in the Philippines, the 1995 constitutional change to devolve autonomy to the states in Ethiopia, and the 1995 New Organic Law providing for further decentralisation in Papua New Guinea. New health policies and institutions in Uganda, for example, had dramatic effects on the budget of the Lacor Hospital. Formal global institutions such as international trade law and species protection rules affected the process of capacity development in CTPL Russia and IUCN in Asia. In the ESDU case, senior managers helped to draft the St George's Declaration that set the rules for collective government action in terms of environmental management in the Eastern Caribbean.

Participants also tried various approaches to dealing with informal institutions, which could take years to evolve. In Papua New Guinea, where some 30% of the country was considered to be in a state of anarchy, citizens increasingly reverted to traditional institutions such as clan-based relationships in an effort to gain some sense of stability. At the same time, considerable efforts were being made at the central, formal level to develop a strong ombudsman system, free trade unions, an independent judiciary and the guarantee of basic civil and political liberties. Some of these formal institutions could contest the influence of the informal. In other countries such as Ethiopia, there were efforts to combine or synthesise the formal and informal in an effort to tap into more commitment and energy.

6.3.2 Demand and supply

Much attention has been given to the idea of rebalancing demand and supply as a means of developing capacity. From this perspective, all organisations and systems drift over time towards stagnation, routine, standardisation, bureaucratisation and inflexibility. The hypothesis is that interventions on the supply side – training, restructuring and top-down management – cannot *by themselves* overcome the negative effects of these larger patterns. Systems will not reform themselves or build new capacity if left to their own supply-side devices. They will inexorably end up focusing on protecting their own self-interest and existence. Only pressure or 'demand' from outside groups such as clients, funders, citizens, auditors, regulators, politicians, watchdog groups and the media will 'pull' capacity and performance out of the system. Lack of citizen control over the

institutions that supposedly serve them is seen as a key barrier to capacity development. Accountability is seen as the key to capacity development.

There is a good deal of evidence in the cases for the power of demand. In the Philippines, the Local Government Support Programme showed the power of demand-side pressures from civil society organisations and citizens who worked to monitor the municipal councils. In Ethiopia, the Education Sector Development Programme provided for 'watchdog' institutions at the *woreda* and even *kebele* levels to monitor progress. The traditional *gemgema* system was also used for accountability purposes to carry out assessments of teachers and other public officials.

All countries are littered with dysfunctional organisations whose prime concern is to protect their own bureaucratic interests. No one can argue against a citizen role in scrutiny and claim making, especially when dealing with public service delivery.¹⁰² But it is not clear from the cases if demand-side approaches will *by themselves* lead inexorably to improved capacity in ways not possible under the old supply-side regime. If we go back to the question of how capacity emerges in a society, we saw the classic citizen demand pattern working in only a few of the cases. What emerged was a much more varied pattern of relationships between 'demanders' and 'suppliers' that worked at different times for different kinds of organisations.

Many of the cases were characterised by huge needs and passive demanders. No energy or initiative existed on the demand side to pressure for more supply in the short or medium term. Often stakeholders just did not know about a service, or were not persuaded of its value. Many effective organisations in the cases emerged out of conditions of either minimal or high demand.¹⁰³ In practice, capacity entrepreneurs tried to generate a 'demand-inducing' supply, focusing on the intersection of need and opportunity as well as demand.¹⁰⁴ They found niches in the development market and then came up with goods and services that fitted within them. They began to create a self-reinforcing cycle in which demand and supply reacted in a positive way to create a virtuous cycle of increasing capacity.

Most case organisations seemed to have had a strategic sense of how to intervene in their own demand and supply processes to set in motion a virtuous cycle of push and pull. They had developed the capability and the willingness to reach out and connect with their clients and supporters. They also had an 'outside-in' mentality, even in conditions where external pressure and demand were weak. Most organisations pressed their staff to focus outwards. In effect, their targeted supply led to increased demand or, in some cases, a constituency for change. The supply side was used in many cases to initiate certain interventions, but the demand side was critical to sustain them. The Tanzanian Public Sector Reform case showed the effectiveness of efforts at 'quick wins' that attempted to build support and confidence by generating tangible performance at an early stage of a supply-based intervention. Over time, a pattern of reinforcing demand and supply would ratchet the relationship and the organisation up to new levels of performance and legitimacy.

Classic demand-side approaches had the best chance of working in cases where the means, outcomes and ends were tangible and measurable at the point of delivery. In particular, they applied best to service delivery organisations in the public sector such as

¹⁰² World Development Reports, 1997, 2004.

¹⁰³ This finding has been replicated in some other studies. See Merilee S. Grindle, *Getting Good Government: Capacity Building in the Public Sectors of Developing Countries*, Harvard Studies in International Development, 1997, p.486.

¹⁰⁴ This has also been called the 'opportunity structure'. See Lynn Bennett, *Empowerment and Social Inclusion*, paper for the Social Development Network, World Bank, 2003.

health, education, justice and policing.¹⁰⁵ But at the other end of the spectrum, certain public sector organisations, such as central banks and some planning functions, are usually deliberately designed to be buffered from public demands and political pressures.

Dangers existed in terms of excessive or irregular demand. Strong demand, particularly in the short term, could overwhelm the supply side and start to undermine capacity.¹⁰⁶ Demanders and their supporters wanted quick results. Outside stakeholders, members or citizens would seek more and more services, but had little patience or even inclination to help with the longer-term investments needed to build sustainable capacity or supply. Staff within the supplying organisations became demoralised and opted out, in an effort to escape the blame which was rapidly assigned to individuals. Or demand from a key stakeholder would suddenly stop as the political dynamics changed abruptly. Organisations would, in turn, lose balance. Either they would try to expand too fast or try to do too many things and in the process, lose coherence and capacity. Or too much space would be given to the supply side and the organisation lapsed back into self-serving behaviour. Pervasive imbalances between demand and supply could undermine the overall performance of the organisation.

The cases show different kinds of demand-side pressures. In the Philippines, NGOs built on years of democratic activism to improve local services. In that case, both the supply and demand came, in large, part from a new, younger generation of leaders intent on improving governance and national development. In Pakistan, however, demand was limited by the lack of experience and a tradition of public action (see box 16).

Box 16: Demand-side strategies for capacity development: education sector, Pakistan

In Pakistan in the period 1995-2003, a number of mechanisms had either evolved or were established to increase accountability in order to improve state education services:

- a national bureau charged with designing the devolution policy and regulations to enhance accountability and service delivery;
- citizen community boards charged with monitoring service delivery, and a body mandated to develop their capacity;
- the Pakistan Bar Association attempted to give legal backing to demands from key groups to compel improved services; and
- alliances with civil society organisations to work on creating greater demand.

These demand-side mechanisms seem to have had limited influence on improving service delivery. Major constraints still existed on the supply side, including the bureaucracy, which had little commitment to improving educational opportunities; inadequate pay, leading to low staff morale; low public expectations of the state education sector; few if any pressures or incentives to perform; and a dysfunctional budget system. Changing these constraints would require supply-side interventions, at least initially, to stimulate the bureaucratic and political elites to fight for change.

The politics of demand, or demand ‘from whom’, was an issue in some of the cases. Various citizens and interest groups frequently made conflicting demands on suppliers. Teachers, parents, children, private firms and school administrators were all ‘customers’ of education ministries, but could make quite different claims on the system.¹⁰⁷ In South Africa, the NACWC struggled to balance both the demands and constraints put in its way by different stakeholder groups both inside and outside the government. Outside the boundaries of the system, responding to citizen demand was frequently a political question. In addition, a host of other stakeholders – the media, donors, auditors,

¹⁰⁵ World Development Reports, 1997, 2004.

¹⁰⁶ For an example of this trend at the World Bank, see Robert Wade, *The US Role in the Malaise at the World Bank: Get Up, Gulliver*, paper for American Political Science Association Meeting, 2001.

¹⁰⁷ Most school systems in high-income countries face high demands and generate low performance. See Terry Moe and John Chubb, *Politics, Markets, and America's Schools*, 1990.

politicians – imposed demands that could override those of distant beneficiaries. Powerful political groups could derail demands from peripheral groups. In practice, most capacity development interventions struggled to cope with imbalanced demands – too few from beneficiaries and too many from other self-interested groups. Bureaucratic ‘capture’ – a form of demand – was a regular pattern of demand

The timing and sequencing of the demand and supply relationship was an issue in some of the cases. Supply-side interventions such as training could be mounted quickly. Governments wishing to create the appearance of action were inclined to start on the supply side. The Tanzanian Public Sector Reform Programme was a ‘supply’ side intervention for about a decade and only began to work on the demand side after over 15 years of work.

The debate about supply and demand needs to be situated in the context of social and economic rigidities that affect the ability of people to express their needs. These can be deeply rooted constraints that in many countries will require decades to resolve. For the foreseeable future, disadvantaged sectors of society may be left out of most development programmes unless those programmes reach out to them. Many of the case organisations found ways to initiate activity from the supply side and then quickly to connect these interventions to the demand side. This was true even in difficult contexts. Both the Lacor Hospital and IUCN in Asia, for example, gained strength in contexts of weak demand and dysfunctional institutions by developing activities that were relevant to often unexpressed but very real needs. They were not hostage to a shortage of demand.

6.3.3 Power and control

Here we take both a broad and a narrow view of the political factors that surround capacity development. We include not just the obvious issues of governance and political economy, but also the use of, and access to, power at the inter-organisational, intra-organisational and interpersonal levels. Further, a good deal of the political analysis connected to capacity issues can be negative in the sense of emphasising the predation, interference and control that victimises managers and citizens. But it was not always so in the cases. Some political leaders acted to protect and buffer particular organisations or systems, while others functioned as astute political operators manoeuvring their organisations through political and bureaucratic shoals.

Capacity development has frequently been portrayed as an apolitical process during which participants willingly learn skills, techniques and behaviours that allow them to carry out their tasks. IDAs have a long history of trying to depoliticise their interventions, or at least ignoring the political aspects of capacity issues.¹⁰⁸ Also, many country participants have enthusiastically colluded with these efforts by trying to limit IDA interventions to the support of technical activities in an effort to keep them away from sensitive issues of power and privilege.¹⁰⁹ But many capacity development activities, such as organisational restructuring, downsizing, skills development, privatisation and transparency, are intertwined with issues of power, politics and vested interests. Such activities may shift authority and influence from some groups and individuals to others. Ideas and identities may be in conflict. Individual, groups and organisational interests are usually at risk. Elegant technical solutions can make things worse rather than better.

¹⁰⁸ See Jonathan Ferguson, *The Anti-Politics Machine*, 1990; Paul Nelson, *The World Bank and Non-governmental Organisations: The Limits of Apolitical Development*, 1995.

¹⁰⁹ Recent initiatives are changing this apolitical perspective. See, for example, *Power and Drivers of Change: Using Political Economy Analysis to Improve Aid Effectiveness*, note by Govnet Power and Drivers Task Team, April 2006; and Sarah Vaughan and Kjetil Tronvoll, *The Culture of Power in Contemporary Ethiopian Political Life*, Sida Studies 10, 2003.

Systems freeze up and cannot act. In some cases, they are designed to be ineffective for political reasons, while in others, essential capacity can be deliberately destroyed in order to support or protect other interests.

The existence of and scope for action of many of the institutions and organisations in the case studies represented the outcomes of political bargaining among different groups in a society, many of whom acted, not surprisingly, in defence of their particular interests. Of particular importance here was the behaviour of political, bureaucratic, ethnic, regional and commercial elites whose ability to form supportive coalitions in support of capacity development was key. Political leaders in Tanzania and Rwanda acted to promote better capacity and performance in the public sector. Elites in Russia, the Philippines, Jamaica and the Eastern Caribbean provided resources, protection and attention. In contrast, political elites in Papua New Guinea had little interest in pushing for real reform and capacity development.

Intra-organisational or system politics also influence capacity development. In many organisations, key groups and coalitions – headquarters managers, field offices, the finance section, a dominant ethnic group, a specialised technical group – might prefer to restrict or even undermine the performance of their own organisation rather than cede power to internal rivals. Factions inside and outside formal organisations battled over the direction and the type of capabilities to be developed. In the South Africa case, vested interests in the large educational bureaucracies at both national and provincial levels struggled for authority and resources, and finally succeeded in shifting the emphasis towards maintaining support for public providers. The new government was not about to spend scarce resources on non-state actors despite the recognised need for technical training for the burgeoning young black population.

Three political issues were critical across the cases and participants in activities may find it useful to reflect on them. The following questions may be helpful.

- The pattern of restraints/incentives for elites. Did key groups with some control over resources and patronage networks see the creation or improvement of a particular capacity as being in their interest? Were they willing to see it evolve into an actor that could actually perform and create value? Would they help it to acquire the capability to commit and engage? Were politics always a vehicle for personal or group advantage or could they be organised to further collective interests? If there were political costs to be paid for capacity development, who would pay for them?
- The nature and durability of the space for institutional pluralism and distribution of power.¹¹⁰ Was government prepared to tolerate the emergence of new centres of power and capacity or were its interests better served by undermining or at least limiting, the capacity of other actors? Was government prepared to negotiate and bargain?
- The degree of societal cohesion and political conflict. Was the society able to reach any sort of workable consensus on public issues which could then be turned into 'policies' needing some sort of capacity for their implementation? Or was capacity development impossible in the face of continuing unstable and unenforceable policy making?

6.3.4 Legitimacy

¹¹⁰ See Sue Unsworth (ed), *Signposts to More Effective States*, Institute of Development Studies, 2005.

Legitimacy has long been recognised as a core element of effective governance.¹¹¹ Citizens' acceptance of political and institutional regimes affects their capability to exercise power and authority effectively and sustainably. But the case experiences indicate that the presence, or absence, of legitimacy also influenced the development of capacity across a range of circumstances. Actors that had earned or had been granted some sort of legitimacy appeared to benefit in terms of improved capacity. But how did this happen? What did legitimacy mean in the context of low-income countries? How did organisations and other actors gain and sustain it? What was the relationship between legitimacy and capacity in a variety of contexts?

As might be expected, legitimacy is a complex topic with a variety of definitions:¹¹²

- 'Legitimacy is a generalised perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed systems of norms, beliefs and definitions'.¹¹³
- 'Organisational legitimacy refers to the degree of cultural support for an organisation – the extent to which the array of established cultural attributes provides explanations for its existence, functioning and jurisdiction'.¹¹⁴

We can see in the cases examples of at least two kinds of legitimacy. First, actors such as the churches in Papua New Guinea had earned what has been called *normative* or moral legitimacy, in that they reflected socially acceptable or desirable norms, standards and values. Stakeholders assessed the organisation or system in terms of its identity, meaning and desirability. Such judgements were based on various factors including historical origins, ethnic connections, political power, type of leadership, symbolic appearances, judgements about procedures and techniques.¹¹⁵ Legitimacy came not from performance but from a reassuring symbolism and sense of connection.

Second, organisations generated *pragmatic or performance* legitimacy, based on their instrumental value for their stakeholders. They performed and produced value for individuals and groups who, in turn, acted to support and protect them. Perhaps the most dramatic example of this exchange was the Lacor Hospital, which had offered health care services to all people in the Gulu area since the early 1960s. In return, residents defended the hospital against incursions of the Lord's Resistance Army.

We can begin to see some of the complexities that come with the concept of legitimacy. Different stakeholders – the government, local beneficiaries, the donor community – have different views about the nature and value of legitimacy. And they themselves have their own needs to pursue to legitimise their own actions. What then are the connections between legitimacy and capacity? We see two connections in the cases:

- Much of the capacity literature focuses on developing capacity from the inside through technique, access to resources and managerial intent. Yet the cases suggest that capacity in the form of legitimacy was as much conferred from the outside as it was developed internally. Stakeholders – clients, peers and oversight organisations – developed their views on the legitimacy of an organisation based on how well it performed against its core capabilities, especially its commitment or motivation, its ability to carry out tasks particularly delivery of services, its relationships and its adaptability and hence ability to survive. The need for legitimacy encouraged actors to earn support and approval from other groups in society. Part of this effort involved building trust, reputation, reliability and relevance. Formal organisations seeking

¹¹¹ See D.W. Brinkerhoff, Rebuilding governance in failed states and post-conflict societies, *Public Administration and Development*, 25(1), 2005.

¹¹² For an analysis, see D.W. Brinkerhoff, *Organisational Legitimacy, Capacity and Capacity Development*, ECDPM Discussion Paper 58A, 2005.

¹¹³ Mark Suchman, Managing legitimacy, *Academy of Management Review*, 20(3) 1995.

¹¹⁴ J.W. Meyer and B. Scott, *Organisational Environments: Ritual and Rationality*, 1983, p.201.

¹¹⁵ Mamadou Dia, *Africa's Management in the 1990s and Beyond*, 2006.

legitimacy had to work to ground themselves in the cultural and institutional values of the society in which they were embedded.

- Organisations with little societal legitimacy, such as public agencies with a record of corruption, did not have much success in developing their capacity through technical or functional fixes. Citizens and other groups had already disconnected from them. Nor would legitimacy come just from improved performance, as many funding agencies might hope. Although external agencies might be able to do little about the issue of legitimacy, they need to be aware of its contribution to capacity and the long-term efforts that have to be made to achieve it.

6.3.5 The creation and protection of operating space

Much of the debate about capacity development focuses on how to make country actors responsive and accountable. The underlying premise, for which there is a good deal of evidence, is that many actors have a built-in tendency to engage in self-serving behaviour in the absence of external scrutiny, pressure or demands. We understand and agree with this perspective, but think it misses a critical component that is essential for effective capacity development – the creation and protection of operating space.

By the term ‘operating space’, we mean a protected area within which participants can make decisions, experiment and establish an identity. Such a space can be physical, organisational, financial, institutional, intellectual, psychological or political.¹¹⁶ And it can be created and maintained in a variety of ways. In the cases, an organisation or a programme could be positioned outside the main political battle ground in order not to attract attention or predatory behaviour. Its existence could be protected by law, custom or legitimacy. History could endow a system with a sense of identity and independent purpose. Powerful protectors, including development agencies, could buffer it from intrusions (see box 17). An organisation could have a monopoly on a particular idea. Nimble leadership could maintain the operating space by manoeuvring the system through a turbulent context. Access to independent sources of funding could be essential to preserving its autonomy. Individual staff could be imbued with a sense of independence that enabled the organisation to develop its capabilities.

Box 17: JICA and buffering: SISDUK, Indonesia

In Indonesia, the Japanese aid agency JICA buffered the SISDUK experiment from the intrusions and pressures of the local political and administrative system. It provided a space for innovation and experimentation that lasted for 4–5 years. Its pilot status gave it bureaucratic and financial protection. The programme related to a separate set of incentives and accountability arrangements. And beyond all these arrangements, JICA could defend the programme directly using its relationship with the government. Part of the explanation for later difficulties was the weakening of the operating space put in place during the pilot period.

Operating space for capacity development was critical in the cases for two reasons. First, it created the conditions that allowed a psychological sense of ownership to take hold. Without the freedom to move and decide, participants soon lost motivation and engagement. Second, it allowed the key processes of capacity development to evolve, especially at the middle and lower levels of the system. In several cases, we can see participants making sustained efforts to create and protect their operating space.

- The government of Jamaica designed the ENACT unit as a quasi-programme management unit (PMU) in an effort to free it from the control of any one department

¹¹⁶ This concept of space also applies in the political sphere. See N. Webster and Engberg-Pedersen (eds) *In the Name of the Poor: Contesting Political Space for Poverty Reduction*, 2002.

or ministry. The increased operating space allowed the unit to establish relationships with a wide range of actors in both the public and private sectors. Such an approach went against the conventional wisdom regarding the dysfunctions of PMUs and the need to use government systems. The assumption on the part of the Jamaican authorities centred on the need for innovation and experimentation at an early stage of the capacity development process, neither of which was likely to come out of the established systems.

- Both IUCN in Asia and ESDU in the Caribbean took great care to balance their hierarchical relationships with the international organisations of which they were part. They needed to be both part of a wider whole and yet independent enough to maintain their operating space. This same tension showed itself in the Observatório case in Brazil. The Pan-American Health Organisation, the Ministry of Health and the network itself constructed a delicate balance that allowed the Observatório network enough space to function and experiment. But also enough connection and collaboration to keep it relevant and focused.
- Individual leaders in several cases – ENACT, ESDU, IUCN in Asia and the LGSP in the Philippines – showed a tolerance of diversity and protected spaces within their own systems. Or, put another way, they allowed a good deal of learning and experimentation to go on within the organisation in an effort to build the capability to adapt and self-renew. In particular, staff at the middle and lower levels needed operating space if they were to contribute to capacity development.
- The Tanzanian Public Sector Reform Programme benefited from the limited involvement of ministers and other political officials in the daily management of the programme. This form of buffeting and protection allowed the bureaucracy the space to guide the reform programme using more incremental and medium-term considerations. Bank officials also worked to establish a partnership with the government that allowed country staff the space to make mistakes, change course and adapt.

Much of the thinking about capacity development revolves around the assumption that 'chaotic' contexts make it much harder to create and maintain the needed spaces. In the cases, we found this to be only partly true – and in some cases, quite misleading. The intrusive politicisation common in many situations, particularly in the public sector, could erode space. But it was also true that chaotic contexts could contain niches, spaces and possible relationships that were impossible to find and exploit in older, more formal and ordered systems such as those in many high-income countries. Nimble and politically astute actors could benefit from chaotic situations. The rise of IUCN in Asia was perhaps the best example. At times these spaces could be maintained and protected, while at others, spaces and windows of opportunity opened up and then disappeared, as in the NACWC case in South Africa.

Some of the case actors were able to prevent IDAs from shutting down their operating spaces, including persuading funders to be less intrusive, and freeing up resources to support learning and reflection. Some agencies, such as CIDA, the World Bank and DFID, deliberately refrained from imposing onerous M&E schemes on young organisations in the early stages, in part to allow them the space to experiment and develop their own approaches to M&E.

Participants needed personal, organisational and institutional space within which they could survive, experiment and grow without relentless intrusions. But creating and maintaining such spaces required a complex and delicate balance: too little space could lead to the withering of innovation, energy and commitment. Participants could become disempowered through the relentless erosion of their operating space. But too much space could be equally damaging. People and organisations lost a sense of

accountability and responsiveness. They became isolated and cut off from other sources of energy and collaboration. Over the medium term, this tended to undermine their resilience and adaptiveness. This was yet another balance that had to be achieved to support effective capacity development.

6.4 The dynamics and strategies of capacity development

In this section we look at the dynamics of the processes of capacity development that appeared in the cases. How did approaches to capacity development unfold in practice? Were they, for example, planned or incremental or emergent? Were they comprehensive or focused? Were they broad and political or narrow and technical?

6.4.1 Capacity development as an element of change

Interventions aimed at capacity development generally took place in the midst of other changes affecting the organisation or system. In the cases, some of the processes of organisational and institutional change that affected the capacity of the system or organisation were underway *regardless* of the direct interventions of any of the participants, country or external. Some struggled to adjust to global and country changes, which in some cases reduced or increased their freedom of action. Political, security, financial, geo-strategic pressures could make it more difficult to understand the key issues or to devise approaches that had some support in situations of conflict. Capacity development as a process thus did not take place independently. The interconnections with other processes – retrenchment, mass dismissals, downsizing, rapid expansion – could be supportive or damaging.

Different aspects of capacity development moved and changed at different speeds. Structural changes, training programmes, functional improvements and other ‘first-order’ changes could be put in place quickly. Deeper ‘second-order’ changes such as shifting ‘mental models’, building legitimacy or developing complex capabilities could take years to embed in daily practice. Change could unfold slowly over decades, as in the Lacor or Tanzania cases, or it could suddenly explode into action, as in the Indonesia case.

We would note one other aspect of capacity development that appeared in the cases. New systems or ways of behaving could be ‘rolled out’ or ‘installed’ according to a rough linear, preset schedule. Efforts are then made to ‘measure’ the results of the improvements. But in between the stages of installation and measurement came that of institutionalisation, meaning the processes by which participants began to understand, to gauge the costs and benefits to them personally, to learn, to practice and ultimately to absorb or integrate the these new ways into their daily working lives. This phase was a good deal more unpredictable and open to genuine risk and rejection by those not willing to cooperate.

Almost the entire focus of capacity development is on improving or developing. Often, the assumption is of creating something from scratch or adding something new. Almost all techniques and frameworks are premised on this positive direction. But what may be of equal importance and much more difficult to implement is the idea of capacity *destruction*. All the case organisations as they evolved acquired core rigidities, vested interests and outmoded practices, many of which had previously created value, results and even a sense of identity. Existing capabilities were the result of past, hard-won understandings about what to do and how to do it. But without their destruction, or at least reconfiguration, little progress on capacity *development* was likely to be possible.

Some came close to mastering capacity change in the form of destruction; IUCN in Asia institutionalised it within their regular review cycles. Others, such as Takalar District in Indonesia, struggled unsuccessfully to destroy old relationships of control and power. After a period of community-based bottom-up planning, the village heads eventually reclaimed their old roles of choosing which community development projects would be funded. We thus see participants struggling to combine capacity development, capacity destruction and capacity maintenance.

6.4.2 Three approaches to capacity development

Approaches to capacity development can be categorised in many different ways, top-down and/or bottom-up, technical and/or organisational, individual and/or organisational. In this report, we use three other approaches: planned, incremental and emergent.

Planned approaches

In the cases, planned approaches were based on *planning, control and intentionality* or, put another way, the techniques of scheduled and engineered interventions or 'planned' change. The core assumption was that planning and 'design' could be used to generate shifts in capacity in an organisation or system from one state to another. This approach lent itself to targeting, to the crafting and achievement of clear objectives, to the scheduling of activities, and to the application of results-based management. Participants who favoured this perspective tended to see capacity development as an activity that could be managed like a project or a programme. In essence, they saw the nature of the challenges as 'simple' or perhaps 'complicated', but not complex in the sense presented in table 2 in section 3.4. Participants, especially senior managers, assumed they could control and manage the process directly.

Planned approaches had genuine advantages in some situations (see box 18). Indeed, all the case organisations employed it to some degree, especially with respect to tasks that were clear in terms of ends and means, and that would respond to a disciplined, systematic approach. The use of a clear and accessible planned approach helped to reduce confusion in the early stages, so that participants felt more comfortable, and allowed coordinated action. But we detected that such approaches were also used as symbolic devices to reassure participants and to gain legitimacy from IDAs. Creating the appearance of planned change was important in many instances. Case participants also needed the plans and data associated with this approach to compete for funds within country bureaucracies. Not surprisingly, the more participants relied on external funding, the more they claimed to be using a planned approach to capacity development.

Box 18: Planned change: the PSRP, Tanzania

Among the cases, the best example of planned change was that of Public Sector Reform Programme in Tanzania. The World Bank, DFID and others agreed in advance on the prescription of the new public management leading to comprehensive change across the public sector. Strong leadership came from the President and the permanent secretary. All ministries and departments were compelled to participate. External technical assistance assisted in the design of objectives and strategies for reform, including detailed work plans and implementation schedules. The impetus for change was thus on the supply side.

Planned approaches to capacity development appeared to work best under the following conditions:

- a shared consensus about policy and direction;
- resources to pay for the support systems;
- more tangible objectives especially technical and functional;

- the possibility of control from senior managers;
- the need to start on the supply side;
- an opportunity to quantify means and ends; and
- a focus on the formal and the programmable.

On the other hand, most participants were reluctant to employ systematically the planned approach as a 'master' strategy of change, i.e. the set of assumptions and principles shaping daily action. Only one case – the Public Sector Reform Programme in Tanzania – came even close to claiming it as its main strategy. Such 'big bet' strategies using blueprint methods were seen as too complex, too unwieldy and too inflexible to deal with situations of great uncertainty and rapid change.¹¹⁷

Incrementalism

A second approach seen in the cases was that of incrementalism, which is based on the principles of adaptiveness and flexibility in implementation. In practice, it was about the capability to make changes within a structured process of capacity development. Strategies could still have preset objectives and milestones, but they functioned more as guidelines than as actual fixed targets.

The incremental approach to capacity development tended to work best in situations where the context was unstable and the choice of strategy was difficult to clarify. These included situations in which the participants were uncertain about making predictions about capacity and performance needs, or when the constraints or the degree of commitment were not well understood. Using adjustments and small interventions, participants could seek out opportunities, try different changes, move in fits and starts and try to learn what might work under different conditions.¹¹⁸ Such small experiments could lower the risks inherent in large, more complex interventions and could provide the foundations of a more complex system by building it from the ground up in 'chunks'.

In practice, incrementalism was the preferred approach to capacity development and was used most of the time by most case actors, especially the multi-sectoral, multi-actor systems whose 'loose-coupling' and sometimes conflicting interests and attitudes did not lend themselves to 'planned' change as a strategy.

Emergence

As described above, planned change relies on prediction, goal setting, hierarchical structures and top-down strategy. Control and intentionality are the key factors in making capacity development happen. Incrementalism relies more on adaptiveness, learning and adjustment. Emergence, as it appeared in the cases, represented yet another approach to change and capacity development in complex adaptive systems whose behaviour could not be managed in any conventional sense. They were living organisms with an inner dynamic of their own.

The driving forces for change were not control and centralised direction or even adaptiveness, but rather relationships, interactions and system energy. Emergence needed a shared sense of meaning and values, some sort of collective identity and a system boundary, some fungible resources, some basic rules of conduct and a protected space that allowed for some freedom of action. Capacity was seen to emerge and form out of the multiple interdependencies and the multiple causal connections that were

¹¹⁷ For the most part, the literature on organisational change has shifted against the ideas underpinning planned change. 'The jury surely must be in by now that rationally constructed reform strategies do not work. The reason is that such strategies can never work in the face of rapidly changing environments', Michael Fullan, *Change Force: The Sequel*, p.3.

¹¹⁸ For a good example of this approach, see Rick James and Rebecca Wrigley, *Investigating the Mystery of Capacity Building*, INTRAC Praxis Programme, 2006.

operating and being encouraged within the system. This was ‘means-based’ as opposed to ‘results-based’ management. It focused on nurturing relationships and then waiting for results and capabilities to emerge (see box 19). The usual mechanisms – clear objectives, explicit strategies, scheduled activities, targets – were not applied. Capacity from this perspective was partly about functional expertise, but also about system cohesion and energy.

Box 19: The emergence of capacity: two networks in Brazil

We can see the process of emergence at work in the COEP and Observatório cases in Brazil. They were first energised by the pursuit of key values to do with democratisation and social justice. They grew organically through informal connections and relationships. They refused to set clear objectives at the outset. A direction and an identity emerged over time. Facilitation, connection and stimulation worked better than traditional directive management. There was no attempt to develop formal hierarchies at the outset. They experimented throughout the network with small projects and interventions. There was a constant exchange of experiences, information and knowledge. They spun off many working groups, informal communities and associations. Collective networking capabilities emerged through linking and connecting capabilities at the individual and organisational levels.

At first glance, emergence would seem a somewhat esoteric and anti-managerial approach to change and capacity development. Yet it was on display in a number of the cases. The ENACT programme in Jamaica used it as a ‘master’ strategy to create pools of capacity and energy. The programme operated on the basis of a semi-formed strategy guided by a general direction and a set of values. It developed capacity by connecting and unleashing the energy in themselves and others through relationships.

Emergence could frequently be a messy process of change, characterised by *ad hoc* efforts, formal or informal, to develop skills amidst the normal rush of general programming, problem solving and implementation. People would pay attention to some things and not others. Some people would opt in and others out. Or perhaps a crisis of some sort would have to be faced, as in the case of CTPL Moscow. At some point, participants would either remain in the operational fixing mode and or else move on to a more strategic approach. From a capacity development perspective, the question arises as to why some people, groups and organisations shifted to strategic thinking and others did not. At least part of the answer to this question appeared to revolve around the influence of particular individuals.

The emergence approach also depended on the nature of the context and the task. It functioned best in ‘complex’ situations. But it did not match other sets of conditions:

- Emergence did not work well in situations of intense conflict and politicisation where relationships could not be sustained.
- It was not an approach to get a specific task accomplished within a short period of time.
- It fitted uneasily with many funders and senior managers who wished to see more control, direction and intentionality. In particular, it was unlikely to be acceptable as a capacity development strategy within large public sector organisations.
- It needed space and freedom to explore the best way forward. It did not mesh well with ideological constraints.

6.4.3 Combinations of capacity development approaches

Many organisations tend to rely on a single approach to capacity development. In the cases, no single approach, e.g. institutional reform, structural change, incentives,

emergence, learning, organisational development, planned change or demand-side pressure, *by itself*, had the power and the traction to shift a complex system. All of them worked at certain times and in certain ways and for certain things. Each could make a contribution within a range of conditions. But to be effective, they usually had to be combined in some way with other capacity development strategies.

What emerged in the form of a capacity development 'strategy' was frequently a complex, customised, braided or sequenced set of approaches. Some were more explicit, others more tacit. Participants tried to combine, integrate and sequence their approaches as they became more aware of the nature of their capacity challenge, the demands of stakeholders and the dynamics of their own organisation or system. The COEP network in Brazil, for example, used emergence in its formative period and then added a more incremental approach as the network reached a certain size and age. The LGSP in the Philippines simultaneously employed a complex array of approaches that had to be combined in an effective way (see box 20). Some were conventional efforts at planned change along a linear or staged pathway in pursuit of prescribed outcomes, while others were more incremental. Yet others were much more emergent and open-ended.

Box 20: A multi-faceted approach: the LGSP, the Philippines

Of all the cases, the LGSP was the most deliberate in employing a range of capacity development strategies simultaneously. The decision to go with many overlapping interventions was itself a strategic choice of real importance. In practice, the programme used the following approaches:

- demand-side pressure from citizens and NGOs;
- supply-side access to training, international TA and other support services;
- institutional development through the new Local Government Act;
- conventional training;
- performance management and measurement using planned techniques;
- organisational development at the municipal level;
- facilitated learning through peer-to-peer exchanges;
- systems learning as a complex adaptive system;
- a focus on leadership and 'followership'; and
- emergence as a way to connect up different groups in the local government system.

None of these strategies was mandatory. Indeed, participation in the LGSP itself was voluntary. No effort was made to ensure central coordination. What remained was a loose reliance on 'self-organisation', energised mainly by mayors and supported by an array of other organisations.

Another pattern was the application of a planned strategy on the modern, formal side of the organisation, combined with more incremental or emergent approaches on the informal, shadow side. We can see this tactic at work in several cases, such as the LGSP in the Philippines, the health sector in Papua New Guinea, and CTPL Moscow.

Many capacity development 'strategies' were possible and feasible, including ones that hardly looked like 'strategies'. Some participants professed to have only a 'no strategy' strategy toward capacity development and resisted external attempts to impose one on them or compel them to follow a conventional version. Three of the cases (IUCN in Asia, ENACT, the Lacor Hospital) relied on a combination of values, general intent and learning. The participants then subtly resisted the use of formal plans, targets, milestones, work plans and the other conventional methodologies. The emphasis was on adaptiveness, flexibility in the face of unpredictable change and continual uncertainty.¹¹⁹ Strategies, in practice, formed and emerged over time.

In summary, we found few capacity development strategies that worked well in all the cases. We found no 'code' or recipe for effective capacity development. A project

¹¹⁹ See Henry Mintzberg, *The Rise and Fall of Strategic Planning*, 1994

management unit (PMU) approach was quickly rejected in the ESDU case as a barrier to national ownership, but was successfully adopted by the government of Jamaica to promote national ownership of the ENACT programme. Heroic leadership was key to the initial success of IUCN in Asia, but it played no role in that of the Observatório in Brazil. Long-term technical assistance was quickly phased out in the Tanzania case to improve sustainability, but it remained critically important for the Lacor Hospital for the same reason, we could find the reverse of much of the current conventional wisdom about capacity development, as well as much that confirms it. Part of the success of particular approaches clearly lay in individuals and groups thinking through their particular situation and then coming up with a customised way of matching, crafting, failing, adapting, learning and persevering.

What did not work were mismatches between strategies to address capacity challenges and the context. Planned strategies could not deal with combinations of complexity and uncertainty. Emergence could not provide the clarity and structure needed in many public sector reform programmes.

6.4.4 The sequencing of capacity development

During the case research, we were interested in issues of sequencing – where to start, what capabilities to develop and in what order. Was it possible to chart out a plan or strategy of capacity development with specific steps occurring in a logical sequence? Did certain actions always have to precede others in order to support the emergence of capacity? Was there, in practice, a recurring pattern of steps or phases through which an organisation or a system would have to proceed in order to develop its capacity?

On balance, we are cautious about suggesting a formula for sequencing. In the cases, there turned out to be many different sequencing ‘logics’ that applied at different times and in different ways. At one end of the spectrum, certain technical interventions clearly needed to be scheduled and planned, especially in situations where both the means and ends were clear. At the other end of the spectrum, participants using the approach of emergence did not attempt any detailed sequencing of steps.

But in the middle, the case actors made a series of contingent decisions about the pace and flow of events, depending on the circumstances, as highlighted in the following.

- Some analyses of capacity issues give the impression that an enabling context must be created at the macro level *before* interventions at the meso and micro level can be productive. Donors, it is said, must help to ensure that certain preconditions exist before providing support. The cases cast doubt on this point except in extreme cases. Organisations could buffer themselves from external threats, and benefited from the opportunities and spaces created by chaotic contexts. In others, suspending support at the meso or micro level was not a practical option given the time needed to create an enabling environment, or the domestic pressures for some sort of performance. If interventions needed to make comprehensive efforts at ensuring an enabling environment before acting at the organisational or institutional levels, few efforts at reform would make much progress, especially in the short or medium term. What appeared to be a better strategy was to help country actors in non-enabling contexts.
- But in some cases, the grip of vested interests or the influence of certain institutional patterns might make it sensible to delay interventions, especially those that targeted these interests directly, or to start with smaller, experimental attempts to introduce change. The LGSP in the Philippines used this strategy to avoid contentious battles with powerful groups that continued to control some municipal governments.

- In cases such as ESDU, IUCN in Asia, the churches in PNG, municipal development in the Philippines, capacity development could not develop much momentum until senior leaders energised the process. They could devise a broad strategy. They could put the issue on the internal agenda. They could begin to change their own behaviour. They could create space within the system. In effect, they could try to energise the system and induce it to concentrate on capacity issues. Without that early ignition, the process did not seem to move forward.

A final sequencing issue had to do with the balance between capacity development and results. Programmes dealing with public sector reform such as that in Tanzania could decide to focus on central agency reform *before* addressing service delivery on the assumption that building the foundations of reform were preconditions to generating results in the form of development gains. Other programmes such as health in Papua New Guinea and education in Pakistan began at the service deliver end in an effort to build visibility and legitimacy.

There appeared to be a rough evolutionary process of sequencing at work in the development of capabilities. The creation or strengthening of a capability relied on a set of complementary investments in tangible assets, the development of individual competencies, in process development and in the establishment of relationships that frequently crossed the boundaries of the organisation. Over time, such capabilities were embedded in the organisation through a process of institutionalisation and routinisation that allowed participants to master them.

The evolution of capabilities is not always the result of explicit choices, deliberate sequencing and careful management. In practice, most capabilities emerged through a variety of influences including donor emphasis, adaptation to the context, internal management strategy, political pressure, growing demand, etc. In some cases, participants were unclear about which capabilities really mattered and when and why. Unsatisfactory results would not automatically lead to conclusions about what added capabilities would make a critical difference. Much is still to be learned about which aspects of capacity lead to better performance and results, when, and under what conditions.¹²⁰

In rough terms, patterns of capacity development did emerge. Capabilities began to form, or became deeper and more complex. More were developed as the system became more diversified. Efforts were made to balance and connect the 'harder' and the 'softer' capabilities. Participants collectively began to master complexity by developing the ability to carry out an increasing variety of tasks at increasing scales. They developed relationships that gave them access to a wider range of opportunities, support and resources. These relationships also shifted from ones of dependence to those of independence and interdependence. In effect, organisations or systems shifted to a new level of complexity with both greater specialisation and better coordination. They went through a qualitative and structural transformation that went beyond patterns of expansion or growth.

Organisations and systems, particularly in the public sector, began to separate themselves from the political, social and ethnic spheres and slowly became more independent, instrumentalist actors with a greater focus on creating value and results. Becoming more 'results-oriented' has to do with more than just technique or attitude. It also has to do with deeper shifts in the organisation and its relationship to society. In the cases, we can see this process at work most vividly in Tanzania, where efforts were

¹²⁰ David Watson (2006) *Monitoring and Evaluation of Capacity and Capacity Development*, ECDPM Discussion Paper 58B, p.3.

being made to make the public sector more merit-based, less politically captured and more effective.

We also emphasise here the idea and practice of balancing as opposed to sequencing. Organisations would focus on one aspect such as technical capabilities only to discover in time that other non-technical aspects, e.g. collective action or trust building, had fallen behind or weakened. This need for effective balancing seemed greater in situations of low consensus and commitment, as in the Philippines.

6.4.5 The issue of time

The interconnected issues of time and timing kept reappearing in the cases. By ‘time’, we mean some sort of defined period or interval – short, medium or long-term – within which a capacity development intervention was to take place. The ‘time’ issue exerted a major influence on the unfolding of capacity, yet it got little explicit, sustained attention from either participants or IDAs. Indeed, it is difficult to find much in the way of any serious analysis of the time issue anywhere in the capacity literature.

The ‘time’ issue raised most often was the need for participants to take a *long-term approach*. The argument here, which we partly agree with, centred on the requirements of a complex process of political and institutional change that might require years or decades to unfold. In the cases, we can see these deeper processes at work. Decentralised education service delivery in Pakistan had to contend with issues of power and authority at the state, province and district levels that had been contentious since colonial times. The effectiveness of local government reforms in the Philippines depended a great deal on the entry into power of a younger generation of mayors with a different set of values, skills and expectations. In this sense, the capacity of organisations and institutions reflected, and took energy from, deeper political, economic and social trends in a society. Processes that went too fast and outran the consensus that sustained them led, in turn, to individuals and groups dropping out and resisting the pace of change.

But the long-term approach, no matter how appropriate in terms of the evolution of capacity development, had to face the hard reality of IDA impatience and loss of internal legitimacy. In an era of ‘demanding’ and ‘proving’ results, most long-term efforts had little chance of surviving without facing the need to demonstrate just what has been gained for the money expended.

The cases thus show the opposite of the long term; i.e. the need for speed and urgency in *the short term*. Windows of opportunity would open briefly and create the space for capacity entrepreneurs to act. Local government leaders in the Philippines with fixed-term mandates had little enthusiasm for five- or ten-year capacity development plans given their need to show results within a few months before the next elections. IUCN in Asia, the Lacor Hospital and ESDU were each confronted with a crisis – the Asian tsunami, the Ebola outbreak in Uganda and environmental disasters in the Caribbean – that needed capabilities to be developed and deployed quickly. Many public officials had little interest in long-term capacity issues given the rapid rotation of staff within most public agencies.

We encounter here the issue of balance and coherence discussed earlier. Organisations such as the Lacor Hospital and IUCN in Asia had to deal with short-term crises in an unstable environment. And they needed a certain level of disruption and short-term pressure to limit stagnation and build their capability for adaptation. Capabilities that were needed at one stage were rendered less relevant in the next. At the heart of the ‘time’ issue thus lay one of the most difficult of capacity challenges, that of combining short-

term responsiveness, usually in the form of some sort of change in performance or technical capabilities, with the ability to focus over the long-term on the development of more complex capabilities such as slow, incremental, collective learning. The more effective case actors, such as the Lacor Hospital, IUCN in Asia and ESDU, succeeded at both levels. The less effective failed at one or both of these tasks. The challenge, particularly for organisations in the public sector, was to sustain both processes over a long period in a context of shifting political trends and bureaucratic dynamics.

There were different perspectives on the time issue. Country participants appeared to have a much longer view of time than their colleagues in the aid agencies. Many had long histories in the public service and could see how past incidents and relationships affected present possibilities. They also had to gauge how actions now would affect future possibilities both in the public service and in their personal lives.

IDAs also struggled to address the time issue. In many instances, they tended to support short time frames – the usual 3–5 years – for capacity development, which often made little sense even in their own countries, for a number of reasons: the need to base time and timing decisions on their existing bureaucratic procedures relating to conventional programming and budget cycles; the difficulty of predicting the course and end of complex events over time; the traditional aversion to making a long-term commitment to a process whose outcomes are largely unknown; the need to demonstrate short-term results; and the need for participants to structure capacity interventions into reassuring patterns and procedures that could gain outside acceptance. Creating the illusion of ‘time-bound’ activities carried out in a ‘timely’ manner was part of this search for clarity and certainty.

Yet many IDAs were also getting involved in ever more complex, multi-actor interventions such as SWAps. Some chose explicitly to focus on the long-term. The Pan-American Health Organisation had supported the Observatório network in Brazil for over 30 years. The World Bank and DFID were halfway into a 20-year commitment to public service reform in Tanzania. CIDA had supported the ENACT programme for over a decade of ‘searching’ and refrained from premature pressure for short-term performance.

Box 21: Some questions about time

- Under what circumstances should programme participants, both country and external, adopt a long-term view of capacity, as is frequently recommended? Is it feasible for them to do this given the constraints? What, in practice, would constitute a long-term view? What else has to happen for a long-term perspective to be viable?
- How can we square the demands of the long-term with most public sector procedures?
- When is the drive for short-term results – ‘quick wins’ – advisable and necessary? And when are rapid results supportive of a long-term process and when are they in conflict?
- How important is it to think about time in terms of historical evolution? Do participants need to know about how the process of capacity development evolved to where it is now?
- Do busy staff have enough time to devote to capacity development, and who pays?
- Who sets a ‘timeline’, and on what basis? Who decides when it is the right time?
- How does the resource of time match up with those to do with money, people, commitment and ideas?

6.4.6 Capacity development ‘traps’

Some analyses of capacity development portray the process as linear and cumulative. Competencies and capabilities are added according to some sort of strategy. Yet in most of the cases the process seemed quite different, advancing in fits and starts. Perhaps

most notably, organisations and indeed whole systems would get caught in capacity ‘traps’ from which it could be difficult to emerge. Part of this had to do with deeper system dynamics that would either assert or, more likely, reassert themselves as organisations experienced a brief improvement in capacity and performance and then evolved back into an old pattern of behaviour. In effect, well intentioned interventions generate a reaction from the system that counters the benefits of the original intervention. For example:

- Systems could get caught in rigidity traps due to age, attitudes and internal vested interests. We can see this process at work, for example, in the Pakistan education sector, which faced the difficult task of reshaping a large complex bureaucracy with a legacy of non-performance.
- Systems can get caught in a low demand, low response trap. Little external pressure or accountability acts on the organisation. In response, the level of supply or activity diminishes, which feeds back into low demand. People with energy and commitment abandon the organisation, which further intensifies the trap.
- Systems can get caught in oscillations – centralisation, decentralisation, then back to recentralisation. The SISDUK programme in Indonesia shifted from a tightly controlled system to one more open to other actors and methods, and then back to tight control after the departure of the donor.
- Systems can be stuck in performance–capacity development traps. The system is under various kinds of performance pressures. It cannot summon up the resources and the focus to devote much space to capacity development. Over time the level of performance is undermined, which again in turn, further diminishes the space for capacity development.
- Participants themselves can get stuck in attitudinal or psychological traps that limit their vision or confidence or motivation. In a number of cases, such as Tanzanian PSRP, CTPL Moscow and ESDU, we see groups breaking free of old mental models or psychological barriers and moving to a new way of working.

The point is that organisations and systems can be locked in place or trapped by a variety of forces, both internal and external. The existence of ‘gaps’ or ‘needs’ may make little difference to the dynamic. Effective capacity development interventions find ways of breaking out of recurring patterns and shifting behaviour to a new level.

6.5 Operational implications

The main message from the above analysis is the need for some sort of strategic thinking and acting to do with capacity development as a form of change. Participants in the cases gained by thinking through the potential dynamics of change, using planned strategies in some instances and emergent approaches in others. Participants also needed to communicate such strategies in a variety of ways to other groups whose support or intervention was needed. Such strategies could be tacit in some instances and explicit in others. They could be conventional or highly innovative. They could be long or short term. But above all, there needed to be a mind at work that could in some way, contribute to the shaping of events and ideas about capacity development.

7 Capacity, performance and results

**What do we mean by the terms ‘performance’ and ‘results’?
 What is the interrelationship between capacity and performance?
 Why should we consider capacity as an end or a development result on its own?
 What are the implications of change for capacity development?
 Under what circumstances is results-based management (RBM) the suitable
 approach for capacity issues?**

We are not motivated by a desire for more capacity but rather by a desire for a better future – Mayor of a municipality in the Philippines

Companies die because their managers focus on the economic activity of producing goods and services, and they forget that their organisation’s true nature is that of a community of humans – Arie de Gues

Performance measurement is the most powerful inhibitor to quality and productivity in the western world – Edward Deming, the father of quality improvement

We turn now to the relationships among capacity, performance and results, which we found to be a good deal more complex and counter-intuitive than we imagined at the outset. It is usually assumed that there exists a fairly direct line of causation between improved capacity and better results. This basic pattern of thinking has been reinforced by the ‘inputs–outputs–outcomes–impact’ framework that creates a sense of linear progression and escalating importance as the focus moves from left to right. The more capacity, the better the performance, the more results.

The findings of the case research have led us to rethink this view. This chapter will look at why.

7.1 Performance and results

Part of the difficulty in the capacity debate is the ongoing confusion about terminology.¹²¹ By the term ‘performance’ we mean the ways in which organisations or systems apply their capabilities in daily use. We are talking here about the ability to deliver and to function. To quote our earlier analysis, capacity is a potential state. It is elusive and transient. It is about latent as opposed to kinetic energy. Performance, by comparison, is about execution and implementation, or the application and use of capacity. It is capacity in motion. By ‘results’ we refer to the substantive development outcomes that represent improvements to human welfare, such as gains in health or education.

The question that then arises is whether the development of capacity itself can be regarded as a development result on its own. And if it is, how would it fit into the conventional approaches to assessing progress such as ‘results-based’ management or monitoring and evaluation? Doesn’t the development of the capacity to develop capacity help to ensure the achievement over time of results in terms of health or education? And if performance and results are both ends in themselves, how do they relate to each other? Would, for example, results be ‘traded-off’ against the need for greater capacity?

¹²¹ In the literature, terms are used in different contexts with different meanings. For example, ‘performance’ assessment frameworks focus on results, while capacity ‘results’ usually focus on capacity and performance.

The questions above relate to the basic purpose of development cooperation. Are we in development cooperation in the 'doing' business or in the 'self-help' business? Francis Fukuyama sees the need to accept 'capacity as an end' as the main goal, but is pessimistic that this will happen: 'Notwithstanding efforts by [institutions] like the World Bank to invite greater local participation in programme design, the problem cannot be fixed unless donors make a clear choice that capacity-building is their primary objective rather than the services that the capacity is meant to provide. The incentives facing the majority of donors will not permit this to happen'.¹²²

This debate about capacity as a means or an end of development generates little interest. Indeed, it attracts some disdain among many analysts and practitioners. It is usually viewed as somewhat irrelevant given the obvious need to deliver the 'results' in the short term, upon which many country participants and against which all development agencies are now judged. Yet it remains, in our view, a fundamental issue that shapes a good deal of donor and participant behaviour.

The connections between capacity and performance are not always clear. Results obviously depend to some degree on the existence of capacity, especially in the medium and long term, but beyond that platitude the interconnections become murky. We no longer see capacity development and performance as simply part of a staged, cause and effect relationship with results, i.e. people focus on developing their capacity which, in turn, enables them or their organisation to achieve results. As should be clear from years of experience with technical assistance, all kinds of trade-offs, tensions and dilemmas can be found in this relationship, especially when external interveners are part of the mix. Patterns of both capacity development and performance are uneven, with progress going at different speeds and different times. Investments in capacity can take days or even years to yield significant results.

Rather than provide a detailed analysis of the levels of performance of all the actors in the cases, we group them as follows:¹²³

- Some cases, such as the COEP in Brazil, were not clear about the pattern of results coming out of the creation and expansion of the network. Most COEP participants had confidence in the outcomes, and there were many examples of performance that had acquired national acceptance. But COEP remained unclear about the cumulative effect of its work.
- Three cases – the Public Sector Reform Programme in Tanzania, the LGSP in the Philippines, the Rwanda Revenue Authority – regularly monitored both capacity and performance. The first two faced complex judgements about the short and long term, and intangible versus tangible. The last could show a direct connection between capacity development and performance given its short-term focus and measurable outcomes. Most assumed that the causal connection would clarify over time.
- In most cases, monitoring and evaluation of capacity and performance was intermittent and project-focused. Again, the assumption was that the aggregated condition called capacity would over time lead to improved performance and results at the project, programme and organisational levels.

¹²² Francis Fukuyama, *State Building: Governance and World Order in the 21st Century*, p.41.

¹²³ Note that most of the cases were selected as examples of high-performing organisations or systems. The inventory thus does not cover dysfunctional examples as much as we would have liked.

7.2 *The relationships among capacity, performance and results*

We found it difficult to come up with the tight results chains that are now valued in the international development community. Conventional cause and effect analysis did not work given the variety of factors that shaped both performance and results.¹²⁴ And getting case participants to think about the connections was usually not possible. Few were interested in spending much time tracing the relationships. That said, we remain interested in the following questions: how did the case actors convert capacity into performance and results? How did that process work? Why was this relationship more difficult to understand than we had thought? Some of the patterns described below may be overdrawn to clarify the discussion. Inevitably, they were more nuanced and complex in real life than those described here.

Systems thinking at one level also makes this issue harder to address. This approach does not subscribe to the 'results-chains' concept. It sees performance as an emergent pattern that comes about through the interactions of many elements both internal and external. The influence of contextual factors, for example, and the actions of many other actors in addition to those in the system in question act to blur the analysis.¹²⁵

We now set out four patterns that appeared in the cases.

1. *Improved capacity led to improved results*

This interconnection appeared in a number of the cases. IUCN in Asia, the Rwanda Revenue Authority, Public Sector Reform Programme in Tanzania, the Lacor Hospital, the ENACT programme in Jamaica all appeared to develop a complex mix of capabilities that, in turn, led to improved performance across a range of activities. Why was this so?

- The organisations appeared to develop and maintain the right competencies and capabilities to address the performance challenges they faced.
- Their capabilities were 'good enough' to make a difference, i.e. staff mastered both the individual competencies and collective capabilities to a level sufficient for the organisation to gain acceptance and further resources.
- All these cases had relative control over their operating system in terms of space, buffering and resources, as well as a potential set of outcomes that key groups wanted.
- They all had leaders with a sense of strategic management who could keep strengthening the connection between capacity and results.

2. *Improved capacity made little or no difference to results*

Our reading of the cases leads us to the following conclusions:

- The effective development of the wrong capabilities could lead to little or no effect in terms of results. Military organisations, for example, are usually accused of building up the capabilities that proved critical to them in the last war. Private sector firms hold on to capabilities that, although once effective, have lost relevance in a changing market.¹²⁶ This appears to have been the case, for example, in the education sector in Pakistan where cynicism about 'capacity building' as a waste of time and effort leading to little or no gains in performance had set in.

¹²⁴ Sarah Earl *et al.*, *Outcome Mapping: Building Reflection into Development Programmes*, IDRC, 2001.

¹²⁵ An oft-quoted example is that of stock trading and some high-tech firms in the Internet market of the late 1990s. In such a market, almost any firm could appear to perform even if its capacity was stable or even diminishing. Once the market collapsed, many firms that had failed to develop serious capacity and resilience went under.

¹²⁶ A fascinating example from the US private sector illustrates this problem. In the late 1970s, both WalMart and K-Mart studied the future of the US retail market, and came to quite different conclusions. They began to focus on the development of quite different capabilities. WalMart got it right and K-Mart got it wrong.

- Capacity development could, in the short term, disrupt established patterns of performance and results. The issue here is whether public sector managers in low-income countries have the commitment to endure such disruption in the short term to produce performance and results that will benefit others in the longer term.
- Organisations try training, new formal structures, new systems, new strategies, new staff. But for a variety of reasons, the initiatives are not absorbed or embedded into daily performance. Staff bump up against a 'knowing–doing' gap that limits progress. Remaining weaknesses overshadow the capacity gains. Staff begin to realise they know little about which aspects of capacity lead to better performance, or when, or under what conditions.
- In certain circumstances, the lack of results may be deliberate strategy. Given the choices and political pressures, satisfactory underperformance, regardless of the level of capacity, is the safest option. This may well be the case where political instability creates disincentives for change.

3. Improved results led to improved capacity

Much of the rapid results approach described earlier is based on this connection, which is the reverse of what is normally expected. Improved results, especially in the short term, lead to more demand, more confidence and, hopefully over time, more resources to invest in capacity development, creating a sort of rising spiral of improvements in capacity.

- In the IUCN in Asia and the ESDU cases, capacity development led to improved results, which created the space, resources and confidence to feed back into improved capacity. The dynamic was circular and interactive. 'Results-based' and 'means-based' management became mutually reinforcing. Much of this dynamic was ignited and induced by leadership and staff commitment.
- In the Russia case, CTPL experts were officials with significant trade experience and direct links to government decision makers. They provided CTPL Moscow with credibility, the capacity to work on trade-related issues, and the opportunity to differentiate the organisation from its competitors. As demand for its services grew, the Centre became increasingly involved in the WTO negotiations. This, in turn, gave the group invaluable experience, which increased capacity even further.
- Following a long process of realignment and redesign, ESDU was able to enhance its performance, which attracted more resources and more staff commitment – greater capacity – which, in turn, brought yet higher levels of performance and results. In the Pakistan case, on the other hand, there developed a vicious circle with low motivation among both the elite and civil servants to improve the education system, generating poor performance which, in turn, undermined capacity.

4. An imbalanced focus on either results or capacity eventually undermines both

Another pattern in the cases was an undue preoccupation with outcomes and results, leading indirectly to declining capacity. Participants simply did not have the time or the resources to make the investments that capacity development required. They simply did not renew or replenish the system. They tried to develop capacity and performance while trying to achieve results, but could not manage it. In some cases, such as the Observatório in Brazil, the leaders shielded the network from undue demands for results at a critical time in its evolution.

This potential for a trade-off between capacity development and results has been a long-standing issue in technical assistance. Is it the job of external advisers to get things done, or does their key contribution lie in helping others to develop their capabilities to get things done? Do aid staff have any space for learning or thinking, or are they strictly in the 'doing' business?¹²⁷ Will a trade-off emerge between short-term results and medium-

¹²⁷ See Maaiké Smit, *We're Too Much in 'To Do' Mode*, Praxis Paper 16, INTRAC, 2007.

term capacity and performance? The risk here, of course, is that, in the absence of that rising spiral mentioned earlier, both results and capacity begin to decline in the medium term.

The reverse relationship, i.e. an undue concentration on building capacity, could also create dysfunction. Three things could happen. Participants could lose track of the need to produce or deliver. They either engaged in endless reorganisation schemes or they started directing organisational resources towards their own interests under the guise of capacity development. Or various groups, both local and external, became more interested in proving the value of a certain capacity theory as opposed to tailoring it to the needs of performance. Centralisation, decentralisation, privatisation or outsourcing, were pushed forward regardless of the nature of the issues, the context or the constituency of support. Capacity development then failed and dragged down the level of performance and results. These two approaches to change – one that focuses on ‘results’ or task achievement, and one that focuses on capacity development – are compared in table 7.

Table 7: Two approaches to change

Aspects of change	Focus on results	Focus on capacity development
Purpose	Maximising development results	Developing capacity
Approach to capacity issues	CD seen as a secondary means in support of performance ends	Seen as an end in itself
Leadership	More directed and top down	More participatory and inclusive
Main focus	Structure and systems, incentives, demand pressures	Individual and collective skills, culture and mindset
Planning	Systematic and solution-driven	Emergent and more incremental
Application	Standardised and uniform	Responsive and varied
Tangibles and intangibles	More emphasis on the tangibles	More emphasis on the intangibles
Motivation	Incentives lead	Incentives lag
Emphasis on learning and experimentation	Modest	Critical
Monitoring and evaluation	Focuses on results	Focuses on capacity
Use of external TA	Intensive and focused on task achievement	Less intensive and focused on process and facilitation

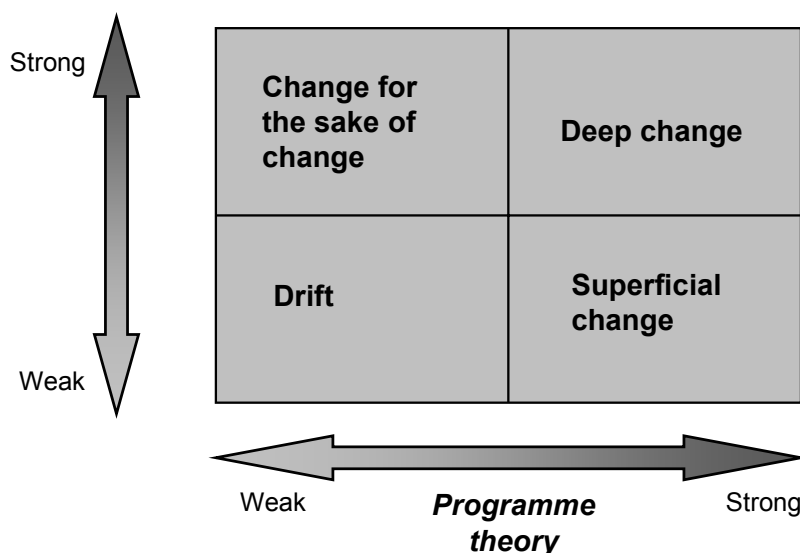
The challenge for both country managers and donor agencies, in our view, is to find ways of resolving the tensions and trade-offs so that the benefits of each approach can be maximised and the downsides minimised. As in so many things to do with capacity, the challenge lies in balancing and integrating the two approaches. Put another way, the challenge is to blend product and process.

What seems to be crucial in achieving this goal is the ignition of a virtuous cycle in which capacity development and results reinforce and feed off each other in a rising spiral. Capacity development improves performance, which then feeds back and energises participants to further improve their capacity. This upward spiral of improvement can strengthen the organisational psyche of country actors, which can become increasingly more expectant of good performance. In our view, the ability of some of the case actors, especially the smaller ones, to ignite and sustain this dynamic accounts for their overall effectiveness.

Figure 4 sets out the pattern we found in the cases. Where both programme theory meaning the assumptions underlying goals of the programme and the theory of change

or capacity development were poorly conceived and implemented, the general activity tended to drift. Conversely, where both were strong, deep change was more likely. Unsurprisingly, country participants, as opposed to external interveners, seemed to have the best chance of successfully managing the synthesis between the two approaches.

Figure 4: Theories of change¹²⁸



7.3 Capacity issues and results-based management

We now turn to the subject of results-based management (RBM) and capacity issues. RBM techniques are now widely applied in international development cooperation. This trend is intensifying as the pressure mounts for donors to ‘demonstrate’ the results of their activities. Another factor in their increased use is the greater involvement of domestic agencies from donor countries – e.g. finance ministries, police or customs authorities – in the implementation of development programmes. Most of these agencies are dedicated adherents of RBM, at least in public, as are many country governments and multilateral agencies (see box 22).

Box 22: Conventional RBM approaches

Typical of the conventional RBM approach is that articulated in a recent evaluation of the Asian Development Bank: ‘Results-based management involves identifying the impact of an intervention, formulating its outcome, specifying outputs and inputs, identifying performance indicators, setting targets, monitoring and reporting results, evaluating results and using the information to improve performance. A good quality design and monitoring framework is an integral-at-entry results-based management tool that clearly identifies key project objectives with measurable performance indicators establishes quantified and time-bound milestones and targets for the indicators at each level of the project and specifies the sources of the data for tracking implementation progress. Lacking one or more of these elements at entry weakens a project’s design quality’.¹²⁹

We are not against managing for results. Nobody is. Nor do we wish to downgrade the principle of accountability.¹³⁰ In our view, RBM can induce benefits and in some cases,

¹²⁸ Based on Michael Fullan, *Change Forces with a Vengeance*, 2003, p.53.

¹²⁹ Asian Development Bank website, Building a results-based management framework: www.adb.org/Evaluation/documents/Independent-Evaluation/ieadb5.asp

¹³⁰ But we wonder about the current universal adulation accorded to the idea of accountability. A small but growing literature in public administration is coming to the view that accountability, much like RBM, can

there may be a need to pay even more attention to it. We can see in the cases examples where many of its assumptions held. A number of the projects funded by ENACT benefited from the application of RBM techniques. The machine-like structure, procedures and outcomes of the Rwanda Revenue Authority lent themselves to control-oriented management. Establishing systems that were primarily technical, e.g. an additional surgery in the Lacor Hospital benefited from the application of RBM. Even the lumbering Public Sector Reform Programme in Tanzania benefited from some targeting and prescription. All these cases provided the narrow range of circumstances that enabled RBM to be effective, such as a relatively stable environment, a short-term horizon, clear boundaries in terms of time and resources, the absence of political conflict over means and ends, and technical or logistical objectives that could be specified relatively easily.

But we are suggesting that RBM, a technique designed to address problems where the means and the ends are clear, may need to be modified to deal with increasing complexity and uncertainty. In the cases, once the playing field became more uncertain, more informal, more contested, more intangible and more long term, RBM quickly lost traction and relevance. At least four of the more successful cases – ENACT, COEP, the Observatório and IUCN in Asia – would have generated *less* performance if they had followed the traditional approach to RBM.¹³¹ It is not surprising that the more case actors faced a rapidly changing context, the more they focused on capacity issues, and the more they worked to improve their ability to learn, adapt and innovate, the less willing they were to accept conventional RBM techniques.

The comparative advantage of RBM is the focus on short-term products rather than longer-term processes. It can be helpful in tracking immediate outcomes, but it has little to say about capacity outcomes that emerge over the medium and long term. Yet these patterns are typical of most capacity development processes. Techniques that can better address evolution and longer-term processes could be added to the RBM approach. Ways need to be found to make RBM more learning friendly, more participatory and more focused on the needs of country managers. In particular, participants need to use it to encourage the continuous feedback and reflection that lie at the heart of capacity development.

What can the cases tell us about possible modifications and additions to the standard package of RBM techniques that would make it more ‘capacity’ friendly? The challenge here is to make some adjustments to conventional RBM that can enable programme participants to respond to a wider variety of situations. Three elements seem obvious:

- *Encouraging some serious discussion about the strengths, weaknesses and comparative advantages of different approaches to RBM.*¹³² The monitoring and evaluation (M&E) techniques applied to capacity issues are currently being debated and re-examined. The same attention should be given to RBM.
- *Finding ways to make the shift from input/output/outcome logic models to recognising ‘fuzzy’ realities and emergent outcomes.* This would mean rethinking the use of some tools from the 1950s and 1960s such as the log-frame, and looking at the use of

have beneficial effects in particular circumstances. ‘The first counterintuitive thing about accountability is that it is not necessarily a good thing and, in fact, there is hard evidence showing it is sometimes a bad thing and you would be better off without any accountability at all. Things would be a lot better if we could think clearly about accountability systems rather than having these universal beliefs that more accountability is good. Matching the right kind of accountability to specific kinds of judgment is important’, Jennifer Lerner, Kennedy School of Government, quoted in the *Washington Post*, 14 May 2007.

¹³¹ In the ENACT case, the rigid application of RBM pushed the programme to the point of collapse. The donor then intervened to reduce the burden.

¹³² For an example of the debate in the US public sector, see B.A. Radin, *Challenging the Performance Movement: Accountability, Complexity and Democratic Values*, 2006.

‘means-based’ management as opposed to just ‘results-based’ management. Some of the same systems approaches that are slowly coming into M&E may be useful for RBM.

- *Coming to a broader view of what constitutes ‘results’.* From a capacity perspective, the focus should widen to include the intangible, the longer-term, the strategic and, above all, those aspects of capacity and results that are valued by country participants. Part of the difficulty with RBM arises from different cultural perspectives. The ‘Western’ model of management puts great importance, at least symbolically, on organisations as rational actors set up to focus on task achievement. In low-income societies, the basis of organising is likely to be different. Their efforts at collective action can be more concerned with consolidating relationships, establishing legitimacy or reinforcing the interests of other societal groups.

In the cases, the dynamics of capacity and results were affected by intangibles such as value systems, the various formal and informal relationships both internal and external, and the culture and history of the organisation. RBM needs to be supplemented by techniques that are better able to capture these aspects.

Finally, IDAs can help to defer the inevitable transaction costs that come with RBM and M&E. In particular, they could support the efforts of mid-level managers, a cohort that is in short supply in most low-income states. IDAs also need to see the implementation of RBM through the lens of relationship building.¹³³ In the ENACT case, the expatriate staff continually refused to report their own ‘results’ and achievements out of concern for appearing to overshadow Jamaican efforts. In the process, they reinforced the relationship that lay at the heart of the programme.¹³⁴

¹³³ ‘Although the need to prove our value is important, when consultants take credit, it is most often an exaggeration of our role and inflation of its worth. Unless the consultant has become a surrogate manager, and taken over the management task, no credit accrues, organisational results are earned by those living in the system.’ Peter Block, *Flawless Consulting: A Guide to Getting Your Expertise Used*, 1981, p.322.

¹³⁴ ‘Pressuring clients to feel we have helped them can be a tremendous obstacle to the learning we are trying to promote. If we can stay focused simply on the way we are working with clients, we will avoid compulsively pressuring the client and the results will take care of themselves.’ Block, *ibid*, p.50.

8 Tools and frameworks

What do the cases suggest about how we can categorise capacity assessment frameworks?

What do the cases suggest about the constraints and challenges of applying traditional approaches to M&E to capacity issues?

What are some emerging approaches to M&E of capacity?

What does the study suggest about how and when to apply tools and frameworks in general?

All models are wrong, some models are useful – George Box

In the previous chapter we discussed different approaches to inducing capacity development. The complexity of the subject has created an enormous latent demand for simple methodologies to help practitioners organise their thoughts and actions, and to standardise capacity processes. With these purposes in mind, many IDAs spend much time and effort trying to develop tools and frameworks to help make the task of addressing capacity issues more manageable for their staff. There are now literally thousands of formal frameworks connected in some way to the subject of capacity.¹³⁵ People, wherever they are, are now two or three clicks away from a full range of methodologies and frameworks, many of which have been analysed and compared for ease of selection.

In this chapter, we do not repeat this kind of analysis. Rather, we address some broader issues related to the use and selection of tools and frameworks in two areas – capacity assessment and monitoring and evaluation (M&E).

8.1 Capacity assessment frameworks

The desire of practitioners to get a better handle on what capacity exists and especially where there are gaps has spawned a particularly active industry in the production of capacity assessment tools. A number of websites, for example, specialise solely in organisational and capacity assessment.¹³⁶ Nonetheless, the whole subject of capacity assessment comes with a sense of dissatisfaction. Participants seem to sense that most assessment frameworks hide and confuse as much as they reveal. Most are not used consistently, or they serve as formulaic devices that can structure discussions at the 'design' stage but which quickly fade into disuse once the real work has begun. In the cases, we could find only two examples of an explicit formal assessment tool making a sustained contribution to participant action.¹³⁷ This pattern of limited utility appeared to stem both from the design of individual tools and from deeper causes to do with the use of tools and frameworks in general.

The patterns in the cases were instructive. There were, in practice, three types of capacity assessment framework at work: tacit mental models, explicit preset models and customised hybrid approaches.

¹³⁵ A two-week file search in the World Bank in 2003 in the area of public management came up with over 250 tools and frameworks devised by Bank staff.

¹³⁶ See, for example, a comparison of 27 methodologies in the April 2006 draft of the UNDP Practice Note (<http://capacity.undp.org/indexAction.cfm?module=Library&Action=GetFile&DocumentID=5510>).

¹³⁷ The PSRP in Tanzania and the SISDUK programme in the Philippines.

8.1.1 Tacit mental models

All the case actors, both from countries and IDAs, had developed over time a variety of tacit '*mental models*' of organising, management and capacity development. Such frameworks were usually in the form of patterns of images, beliefs, memories, processes, personalities, symbols, stories about past actions, untested lessons, views of human nature and development itself. Participants would have in their mind a set of assumptions, usually untested, about what makes for an effective organisation and how and why they change.¹³⁸

These mental models or shared conceptual frameworks could facilitate the exchange of ideas, experiences and knowledge and encourage team formation. They helped participants to make sense of their world and allowed them to fit decisions and actions into some kind of pattern. The churches in Papua New Guinea, for example, saw themselves as defenders of moral standards and thus were able to speak out about deteriorating political conditions. This led, in turn, to mental models that centred on advocacy, conciliation, negotiation and legitimacy. In the ESDU case, staff saw themselves as providing a bridging function amongst the states of the Eastern Caribbean. Such an image, in turn, led to the focus on a specific set of capabilities centred on support, facilitation and capacity development. IUCN in Asia modelled some of its structures and behaviours on those of transnational corporations with the capabilities to work both in countries and across regions. The churches in Papua New Guinea began their work with an explicit mental model in mind, while others, such as ENACT and CTPL Russia, took almost a decade to craft their model after a good deal of discussion and experimentation. In almost all the cases, this mental model or framework was a key shaper of the way people approached capacity development.

We stress here, however, the dangers associated with tacit mental models or frameworks of capacity and capacity development. They could become deeply entrenched and self-serving. They could lose contact with a rapidly change context. They could evolve into assumptions so pervasive that people lost track of their influence and presence. And they could effectively block changes that challenged its principles. Indeed, one of the main reasons for the failure of many external capacity development interventions may be the assumption that changes to the formal technical and organisational aspects can be implemented without taking into account their relationship to the governing mental models. Resistance to change can frequently be explained by the survival power of these frameworks, their ability to create and symbolise organisational identity, and their capability as a rejection mechanism to derail threatening interventions.

8.1.2 Explicit preset model

The second type of assessment framework in the cases was the *explicit preset variety*, i.e. an imported tool and methodology that country participants could then apply to their particular situation. Readers will be familiar with some of the main types of assessment framework, such as those focusing on:

- single organisations,¹³⁹

¹³⁸ For a discussion of mental models, see Peter Senge, *The Fifth Discipline*.

¹³⁹ See McKinsey and Co., *Effective Capacity Building in Nonprofit Organizations* (Appendix: The capacity assessment grid), 2001; Mark Renzi, An integrated toolkit for institutional development, *Public Administration and Development*, 16, 1996; PACT Inc., *Organizational Capacity Assessment Overview*, undated; Marvin Weisbord, *Organizational Diagnosis*, 1978; R.E. Rogers and J.T. Fong, *Organizational Assessment: Diagnosis and Intervention*, 2000; Drucker Foundation, *The Drucker Foundation Self-Assessment Tool*, 1999; C. Lusthaus *et al.*, *Enhancing Organizational Performance*, 1999.

- particular types of organisations;
- individual functions or aspects¹⁴⁰ – learning culture, performance;
- a comprehensive or macro view of capacity issues;¹⁴¹
- gaps and strengths;¹⁴²
- capacity development as a process;
- ‘mapping’ capacity and capabilities; and
- capacity from the perspective of complex adaptive systems.¹⁴³

Only one of the cases – the Tanzanian Public Sector Reform Programme – used an explicit imported framework to any real extent (box 23).

Box 23: The new public management framework used in the PSRP, Tanzania

The first analytical framework for the programme was relatively simple, devised by Tanzanian consultants in cooperation with the government. Participating IDAs, including the World Bank and DFID, then substituted their own ‘best practice’ framework that more closely reflected the new public management thinking currently being used by other programmes in Ghana, Uganda, Gambia and others. A longer-term process of learning and adjustment is still underway to craft the new public management framework to fit Tanzanian conditions.

Many of these types of capacity assessment tools and frameworks had the potential to provide both analysts and practitioners with some useful ways of thinking about capacity issues. We are not against these types of frameworks in principle. Indeed, the whole of the ECDPM study is based on a particular framework. But we are wary about the possibilities for inappropriate use and questionable benefits. We thus set out below some of the risks and downsides of capacity assessment frameworks as they appeared to a greater or lesser extent in the cases.

- Most ‘tools’ had the tendency to evolve over time into somewhat mechanistic capacity crossword puzzles in which participants were expected to fill in the blanks. They had lost the sense of being a living and evolving perspective that could be an extension of the person or groups using them. They became ends in themselves that began to shape and confine the behaviour of those trying to use them. In the cases, the logical framework was the obvious example of this pattern.
- Most frameworks were oriented towards the medical diagnosis approach to capacity assessment, i.e. analysis, diagnosis and finally, prescription. And they could frequently presuppose what external interveners thought should be supplied and what country participants should need. Earlier generations of frameworks, not surprisingly, ended with training as the missing link. In many cases, the advocacy of a particular framework was a reflection of external interest and identity. Subsequent TA supporting the assessment framework could then be designed to demonstrate its value.
- All capacity assessment frameworks were based on a set of embedded assumptions that reflected the views of their designers about capacity, about organising, about human nature, about effectiveness and even development itself. None were objective, value-free constructs that were applicable in all circumstances. Most also originated in high-income countries and reflected their basic assumptions of organising. Assessment frameworks came with an agenda and a world view that

¹⁴⁰ AusAID, *A Staged Approach to Assess, Plan and Monitor Capacity Building*, 2006, focuses on structuring the relationships between advisers and counterparts in support of capacity building. Training House, *Survey of Organizational Climate*, 2000, social capital questionnaire, p.191.

¹⁴¹ See Asian Development Bank, *Special Evaluation Study, Lessons in Capacity Development: Sectoral Studies in Sri Lanka*, August 2006.

¹⁴² Appreciative inquiry.

¹⁴³ See B. Zimmerman *et al.*, *Edgework: Insights from Complexity Science for Health Care Leaders*, chapter 4, 1998; Elizabeth McMillan, *Complexity, Organizations and Change*, 2004, chapter 8.

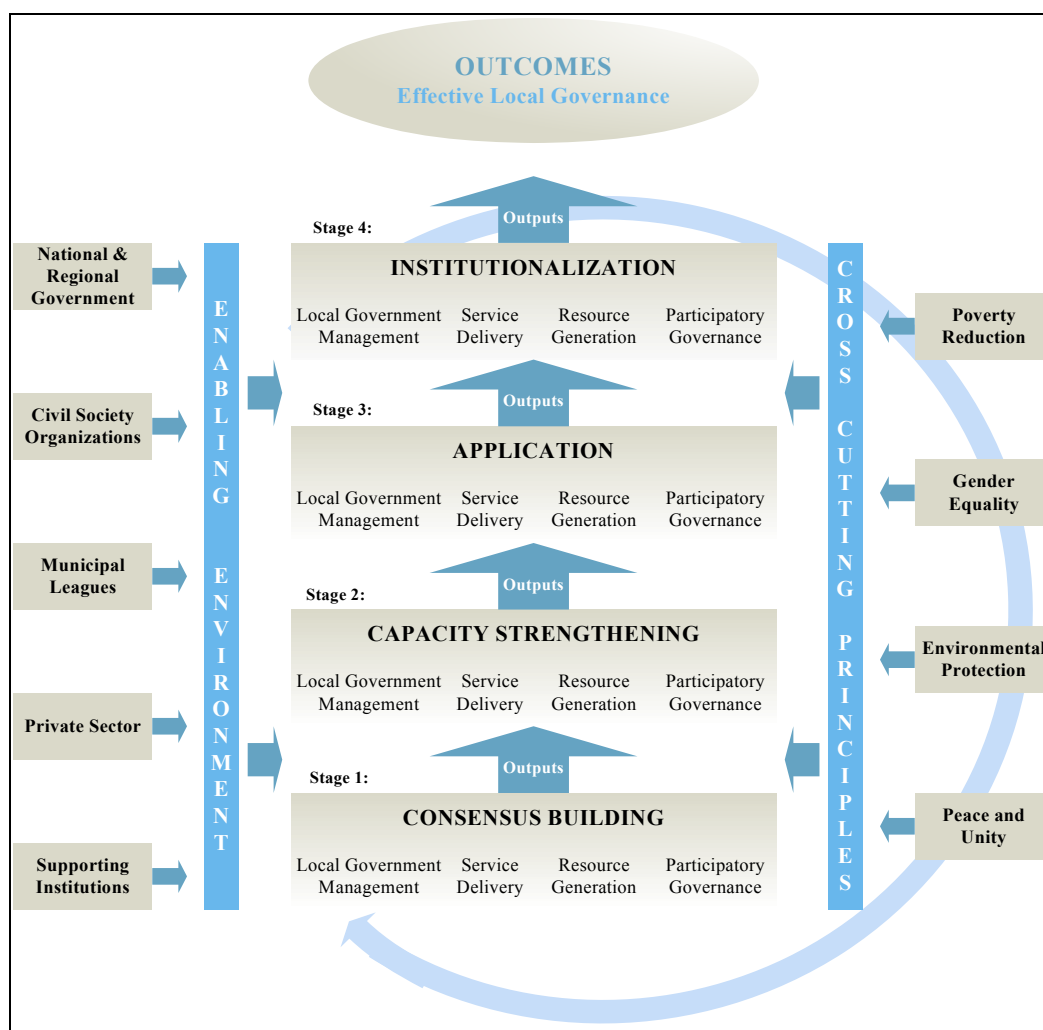
sometimes did not relate well to the country context. Most comprehensive frameworks simply did not fit the special circumstances of say, a COEP or a Lacor or an IUCN Asia.

- Most assessment frameworks were macro in orientation and were designed with the strategic needs of senior managers in mind. They looked at capacity issues from a more comprehensive vantage point. But in many situations, they did not address the particular needs of staff at the middle and lower levels of the organisation or system where most of the actual work on capacity development took place.

8.1.3 Customised hybrid approaches

In a few cases, participants, both external and country, worked to combine the other two approaches – the ‘tacit endogenous’ and the ‘explicit imported’ – into a customised version of their own that could respond to the particular needs of the situation. Participants would take bits and pieces from outside and from inside, and come up with a framework or way of thinking that went beyond what already existed. As an example, figure 5 shows the assessment framework devised by the Local Government Support Programme in the Philippines.

Figure 5: Capacity development framework in the LGSP, the Philippines.



Producing a customised version encouraged country participants to articulate their own mental models and to think consciously about their own situation. The search for such a customised framework encouraged country actors to discuss, experiment, collaborate and synthesise. It had a better chance of leading to an ongoing process of assessment – a capability – than a point-in-time assessment. This pattern leads us to believe that more emphasis needs to be devoted to the customisation and ‘indigenisation’ of capacity assessment frameworks.

8.2 *The monitoring and evaluation of capacity issues*

Much attention is now being given to the need to improving the practice of monitoring and evaluation (M&E) of capacity issues.¹⁴⁴ The usual reasons are cited – the growing importance and funding share of capacity issues, the need to manage and learn about capacity issues more effectively, and the demands of auditors and other domestic stakeholders in funding countries. But much remains to be done to make the monitoring of capacity issues more effective.¹⁴⁵ At present, its practice can charitably be called uncertain and underdeveloped.¹⁴⁶ Only a modest body of experience exists that is widely available to practitioners.¹⁴⁷ Most monitoring has focused on performance and results, with only a chapter or two devoted to capacity issues. To the extent they are interested, most IDAs and country actors are still looking for M&E strategies and techniques that are feasible and effective.

8.2.1 *Patterns in the cases*

The cases varied greatly in terms of their treatment of the M&E of capacity issues. While organisations tended to have some kind of monitoring system, either formal or informal, this was much less likely for sectors and networks such as the education sectors in Ethiopia and Pakistan, the two cases in Papua New Guinea and the Observatório in Brazil. This pattern largely reflected the methodological difficulties of devising M&E approaches for large, complex systems, and the costs involved.

The overall patterns in the cases fell into three categories, with some cases having activities in more than one area:

- Formal, expensive systems which made explicit, systematic, sustained efforts at the M&E of capacity and were generally donor supported, e.g. the Public Sector Reform Programme in Tanzania and the Local Government Support Programme in the Philippines;
- Periodic external monitoring, e.g. the Rwanda Revenue Authority, ENACT, IUCN in Asia; and
- Internal and informal monitoring systems focused on learning and management, e.g. COEP, IUCN in Asia, ESDU, ENACT, CTPL Russia, the Rwanda Revenue Authority and the Lacor Hospital. These were generally locally supported systems.

¹⁴⁴ Note that there are two interconnected topics – capacity development for M&E, and the M&E of capacity issues.

¹⁴⁵ The World Bank notes, for example, that most of its capacity building activities ‘are not routinely tracked, monitored and evaluated’. World Bank, 2005, p. xiv.

¹⁴⁶ David Watson, *Monitoring and Evaluation of Capacity and Capacity Development*. ECDPM, 2006.

¹⁴⁷ See, for example, Horton, D., A. Alexaki, S. Bennet-Lartey, K. Noële Brice, D. Campilan, F. Carden, J. De Souza Silva, Le Thanh Duong, I. Kadar, A. Maestrey Boza, I. Kayes Muniruzzaman, J. Perez, M. Sommarriba Chang, R. Vernooy and J. Watts, *Evaluating Capacity Development*, 2003; Rick James, *Practical Guidelines for the Monitoring and Evaluation of Capacity-building*, INTRAC Occasional Paper 36, 2001.

Participants tried to devise contingent monitoring strategies, i.e. ones that fitted their particular set of needs and circumstances. The standardised and centralised monitoring system used to assess the 183 local government units in the Philippines, for example, would not work for ENACT with its more diverse activities and disparate organisational partners. The resulting M&E strategies thus varied in terms of technical approach, scope, formality, purpose, legitimacy and certainly effectiveness. Most participants relied on what could be called 'light' monitoring – using informal, continuous dialogue and *ad hoc* discussions to arrive at shared understandings about their capacity. At the 'heavy' end of the spectrum, Tanzanian and Filipino participants used their access to external support and financial resources to implement formal, complex comprehensive systems. In a few cases, such as ENACT in Jamaica, premature efforts to over-design M&E led to resistance and system collapse.

8.2.2 Constraints and challenges

The case participants faced a variety of constraints to making the M&E of capacity development more effective.

- Most had a pervasive uncertainty about the nature of capacity. They were not clear about what they were monitoring and evaluating. Some looked at structural changes, the arrival of new staff or the adoption of new techniques, and assumed a causal relationship with improved capacity. Yet others focused on performance as a proxy for capacity and spent little time looking directly at capacity issues.¹⁴⁸
- Participants in many cases found it difficult to reconcile the results of capacity monitoring at the 'macro' with those at the 'micro' levels. Trying to understand the whole system was for them a daunting task but assessing 'parts' of a bigger system usually produced conflicting evidence that pointed in different directions.
- The monitoring in the cases focused largely on formal systems. This reflected the focus on helping to improve technical, uncontested capabilities such as financial management and procurement systems. The Local Government Performance Measurement System in the Philippines, for example, consists of 107 indicators related to five performance areas expressed in tangible terms. But participants were implicitly aware of effects of a whole other set of influences – the informal and intangible, the personal and the semi-political: accountability, personal behaviours, commitment, resistance to change, confidence, relationships, values, power dynamics, legitimacy and attitudes, family and kin relationships, and leadership. But the more sensitive and determinant the intangibles such as organisational legitimacy became, the less likely were participants to want it scrutinised.
- Participants found it hard to reconcile the variety of purposes and trade-offs piled on to M&E, especially those centred on learning and accountability. The original monitoring system set up in the Philippines, for example, focused 'primarily on compliance, not benefits, and the information was used to create a local government scorecard rather than to guide investment in capacity development and performance enhancement'.¹⁴⁹ IUCN in Asia opted, in practice, for two parallel systems – an intermittent one paid for by its donors and focused on external accountability, and the other informal and internal focused on learning and management.
- Some country participants were not persuaded of the value coming out of the M&E of capacity. Mid-level managers, in particular, who were often assigned to do the actual work of monitoring, saw it as a burden with high costs for data collection and reporting but with questionable benefits. For them, information from existing monitoring

¹⁴⁸ Boesen, N. and Therkildsen, O., *A Results-Oriented Approach to Capacity Change*, DANIDA, 2005.

¹⁴⁹ Agriteam Canada, *The Philippines–Canada Local Government Support Programme*, ECDPM Discussion Paper 57N, 2006, p.28.

systems was usually irrelevant, too late and focused on the wrong issues to be of much operational use. Country participants were also concerned about how blame and credit, if any, would be distributed, by whom and when.

- One of the most difficult issues to resolve in the cases was to decide when, let alone how, credible judgements could be made, and about what. Most monitoring efforts appeared to take up to five years of dogged persistence before they began to produce information and insight of any operational use. It was no accident that the two examples in the cases of credible official monitoring – the PSRP in Tanzania and the LGSP in the Philippines – had the luxury of time to craft and experiment with their systems before being under pressure to report. In practice, most monitoring systems only approached a state of effectiveness at about the time most IDA-supported programmes were ending.
- Most of the monitoring systems in the cases also struggled to maintain their effectiveness over the medium and long term. They frequently faced a pattern of entropy in which the monitoring system either inflated its judgments over time and sacrificed some of its credibility or else lost energy as participants moved on to more pressing issues. The level of interest in monitoring systems easily slid from excessive attention to lack of use over a stretch of 3–5 years. Monitoring efforts in ENACT, for example, lost effectiveness under the weight of data gathering, complex reporting, excessive numbers of indicators, contested benefits and limited country commitment. Most of the IDAs involved had limited ways to address these constraints and did not provide dedicated funding to fund the effort.

8.3 Emerging approaches to the M&E of capacity issues

We set out in this section some emerging approaches or potential ways forward on the M&E of capacity issues based on the experiences in the cases. We make three assumptions here. First, future approaches to M&E will need to focus more on ‘complex’ issues. A focus on complexity will, however, require actors and external interveners alike to think differently about the problems at hand, as table 8 suggests.

Table 8: M&E and complexity

Approaches to the M&E of less complex systems	Approaches to the M&E of more complex systems
A general template is applied broadly with some modifications for conditions	Context-dependent
Criteria largely established externally and up front	Self-determined: the system chooses what to notice, and this may vary over time
Information in fixed categories only	Categories of information are not predetermined
Information in fixed categories only	Categories of information are not predetermined
Meaning predetermined	System creates own meaning
Prediction and routine valued	Newness and surprise essential
Focus on stability and control	Focus on adaptability and growth
Meaning remains static	Meaning evolves
System adapts to the measures	System co-adapts

Second, the M&E of capacity issues must be more inclusive and less extractive, given that the knowledge and insight into the inner workings of capacity issues is largely held by the participants. Third, for the same reason, many issues arising in the M&E of capacity will touch on sensitive areas such as the effectiveness of leadership, the legitimacy and reputation of particular organisations, and the effectiveness of external TA

staff. To help the analysis, the potential purposes of the M&E of capacity issues are summarised in box 24.

Box 24: Purposes of M&E of capacity issues

- **For accountability to donors.** This is the most practised type of M&E. Technique and rigour matter and the emphasis is on quantitative indicators and impact assessments. External evaluators are often used in order to ensure rigour and impartiality.
- **For learning and improvement.** This type of M&E is internally managed (self-) monitoring and emphasises participatory, constructivist, qualitative approaches. Capacity development is viewed as a continuous, developmental process and legitimacy is gained through building consensus.
- **For local accountability.** This approach to M&E may be the most important, but is little practised by IDAs. It builds on the experiences of NGOs/mutual accountability processes and views capacity development as local empowerment or increased legitimacy. Participatory, qualitative analysis has primacy and local assessors/facilitators are the norm.
- **For adaptive management.** This is a newer type of monitoring, emerging out of everyday problems. It is concerned with improving management techniques and performance by providing managers with real-time information for decision making.
- **For developmental purposes, including encouraging country M&E skills.** The purpose of this type is to build country systems and encourage people to think strategically about their organisations. Its effectiveness depends on giving space to partners and empowering them. Participation and quantitative analysis thus have primacy.
- **For symbolic protection.** Much M&E, regardless of its official purpose, often serves the purpose of defending an organisation's operational space by satisfying outside stakeholders that its activities meet certain preset standards – that they are seen to be legitimate and credible. In such cases, the content of the evaluation may not contribute much to country planning.

What appear to be the main features of the emerging approaches to the M&E of capacity issues?

Establishing clear rules for making judgements. If we assume that the results of M&E are to be legitimate and safe for country participants, then the rules of the M&E game will need some prior negotiation and agreement around a few basic questions: Who gives and gets what information? Who monitors what and whom, and on what basis? What issues are off limits in either an operational or political sense? Who formulates conclusions and recommendations, and on what basis? Who decides when a judgement on capacity issues can be made? Who gets to decide what?

Coming to some kind of enforceable agreement on the nature of the capacity that is to be monitored. Without such a shared understanding, new entrants to the programme – senior managers, evaluators, IDA representatives, programme staff – will constantly invent yet more ways to conceive of and monitor capacity development.

Paying more attention to interrelationships with the context. Capacity cannot be assessed and monitored on its own without an understanding of the complex web of contextual pressures and relationships that produces, influences, sustains, destroys and makes use of it. Shifts in a sector or in the political dynamics, for example, can diminish capacity regardless of the efforts of participants. Context-specific methodologies will become more important.

Paying more attention to the monitoring of human behaviour. This emerging emphasis can be seen in the technique of outcome mapping, with its focus on outcomes or changes in the behaviour, relationships, activities or actions of the people, groups and

organisations involved.¹⁵⁰ In effect, the M&E of capacity issues must look at the change processes underway and the degree to which they contribute, or not, to the emergence of capacity. This contrasts directly with the traditional concentration on impact or the desired final change of state (e.g. improved services, products or infrastructure).

Making more use of participatory methodologies such as group inquiry and multiple perspectives. One example of such an approach is the Most Significant Change (MSC) technique, which involves the collection of stories about significant changes in capacity. Participants play a major role in deciding the value of the changes and their impact. In the process, MSC helps organisations to understand the effects emerging from their activities, and how and why they are occurring. This methodology is particularly useful for identifying unexpected changes. MSC can also be used without technical knowledge of monitoring techniques. It also does not use predetermined indicators and does not attempt to identify causality.

This approach to the M&E of capacity issues requires multiple forms of evidence and opinion as well as a broad range of perspectives to generate insights that are meaningful (see box 25). Stakeholders in the system participate through a network of action-based inquiries, some approaching issues in an open-ended way, others charged with problem solving. Other methods of inquiry can also be used, such as case studies, surveys, action research, cluster groups and larger discussions. The focus is on issues that have resonance or elicit strength of feeling.

Box 25: The IUCN in Asia approach to monitoring

IUCN in Asia has two capacity monitoring systems. A monitoring and learning officer manages the official system, which reports to donors. It is seen as the cost of doing business with the international community but provides little of interest or value to the management of the organisation or to its planning for the future. The unofficial system, on the other hand, is managed by the executive director, who follows it closely. It is mainly informal, personal and collective, with a focus on what is going right and what needs fixing. It also includes spaces for learning where power relationships are suspended – regular management and programme reviews, retreats to examine and self-evaluate programmes and financial achievements, and regional programme coordinators meetings. All of these subsystems feed into collective strategic thinking and into the real decision-making processes of the organisation. The various mechanisms in the unofficial system help both to build the capabilities of managers to address issues and to encourage their ‘buy-in’ to decisions made. They create capacity through an upwardly rising spiral that benefits from interplay among activities.¹⁵¹

Giving more attention to the objectives of learning and reflective practice. The focus of the M&E of capacity issues should give priority to learning as an outcome. The intention here is to encourage real accountability by supporting country participants to think, learn and reflect both in the short and the long term. If monitoring is to be a learning process, then the people who will make use of the information will need to generate it. This implies that systems for monitoring issues must be locally controlled. Outside organisations can play a role in helping to set them up, but the actual monitoring needs to be put into the hands of partner organisations and de-professionalised. There may still be an advisory or facilitation role for outside experts, but the methods themselves must have the confidence of those who use them.

Building wherever possible on country systems and matching the interests and capabilities of country actors. All people, organisations and systems have some

¹⁵⁰ E.g. outcome mapping.

¹⁵¹ Anne Rademacher, *The Growth of Capacity in IUCN in Asia*, ECDPM Discussion Paper 57M, 2005, p.21.

method of assessing their capacity and performance, no matter how informal or anecdotal. Some of the case studies described vibrant, unofficial monitoring systems that revolved around the tacit, non-objective, anecdotal and continuous; one example is the *gemgema* system in Ethiopia (see box 26). Such systems could be the foundations upon which to develop more formal and systematic ways of monitoring capacity.

Box 26: Building on traditional approaches: *gemgema* in Ethiopia

Gemgema is a traditional Ethiopian approach of providing group feedback to individuals on their performance and behaviour. This feedback is provided orally several times a year with the objective of improving the effectiveness and productivity of the group in relation to the organisation's aim or mission. Developed during the period of armed struggle (1975–91) against the Derg, *gemgema* is now widely practised, including in the civil service, which has also developed formal performance monitoring systems.

Monitoring the role and contribution of the external intervener. The M&E of capacity should include an analysis of the role of the external intervener, whether an international agency or a national organisation, in supporting and stimulating country capacity processes. Monitoring could start with issues such as:

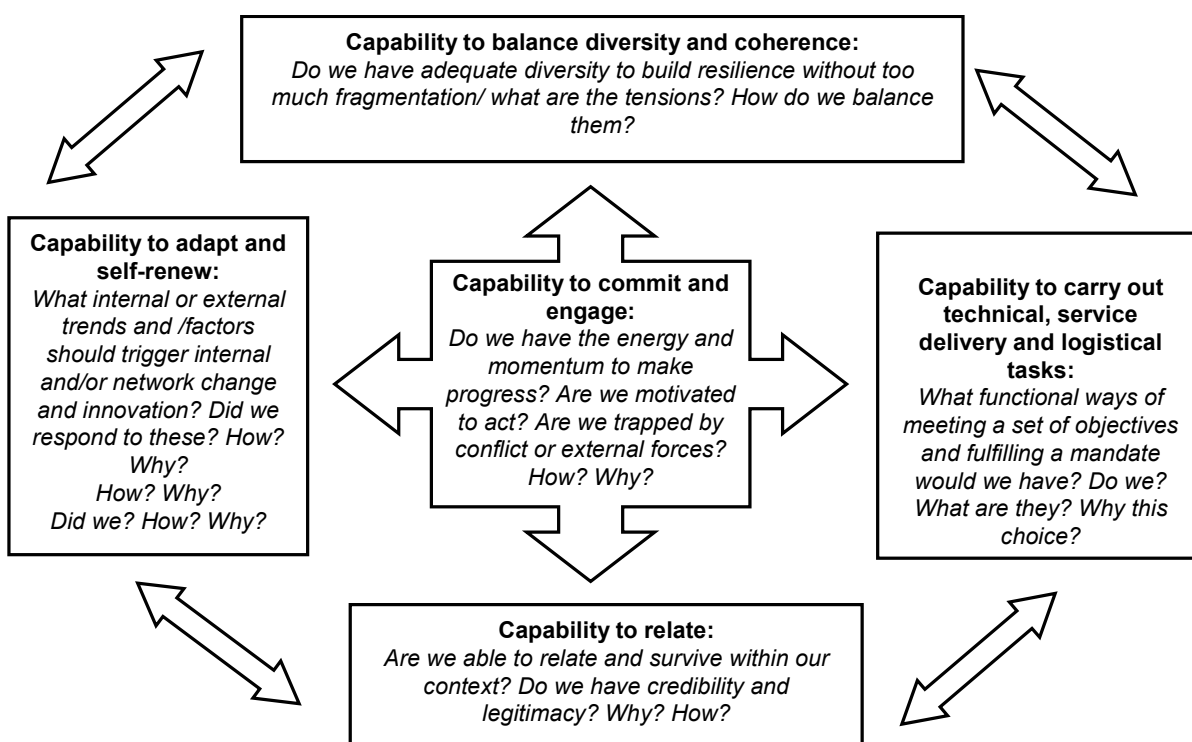
- the fit between support of the intervener and the realities of the capacity development process in the field;
- the degree to which the external intervention promotes country capacity as a priority;
- the effects of external processes and procedures and the extent to which they provide the flexibility to react to windows of opportunity and to give partners space to learn and grow; and
- the role of external TA, if any, including their ability to facilitate processes and to build trust.

Approaches to implementing the M&E of capacity issues. M&E of capacity has to be tailored to the interests and capacity of the system in question. At a minimum, actors have to have some awareness or consciousness of the issue of capacity, be convinced of its importance and be prepared to make a collective effort to think about how capacity issues play themselves out in their organisation. Where the interest of actors in capacity monitoring is limited, outside partners can help to encourage a more 'evaluative' mindset.

In any organisation, it is wise to begin with rudimentary approaches and move on to more complex monitoring systems as the interest and capabilities of the organisation develop. In many organisations, this would mean starting with a simple analysis on a regular basis of core capabilities and how they are changing. Country actors might, for example, consider the level to which they need to develop each capability. Then, they could make a rough judgement of the state of each specific capability, track it over time, and monitor to what extent it feeds into broader capacity and performance changes. This could be done either by making qualitative judgements of poor, limited, good, very good or excellent or by using a simple scale of 1 to 5. In either case, issues to consider in making a judgement might include the breadth, depth and complexity of each capability and the degree of importance of a particular competence or capability to the capacity and performance of the organisation or system.

Over time, the organisation might move to look systematically at all the core capabilities as well as individual competencies. The framework in figure 6 provides some basic questions for organisations to begin with and shows the interrelationships among the core capabilities.

Figure 6: Five core capabilities



Finally, the complete package discussed in the third row of table 9 could be applied in a full-scale evaluation. It covers all aspects of the M&E process.

Investigating the potential contribution of a systems approach to the M&E of capacity. A good deal of work is now underway around the world on taking a systems approach to the M&E of capacity. Most M&E frameworks concentrate on cataloguing the 'parts' or 'functions' or 'resources'. They can tell us something about structure and advertised objectives, and can help us understand how the organisation or system is configured or what assets it has. But they end up being reductionist in their analytical approach and offer little help in illuminating the complex evolving relationships and patterns of behaviour both inside and outside the organisations. More attention to this evolving approach would add value.

Connecting the M&E of capacity to that of results and performance. Performance and capacity are not always directly correlated, but sustained performance is normally an indication of capacity. As discussed earlier, the interconnections between capacity and performance can be difficult to unravel. Efforts to monitor and evaluate capacity issues need to pay attention to the interconnections between capacity and performance.

Table 9: Monitoring different aspects of capacity issues

Complexity of system	Type of organisation	Focus of the monitoring	Proposed tools for monitoring	Nature of the reporting	Resources required
Minimal package	Starting out or low capacity, minimal interest	Group discussions every month or two, focusing on how and why the organisation and its capabilities are changing and what might be done to improve the quality of change. The discussion might focus on one or two capabilities where finding a consensus among stakeholders about their meaning and importance is easiest.	Structured group discussion, use of some of the core capabilities chosen from figure 6	Oral report to management at regular intervals of 6 months to a year	An hour or two per month from a small group, some time of management
Focus on capabilities	Medium capacity, medium interest	Identification of core capabilities and their components and tracking them yearly, probably through meetings of stakeholders prepared to rate them using the markers or indicators laid down in the balanced approach or another monitoring mechanism	See figure 6	Discussions at management levels about actions to be taken	Resources for adapting markers to the needs of the organisation, resources for a meeting; time for serious discussion at management level
Full package covering all aspects of capacity	Medium to high capacity, high interest	1) A review of the elements of capacity, including individual competencies and capabilities at the group level. 2) A comprehensive overview, including: context; the strategies used to achieve the vision or objectives defined; the emergent capacity; performance; and development results.	See figure 6	Formal report to management, perhaps with assistance of a facilitator, done no more often than yearly. A formal evaluation would be done no more often than every 3–5 years.	More extensive resources to monitor different aspects of capacity issues and to prepare a report, perhaps costs for a facilitator
Contribution of the funder	Local office of IDA or national development organisation	Review of appropriateness of policies, structure, processes and procedures, and staff competencies	To be developed to take into account the context in the country concerned	For IDAs, written report to be shared with their HQ and with the partner country; for national organisations, written reports to be shared with partners in country	Depending on the depth of the report, from a few hours on the part of one officer to several days including meetings and interviews with key stakeholders in partner government or organisation

8.4 Operational guidelines for using tools and frameworks

This chapter suggests that caution is required in the use of tools and frameworks. We offer some rough guidelines for thinking about them.

- All frameworks have gaps and limitations. They work much better in some situations than in others. But they can help to craft a shared understanding and guide action provided their blind spots are kept in mind.
- People use tools and frameworks in every situation either explicitly or tacitly. In many cases, the challenge is not so much to find and apply new ones but to bring to the surface those already employed by different groups.
- Tools and frameworks that become ends in themselves, whose use is seen as a guarantee of development effectiveness, tend to begin to generate unhelpful side effects that, in turn, start to erode their impact.
- The desired end point is a customised hybrid tool or framework, crafted in some way by the participants, that emerges in response to a particular set of needs or programme challenges.

9 Implications for external interveners

**What can external actors do to strengthen the capacity of others?
 How can they avoid damaging the very objectives they seek?
 What seemed to work in the cases and what did not?
 What conclusions can we draw from this pattern of success and failure?
 Are the current approaches to capacity development used by external actors ‘good enough’?**

*Reformers mistakenly believe that change can be achieved through brute sanity –
 George Bernard Shaw*

In this chapter, we look mainly at the activities of international development agencies. But it is important to bear in mind that many of the ‘recipient’ organisations in the cases, such as IUCN in Asia or the ENACT programme in Jamaica, were themselves engaged in developing the capacity of others. Capacity development in the sense of helping others to be and do better is not just a preoccupation of the development business. It is a universal human activity that takes place in all countries.

We stress that the situations of the external actors in the cases differed dramatically. Various types of external actors, e.g. the Catholic Church, the World Bank and foreign consulting firms, were engaged in capacity building. Some situations were intensely political with actors on both sides, including IDAs, pursuing their own institutional interests. Others were relatively straightforward, based on technical approaches.

9.1 Patterns from the cases

A number of issues to do with external interventions stood out in the cases.¹⁵²

9.1.1 An expanding range of external approaches to capacity development

What could be seen in the cases was the gradual emergence of a wide range of external capacity interventions. Part of this has to do with the emergence of a better understanding of the informal, intangible processes within organisations and in society that lead to greater capacity, and a greater appreciation of the limits of the functional rationality of many interventions. And IDAs were responding to the greater range of capacity issues and contexts. The cases illustrated a broadening spectrum of external interventions, ranging from budget support at one end, going through more conventional organisational improvements using technical assistance, through to a combination of support measures designed to help create the conditions for improved capacity development. We are referring in particular to the use of many more indirect approaches, including buffering and protecting, the provision of information, providing tangible and intangible resources, networking and connecting, working to shift contextual factors and encouraging learning. In the cases, we see examples of innovative practices combined with operational skill and persistence on the part of external interveners.

¹⁵² We do not address the issue of making TA more effective, given the extensive record of experience that already exists. See Tony Land *et al.*, *Aid Effectiveness and the Provision of TA Personnel*, ECDPM Policy Management Brief 27, 2007.

9.1.2 Direct and indirect interventions

A key choice about the nature of an intervention in support of capacity development can be described simply: how can an outside intervener constructively support the efforts of others?¹⁵³ Such a question, of course, goes to the heart of capacity development, which is an effort designed in some way to help improve the capacity of others to manage their own affairs. So just how can external support be provided in a way that does not erode the motivation, initiative and autonomy that are the essence of self-help?¹⁵⁴ How can external interveners be helpful in a way that makes a difference over the medium and short term? What would a 'helpful' relationship in support of capacity development actually look like?

In the cases, we see different approaches to capacity development creating different kinds of relationships or engagement. These fall into two categories – direct and indirect. 'Direct' implies that external actors take on direct responsibility for either implementing or designing a development intervention. They take or are given some sort of control and take independent initiatives albeit with some participation or agreement or assistance from country actors. The 'indirect' refers to a facilitation or supportive role by external interveners whereby they work indirectly through country actors. They do not have independent responsibility or an area of action (see table 10).

Table 10: Direct and indirect approaches to capacity development

Direct approach	Indirect approach
Direct refers to the nature of the role of external interveners – TA personnel	Under the indirect approach the priorities shift
TA take a direct role in doing things; they achieve results	The donor's 'results' are only those that provide support to the country staff to achieve things
Temporary control and ownership shifts to TA	TA personnel do not work independently; they act indirectly through others
Capacity development is mainly a side benefit arising out of the effort to do things	The priority is not action and delivery, but support and facilitation
Results or products are the direct ends	Capacity development and promoting self-help are important
Ownership by the external intervener may be stronger than that of the country partner	Country staff do not cede ownership, temporarily or psychologically

Increasingly, the indirect approach also includes working on the local conditions and processes that shape capacity development. In the cases, IDAs became involved in trying to change contextual forces in an effort to help create the space and opportunities for more effective capacity development in the medium term (see box 27). Examples of these broader interventions include support for improved governance in Papua New Guinea, the application of conditions for Russian accession to the WTO, and the opening up of new sources of revenue for Lacor Hospital.

¹⁵³ The term 'intervener' is questionable. Everyone sees themselves as the intervener. Few want to be intervened on. But it does convey the sense of a group or an individual from the outside getting involved in internal processes that are already underway.

¹⁵⁴ 'Yet in the course of this book, I argue that the notion of helping people to help themselves is in fact a deep conundrum far more subtle than is realised by many development agencies that routinely use the slogan'. Ellerman p.2. 'The central paradox of social development is the need to exert influence over people for the purpose of building their capacity to control their own lives', David Korten, quoted in Ellerman, p.4.

Box 27: An indirect approach: PAHO and the Observatório network, Brazil

The role of the Pan-American Health Organization (PAHO) in support of the Observatório network in Brazil is a classic example of an indirect approach. It involved a nuanced combination of external technical support, facilitation and protection. Part of the explanation for its effectiveness was PAHO's own technical knowledge and familiarity with the Brazilian health sector. But the deep explanation revolves around the intervention strategy it followed over the medium and long-term, which involved almost no provision of funding or international technical assistance. PAHO's strategy included:

- an emphasis on joint learning, co-production and partnership through networking;
- experimental interventions uncoupled from rigid targeting;
- bureaucratic protection and buffering to maintain the Observatório's operating space;
- the use of Brazilian technical assistance;
- building on strengths and opportunities;
- attention to creating appropriate relationships in a multi-actor setting, and connecting Brazilian actors into international networks and sources of knowledge;
- a focus on capacity rather than performance; and
- a 30-year horizon to provide for stability, continuity and trust.

Most of the dilemmas and unintended consequences associated with direct external interventions are well known.¹⁵⁵ Such an 'aid relationship' between country and external intervener has an in-built tendency to teeter on the edge of dysfunction. Its apparent imbalance in resources, power and knowledge can give a feeling of mastery to the helper and dependence to the helped. It can confer 'expert' status on the helper that may be justified in terms of technical knowledge but is usually unwarranted in terms of process skills or country knowledge. It is likely to focus attention on gaps and weaknesses that can further add to the feelings of dependence and disempowerment of the country actors. This combination of factors can, in turn, unleash a range of logistical and psychological country reactions that can be tricky to recognise let alone address.

The aid relationship can also get tangled up in a web of perverse incentives, hidden agendas, diversionary tactics and political influences on both sides that undermine its effectiveness. Both sides can get locked into an unproductive relationship. They are in it more by mandate than by choice. They have conflicting interests and motivations. They can end up without the will or awareness to make it work. Ceaseless negotiations and manoeuvrings then ensue which drain the relationship of any real energy.

9.1.3 Support to 'capacity entrepreneurs'

A number of the external actors in the cases acted in a way vaguely reminiscent of a private sector venture capital fund. IDAs or other implementing agencies might spot an individual or a group with energy or a network or an idea. While the external resources might appear to be supporting the organisation, they were, in practice, getting access to and supporting individuals sometimes at the centre of some sort of formal structure. These 'capacity entrepreneurs' would in turn help direct resources and attention towards key areas (see box 28).

¹⁵⁵ There are qualifications to the 'downsides' of direct relationships. More advanced countries such as India or China have the capability to extract value out of the direct relationship without losing autonomy or control.

Box 28: Capacity entrepreneurs: CTPL in Russia

In 1994, CIDA selected the Centre for Trade Policy and Law (CTPL) in Ottawa, Canada, to provide a conventional package of capacity development interventions to the Russian Ministry of Trade. But by the end of 1996, this familiar strategy had lost its effectiveness. Other international agencies were providing much bigger packages of similar assistance. The Russian government had lost faith in the value of foreign training and TA. Russian staff continued to leave the public sector for better salaries in the private sector. The CTPL needed to rethink its positioning and its capacity development strategy. The Centre would cease providing training and TA, and would instead work with a new private sector firm run by two capacity entrepreneurs – CTPL Moscow – which, in turn, would work directly with the ministry. Over the longer term, CTPL Moscow would strive to position itself as a catalyst for change, to help develop a broad-based, public-private trade policy community. CTPL Ottawa and the CTPL Moscow would work as partners carrying out joint marketing, seeking funding from other agencies and working with other private firms, both Russian and foreign. The CTPL case describes how and why this dramatic repositioning decision succeeded half way into the programme.

9.1.4 Facilitation and support of relationships among country actors

In the cases, we could see IDAs work to help connect up pools of capacity into systems or networks that could have a broader impact. The objective was to bring together country actors to share experiences, to connect them to sources of funding and expertise and to reduce the isolation of smaller groups. Capacity development from this perspective included the key task of raising the awareness of others (see box 29). Yet another strategy was to support country organisations that themselves worked to connect other groups in society or to develop the capacity of others, as in the ESDU and CTPL Moscow cases.

Box 29: Building a network of local government units: the LGSP, the Philippines

Strengthening a network of local government units (LGUs) was an important part of the LGSP's capacity development strategy. The programme used a variety of approaches, such as connecting individual LGUs with municipalities with a 'development' perspective. When LGUs heard about changes from another unit or, better still, were able to see innovations for themselves, they found it easier to understand how the changes worked, and were more likely to emulate them. The LGSP also provided a resource kit listing potential service providers and resource partners and some initial TA to help LGUs identify their most critical priorities. The programme also documented and disseminated local innovative and exemplary practices, and worked to establish mechanisms and simple systemic procedures for replication. Finally, the LGUs increased their own capacity by forming alliances, and establishing a coordinating unit to share equipment, funds and technical services for maintaining roads.

9.1.5 Integrating political, social, organisational and technical considerations

One finding of this research confirms what other efforts have found, i.e. that most institutions and organisations evolve in response to local, country, regional or global processes. Put another way, they tend to be socially and politically induced. If that is the case, then the operational implications for IDAs in terms of improving their contribution to capacity development are likely to be important. Focusing on the short-term processes of capacity development in formal state agencies may be less of a priority. Technical knowledge, best practice, training, knowledge transfer, technical assistance may count for less. IDAs will have to spend much more time and effort on entry points that are not part of their comparative advantage – understanding the effects of broader contextual factors such as politics, dealing with the informal and the intangible, and focusing on

supporting local processes and relationships. Issues to do with improving governance and encouraging collective action will form a larger part of capacity development.

In the cases, we see several donor agencies such as PAHO, AusAID, and JICA helping to build constituencies in support of institutional and political change. Such external interveners tried to develop a sense of the deeper political and social trends in a country and then helped to induce the conditions within which country groups could improve their own capabilities – by buffering and protecting particular groups, facilitating processes of dialogue or coalition building, awareness raising or advocating for governance reforms that might bolster the position of reform groups and strengthen common interests.

These trends towards wider involvement can raise a series of issues for IDAs. That of intruding even in a light way into the politics of another independent state is the most obvious. Ideas and techniques to do with political and social analysis are not easily integrated into the bureaucratic procedures of aid agencies. The need to generate and demonstrate results in the short and medium term will not easily be met under such an approach. Even the structure of IDAs would have to shift to more decentralised versions in order to help staff craft the customised responses to specific situations at the country level.

The other key dilemma is that of balancing. IDAs and/or their contractors will have to combine an awareness of deeper social and political trends with the usual attention to technical problem solving and providing advice. Another version of this challenge is to be aware of larger ‘macro’ issues to do with governance or political economy while at the same time making a contribution at the ‘micro’ level. Efforts to make capacity interventions ever more comprehensive and strategic will lead to huge demands for coordination and collaboration involving a wide range of actors on both sides of the aid relationship. Yet the capability to manage this kind of complex change, to coordinate and generate coherence amongst such diverse groups, remains in very short supply.

9.1.6 The use and application of learning and knowledge

Much is currently made of the importance of learning in both low- and high-income countries. Change, it is said, has become so pervasive, rapid and discontinuous that only the ability to adapt will enable individuals and organisations and, indeed, countries, to make progress.¹⁵⁶ At the core of the ability to adapt lies the critical activity of learning. This applies in particular to capacity development which, by its very nature, involves change and adaptation. The importance of learning to country participants was discussed in section 6.2.3.

Most discussions on the ability of IDAs point out the gap between the need to learn and the challenge of actually doing it. A good deal of the donor literature is usually relentlessly optimistic about the possibilities of learning.¹⁵⁷ Yet most non-donor analyses go in the opposite direction, and explain why serious learning by external actors, particularly at an organisational level, is unlikely to be effective.¹⁵⁸ Evidence from the cases is, as might be

¹⁵⁶ Laura Roper *et al.* (eds), *Development and the Learning Organisation*, 2003; Jerker Carlsson and Lennart Wohlgemuth (eds), *Learning in Development Cooperation*, 2000; Kenneth King and Simon McGrath, *Knowledge for Development*, 2004; Marisol Estrella (ed), *Learning from Change*, 2000.

¹⁵⁷ ‘The Knowledge and Exchange and Learning Programme for Capacity Development will provide structure, process and targeting for these initiatives to ensure systematic learning by both ADB and the DMCs. [It] will also provide opportunities for joint learning with other partners’. Asian Development Bank, *Integrating Capacity Development into Country Programs and Operations*, 2007, p.29.

¹⁵⁸ See, for example, the papers by Eliot Berg and Gus Edgren, in J. Carlsson and L. Wohlgemuth (eds), *Learning in Development Co-operation*, Expert Group on Development Issues, Sweden, 2000.

expected, mixed. All IDAs obviously did learn in some fashion, and a few showed the capability to learn effectively. PAHO, for example, formed a strong learning partnership with the Observatório network and, over many years, developed even further its understanding of health issues in Brazil. The World Bank appears to have benefited in learning terms from its long-term involvement in the Public Sector Reform Programme in Tanzania in areas such as pay and organisational change in public agencies.

But for the most part, donors seemed to struggle to engage in complex learning despite their best intentions. So why did learning continue to be problematic even in cases in which useful insights were needed and relatively available? We think that there were five factors at work in the cases:

1. The workings of the aid system, as reflected in donor behaviour, was not organised for serious learning. Donors usually would not pay for the time and effort needed by other actors – country staff, their own staff, TA personnel – to engage in systematic learning. In the press of daily operations, learning continued to be treated as a somewhat marginal or overhead activity, to be carried out by individual learning entrepreneurs once their real work was done. Donor staff were also not rewarded or promoted on the basis of their ability to learn. The design and implementation of most programmes did not include specific funded plans to enable country and donor staff to learn.
2. The demands of aid coordination and the admirable effort to encourage country ownership and control increasingly served to disconnect IDA staff from any direct involvement in actual development activities on the ground. The structure of some IDAs also remained highly centralised. The rapid turnover in field offices acted against the accumulation of understanding of complex issues. Staff had to dedicate more and more time to running programmes, including electronic control and reporting systems, focused on upward accountability. Many staff spent much of their time in coordination meetings rather than in developing personal relationships and social learning, even in field offices.
3. Formal M&E systems, for the most part, strained to contribute to serious learning about capacity issues. In many cases, such systems had evolved into devices for accountability. Or they withered away as few field staff found them useful for management or even learning. There was little incentive for country or IDA staff and contractors to analyse unanticipated problems, performance shortfalls or IDA behaviour itself. Given the money and power at stake, feedback on capacity development in all parts of the aid chain tended to be unreliable. Countries and donors also found it difficult to establish the trust and mutual confidence upon which a genuine learning partnership could be based. In reality, the learning function soon split into isolated unconnected individual activities with little impact at the collective level.
4. Both sides lacked the means, mainly knowledge brokers of some sort, to synthesise learning into operational principles that practitioners could do something about. It proved difficult in almost all the cases to integrate country, donor and global knowledge. Donor staff found it difficult, if not impossible, to get a systems view of events. And it proved problematic in some, but not all, cases to generate knowledge that had strategic, conceptual and operational value.
5. Finally, both countries and IDAs showed a mixed record of using international best practice as a basis of learning. This issue, in turn, related to the deeper issue of the transplantation of universal generic prescriptions versus the customisation of knowledge at the country level (see box 30). Some cases, such as Tanzanian Public

Sector Reform Programme, relied heavily on the adoption of global practice in the form of the new public management. At the other end of the spectrum, the churches in Papua New Guinea based their actions on decades of accumulated experience and learning in the country. In the middle, the Observatório case shows how PAHO helped Brazilian public health experts to seek out international experiences. A group of national analysts then worked with PAHO to assess, discard or assimilate a variety of imported practices.

Box 30: Learning and change: ENACT, Jamaica

The ENACT case is a fascinating study on the dynamics of learning in international development. The programme was explicitly designed on the basis of the 1994 DAC Guidelines on Environment and Sustainable Development, which emphasised the value of capacity development processes over development products or results. Participation, national ownership, experimentation, incremental change and a long-term view were all part of this approach. Over a 10-year period, the progress of the programme appeared to indicate the effectiveness of the guidelines. By that time, however, international practice and the latest DAC guidelines had migrated to the opposite end of the spectrum, with a focus on results valued over attention to process. The general assessment of ENACT concluded that while the programme had made a major contribution to Jamaican capacity development and had earned the loyalty of a wide range of local actors, such an open approach no longer fitted with current international practice.¹⁵⁹

9.1.7 Attention to strengths as well as deficits

Capacity development as a practice has traditionally focused on addressing gaps, deficits, weaknesses and needs in partner countries. Most IDAs have followed this trend for a variety of reasons:

- Early development theory focused on ‘gaps’ and weaknesses, e.g. foreign exchange gaps and investment gaps, and evolved naturally to include skills gaps, performance gaps, leadership gaps and capacity gaps. External interveners usually identify such gaps according to generic frameworks outlining how societies and organisations should function.
- Managers in country governments have strong incentives to worry more about overcoming constraints than about achieving goals. Most public sector managers, in practice, manage more against constraints than for effectiveness.¹⁶⁰ This is the case in many dysfunctional environments, such as that described in the Pakistan case, where managers react to the challenges rather than strategically managing the environment. It can, however, also apply to more stable environments when managers are passive rather than proactive. The model of capacity entrepreneurs introduced earlier is an alternative to this.
- The traditional ‘engineering’ approach to capacity development emphasises the need to ‘fix things’ by dealing with defective parts or improving poorly performing functions. Closely allied to this perspective is that of problem solving or of making bad situations go away.
- Indeed, in most of the social sciences, the focus is on addressing dysfunction and failure. Strength is seen as a fortunate condition that can stand on its own and requires no special attention. Gaps, on the other hand, need direct action to overcome their effects.

¹⁵⁹ Much of the literature on learning and development cooperation focuses on the issues faced by funding agencies. See J. Carlsson and L. Wohlgemuth (eds), *Learning in Development Co-operation*, Expert Group on Development Issues, Sweden, 2000: 2; K. King and S. McGrath, *Knowledge for Development?*, 2000; Ben Ramalingam, *Implementing Knowledge Strategies*, ODI, 2005; Widell, *Does SIDA Learn?* (see www.widellcon.se/eng/sida.htm). See also G. Pascal Zachary, Closing the culture gap, *Stanford Social Innovation Review*, Spring 2006.

¹⁶⁰ See James Q. Wilson, *Bureaucracy*, chap. 7, ‘Constraints’.

- Weaknesses are easier to assess and analyse, and can be ascribed to generic, technical, tangible gaps in skills and resources. Strengths tend to have more to do with country-specific intangibles, often associated with culture and informal practices that do not lend themselves to rapid assessment and diagnosis.
- Finally, development cooperation as an activity has traditionally promoted the transfer of high-income country skills, resources and strengths to overcome weaknesses in low-income countries. Hence a good part of donor legitimacy is based on the deficit approach to development.

It would appear to be time for external interveners to de-emphasise the focus on gaps and deficits. Such an approach has a number of downsides, in particular psychological disempowerment of actors and participants alike, loss of energy and political risk. A constant focus on weakness and constraints can diminish energy and motivation while increasing defensiveness. Weakness may also have been deliberately designed into an organisation or system in order to benefit certain groups. If there is a vested interest in maintaining a stream of poor results, gap fixing is unlikely to change the patterns that support it.

A comparison with the private sector is instructive. Investors find ‘entrepreneurs’ first, give them support and seed money, and then get out of the way and let them go at it, whatever ‘it’ is. The focus is on finding opportunity and exploiting it, although the possibility of failure is recognised. In development cooperation, the tendency is to do it the other way around, i.e. targeting ‘needs’ and ‘problems’ and then hoping that sufficient country energy and champions can be mustered to deal with them. Failure is regarded as an aberration.

According to a strength-based theory of action, the deeper capacity of human systems comes not from fixing things and solving problems, but from affirmation, from tapping into sources of commitment and imagination. The best way to get a system to self-organise or, in the current vocabulary, ‘to unleash’ itself, is to focus on the positive or on achieving hopes and energies that lie beneath the surface of all collective efforts. To put it in operational terms, all groups and organisations have sources of potential achievement that can be leveraged to create development value. Table 11 summarises the differences between the two approaches.

Table 11: Deficit- and strength-based approaches

Focus on problems and deficits	Strength-based approach
Identify felt needs and problems	Emphasise the positive and what is possible
Identify problem	Locate and value sources of energy and action
Analyse causes	Envision what advantage could be taken of these sources
Analyse possible solutions	Discuss potential
Action planning	Encourage innovation and put in place virtuous cycles

The cases show a range of examples of country participants using strength-based opportunities. Three approaches in particular showed promise.

- Three of cases – the COEP network in Brazil, the LGSP in the Philippines and ENACT in Jamaica – extended the scale of their activities by dealing only with organisations with the initiative and energy to make voluntary commitments to action. No incentives were necessary to induce them to do things they would not otherwise have done. Such an approach added up to planned opportunism or responsive entrepreneurship, i.e. a deliberate search to find, nurture, protect and celebrate ‘capacity entrepreneurs’.
- Part of the effectiveness of the ENACT programme can be explained by its ability to tap into local aspirations, hopes, ambitions and strengths. Jamaica has a long history

of environmental concern that did not find expression through government. The strategy of groups such as ENACT lay in finding individuals or groups who could ignite changes that resonated with the deeper social energy. From this perspective, capacity was not so much transferred or engineered, as induced and activated.

- Some cases, such as the LGSP in the Philippines, used the technique of appreciative inquiry as a means of harnessing strengths and energy. They formed communities of discovery and exploration led by municipal mayors in order to identify potential opportunities.¹⁶¹

Some balance obviously is needed when addressing this issue. Gaps and constraints that create major barriers to action do matter. Many participants want and need support in overcoming these traps and barriers. It is also possible that groups in a society with energy and commitment may have self-serving agendas that will not likely result in much public value. But it is also appropriate that IDAs consciously look for strengths, opportunities and energy as they decide where to focus their attention.

9.1.8 The potential contribution of small interventions

Much of the current thinking in development cooperation centres on the benefits of large, macro, 'harmonised' interventions – SWAps, programme loans, budget support, coordinated approaches to public sector reform – in support of capacity development. An emphasis on small interventions may seem counter-intuitive at a time when large-scale impacts are wanted and needed. Small projects are also overly intrusive and costly. We understand the rationale for this view, including the advertised benefits of comprehensive, holistic, integrated approaches. But some case participants took the opposite view, namely that smaller, more manageable interventions had a better chance of success in the short term, and could even lead to bigger capacity gains in the medium and long term. Much of this discussion reflects a wider debate in development cooperation about the value of planning, the utility of experimentation and finding the best ways of achieving a wider impact.¹⁶²

The value of small interventions in support of capacity development resonated across many of the cases. The reasoning – and the operational track record – was compelling from a capacity development perspective.¹⁶³ We found some key patterns in the cases:

- Small interventions could deal directly with what is perhaps the biggest constraint on capacity development – the implementation gap. Many country organisations simply did not have the capacity to take on complex programmes, even if they had the drive and the commitment. Implementing smaller interventions allowed them to build skills, and craft a capacity development strategy.
- Complex interventions could involve huge amounts of what might be called foundation building – restructuring, training, system redesign – that frequently failed to translate into significant performance improvements. Some country participants remained sceptical of the benefits given the uncertainties, risks and extended efforts that large capacity programmes entailed. saw it as difficult, if not impossible, to

¹⁶¹ J. Fox, Empowerment and institutional change, in Ruth Alsop (ed.), *Power, Rights and Poverty*, World Bank, 2005.

¹⁶² For a detailed argument in favour of small interventions, see William Easterly, *The White Man's Burden*, 2006.

¹⁶³ Some of the explanation of the value of small interventions comes from complex adaptive systems. 'The only way to make a complex system that works is to begin with a simple system that works. Attempts to install a highly complex organisation without growing it inevitably lead to failure. Time is needed to let each part test itself against all the others. Complexity is created by assembling it from simple modules that can operate independently', Kelly, in B. Zimmerman *et al.*, *Edgeware: Insights from Complexity Science for Health Care Leaders*, 1998, p.40.

combine a complex system-wide intervention with intense employee participation. They needed better ways to learn and adapt their way to greater effectiveness without making a 'big bet' on a complex programme with uncertain outcomes. Much of the ENACT and COEP cases emerged on the back of many small interventions that both organisations then tried to connect up for greater impact.

- Small interventions could more easily be targeted on pockets of country commitment. The in-close, high-involvement, high-energy process nature of small interventions made it much easier for country participants to build confidence and awareness, such as with the SISDUK programme in Indonesia. In this sense, small interventions built on the principles of emergence by trying to ignite self-organisation at the micro level.

In the cases, small interventions were appropriate when absorptive capacity was weak and demand uncertain. They could be used to stimulate demand and help to build interest and engagement. In combination with incrementalism or emergence, they could provide space for activities to expand as and when capacity developed. They also provided opportunities for experimentation in chaotic contexts where flexibility was important and where investments in large activities presented unacceptable risks. In cases such as the LGSP in the Philippines, the donors also managed to combine support for small projects with a programme approach.

There is still a need to engage in much smaller interventions that are feasible to manage. Such approaches are needed to encourage the innovation, speed, flexibility and multiple solutions that are not likely to come out of more comprehensive efforts. Combining these two streams is critical. Part of the challenge will also involve marrying the strategic and the operational.

9.2 Operational implications for international development agencies

Most of the discussion about capacity development in the cases centred on the challenge for external interveners of supporting country actors, the type and depth of capacity issues themselves, and the best techniques or strategies to employ. A good part of this discussion focused on best practice, or what appeared to work and what did not. But much less attention was paid to the capabilities of external actors to contribute to capacity development at the country level. Three issues kept appearing:

- To what degree did donors see capacity issues as a priority?
- To what degree did they accept the need for changes in their behaviour, structures and systems to deal with these issues?
- What kinds of changes were they willing or able to make, and to what degree?

As with most capacity issues, there is a history here. Most funders have had an uneasy relationship with management and implementation issues, ranging from development management in the 1970s to capacity development today. The perceived record of unsatisfactory results surrounding organisational and capacity issues is well known. Many studies have lamented the ineffectiveness of technical assistance in building capacity. Most of the reasons for this lack of effectiveness were on display in the cases:

- Capacity issues have fitted awkwardly into the structured, bureaucratic processes of public aid agencies, specifically those to do with time frames, financial management, risk assessment, planning, programme design, control and prediction, and implementation and reporting. The current emphasis on achieving and demonstrating results has come to be the latest development objective which has posed a trade-off with capacity issues.
- The incentives within funding agencies have focused attention on policy work, devising new strategies, meeting disbursement targets, accountability and procedural

issues, and dealing with a wide variety of domestic demands. Working on management, institutional and implementation issues has never been seen as a rewarding career path for operational staff.

- Capacity issues have attracted little attention among domestic audiences. Even examples of effective implementation have not contributed much, if anything, to donor legitimacy and continued access to funding. Capacity issues have never been able to compete with the conventional development impacts.
- Most funding agencies have assumed that supporting capacity development required no special individual or organisational skills or dedicated internal units, as has been the case with gender, the environment or performance management. The assumption was that capacity issues were already mainstreamed, albeit informally. Yet, perversely, capacity development turned out to require expertise in areas such as political analysis, management theory and practice, and change management, which have always been in short supply in such agencies.
- Aid contractors have had little assurance that they would be reimbursed financially for any serious sustained attention to capacity issues, many of which were intangible and long term.

In the cases, unsurprisingly, most external agencies claimed capacity development as a key objective. UN organisations and agencies advertised it as a core objective. The World Bank and most bilateral donors saw increasing support of capacity development as part of a major transition to country-led development. These claims, however, took the form of general pronouncements. They did not usually specify any substantive definition, any sense of trade-offs with other objectives, or any mention of the organisational and procedural changes that adopting such an objective would imply. Nor was there much discussion about the capacity issue that might require change and reform. Most agencies still had no systematic way of assessing capacity or thinking about the dynamics of complex institutional and organisational change. Most were trying to devise an organised, tested, effective way of monitoring capacity development. Those with centralised structures and weak field offices had difficulty obtaining the country knowledge they needed to make complex judgements about context and strategy. As a result, some continued to rely on technocratic assumptions about capacity development that ignored broader social and political factors. They then tried to find ways to combine their control-oriented planning and management techniques, such as results-based management (RBM), with the needs of capacity development to be flexible and adaptive. Adjusting their policies and practices to the demands of capacity development remains a work in progress.¹⁶⁴

In several cases, funding agencies adopted a widening range of incremental and tactical changes, both formal and informal, to address the capacity issue. JICA employed a participatory approach to the SISDUK programme in Indonesia. PAHO nurtured and supported the Observatório network in Brazil over a 30-year period using a variety of measures. Virtually all funding agencies began to compile lists of 'best practices' and 'lessons learned' in an effort to improve staff understanding. Some issued 'how-to' manuals on assessment or monitoring and evaluation. Some were able to shift to an 'indirect' approach and relied on country participants to set the style and pace of events. Yet others either formally or informally limited the use of the usual donor management techniques such as tight goal setting and timelines, RBM, frequent reporting and intrusive M&E in an effort to create space for experimentation and adaptability. International learning networks such as the Learning Network on Capacity Development (LenCD) were established. Using the experience of the international community, the DAC issued a

¹⁶⁴ 'As a result, capacity building has not developed as a well-defined area of development practice with an established body of knowledge about what works in meeting different needs under differing country conditions and sector conditions', World Bank, *Capacity Building in Africa*, 2005, p. viii.

'good practice' paper in 2006. All of these measures represented efforts at incremental, uncontested additions to the conventional donor way of working. In using them, different donors progressed at different speeds on different issues.¹⁶⁵

Much less in evidence was strategic explicit thinking about developing donor capabilities.¹⁶⁶ Some experimented with staff units dedicated to capacity issues, or made structural changes designed to improve their ability to address capacity issues. Several agencies implemented system improvements such as better classification and reporting systems, more evaluations focused on capacity issues and additional training for staff and consultants. Much like the measures discussed above, these changes could be easily incorporated within existing systems.

What we have come to understand about capacity development tells us that among IDAs, the following attributes are critical to external interventions:

- maintaining adaptability and flexibility;
- remaining open to finding the best match between the type of intervention and the nature of the capacity challenge;
- fostering strong interpersonal relationships and feelings of trust;
- developing detailed knowledge of country contexts;
- supporting discontinuous and complex change;
- promoting the reality rather than the image of country ownership and control, and accepting the implications;
- adopting open-ended approaches to planning and experimentation;
- fostering the legitimacy of country groups and organisations in the eyes of stakeholders;
- encouraging downward accountabilities;
- accepting long-term evolutionary processes; and
- being aware shifts in the nature of the aid relationship.

In thinking about capacity development, IDAs may wish to think about three other issues:

- The diversity of situations in the development context calls for a wide range of approaches; it is important for IDAs as a group to maintain as broad a set of tools as possible.
- Since it may not be practical or feasible for small IDAs to maintain all the skills needed to support such a range of approaches, IDAs in general should look for opportunities to reduce the pressures on their resources. Some bilateral donors are, for example, delegating activities for which they do not have expertise to other like-minded agencies. In a similar vein, the European Union is trying to encourage complementarity among its members by encouraging them to each identify a few key sectors of comparative advantage. The objective is to ensure that areas from which one member state withdraws are taken up by others with greater comparative advantage.

¹⁶⁵ For example, Sida's *Policy for Capacity Development*, 2000; Jean Bossuyt, *Mainstreaming Institutional Development*, ECDPM, 2001; UNFPA, *UNFPA's Support to National Capacity Development*, 2003; DGIS, *Capacity in the Mist*, Workshop at Kingi, Rwanda, 2003; Réal Lavergne, *Capacity Development in CIDA's Bilateral Programming: A Stocktaking*, 2004; Anne Whyte, *Human and Institutional Capacity Building Landscape Analysis of Donor Trends in International Development*, Report to the Rockefeller Foundation, 2004; DAC Govnet, *Living up to the Capacity Development Challenge*, 2005; Pernilla Rafiqui, *Learning from Sida Support to Institutional Development in Laos*, Interim Report, 2006; Mark Stiles, *A Review of UNESCO's Capacity-Building Function*, 2007; ADB, *Integrating Capacity Development into Country Programs and Operation*, 2007.

¹⁶⁶ One exception was the Asian Development Bank: 'If ADB is to provide more effective capacity development support to [Developing Member Countries], it must adjust its organisational structure, business processes and procedures', ADB, *Integrating Capacity Development into Country Programs and Operations*, 2007, p.ii.

Many soft activities such as strengthening the leadership capabilities of an organisation, take a long time to come to fruition, but do not require large budgets. Most IDAs, however, face considerable pressure to expend the budgets they are allocated and more emphasis on such soft issues might in fact slow expenditures. This may not sit well with the stakeholders who have lobbied for increased aid budgets, such as international NGOs nor with the parliamentarians who have approved such funds.

10 Future trends in capacity development

In the analysis above, we put forward a view of external actors trying to keep up with the emerging demands of capacity development. This challenge will not disappear in the immediate future, and indeed is likely to increase as capacity and capacity development are increasingly seen as a strategic end, in some cases *the* ultimate end of development cooperation.¹⁶⁷ To end this report, we expand on this issue and, based on our own experience and our review of the literature, reflect on other future trends in capacity development.

Capacity as a strategic objective

Capacity is becoming an **issue of global importance** and one of direct concern to high-income countries. Security and governance issues, including geopolitical stability, counter-terrorism and concerns about 'failed' and 'failing' states, have already reshaped the development agenda.¹⁶⁸ Achieving success in capacity development will, in some instances, become part of the national security strategy of a funding country.¹⁶⁹ Governance, capacity and security issues will tend to merge. This trend is already at work in Australia, the UK and the US.¹⁷⁰ At the very least, the kinds of approaches to capacity development advocated in this report – long term, indirect, participatory, emphasising ownership and commitment – will be challenged by other groups in funding countries who want more direct methods of 'building' country capacity. In some instances, bilateral development agencies will be only one of many domestic agencies shaping the development agenda of funding countries. Most participants will be working in a context of complex systems involving many actors and interests. External actors will need to explore ways of constructive political involvement. The questions of 'what' and 'how' and 'why' with respect to capacity development will be much more strongly contested.

The capacity of the international development community to support the emergence of developmental states will also be an issue.¹⁷¹ There are no clear models of how to do this. Part of the solution would appear to lie in the governance and capacity development communities working to connect their experiences, especially in reference to political and informal issues.

A much wider range of country situations

As well as the range of capacity interventions, the range of countries that will need support is already widening. At one end of the spectrum are 'fragile', 'failing' and 'failed' states, and at the other more advanced states entering into partnerships with external

¹⁶⁷ See Ashraf Ghani *et al.*, *Closing the Sovereignty Gap*, ODI Opinion 44, 2005.

¹⁶⁸ See, for example, Alan Fowler, *Aid Architecture: Reflections on NGDO Futures and the Emergence of Counterterrorism*, Occasional Papers Series 45, INTRAC, 2005; Douglas Johnston and Cynthia Sampson (eds), *Religion and the Missing Dimensions of Statecraft*, Oxford University Press, 1994.

¹⁶⁹ See OECD, *DAC Handbook on Security Reform*, 2007; Stewart Patrick, 'Weak states and global threats: Fact or fiction?' *Washington Quarterly*, spring 2006.

¹⁷⁰ Stewart Patrick and Kaysie Brown, *Greater than the Sum of its Parts: Assessing 'Whole of Government' Approaches to Fragile States*, International Peace Academy, 2007.

¹⁷¹ 'For instance, some hard questions remain about what may constitute "realistic" pathways from weak and ineffective states towards more developmental ones, taking into account a given country's current situation. There also needs to be greater understanding about what the internal drivers of change and the role of external actors should be. This suggests some fundamental re-thinking needs to be brought into developmental policy and practice. This is essential if the current wave of governance and state-focused work championed by donors is to be realistic and effective rather than dogmatic and overbearing', V. Fritz and A. Menocal, 2007, 'Developmental states in the new millennium', *Development Policy Review* 25(5): 531.

groups to promote international public goods, as described below. This trend will, in turn, lead to capacity development processes that are much more like ‘co-creation’ than they are traditional development cooperation, that is, groups or organisations working together to achieve objectives that are important to both.

The growing need for the capacity to ensure global public goods

The production of global public goods – disease control, international security and policy, climate change, international crime, migration, human rights – will increasingly rely upon the capacity of state and regional actors around the world to engage in and act on such transnational issues.¹⁷² Larger, richer states will see the protection of their immediate national interests linked with the progress of smaller, poorer states to develop their capabilities to perform a range of functions. Capacity issues will therefore rapidly move beyond narrow questions of programme implementation and take on broader geostrategic significance. This process may, in turn, affect the way such issues are managed and funded. The speed of development and compliance with global needs will become more important. Some states may be compelled to adopt particular systems of governance and management at the insistence of the international community. Some may end up in a form of international receivership.¹⁷³ The notion of national sovereignty allowing a state to persist with dysfunctional practices may be coming to an end. One of the key challenges will be to find ways to combine such direct external interventions with some measure of capacity development.

The rise of a new generation of actors

Global influences are producing the emergence of new actors and new relationships that are increasingly shaping capacity issues.

- In the case countries such as Brazil, complex network structures began to appear in the 1980s and 1990s and, by the year 2000, had scaled up to a major size. New civil society organisations, research institutes, consulting firms and private companies had begun to appear in almost all the case countries.
- A variety of non-state transnational actors are also engaging in some form of capacity development at the global level. Private international corporations such as General Electric, foundations such as the Bill and Melinda Gates Foundation, and NGOs such as Oxfam now operate on a global scale with technical resources to rival those of the smaller bilateral agencies.¹⁷⁴
- New actors such as national diasporas have appeared that command substantial resources and influence,¹⁷⁵ providing an expanding range of opportunities for partnerships for capacity development.
- Some of the case research showed evidence of the rise of illicit global networks and transnational gangs that, in some cases, now have the power and resources to capture and subvert the capacity of public agencies such as the police, border control and other regulatory agencies.¹⁷⁶
- In many donor countries new domestic actors – departments of finance, police, customs and immigration – are becoming involved in capacity development. The design and management of some TA has now become part of national security

¹⁷² See Ravi Kanbur *et al*, *The Future of Development Assistance: Common Pools and International Public Goods*, Policy Essay 25, Overseas Development Council, 1999.

¹⁷³ Australian personnel currently run the treasury, judicial and policy systems of the Solomon Islands and parts of Papua New Guinea. Similar interventions are likely for Timor-Leste.

¹⁷⁴ See *Globalisation, Governance and Civil Society*, Global Thinknet Tokyo Conference 1998; M. Lindenburg and C. Bryant, *Going Global: Transforming Relief and Development NGOs*, 2001. See also George Lodge and Craig Wilson, *A Corporate Solution to Global Poverty*, 2006.

¹⁷⁵ Remittances from diasporas – about US\$150 billion in 2005 – are estimated to be twice the total of all ODA.

¹⁷⁶ ENACT in Jamaica, ESDU in St Lucia and NACWC in South Africa. See Moises Naim, *Illicit: How Smugglers, Traffickers and Copycats are Hijacking the Global Economy*, 2005.

strategies for some donor countries. Aid decisions are gravitating to 'whole of government' arenas.

The cases indicate that globalisation is shifting relationships, e.g. altering the balance between international organisations, national governments, non-state actors, local and regional governments and individual citizens. Most case countries were rethinking the role of the state, leading to a greater coordination function rather than as the sole or predominant actor. Power was gravitating upwards from national governments to international organisations. The faltering legitimacy of national governments and the greater access of individuals to information and other resources have also empowered a range of local and regional governments. And non-state actors are demanding involvement in functions previously reserved for governments. Not just 'capacity for what?', but 'capacity for whom?' was an issue in many of the cases.

Global pressures are thus putting a premium on organisational imagination and ingenuity. Globalisation is also reshaping the perceptions of different generations within particular countries. Younger groups seem less interested in working in governments but are attracted to individual entrepreneurship.

Conventional technical assistance funded by IDAs has become only one of many channels for country participants to access advanced knowledge. Information-based interventions in the form of global knowledge networks, worldwide partnerships, distance learning and international communities of practice are proliferating. New forms of capacity development have arisen in the form of new markets in education provision, new ways of delivering knowledge and training, and virtual learning. The rise of the 'knowledge economy' and the availability of IT led some IDAs to try to recraft their roles into ones dealing with knowledge management.¹⁷⁷ Actors in low- and middle-income states can now access hundreds of websites on most technical and organisational issues. Learning networks, the use of videoconferencing and electronic communities of practice are now proliferating across the world. IT has become a means around which people can structure their capacity development strategies.

The lessening of interest in capacity development

It is also possible that the current interest in capacity issues will soon fall out of fashion as the difficulties in generating, identifying and demonstrating become more evident. Put another way, the accelerating drive to achieve the MDGs will have the potential to diminish the current emphasis on capacity issues. The patience and the tenacity to stay with the capacity agenda will not continue. A little disjointed

¹⁷⁷ For an analysis of the experiences of the World Bank, DFID, Sida and JICA with respect to knowledge management, see Kenneth King and Simon McGrath, *Knowledge for Development*, 2004.

11 Selected conclusions

This report has covered a broad and complex range of topics. In order to simplify these as much as possible, we have presented at the end of most chapters some operational implications. We do not wish to repeat these in this chapter but rather to lay out a few selected insights beyond what appear above, as follows:

- *The balance of issues in development cooperation is shifting against predictability and towards complexity and uncertainty.* The complexity and the paradoxes of many context–actor relationships in our cases did not conform to a linear cause and effect pattern of effects. They interacted amongst themselves to produce pressures, opportunities and traps, many of which could not be understood in advance. The planning and control model most commonly applied to development cooperation had limited utility in such a context.
- *The concept of complex adaptive systems thinking can be helpful in understanding and crafting capacity development interventions involving many actors.* It can help us to see the deeper patterns of behaviour and relationships that lie beneath individual events and actions. But, because it puts less faith in planning and intentionality, it implies looking differently at causation, attribution and results chains. It encourages people to think more creatively about disorder, uncertainty and unpredictability.
- *Capacity development is about both first- and second-order changes.* First-order changes are those relating to formal aspects such as structure and the configuration of tangible assets. Second-order or deep change involves altering mindsets, patterns of behaviour, degrees of legitimacy, and the relationship between the formal and the ‘shadow’ system. Machine building to fix gaps focusing on first-order change is not enough.
- *Capacity development is about altering power, authority and access to resources.* Rebalancing power creates winners and losers. Loser groups have to be dealt with in some way so as to reduce their influence. This might include compensation or mollification.
- *Capacity development relies on voluntary collective action for its effectiveness.* Even when people are members of formal organisations and their presence is mandated, they still provide voluntarily the key ingredients of capacity development – energy, motivation and commitment. External interveners can only indirectly facilitate the process by providing access to new resources, ideas, connections and opportunities.
- *A certain amount of ‘misfit’ is needed to energise capacity development.* The development literature gives considerable attention to the need for fit between interventions and the cultural context. But a good deal of capacity development, and indeed a good deal of development cooperation itself, is premised on changing some cultural norms – essentially working to redress a ‘misfit’. Addressing gender inequalities, trying to instil professional standards of work and advocating greater respect for human rights all imply going against behaviour accepted by significant groups within some countries. Too much ‘fit’ with such a context may indicate a lack of dynamism and commitment to try to ignite change and reform. What is important is identifying which patterns of behaviour should be accepted, and which external actors and country stakeholders should endeavour to change.
- *If country groups are not prepared to challenge the system, analytical tools and techniques will not make the difference.* The challenge for external interveners is to find the appropriate groups to support. It is often elite coalitions and bargaining that shape the space for capacity development rather than groups of the poor who have neither the resources nor the contacts to push forward change. Tools and techniques cannot substitute for the commitment of these groups.

Is there inherent value in the concept of capacity?

We would also like to return to one of the questions raised in the introduction that might bear a little more discussion: Does capacity have any substantive meaning and development contribution of its own? Although we started out with some ambivalence about this concept and with sympathy towards its critics, we now suggest the following advantages to retaining it, and even to giving it more emphasis:

- It encourages us to think about a constantly neglected subject – *the ‘how’ issues*, the implementation challenges, the operational. It encourages us to accept the idea that strategies do not implement themselves, no matter how brilliantly conceived. They need to be underpinned by the ability to make them operational. Despite all that we know about this issue, the international aid community is still drawn to the ‘what’ and the ‘why’ issues at the expense of the ‘how’.
- It encourages us to think about the *deeper purposes of development cooperation*. Are substantive gains such as those in health, education, agriculture, environmental protection – the usual idea of ‘results’ – the only true end of development? Or is the ability of a country to choose and implement its own development path – its basic capacity – also an end of development as well? We see the strategic mindset that treats capacity as an end in itself as a crucial component of any serious effort to improve the ability of people and organisations to do things better. Countries need to see effective systems such as institutions and organisations as crucial elements of their development puzzle. Such systems house the collective ingenuity and skills that countries need to survive. In our view, the conventional emphasis on ‘results’ does not necessarily lead to capacity. But capacity usually leads to results.
- It encourages us to think about a series of *basic issues such as adapting to rapid change and resilience and sustainability*.

Recommendations

Finally, the original objectives of this study outlined in the introduction called for general recommendations to support the effectiveness of external interventions aimed at improving capacity and performance. The nature of capacity and capacity development is such that what is appropriate in one situation is not likely to be in the next. No change strategy is valid all of the time in all contexts. Replicating an activity in a variety of different contexts requires careful adaptation based on a thorough understanding of each context. That said, we offer below a few generic recommendations that could help external interveners in their efforts to promote capacity development:

Find ways to unleash the potential for capacity development

This potential is present in all situations in all countries. But participants need to focus more on finding, inducing, igniting, and unleashing endogenous human energy and commitment. This is obviously a complex process of change that has many facets – institutional, cultural, historical, logistical, political and financial. It is not simply a matter of technical and logistical engineering, although that is a part of it.

Emphasise the importance of effective leadership to help groups to work together

At the core of effective capacity development is endogenous energy, motivation, commitment and persistence. These add up to more than a vague notion of country ownership and they imply more than conventional ‘leadership’, although that contributes to it. They require a process of encouraging and stimulating individuals to act either alone or, more likely, together. The leadership involved can take many forms from the individual heroic to the collective. Initially it can be leadership by one person but over time it tends – in successful organisations – to be distributed, shared and embedded in the psychology of the organisation. If there was a persistent theme in the cases, it was the process of

developing appropriate leadership forms that encourage working together to unleash this energy.

Emphasise learning and adaptation

Also at the core of capacity development is the practice, in some form, of learning and adaptation. Capacity development is not always open-ended. In some instances it can be scheduled and targeted. But in the majority of cases, the process needs to be shaped by adaptation, experimentation, learning and adjustment. That has implications for 'design', management, evaluation and all the other conventional aid functions. It also implies maintaining a broad range of types of interventions to match different conditions.

Use systems thinking to help explain the process of capacity development

Systems thinking, and specifically complexity theory, is now beginning to affect the direction and operations of private corporations, governments and other institutions around the world. We are not saying that it is the latest silver bullet. We are suggesting, however, that it can supplement other ways of approaching capacity development and can provide real insights and understanding on how to act, for example, to unleash the energy and drive to get capacity moving.

Develop an understanding of the importance of capacity as an end in itself

There is increasing recognition of the importance of organisations and institutions to the development of a country. If we accept that developing capacity in these forms is an end in itself, then there are major implications for the way participants think about and manage capacity development processes.

Be more wide-ranging and creative about capacity development

Attention to the current concepts of choice – demand-side, accountability, a results focus, country ownership – is part of the process. But these should not exclude other important factors such as informal or shadow processes, issues of power and control, the role of symbolism, and dysfunctional or even destructive behaviour. The most successful of our cases took a broad range of issues into account.

Be aware that the change process is bigger than one organisation or intervention

Capacity development is only one part of the broader processes of change that affect organisations and countries. External interveners can only influence these in a limited way and it is important that they be modest about what they can and should try to do. To better understand how and when they can intervene, such organisations would in general benefit from improving their understanding of change processes, and what works under what conditions.

Take into account the issues of time and timing

There is often a tension between the long-term objectives of changing major systems and the reality that windows of opportunity close and stakeholders lose interest without some signs of progress. External interveners and their country partners need to come to a common understanding about the balance between the short- and the long-term, and when it is appropriate to intervene. Similarly, they need to pay attention to the balance between capacity development and more conventional development results.

Put more emphasis on understanding the country, identifying appropriate partners and building relationships

The analysis in this report suggests that capacity development is a challenging process, and that an understanding of country conditions is crucial. In recent years, international development agencies in general have moved heavily into donor harmonisation, and their field staff have spent increasing amounts of time in coordination meetings. This has meant less time working with partner country colleagues either on a one-to-one or a small

group basis. Much of the work requiring close donor–partner country contact has been delegated to consultants, and donor agencies no longer have the corporate knowledge of the country and contacts they once had. There needs to be a rebalancing between coordination and the acquisition of knowledge through interpersonal contacts.

Develop the capabilities required to address capacity issues

Addressing the implications of capacity development along the lines outlined in this report would require increased investments in the issue by outside interveners. Capacity development would need to be seen as a specialty requiring dedicated resources along the lines of those in place in organisations like Sida, the Asian Development Bank and AusAID. It would require more incremental planning processes and more organisational incentives to encourage staff to develop in-depth cultural understanding of partner countries (rather than moving from one country desk to another in quick succession). Monitoring and evaluation would have to put more emphasis on intangible aspects of development such as legitimacy and self-empowerment, as well as on the tangible outcomes.

The way forward

Despite the extensive research backing up this report, there are still some notable areas that require more work before all the recommendations above could be fully put in place. Further work would be useful, for example, on:

- making systems thinking operational for development cooperation;
- testing out different approaches to monitoring and evaluation;
- the macro level – including state building; and
- better ways to think about the influence of contextual issues, including the impacts of globalisation.

Bibliography and selected readings

- Akbar S. Ahmed, 2007. *Journey into Islam: The Crisis of Globalization*. Brookings Institution Press.
- Alsop, Ruth and Bryan Kurey, 2005. *Local Organizations in Decentralized Development: Their Functions and Performance in India*. Washington: World Bank.
- Asian Development Bank, 2007. *Integrating Capacity Development into Country Programs and Operations: Medium Term Framework and Action Plan*.
- Asian Development Bank, 2008. *Building a Results-based Management Framework from Influential Evaluations, Learning Lessons*. Manila: ADB.
www.adb.org/Evaluation/documents/Independent-Evaluation/ieadb5.asp
- Banerjee, Niloy, 2006. *A Note on capabilities that contribute to the success of non-governmental organizations*. Maastricht: ECDPM Discussion Paper 57P.
- Bennett, Lynn, 2003. *Empowerment and Social Inclusion*, paper for the Social Development Network of the World Bank.
- Birdsall, N., 2003. Asymmetric globalization: Global markets require good global politics. *Brookings Review*, spring 2003.
- Block, Peter, 1981. *Flawless Consulting: A Guide to Getting Your Expertise Used*. San Francisco: Jossey-Bass/Pfeiffer.
- Boesen, Nils and Ole Therkildsen, 2005. *A Results-Oriented Approach to Capacity Change*. Denmark: Ministry of Foreign Affairs
- Bossuyt, Jean, 2001. *Mainstreaming Institutional Development: Why It is Important and How Can It Be Done?* Maastricht: ECDPM
- Brinkerhoff, Derick, 2005. Rebuilding governance in failed states and post-conflict societies: Core concepts and cross cutting themes, *Public Administration and Development*, 25(1).
- Brinkerhoff, Robert, 2003. *The Success Case Method: Find Out Quickly What's Working and What's Not*. Berrett-Koehler.
- Cameron, Esther and Mike Green, 2004. *Making Sense of Change Management: A Complete Guide to the Models, Tools and Techniques of Organizational Change*. Kogan Page.
- Carlsson, Jerker and Wohlgemuth, Lennart (eds), 2001. *Learning in Development Cooperation*. Stockholm: Expert Group on Development Issues.
- CCIC/Bond, 2007. *Reality Check*. Reality of Aid Network, Quezon City, Philippines: BOND and the Canadian Council for International Cooperation.
- Chapman, Jake, 2002. *System Failure*. London: Demos.
- Coghlan, Dr. David and Dr Teresa Brannick, 2001. *Doing Action Research in Your Own Organization*. London: Sage.
- Commission for Africa, 2005. *Our Common Interest*. Penguin.
- Court, J. and John Young, 2003. *Bridging Research and Policy: Insights from 50 Case Studies*, Working Paper 213, Overseas Development Institute.
- Crawford, Paul, 2004. *Aiding Aid: A Monitoring and Evaluation Framework to Enhance International Aid Effectiveness*. Doctoral dissertation. Sydney, Australia: Institute for Sustainable Futures, University of Technology.
- DFID, 2006. *How to Note: How to Provide Technical Cooperation Personnel*. London: DFID.
- DGIS, 2003. *Capacity in the Mist*, Proceedings of a workshop on capacity development, Kingi, Rwanda.
- Dia, Mamadou, 1996. *Africa's Management in the 1990s and Beyond: Reconciling Indigenous and Transplanted Institutions*. Washington: World Bank
- Diamond, Jared, 2004. *Collapse: How Societies Choose to Succeed or Fail*. Viking.

- Dietworst, Desiree, 2007. *Addressing the Paris Declaration: Collective Responsibility for Capacity Development: What Works and What Doesn't?* LenCD Forum, Nairobi, Kenya, October 2006.
- Eade, Deborah, 1997. *Capacity Building: An Approach to People-Centred Development*. London: Oxfam.
- Earl, Sarah, Fred Carden and Terry Smutylo, 2001. *Outcome Mapping: Building Learning and Reflection into Development Programs: The Challenges of Assessing Development Impacts*. Ottawa: IDRC.
- Easterly, William, 2006. *The White Man's Burden: Why the West's Efforts to Aid The Rest have done So Much Ill and So Little Good*. Penguin.
- Ebrahim, Alnoor, 2007. Rethinking capacity building, *Capacity.org*, 31: 16. www.capacity.org
- Ellerman, David, 2005. *Helping People Help Themselves: From the World Bank to an Alternative Philosophy of Development Assistance*. University of Michigan.
- Engel, Paul and Monique Salomons, 1997. *The Social Organisation of Innovation*. Amsterdam: Royal Tropical Institute.
- Engel, P., C. Carlsson and A. van Zee, 2003. *Making Evaluation Results Count: Internalising Evidence by Learning*. ECDPM Policy Management Brief 16.
- Estrella, Marisol (ed), 2000. *Learning from Change: Issues and Experiences in Participatory M&E*. Intermediate Technology Publications.
- Eyben, Rosalind, 2005. *High Impact/ Low Cost Aid Initiatives*, Report to DFID, Sussex: IDS
- Eyben, Rosalind, *Who owns a poverty reduction strategy? A case study of power, instruments and relationships in Bolivia* in Groves and Hinton (see below).
- Ferguson, Jonathan, 1990. *The Anti-Politics Machine: 'Development', Depoliticisation and Bureaucratic Power in Lesotho*. University of Minnesota Press.
- Fernando, Uan, 2007. *The Serendipity of Capacity Buildin: A story from Sri Lanka*, INTRAC Praxis Note 29.
- Fowler, Alan, 2005. *Aid Architecture: Reflections on NGDO Futures and the Emergence of Counterterrorism*, Occasional Papers Series 45, INTRAC
- Fowler, Alan, 2000. *The Virtuous Spiral: A Guide to Sustainability for NGOs in International Development*. James and James (Science Publishers) Ltd. United Kingdom.
- Fox, J., 2005. *Empowerment and institutional change*, in Ruth Alsop (ed), *Power, Rights and Poverty: Concepts and Connections*, Washington: World Bank
- French, W.L., Cecil Bell and Robert Zawacki, 1994. *Organization Development and Transformation: Managing Effective Change*. Burr Ridge, Illinois: Irwin
- Fritz, Verena and Menocal, Alina, 2007, Developmental states in the new millennium: Concepts and challenges for a new aid agenda, *Development Policy Review* 25(5): 531.
- Fukuyama, Francis, 2005. *Nation-building: Beyond Afghanistan and Iraq*, Forum on Constructive Capitalism. Johns Hopkins University Press
- Fukuda-Parr, Sakiko, *et al.*, 2002. *Capacity for Development: New Solutions to Old Problems*. UNDP/Earthscan.
- Fullan, Michael, 2000. *Change force: The sequel*, *British Journal of Educational Studies*, 48(1): 99-100.
- Fullan, Michael, 2003. *Change Forces with a Vengeance*. Routledge/
- Gamel, H. and Prahalad, C.K., 1996. *Competing for the Future*. Harvard Business School Press
- Geus, Arie de and Peter M. Senge, 1997. *The Living Company: Habits for Survival in a Turbulent Business Environment*. Harvard Business School Press.
- Ghoshal, Sumantra and Christopher A. Bartlett, 1997. *The Individualized Corporation: A Fundamentally New Approach to Management*. Collins.
- Ghani, A., Lockhart, C. and Carnahan, M., 2005. *Closing the Sovereignty Gap: How to Turn Failed States into Capable Ones*, ODI Opinion 44.

- Ghoshal, Sumantra and Christopher A. Bartlett, 1997. *The Individualized Corporation: A Fundamentally New Approach to Management*. Collins.
- Gilling, James and Tony Hughes, 2005. *ERU Review and Forward Planning Exercise*. Canberra: AusAID. Mimeo.
- Graham, Carol and Robert Litan, 2003. Governance in an integrated global economy, *Brookings Review*, spring 2003
- Grindle, Merilee, 1997. *Getting Good Government: Capacity Building in the Public Sectors of Developing Countries*, Harvard Studies in International Development.
- Grindle, Merilee, 2000. Ready or not: The developing world and globalization, in: Nye and Donahue, 2000. *Governance in a Globalizing World*, Brookings Institution Press.
- Groves, Leslie and Hinton, Rachel (eds), 2004. *Inclusive Aid: Changing Power and Relationships in International Development*. London: Earthscan
- Hamel, G. and Prahalad, C.K., 1994. *Competing for the Future*. McGraw-Hill Ryerson Agency.
- Hanford, Phil, 2003. Developing director and executive competencies in strategic thinking, in Garratt, Bob (ed), *Developing Strategic Thought: Rediscovering the Art of Direction-giving*. McGraw-Hill.
- Homer-Dixon, Thomas, 2001. *The Ingenuity Gap: How Can We Solve the Problems of the Future*. Vintage Canada.
- Homer-Dixon, Thomas, 2006. *The Upside of Down: Catastrophe, Creativity and the Renewal of Civilization*. Island Press.
- Horton, D., A. Alexaki, S. Bennet-Lartey, K. Noële Brice, D. Campilan, F. Carden, J. De Souza Silva, Le Thanh Duong, I. Kadar, A. Maestrey Boza, I. Kayes Muniruzzaman, J. Perez, M. Somarriba Chang, R. Vernooy and J. Watts. 2003. *Evaluating capacity development: Experiences from research and development organizations around the world*. The Netherlands: ISNAR/CTA; Canada: IDRC (also available in French and Spanish).
- Hughes, Caroline and Tim Conway. 2003. *Towards Pro-Poor Political Change in Cambodia: The Policy Process*. London: ODI.
- Huyse, Huib, 2006. *Project Management Systems for Educational Development Programmes: Searching for the Holy Grail of Causality, or the Key to Transformative Learning?* Brussels.
- James, Rick (ed), 2002. *People and Change: Exploring Capacity-Building in NGOs*, INTRAC.
- James, Rick, 2005. 'Quick and Dirty' Evaluation of Capacity Building: Using Participatory Exercises. Oxford: INTRAC.
- James, Rick and Malunga, Chikhu, 2002. Leadership development in a culture of fear and insecurity, in: James, Rick (ed), 2002. *People and Change: Exploring Capacity-Building in NGOs*, INTRAC.
- James, Rick and Wrigley, Rebecca, 2007. *Investigating the Mystery of Capacity Building: Learning from the Praxis Programme*, Conference Paper, INTRAC
- Japan Centre for International Exchange, 1998. *Globalisation, Governance and Civil Society*, Global Thinknet Tokyo Conference 1998. Tokyo: JCIE.
- Johnston, Douglas and Cynthia Sampson (eds), 2005. *Religion, The Missing Dimension of Statecraft*. Oxford University Press
- Kamarck, Elaine Ciulla, 2000. Globalization and public administration reform, In: Nye and Donahue, *Governance in a Globalizing World*, Brookings Institution Press.
- Kanbur, Ravi et al, 1999. *The Future of Development Assistance: Common Pools and International Public Goods*, Policy Essay 25, Overseas Development Council.
- Kayizzi-Mugerwa, Steve. ed., 2003. *Ownership, Incentives and Capabilities*. United Nations University Press.
- Kennedy School of Government, 2007. *Acting in Time Initiative*. Harvard University.
- Kettle, Donald F., 2000. *The Global Public Management Revolution: A Report on the Transference of Governance*. Brookings Institution Press.

- King, Kenneth and McGrath, Simon, 2000. *Knowledge for Development? Comparing British, Japanese, Swedish and World Bank Aid*. Zed Books.
- Land, Tony *et al.* (2007) *Aid Effectiveness and the Provision of TA Personnel: Improving Practice*. ECDPM Policy Management Brief 20.
- Lansiti, Marco and Roy Levien, 2004. *The Keystone Advantage: What the New Dynamics of Business Ecosystems Mean for Strategy, Innovation and Sustainability*. Harvard Business School Press.
- Lavergne, Réal, 2004. *Capacity Development in CIDA's Bilateral Programming: A Stocktaking*. Ottawa: CIDA.
- Light, P.C., 2004. *Sustaining Nonprofit Performance: The Case for Capacity Building and the Evidence to Support It*. Brookings Institution.
- Lindenburg, Marc and Bryant, Coralie, 2001. *Going Global: Transforming Relief and Development NGO*. London: Kumarian Press.
- Lister, S. and Andrew Wilder, 2005. Strengthening subnational administration in Afghanistan: Technical reform or state-building? *Public Administration and Development*, 25.
- Lodge, George and Wilson, Craig, 2006. *A Corporate Solution to Global Poverty: How Multinationals Can Help the Poor and Invigorate their own Legitimacy*. Princeton University Press.
- McMillan, Elizabeth, 2004. *Complexity, Organisations and Change: An Essential Introduction*. New York: Routledge.
- Merry, Ury, 1995. *Coping with Uncertainty: Insights from the New Sciences of Chaos, Self-Organization, and Complexity*. Praeger.
- Meyer, J.W. and Scott, B., 1983. *Organisational Environments: Ritual and Rationality*., Beverly Hills, CA: Sage.
- Minzberg, H., 1994. *The Rise and Fall of Strategic Planning: Reconceiving Roles for Planning*. Free Press/Maxwell Macmillan Canada.
- Mintzberg, H., 1979, *The Structuring of Organisations*. Prentice Hall.
- Moe, Terry and Chubb, John, 1990, *Politics, Markets, and America's Schools*. Brookings Institution.
- Naim, Moises, 2005. *Illicit: How Smugglers, Traffickers and Copycats are Hijacking the Global Economy*. Doubleday.
- Nelson, Paul, 1995. *The World Bank and Non-governmental Organisations: The Limits of Apolitical Development*. London: Macmillan.
- Donahue John D. and Joseph S. Nye Jr, eds., 2000. *Governance in a Globalizing World*, Brookings Institution Press.
- OECD DAC, 2006. *DAC Handbook on Security Reform*. Paris: OECD
- OECD DAC Network on Governance, 2005. *Living up to the Capacity Development Challenge*. Paris: OECD
- OECD DAC Network on Governance, 2006. *The Challenge of Capacity Development*. Paris: OECD.
- OECD DAC Network on Governance, Power and Drivers Task Team, 2006. *Power and Drivers of Change: Using Political Economy Analysis to Improve Aid Effectiveness*. Paris: OECD.
- OECD DAC Joint Venture on Managing for Development Results. 2007. *Leadership and Accountability: Creating a Culture of Results*, 3rd International Round Table on Managing for Development Results, Hanoi, Vietnam.
www.mfdr.org/RT3/Glance/Documents/Leadership_final.pdf
- OECD DAC Working Party on Aid Evaluation, 2002. *Glossary of Key Terms in Evaluation and Results Based Management*, Paris: OECD.
- Olson, E. and Eoyang, G., 2001. *Facilitating Organisational Change: Lessons from Complexity Science*. San Francisco: Jossey-Bass/Pfeiffer.

- Patrick, Stewart., 2006. Weak states and global threats: Fact or fiction? *Washington Quarterly*, spring 2006.
- Patrick, Stewart and Brown, Kaysie, 2007. *Greater than the Sum of its Parts: Assessing 'Whole of Government' Approaches to Fragile States*. International Peace Academy.
- Polidano, Charles, 2000. Measuring public sector capacity. *World Development*, 28(5).
- Radin, B.A., 2006. *Challenging the Performance Movement: Accountability, Complexity and Democratic Values*.
- Rafiqui, Pernilla, 2006. *Learning from Sida Support to Institutional Development in Laos*, Interim Report.
- Ramalingam, Ben, 2005. *Implementing Knowledge Strategies: Lessons from International Development Agencies*. Working Paper 244, Overseas Development Institute.
- Reeler, Douglas, 2007. *A Theory of Social Change and Implications for Practice, Monitoring and Evaluation*. South Africa: CDRA
- Roper, L., Pettit, J. and Eade, D. (eds), 2003. *Development and the Learning Organisation*. London: Oxford.
- Rosen, Bob, 2006. *Kiss Theory Goodbye: Five Proven Ways to Get Extraordinary Results in any Company*. Gold Pen Publishing
- Salaman, G., and Asch, D., 2003. *Strategy and Capability: Sustaining Organizational Change*. Oxford: Blackwell.
- Schön, Donald and Martin Rein, 2004. *Frame Reflection: Toward the Resolution of Intractable Policy Controversies*. Basic Books.
- Sen, Amartya, 2000. *Development as Freedom*. Anchor Press.
- Senge, Peter M., 1990. *The Fifth Discipline: The Art and Practice of the Learning Organization*. Doubleday Business.
- Senge, Peter M., 1999. *The Dance of Change: The Challenges to Sustaining Momentum in Learning Organizations*. Doubleday Business.
- Sheffi, Yossi, 2007. *Resilient Enterprise: Overcoming Vulnerability for Competitive Advantage*. MIT Press.
- Sida, 2000. *Policy for Capacity Development*. Stockholm.
- Smit, M., 2007. *We're Too Much in 'To Do' Mode: Action Research into Supporting International NGOs to Learn*, Praxis Paper 16, INTRAC.
- Stake, Robert Earl, 1995. *The Art of Case Study Research*. Sage.
- Stiles Associates Inc. 2007. *A Review of UNESCO's Capacity-Building Function*. UNESCO: External Oversight Service Evaluation Section.
- Suchman, Marc, 1995. Managing legitimacy: Strategic and institutional approaches, *Academy of Management Review*, 20(3).
- Taylor, James, 2000. *So Now They are Going to Measure Empowerment!* Cape Town, South Africa: CDRA.
- Taylor, James, 2004. *Emergence: From the Inside Out*. CDRA Annual Report 2003/4. Cape Town, South Africa: Community Development Resource Association.
- Teskey, Graham, 2005. *Capacity Development and State Building: Issues, Evidence and Implications for DFID*. UK: DFID
- Thomas-Slayter, B.P., 2003. *Southern Exposure International Development and the Global South in the Twenty-first Century*. Bloomfield: Kumarian Press.
- Ulrich, Dave and Smallwood, Norm, 2004. Capitalizing on capabilities, *Harvard Business Review*, June.
- UNDP, 2002. *Capacity for Development: New Solutions to Old Problems*. London: Earthscan
- UNDP, 2007. *Capacity Assessment Practice Note*. New York: UNDP

- UNFPA, 2003. *UNFPA's Support to National Capacity Development: Achievements and Challenges*. Evaluation Report 20. New York: UNFPA.
- Unsworth, Sue (ed), 2005. *Signposts to More Effective States: Responding to Governance Challenges in Developing Countries*. Brighton: Institute of Development Studies
- Vaughan, Sarah and Tronvol, Kjetill, 2003. *The Culture of Power in Contemporary Ethiopian Political Life*, Sida Studies no. 10, 2003.
- Wade, Robert, 2001. *The US Role in the Malaise at the World Bank: Get Up, Gulliver*. Paper prepared for American Political Science Association Meeting, 2001
- Watson, David, 2006. *Monitoring and Evaluation of Capacity and Capacity Development*. Maastricht: ECDPM Discussion Paper 58B.
- Webster, N. and Engberg-Pedersen (ed), 2002. *In the Name of the Poor: Contesting Political Space for Poverty Reduction*. London: Zed Books.
- Weick, K. and Sutcliffe, K., 2001. *Managing the Unexpected: Assuring High Performance in an Age of Complexity*. Jossey-Bass.
- Weisbord, Marvin R. 1976. Organizational diagnosis: Six places to look for trouble with or without a theory, *Group and Organization Studies*, 1(4): 430-447.
- Wheatley, Margaret, 2006. *Leadership and the New Science: Discovering Order in a Chaotic World*. San Francisco: Berrett-Koehler Publications.
- Wheatley, Margaret and Frieze, Deborah, 2006. *Using Emergence to take Social innovations to Scale*.
- Wheatley, Margaret and Frieze, Deborah, 2007. *How Large-Scale Change Really Happens: Working with Emergence*.
- Wheatley, Margaret and Kellner-Rogers, Myron, 1999. How do we measure and why? Questions about the uses of measurement. *Journal for Strategic Management Performance*, June.
- Whyte, Anne, 2004. *Human and Institutional Capacity Building Landscape Analysis of Donor Trends in International Development*, Report to the Rockefeller Foundation.
- Widell, Lennart. *Does SIDA Learn?* Stockholm: Widell Consulting AB.
www.widellcon.se/eng/sida.htm
- Wilson, James Q, 1989. *Bureaucracy: What Government Agencies Do and Why They Do It*. Basic Books.
- World Bank, 2005. *Capacity Building in Africa: An OED Evaluation of World Bank Support*. Washington: World Bank.
- World Bank, 2007. *World Bank Concept Note, Capacity Day 2007 on Leadership Development*. Washington: World Bank.
- World Bank Institute, 2007. *Leadership for Results: Leadership Development Programme in Lao PDR*. WBI presentation.
- World Bank, 1997 and 2004. *World Development Reports*. Washington: World Bank. Zachary, Pascal G., 2006. Closing the culture gap, *Stanford Social Innovation Review*, spring.
- Zimmerman, Brenda, 1998. *Edgework: Insights from Complexity Science for Health Care Leaders*. Createspace.

Capacity, Change and Performance

www.ecdpm.org/capacitystudy

Case studies

- Resilience and High Performance amidst Conflict, Epidemics and Extreme Poverty: The Lacor Hospital, northern Uganda* – Discussion Paper 57A (Volker Hauck, 2005)
- Developing Capacity for Participatory Development in the Context of Decentralisation: Takalar District, South Sulawesi Province, Indonesia* – Discussion Paper 57B (Anthony Land, 2005)
- COEP - Comitê de Entidades no Combate à Fome e pela Vida – Mobilising against Hunger and for Life: An Analysis of Capacity and Change in a Brazilian Network* – Discussion Paper 57C (John Saxby, 2005)
- Developing Capacity for Tax Administration: The Rwanda Revenue Authority* – Discussion Paper 57D (Anthony Land, 2005)
- Ringing the Church Bell: The Role of Churches in Governance and Public Performance in Papua New Guinea* – Discussion Paper 57E (Volker Hauck, Angela Mandie-Filer and Joe Bolger, 2005).
- Papua New Guinea's Health Sector: A Review of Capacity, Change and Performance issues* – Discussion Paper 57F (Joe Bolger, Angela Mandie-Filer and Volker Hauck, 2005)
- Capacity Building for Decentralised Education Service Delivery in Pakistan* – Discussion Paper 57G (David Watson and Adnan Q. Khan, 2005)
- Capacity Building for Decentralised Education Service Delivery in Ethiopia* – Discussion Paper 57H (David Watson and Lissane Yohannes, 2005)
- Capacity Building for Decentralised Education Service Delivery in Ethiopia and Pakistan: A comparative analysis* – Discussion Paper 57I (David Watson, 2005)
- Organising for Large-scale System Change: The Environmental Action (ENACT) programme, Jamaica* – Discussion Paper 57J (Peter Morgan, 2005)
- Building Capabilities for Performance: The Environment and Sustainable Development Unit (ESDU) of the Organisation of Eastern Caribbean States (OECS)* – Discussion Paper 57K (Peter Morgan, 2005)
- Networking Collaboratively: The Brazilian Observatório on Human Resources in Health* – Discussion Paper 57L (Francisco de Campos and Volker Hauck, 2005)
- The Growth of Capacity in IUCN in Asia* – Discussion Paper 57M, Anne Rademacher, 2005)
- The Philippines–Canada Local Government Support Program: A Case Study of Local Government Capacity Development in the Philippines* – Discussion Paper 57N (Agriteam Canada, 2006)
- Strategic Positioning and Trade-related Capacity Development: The case of CTPL and Russia* – Discussion Paper 57O (Phil Rourke, 2006)
- A Note on Capabilities that Contribute to the Success of NGOs* – Discussion Paper 57P (Niloy Banerjee, 2006)
- Building the Capacity for Managing Public Service Reform: The Tanzania Experience*, Discussion Paper 57Q (Peter Morgan and Heather Baser, 2006)
- National Action Committee Western Cape (NACWC), South Africa* – (Peter Morgan, 2006)

Thematic/reflection

- Organisational Legitimacy, Capacity and Capacity Development* – Discussion Paper 58A (Derick Brinkerhoff, 2006)
- Monitoring and Evaluation of Capacity and Capacity Development* – Discussion Paper 58B (David Watson, 2006)
- Networks and Capacity* – Discussion Paper 58C (Suzanne Taschereau and Joe Bolger, 2005)
- Capacity Development in Fragile States* – Discussion Paper 58D (Derick Brinkerhoff, 2007)
- A Balanced Approach to Monitoring and Evaluating Capacity and Performance: A Proposal for a Framework* – Discussion Paper 58E (Paul Engel, Niels Keijzer and Tony Land, 2007)
- The Idea and Practice of Systems Thinking and their Relevance for Capacity Development* – (Peter Morgan, 2005)
- The Concept of Capacity* (Peter Morgan, 2006)

Annex 1: Terms of reference

Rationale

The Network on good governance and capacity development (Govnet) of the DAC has a mandate from the DAC to produce lessons on good practice for the development community which is struggling with how to address capacity issues, particularly in the context of critical institutional and organisational weaknesses in developing countries. It is often these weaknesses which have resulted in rather poor performance in meeting the Millennium Development Goals and in making a serious improvement in poverty levels in developing countries.

With this in mind, the chair of the Govnet, Roger Wilson, asked the ECDPM to develop a proposal for a study which would try to understand the practical process of how capacity develops and the implications for donor programming, particularly at the operational level. This proposal builds on previous work such as that done on pooling of technical assistance and the UNDP study on Reforming of Technical Cooperation but identifies a specific niche – that of understanding how capacity develops and in turn what donors can do to encourage it. The Govnet has since integrated this study into its workplan and the ECDPM is moving ahead with it. In addition, other parts of the OECD are keen to see the results of the study in order to assist them in dealing with their mandates.

The *purposes* of the study are the following:

- To enhance understanding of the interrelationships amongst capacity, organisational change¹⁷⁸, and performance across a wide range of development experiences, and
- To provide general recommendations and tools to improve the effectiveness of the design and implementation of interventions, both endogenous and external, in support of improved capacities and performance.

The *products* of the study will be:

- A final report in two parts:
 - The presentation of findings coming out of the case work and the secondary research, focusing on the what, how and why of the capacity and performance improvement processes at the field level, and
 - The implications for practitioners and external interveners, including capacity assessment techniques, change strategies and improvements to the monitoring and evaluation of capacity and performance issues.
- Customized reports for particular groups (depending on availability of funding but respecting the principle that different audiences have different needs)
- A selection of case studies based on both desk and field research
- A compendium of tools and frameworks that have either been located or formulated during the course of the work.
- An extensive annotated list of resource materials including literature from three main sources:
 - The development cooperation literature on capacity issues, e.g., the UNDP study on Reforming Technical Cooperation
 - The overall development cooperation literature on institutional development and management

¹⁷⁸ Organisational refers to both the organization as a unit of analysis and to the type of activity (organisational as opposed to technical or financial performance).

- The global literature on management and organising, e.g., organisational design, core competencies and networks.
- One or more reinforced learning networks, engaged in generating and disseminating information on capacity issues, preferably based in low income countries
- One or more training modules depending on demand.

The study has a significant field component with emphasis on what has worked and why. This real life experience should provide concrete examples for practitioners and help them to think about new approaches and new strategies. The study thus differs from the UNDP work which is more focused on policy changes, specifically with regard to the use of technical assistance. The ECDPM and the UNDP are working closely on the study, including sharing some personnel. This will help to maximize knowledge sharing while avoiding overlap in activities.

Effectiveness and sustainability

Because the DAC study has broad support from the beginning, its stakeholders are likely to be supportive of the end product. Presently about 10 development organisations have indicated an interest in providing funding to the study, albeit sometime tied to their own cases. The donors range from members of the like-minded group to the Japanese and the Australians. This early buy-in helps to lay the ground for the final recommendations and encourage donors to implement them. In addition, it is expected that the study will lead to a DAC paper on good practice which will be a benchmark for the peer review process. This institutionalisation of the findings of the study will thus create an accountability mechanism.

Setting

The study focuses primarily on the local setting and on how capacity, organisational change and performance interlink at the macro, meso and macro levels. Unlike most donor funded activities, this study attempts to understand these processes from a local perspective. In addition, it is linking into local organisations and networks interested in having their stories told. This involvement of local people will create local dynamics of interest in the study and its findings and help to encourage application of the recommendations.

Target group

There are two broad audiences for the study:

- Field staff and other practitioners in the field including local organisations involved in development activities
- Western based staff in the headquarters of donors and other development organisations located in OECD countries

The ECDPM is surveying the needs of various audiences, particularly those of donors both from the perspective of field and headquarter operations, and will try to take these into account during the study. It will also adapt the final products to the different audiences, including, if required, to DGIS.

Counterparts/ Who does the study work with?

A key issue in choosing case studies will be a demand for the study from the field. All case studies must have interested contacts in the field who see benefits for their

organisation or organisations in having a case study done and to making their cases known. Their commitment and engagement will be critical not only to a good case study but also to how the case will be used subsequently. These uses may vary. The Eastern Caribbean Development Unit is, for example, presenting the case done under the DAC study to its board to support and justify its programmes. The Dutch Embassy in Bolivia has indicated an interest in working on a case study on public service reform as a means of rekindling interest in a stalled process.

The ECDPM will maintain links with these field contacts throughout the study and encourage them to form an international network for discussion and interchange. They will have access to the website set up by ECDPM to keep stakeholders informed of activities and of documents in progress. The case studies will be posted on this website as they are completed and will thus provide ideas for discussion within the group. The ECDPM will invite these contacts to the final meeting of the study and advisory groups where they will participate in the formulation of the recommendations coming out of the study. They will also have an opportunity to comment on the final report.

Other factors in choosing case studies include

- level: non-profit, private sector or public sector
- organisational versus inter-organisational
- geographical location.

Annex 2: The case studies

1. *Developing Capacity for Participatory Development in the Context of Decentralisation – South Sulawesi, Indonesia*

This case study examines how Takalar district in the Indonesian province of South Sulawesi took up the challenge of tackling rural poverty through the introduction of participatory development and community empowerment methodologies. The case looks at the range of capacities that were required of various local stakeholders (local government officials, non-governmental organisations and the communities at large), examines the processes through which the district, in partnership with JICA, undertook to develop these capacities, and discusses the broader socio-political challenges encountered in sustaining interest in and the capacity for participatory development against the wider background of political and administrative decentralisation.

Between 1997-2002, Takalar district and JICA introduced a model of participatory development known as 'SISDUK'. Influenced by a Japanese participatory development planning concept, it recognises that all communities possess indigenous capabilities and resources that can be mobilised to address development needs. Rather than providing goods and services to communities as passive recipients, SISDUK seeks to mobilise community groups to help themselves by adopting a capacity development approach aimed at empowerment and facilitating local (village) institutions. SISDUK is both a programme facility offering small grants to stimulate community development initiatives, and a development concept that challenges conventional ways of tackling local development.

Much like other participatory development methodologies it offers an alternative model of local development. In the Indonesian context, the notion of participatory development is particularly challenging as it demands a significant shift in the way government works and in the way it sees its relationship with other stakeholders. Inevitably, many capacity challenges arise, but perhaps most prominent is the issue of influencing attitude, or mindsets.

JICA assistance to SISDUK came to a close in 2002. Two years on, SISDUK remains in place, backed up by a local government regulation and financed through the local government's own budget. Senior management talk enthusiastically about SISDUK and of the contribution it has made to local development and decentralisation. At the provincial level, training and promotion work continues to be provided. Some eight districts have shown interest in the Takalar experience and are considering doing something similar in their own localities. Yet despite the achievements SISDUK has changed in fundamental ways. Key elements of the participatory development system are no longer being practiced as intended, while many of the capabilities developed are no longer actively used. The story of SISDUK is therefore as much about the dissemination and sustaining of novel ideas and the inculcation of a different model of development as it is about developing specific capabilities.

2. *Developing Capacity for Tax Administration – The Rwanda Revenue Authority*

In November 1997, the Rwandan transitional parliament passed a law establishing the Rwanda Revenue Authority (RRA) as a body corporate charged with administering the collection of taxes and customs and excise duties on behalf of government. The establishment of the RRA marked the beginning of a remarkable process of

organisational development, which has seen the transformation of the government's capacity to manage revenue collection. In just six years, the RRA has become a performing and respected institution that has helped increase domestic revenue generation from 9.5% to 13% of GDP. This is in stark contrast to the situation prior to the creation of RRA. Revenue collection had been the responsibility of a department within the Ministry of Finance that was characterised as incompetent, inefficient and corrupt.

This case study looks at the first six years of the RRA and identifies the factors that contributed to its remarkable achievements. What has transformed it into a performing and respected institution? What have been the factors driving change? How important has capacity development been to this record of achievement? How has external assistance facilitated the process of transformation?

The organisation's spectacular achievements have taken place against the background of a country emerging from trauma. After more than 30 years of state division, ethnic conflict and growing economic malaise, the RRA was born into an environment that could best be described as hostile. The civil war and genocide had left one million people dead and nearly three million refugees in exile, the fabric of society had been torn apart, the state and economy had collapsed and infrastructure destroyed. In 1997, the Rwandan state was still in a process of reconstruction but had begun to move to the point where longer-term development issues could begin to be contemplated alongside the ongoing need to deal with issues of regional insecurity as well as social and political fragility within its borders.

Today, it is clear that the government has succeeded in galvanising a societal drive to pick itself up and to work towards becoming a prosperous, secure and confident society. There seems to be a strong desire to succeed and to prove that the country can re-emerge from the depths of crisis. The drive to perform and the eagerness to succeed are all-pervasive and go a long way to compensate for the shortages in capacity that the country faces. The Rwandan government had also been able to mobilise the support of sections of the international community that had pledged support to rebuild the country. Together with its external partners, it has set out an agenda to create a united Rwandan people sharing common identity and goals. At the heart of this agenda is the fight against poverty and the creation of a democratic and inclusive political dispensation.

3. Resilience and High Performance amidst conflict, epidemics and extreme poverty – the Lacor Hospital, Uganda

St Mary's Hospital, known locally as the Lacor Hospital, in Gulu district of Northern Uganda, formerly an isolated Catholic missionary hospital, is now fully integrated into the Ugandan health system, and is a leading provider of hospital-based health care in the country.

The case study draws attention to the factors that have played a role in shaping the hospital's capability to perform effectively in an environment characterised by conflict, epidemics and extreme poverty. It describes how the hospital has over forty years grown into a centre of excellence, setting an example for the rest of the health system and helping to build health care capacity for the whole country. With 474 beds, Lacor is the second largest medical centre in Uganda. It is an extraordinary example of capacity development, adaptation and performance in a region characterised by an 18-year civil war, extreme poverty and outbreaks of virulent epidemics including the Ebola virus.

The Italian Dr Piero Corti and his Canadian wife, Dr Lucille Teasdale, began to build up the Lacor hospital in the early 1960s. Dr Corti formulated a clear objective for the

hospital: to offer the best possible service to the largest possible number of people at the lowest possible cost. Dr Teasdale imprinted on the staff an attitude of care and love for the patients. Their tireless dedication and hard work set an example for the staff and developed into a value system that still guides the hospital.

The 1990s marked a watershed in the organisation's development. It had to adapt from being an externally funded missionary hospital, following its own systems and procedures, into a private not-for-profit health provider integrated into the health system, partially funded by the Ministry of Health. The 1990s were also characterised by the continuing civil war and extreme poverty in the northern districts. Moreover, the outbreak of Ebola in 2000 had a devastating effect on the organisation and nearly destroyed it. When the epidemic hit the region, there were 393 confirmed cases with 193 deaths. At the hospital, 150 cases were confirmed, of which 52% died. Among the hospital's 100 volunteer staff, 12 died, including Dr Matthew Lukwiya, a brilliant medical specialist who had been earmarked as the future director of the hospital. Despite these challenges, the hospital has continued to flourish and to enjoy the respect and admiration of local, national and international stakeholders. However it has reached a critical stage in its organisational evolution where it has recognised the need to reflect carefully on its future trajectory and on its role within the larger Ugandan health care system. To this end, the hospital recently prepared a five year strategic plan formulated through active engagement with its stakeholders.

4. Papua New Guinea's Health Sector – A Review of Capacity, Change and Performance Issues

This case study examines the reform process in PNG's health sector from a capacity development perspective. It addresses a number of factors influencing capacity development, change and performance in the sector, including issues internal to the National Department of Health (NDoH), capacity issues at sub-national levels, the institutional 'rules of the game' that guide attitudes, behaviour and relationships in the PNG context and in the emerging health SWAp, and broader contextual factors. The study takes the health sector as the main unit of analysis, but with significant regard to NDoH given its central role in planning, standards and setting overall policy direction. The report highlights how the different levels of PNG's broader 'capacity system' are interdependent, with constraints and opportunities at one level influencing possibilities at the other levels.

The Health Sector is presently guided by the fifth National Health Plan – *Health Vision 2010* – which aims to 'improve the health of all (5.3 million) Papua New Guineans, through the development of a health system that is responsive, effective, affordable, and accessible to the majority of our people'. Specific priorities include increased services to the rural majority (85% of the population), many of whom presently do not have access to basic health services.

The government of Papua New Guinea and the donor community are moving towards a sector-wide approach (SWAp) to health reform, consistent with international development cooperation trends. AusAID and the Asian Development Bank have been the major contributors to the SWAp. However, despite significant investments in the sector in recent years, the health of Papua New Guineans is 'at best plateauing' and a number of health indicators are actually declining.

The report contends that while PNG has a fundamentally sound national health policy, implementation has fallen short of the mark. Relying on a capacity development lens, the report explores some of the reasons why NDoH has been 'successful' in policy

development, but less so in policy implementation. It suggests that PNG's policy development strengths are rooted in the experience and commitment of senior actors in the sector and are buttressed by a broad consensus in PNG on the importance of health services. Shortcomings in implementation are attributed to a number of factors, some of which are internal to the sector, including management issues, relationships, financing arrangements, the skills of health practitioners, and external factors, such as the institutional rules which affect the behaviour of sector stakeholders. Despite the implementation challenges, the team noted a number of 'success stories' which have emerged.

Capacity Insights

Developing Capacity For Participatory Development In The Context Of Decentralisation – South Sulawesi, Indonesia	Developing Capacity for Tax Administration – The Rwanda Revenue Authority	Resilience and High Performance amidst conflict, epidemics and extreme poverty – Lacor Hospital, Uganda	Papua New Guinea’s Health Sector – A Review of capacity, change and performance issues
<ul style="list-style-type: none"> The external agency JICA played a key role as a facilitator of change offering a protected space for innovation and learning and for forging collaborative relationships between local actors. The case highlights the challenges of introducing participatory development approaches into a bureaucratic and hierarchical environment and the need to provide appropriate incentives for different stakeholders to embrace change. The case also draws attention to the influence of broader institutional change processes as well as the legacy of the country’s political economy on creating and closing opportunities for change. 	<ul style="list-style-type: none"> The case highlights the contribution of both internal and external factors in driving and sustaining RRAs transformation. Leadership played a critical role in setting a vision, driving the change process, and galvanising a shared sense of organisational purpose and loyalty among staff. ‘Soft’ capabilities emerged along side the more familiar ‘hard’ capabilities as critical to organisational performance in terms of learning, managing change and engaging with the external environment. External assistance played a critical role in accompanying the change process working in an iterative and pragmatic manner. With time, a frank and open relationship developed between the partners. 	<ul style="list-style-type: none"> The case provides an example of an evolving and endogenous process of capacity development that followed an implicit rather than explicit change strategy. While external support has been significant in financial and technical resources terms, it has never been intrusive, nor has it led the process. The case highlights how the hospital nurtured a set of core capabilities that enabled it to learn to adapt to an ever changing environment, to nurture and safeguard a set of core values and to maintain the highest levels of service delivery. Crucial to the entire process has been the progressive transfer of visionary leadership from the hospital’s founders to a new generation of committed health workers, as well as a willingness to interact with the wider health care system. 	<ul style="list-style-type: none"> The case illustrates how the ability of individual organisations to develop their own capacity is determined in part by their relationships and the roles they play within complex networks and systems. While the external environment is generally not conducive to sustained capacity development, important achievements have been recorded which can be attributed to the attitudes and skills of managers in dealing with contextual variables as well as the ability of organisations to isolate themselves from dysfunctions in the broader system. The case demonstrates the value of using a systems perspective to help understand complex capacity issues.

5. *The Role of Churches in Governance and Public Performance – Papua New Guinea*

This case examines the role of Christian churches as institutional actors within Papua New Guinea's governance and service delivery landscape. It considers their capacity to engage in advocacy and policy related work, as well as to function as a partner of government in the delivery of social services. In so doing, it looks at the interplay of endogenous change processes and the development of capabilities to see how these have translated into the performance of various church-based institutions and the capacity of the church sector as a whole. The positioning of Christian churches as a significant player within the PNG institutional landscape needs to be understood in the context of the role of traditional institutions in PNG society and the struggle of the formal state to establish legitimacy at the local level.

The community of Christian churches in Papua New Guinea (PNG) is very diverse, ranging from mainstream churches, such as the Catholic, Lutheran and United Churches, to others with smaller congregations, such as the Baptists and Anglicans. The Seventh Day Adventists form an important church community in PNG, and there has been an increase in the number of Pentecostal and Evangelical churches across the country. In total, PNG has approximately 150 different missions, sects and free churches. These church groups entered PNG in several waves since the late 19th century, and an estimated 99% of the population now identify themselves as Christians. While PNG has had relatively long contact with various church groups, some remote communities had no contact with the 'outside world' as late as the 1950s.

There is a widespread recognition that the churches play a very important role in PNG society. Collectively, they provide about half of the country's health services and – in partnership with government – co-manage some 40% of the primary and secondary education facilities. Churches also run two of the country's six universities and are responsible for training many of the country's teachers and health workers. A number of church groups are also involved in peace and reconciliation activities in areas experiencing tribal or other types of conflict, while others speak out on the governance situation and the lack of basic government services in parts of the country.

The churches are seen as having made a significant contribution to development and modernisation, and the introduction of values and morals which are now recognised in the country's Constitution. They have deep roots in PNG's diverse communities and can draw upon considerable social capital to influence change processes at various levels. Many of the country's leaders have been trained in church institutions and continue to play a prominent role in shaping PNG society. However, there are some who believe that religious organisations have also contributed to the decline of PNG's traditional cultural practices and values.

6. *COEP – Mobilising against hunger and for life – An Analysis of capacity and change in a Brazilian network*

This case examines a Brazilian social solidarity network, COEP (the Committee of Entities in the Struggle against Hunger and a Full Life) through the lens of organisational and social capacity and change. COEP is committed to building a just and inclusive society for all Brazilians, one without hunger and poverty. Its members include government agencies, parastatals and organisations from the private sector and civil society. COEP is in fact a network of networks, active federally, in all of Brazil's 27 states, and now also at the municipal level. Its strategies include

encouraging its members to support and participate in development projects to combat poverty, organising campaigns to mobilise public and institutional resources to end poverty, and promoting cooperation among its affiliates in their development work and campaigns.

The COEP experience is of interest to the wider study for several reasons.

- It is uniquely Brazilian, part of that country's renewed democracy and of the broad social movement against hunger. Created by Brazilian initiative, COEP has been sustained by Brazilian resources.
- It is an intriguing hybrid - a voluntary nationwide network that embodies many aspects of a civil society organisation, but which operates in the border area between the state, the parastatal sector, private business and civil society.
- It is engaged with the paramount development issues of the day, mobilising citizens and organisations to work to end poverty and for social justice. It commands legitimacy as a development actor, legitimacy that helps to keep these issues on the public agenda.

Against the background of Brazil's recent socio-economic and political evolution, the case examines how the network has evolved and identifies the capabilities that have enabled it to become a thriving and dynamic network active throughout the country. COEP's trajectory over its first decade was remarkable by any standards. From improbable beginnings in 1993, it has grown to include more than 800 organisations. At critical junctures along the way, it has shown considerable resourcefulness and creativity, drawing on its substantial internal resources to respond to the dynamics of a changing environment and its own membership. Four elements stand out:

- COEP's strong self-definition: the core values, principles and purposes of the network were clear from the beginning, and have remained constant.
- The network has had creative leadership with strong legitimacy and a capability for strategic thinking.
- The network has created effective structures for governance and management, well suited to its changing circumstances and profile.
- COEP has managed a dramatic growth in numbers and geographic scope to become a nationwide organisation.

7. Capacity Building for Decentralised Education Service Delivery – Ethiopia

This study is one of two that examines capacity building for decentralised education service delivery. It explores the recent experiences of Ethiopia in reforming the education sector since 1997 against the background of a broader devolution process which began in earnest in 2001. The study examines the institutional environment and broader governance context and identifies factors that have both facilitated and constrained the development of capacity across the sector from the classroom level to the policy making level. It also looks at the role of external partners in supporting the reform process.

Ethiopia is a low-income country with a GNP per capita of only \$100 in 2002, and a Human Development Index ranking of 169 out of 175 countries. Almost 40% of the population are illiterate and only 24% of pupils complete primary school education. For the present government, which came to power in 1991 after 16 years of bloody civil war, education is now a national development priority: nearly 14% of government budget is allocated to it. The Education Sector Development Programme (ESDP) was introduced in 1997 as a vehicle for implementing the 1994 education policy, which envisaged universal primary education by 2015.

The devolution of service delivery was included in the 1995 Constitution, which provides an unusual degree of autonomy to Ethiopia's 11 regional states. In 1999-2000, however, studies by the World Bank depicted an administration more akin to deconcentration below the regional level. Regional state governments tended to dominate service delivery at the *woreda* and kebele levels. After a crisis within the ruling party (EPRDF), which culminated in a policy 'renewal' in 2001, more genuine devolution took place. Full discretion was given to elected *woreda* councils to allocate unconditional grants from regional state treasuries (initially in the four largest regions).

The federal government was reorganised in 2001. An Office for the Coordination of Capacity Building (soon converted into a ministry) was established to initiate capacity building policies, to design and implement related programmes in support of the regions, and to coordinate other related organs of government, including the Ministry of Education. A national capacity building strategy was also developed as part of the Civil Service Reform Programme launched in 1998, and a plan for implementing it was put in place to be led by the newly created Ministry of Capacity Building. The strategy's three elements - human capacity, systems and procedures, and organisational structures and interrelationships - are based on the understanding that the country will only achieve its goals if it can coordinate the use of its human resources, institutional capacity and the procedures to carry out these tasks.

8. Capacity Building for Decentralised Education Service Delivery – Pakistan

This study is one of two that examines capacity building for decentralised education service delivery. The study explores recent experiences in the Punjab to strengthen capacity and performance of the education sector. It examines the institutional environment and broader governance context within which institutional reform and capacity development is taking place and identifies factors that have both facilitated and constrained the development of capacity across the sector from the classroom to the policy making level. It also looks at the role of external partners in supporting the reform process.

Pakistan is classified by the World Bank as a low-income country with a GNP per capita of \$410, and a Human Development Index ranking of 144 out of 175 countries. It spends only 1.8% of GDP on education (1998-2000), which amounts to 7.8% of the government budget. The average literacy rate is 44%, but this disguises the fact that only half as many women are literate as men. The primary school completion rate is 59%, but the female enrolment rate is only 74% of that of boys, and much lower in rural areas. Overall, it is one of the world's worst performing countries in terms of education coverage and outcomes. As a result of state neglect of education, the private sector has filled the gap. The eventual emergence of education as a national priority has to be seen against this backdrop of neglect, which has resulted in chronic infrastructure shortages, and the low status of teaching as a profession. In Pakistan's political environment (where patronage is significant), politicians have preferred development schemes such as roads, electricity or water supplies, which have shorter payback times than education, and building new schools rather than improving existing ones. Political influence has been disruptive: new schools are sited in politically advantageous but educationally inefficient or irrelevant locations, and teachers are transferred as political favours.

Devolution in Pakistan has a long history, dating back to the mid-19th century in what was then colonial British India. Up to partition in 1947, the British granted local governments only very circumscribed functions. They were headed by an all-powerful

deputy commissioner even after Independence. There is some evidence that their elected members were used to legitimise the 'essentially unitary' 1962 Constitutional arrangements or to build constituencies for the military. Non-party local electoral arrangements resulted in the localisation and personalisation of politics at local level. When provincial assemblies were revived in 1985 they were dominated by local politicians. Indirectly elected provincial ministers - faced with non-party constituencies - therefore started to use development funds to increase their chances of re-election. The continued lack of political ownership of local government has led, among other things, to a tendency for discretionary development programmes to be controlled by upper levels of government. Tensions between provincial and local tiers of government led to the suspension of local bodies from 1993 to 1998.

Capacity Insights

The Role of Churches in Governance and Public Sector Performance – Papua New Guinea	Mobilising against hunger and for life – An Analysis of capacity and change in a Brazilian network – COEP	Capacity Building for Decentralised Education Service Delivery – Ethiopia	Capacity Building for Decentralised Education Service Delivery – Pakistan
<ul style="list-style-type: none"> • Drawing on a conceptual model of community level social capital and networks, the case identifies four core capabilities that have emerged across the church sector: <ul style="list-style-type: none"> ○ bonding, ○ bridging ○ linking, and ○ the use of space. • These capabilities have contributed to the church community's collective ability to engage in governance work. • Six factors triggered the process of change and the emergence of key capabilities: <ul style="list-style-type: none"> ○ leadership, ○ religious interpretations (value), ○ a shared conceptual base and faith-based mandate, appropriate communication channel, ○ legitimacy through resilience, knowledge and service delivery, and ○ intermediary structures and organisations. 	<ul style="list-style-type: none"> • Critical forces that have allowed capabilities to emerge within COEP are to be found within its internal resources, both intangible and material. Three critical factors reinforced each other: <ul style="list-style-type: none"> ○ COEP benefited from creative leadership that enjoyed substantial legitimacy within the network and beyond; ○ It demonstrated a sustained capability for strategic thinking and change, continuously renewing itself while maintaining its character and principles; and ○ It benefited from the commitment of its institutional members and even more the passion, ideas and energy that the people of COEP bring to their work. 	<ul style="list-style-type: none"> • Contextual factors have been generally favourable in promoting capacity development: - a policy commitment to devolution; improved conditions within the public service especially at the local level and local accountability systems that work. Communities also make large contributions to education, creating strong ownership at community level. • At the same time, there are major challenges at all levels, with indications of capacity constraints, functional overload and detachment from local realities at the federal level, particularly in the Ministry of Education. • Economic deprivation and severe resource constraints also impinge negatively on key capacities, and especially on the number of teachers that the country can afford. • The study concludes that the 'balance sheet' regarding donor engagement in capacity development of the sector has positive (capacity enhancing) and negative (capacity draining) features. 	<ul style="list-style-type: none"> • Contextual factors have been unfavourable in facilitating capacity development: the bureaucracy is largely self-interested while representative democracy is dysfunctional in part because of collusion with the bureaucracy. Together, these pose formidable obstacles to improving performance. • The government faces a real capacity building dilemma. There is an urgent need for effective and rapid development of capacities. However, there are severe constraints on enhancing capacities to design and deliver programmes that will induce sustained behaviour change and more effective organisational performance. • There appears to be little experience among key players of systematic training and organisational development. In addition, little learning about capacity building is taking place (about what works, what doesn't and why).

9. Building Capabilities for Performance – The OECS/ESDU Case

This case looks at the experience of the Environment and Sustainable Development Unit (ESDU) of the Organisation of Eastern Caribbean States (OECS) located in St. Lucia, the Caribbean. The unit, originally conceived as the regional implementing arm for projects funded by the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) at the beginning of the 1990s, has since become integrated into the OECS where it performs a facilitating and bridging function on environmental matters in response to the needs of OECS Member States.

The study tries to explain ESDU's effectiveness in enhancing its organisational capabilities for performance over the period 1996-2003 with specific reference to the external context, the stakeholders, the internal features and resources, capacities, endogenous change and adaptation, external intervention and performance. It is based on and supported by research carried out at the ESDU office in St Lucia in February 2003.

ESDU is a story of organisational transformation, and what it takes to get there. Changes implemented over the period under study include the organisation's mandate, management style, and structure. The results were enhanced performance, improved service output, better staff satisfaction and higher credibility amongst stakeholders. At first glance the ESDU experience might seem to be of only moderate interest. It is a tiny unit within the OECS, with only 13 permanent staff and a simple organisational structure. It has been adequately financed by donors. It does not have to contend with many of the usual organisational dysfunctions facing many development organisations such as perverse incentives, politicisation and conflicting roles. But a deeper look reveals the ESDU case as a rich microcosm of insights and strategies with respect to capabilities for performance. In particular, the ESDU experience shows in some detail the imagination, effort, thought, discipline and staying power - in short, the purposeful organisational investment - that must be made in any serious effort to make things better.

The lessons of the ESDU case need to be assessed cautiously. All the dangers of the current interest with best practices are present. ESDU was, and is, a very particular organisational unit with special advantages that do not apply to most organisations. It was a small unit with few of the internal organisational pathologies that show up in much larger organisations. It was able to develop a clear mandate and set of beneficiaries. It had access to adequate resources. It did not face internal battles over the choice of its emerging capabilities. Collective approaches were obviously much easier in such a small organisation. ESDU was in a good situation and proceeded to make it better.

10. Organising for Large Scale System Change – the Case of ENACT in Jamaica

This case looks at the Environmental Action (ENACT) Programme, a collaboration between Jamaica's National Conservation Resources Agency and the Canadian International Development Agency. ENACT's mandate was to work with Jamaican public, private and non-profit organisations to improve their capabilities to identify and solve national environmental problems. Programme design began in 1990 but field activities only got under way in 1994. It took until 1999, to put in places all the pieces to make ENACT a high-performing support unit of the National Environment and Planning Agency (NEPA). ENACT did not work in conventional ways to develop capacity, nor was it guided by a set of pre-conceived project activities. Instead it

sought to respond to emerging demands and to reinforce existing initiatives driven by local organisations through a variety of means.

Due to the complexities of the experience of the ENACT programme, this case contains within it a number of themes that are instructive in their own right and that can be summarised as follows:

- The wider Jamaican context and its influence on the ENACT programme. Despite its comparatively small size, Jamaica has had a dramatic history leading to a country of contrasts and paradoxes. Part of the challenge facing the ENACT programme was to create the right 'fit' between this context and its strategies for enhancing capabilities and performance.
- The growth and development of the ENACT programme unit. Specifically, it examines how the four main participating groups - NEPA, CIDA, the Canadian executing agency and the ENACT field team - collaborated over time to make the unit effective. The focus of this case is therefore limited to what was perceived to be its comparative advantage, namely, process issues in support of large-scale system change.
- The strategies for capacity development chosen by the ENACT programme over the period 1996-2004 to improve the capabilities and performance of its Jamaican stakeholders and partners, and why these choices were made.

The ENACT programme is also a case study of a donor - in this case the Canadian International Development Agency - searching for the most appropriate way to interact with a complex programme to try to build capabilities and performance. By their very nature, such interventions have uncertain methodologies and hard-to-measure outcomes. Balancing a clear vision and improvisation is usually difficult. The case shows that CIDA addressed, mostly effectively, three key questions: How should such a programme be designed? How could CIDA help to manage such a programme in order to meet its own accountability requirements? How should a bilateral donor support such a programme to achieve results?

11. Networking Collaboratively – The Brazilian Observatório on Human Resources in Health

This case explores the evolution of the Brazilian Observatório on Human Resources in Health - a network of university institutes, research centres and one federal office, consisting today of some 13 network 'nodes' or 'workstations', which are coordinated via a secretariat consisting of staff members of the Ministry of Health and the Brasilia office of the Pan-American Health Organization (PAHO).

This case sheds light on the creation and sustenance of capacity and capabilities in the context of networks. It provides insights on what capabilities are needed to make networking function and how capacity created in the context of networks leads to performance. It traces the way in which the network has grown into being a significant actor in the health sector and examines the discrete but crucial role that external partners played in supporting the development of the Observatório.

The idea for a formal network on human resources for the health sector came to Brazil in 1998 as part of a PAHO initiative to improve human resources policymaking throughout Latin America. At that time, policy for human resources planning, development and management in the health sector had become a key concern in various Latin-American countries. Earlier networking experiences among several health institutes from as early as the 1970s provided a foundation for the Observatório's implementation in Brazil. A year later, in 1999, the Ministry of Health

legally recognised it as a mechanism to exchange information with which to inform policy and develop, regulate and manage human resources in the health sector. But the network was not created from zero. A long history of multiple processes shaped the cooperation arrangement. Many of these processes have internal roots and were driven by the motivation and commitment of individual network members. But there have also been moments when external support and intellectual inputs proved crucial to the network's flowering. The PAHO has been particularly instrumental, as it has facilitated, balanced and stimulated interchanges among actors through its long-term presence in the country.

The Observatório is nationally and internationally recognised as a unique and successful case of state-non-state interaction in health. The network has produced a substantial amount of valuable information and analyses from its productive interplay between Brazil's Ministry of Health, PAHO and the network working stations, as well as from intense horizontal cooperation between network members. Most of these members are active in other health networks as well, which has created an environment in which intense exchanges and collaboration on issues in public health have been initiated and developed.

12. The Growth of Capacity by IUCN in Asia

This study explores the growth of capacity in IUCN in Asia over the period from its inception in 1995 to early 2005, with the aim of broadly assessing how capacity was built, maintained and strengthened over that period. This regional component of IUCN-the World Conservation Union employs 445 staff members who work in partnership with 136 governmental and non-governmental members to focus on the conservation and rehabilitation of landscapes, ecosystems, habitats and species in Asia. In the process, IUCN in Asia aims to promote sustainable natural resource management and equitable, sustainable livelihoods within and among nations, communities and gender groups.

In the first several decades of its existence, the management of the global IUCN programme was highly centralised. The effort to create an Asia Regional Programme followed a global directive to decentralise and regionalise that was issued in the mid-1990s. A regionalised IUCN was expected to be more responsive to its membership, more financially sound and sustainable, and more likely to realise IUCN's overarching goals through regionally sensitive approaches.

The 23 countries of Asia present specific challenges and opportunities to an organisation like IUCN. The political, cultural and ecological complexity of the region creates a highly specific context in which managers worked to build an Asia Regional Programme within IUCN. This case recounts, largely in their own words, senior managers' descriptions of the process of forming a regional manifestation of IUCN. It reviews the kinds of managerial thinking and approaches that went into creating the regional programme, and highlights a strategy for change that combined formal, documented plans with a parallel process of highly flexible daily management practice.

The study examines how informants characterised the role of leadership, collective strategic thinking, and an established base country programme as they reflected on the rapid growth of capacity in IUCN in Asia. It pays particular attention to the cultivation of regional coherence, describing the key principles and structures through which capacity and coherence were encouraged. These include the Asia Working Group / Asia Regional Directorate, the practice of

co-location, the establishment of unique positions, the use of information-sharing networks, and an ongoing process of reassessment and change that continues at this writing.

While certain aspects of the trajectory of capacity development in IUCN in Asia resemble that of many private transnational organisations, there is a uniqueness to IUCN in Asia's management culture and commitment that defies quick categorisation, and instead is best represented through the extended quotations presented in this report.

Capacity Insights

Building Capabilities for Performance – The OECS/ESDU Case	Organising for Large Scale System Change – the Case of ENACT in Jamaica	Networking Collaboratively – The Brazilian Observatório on Human Resources in Health	The Growth of Capacity by IUCN in Asia
<ul style="list-style-type: none"> • The ESDU case is an example of organisational transformation, and what it takes to get there. • The strategies used by ESDU included: taking ownership of the organisation; crafting its role and contribution within the broader system of environmental protection in the eastern Caribbean; aligning the direction and design of the organisation; recruiting and developing staff; creating a collective, team-based approach to its work; finding the right leadership style; and learning how to learn collectively. • Driven by strong leadership, committed staff, and external partners willing to give the organisation space to develop, these actions helped generate an upward spiral of capabilities and performance. 	<ul style="list-style-type: none"> • ENACT’s capacity development strategy combined four elements: a process approach based on responsive entrepreneurship, working across a wide spectrum of capacity development initiative, working with a wide variety of stakeholders and partners, and working at a variety of levels. • The programme generated its effectiveness by achieving ‘fit’ both internally and with the conditions and demands of the surrounding environment. • The case illustrates how a donor can play a facilitating role by adopting a hands-off approach, and by giving time and space to ENACT and its partners to develop an appropriate intervention strategy. 	<ul style="list-style-type: none"> • The case provides insights on the capabilities needed to make a network function. These included a mix of technical, internal, external and so-called ‘soft’, or generative capabilities. • These capabilities emerged incrementally with some having their roots three to four decades before the network was recognised by law. • These capabilities were progressively shaped, connected, structured and nurtured. The process was not orchestrated, but accompanied, facilitated and stimulated by a number of personalities from within Brazil as well as from abroad. • The case also highlights the role of motivation and group learning in transforming capacity into performance. 	<ul style="list-style-type: none"> • This case offers an example of a successful transnational nonprofit organization in which a strong sense of purpose and commitment unites managers and staff across the region. • Although complexity and dynamism characterize the context in which they work, a combination of specific organizational characteristics and ongoing management efforts have allowed the IUCN to rapidly develop capacity. • Factors that have contributed include: <ul style="list-style-type: none"> ○ an interconnected process of ongoing assessment and change, ○ a strategy for change that combines formal, documented plans with a parallel process of highly flexible daily management practice, and ○ strong leadership but also capable ‘followership.’

13. Strategic positioning and trade-related capacity development: The case of CPTL and Russia

Membership in the World Trade Organization (WTO) has its privileges: increased and more predictable access to international markets for domestic goods and services, a dispute settlement mechanism to assist in resolving commercial conflicts, and international recognition as a member of a key multilateral institution. WTO membership also has its obligations: increased exposure of the domestic market to international competition, government responsibility to implement and enforce domestic economic reform commitments made at the negotiating table, and government participation in the evolution of the WTO and its agreements.

Countries large and small consider membership in the World Trade Organization (WTO) as part of a long-term strategy of domestic economic reform and greater openness to the international economy. International donors, therefore, have an interest in providing technical assistance because WTO membership promotes economic reform and further engagement of these countries in the international system. International donors also have an interest in providing long-term trade-related capacity development (TRCD) assistance to equip local experts and institutions with the knowledge and tools for effective implementation and enforcement of WTO obligations.

The question from a capacity development perspective is: what is the best strategy for combining short-term technical support and longer-term capacity development assistance to promote a sustainable TRCD approach in a particular country? This paper examines the effectiveness of a ten-year strategy adopted by the Canada-based Centre for Trade Policy and Law (CTPL), the Canadian International Development Agency (CIDA), the Russian government, and local partners to develop a critical mass of experts within and outside government structures to support the short- and long-term interests of Russia as a member of the WTO.

The case demonstrates that the linkages between strategic positioning, capabilities development, and performance are clear, direct and mutually reinforcing. Strategic positioning of a donor-sponsored effort, for example, provides programming space and time for the internal capabilities of partner organisations to develop and take advantage of donor interventions in the areas of training, technical support and expert advice. As individual expertise and institutional capabilities develop, the relative position of these experts and institutions in the market for trade-related services improves and therefore helps to create the kinds of incentives that raise productivity, efficiency and performance within partner organisations over time.

The case study was written by the programme director who approached the assignment as a participant, observer and evaluator. The analysis is based on an examination of the decisions made, interactions with and between different organisations and individuals involved in the project, and extensive interviews with key players.

14. Building the capacity for managing public sector reform: The Tanzania experience

This case study is about how a country - Tanzania - went about building its capacity to manage a complex process of institutional and organisational change. It is not intended as an analysis of the outcomes and impacts of the overall Public Service Reform Programme (PSRP). Instead, the case study concentrates on the topic of

capacity development for change management within the public sector. The main focus of analysis is thus on the work of the Public Service Management (PSM) unit within the President's Office (PO-PSM) as a change manager within the public service rather than the PSRP as a programme.

The Public Service Management (PO-PSM) unit initially functioned as a project implementation unit set up to manage public service reform as a conventional aid project. It was subsequently converted into an established part of government and expanded in size. The reform process was carefully designed to balance this connectedness with Government through tight connection to processes and networks while providing operating space through some freedom of action.

The Government of Tanzania has been going through various stages of public sector reform with the help of DFID, the World Bank and some other bilaterals, since the early 1990s and is seen to have made more progress than many other countries. It has also made genuine progress in building its own capacity to design and manage reform. The case looks at how and why this has happened, with an emphasis on the efforts of the Tanzanians involved. While the contributions of international funding agencies such as DFID and the World Bank were crucial to the progress of the work in terms of the provision of advice and financial support, they were not determinant. Capacity emerges. It is not delivered or transferred. National participants make or break capacity development in all cases.

In general, public service reform has more traction in Tanzania than in many other countries. The actions of government officials have been broadly supportive and the Tanzanian governing elite appears convinced about the need to embrace globalisation as a key part of any national development strategy. In addition, Tanzania has gone a considerable distance to depoliticise its policy making and to create space for ministries and departments to craft and manage reform programmes with politicians supplying general oversight.

The Government of Tanzania positioned the Public Service Reform Programme (PSRP) in the mainstream of global public sector reform. In the late 1990s, the Government, with enthusiastic international support, opted for the wholesale adoption of a set of reform measures collectively known as the 'new public management' (NPB), much of which was being applied internationally under the sponsorship of agencies such as the World Bank and DFID. This preference for foreign models had implications in terms of the transfer of organisational practices, absorptive capacity and a heavy reliance on technical assistance.

15. The National Action Committee Western Cape (NACWC) and technical education in South Africa

In the period 1994-6, a group of non-profit organisations with support from Danida sought to introduce a 'new institutional form' or model for technical education that would contribute to reforming the post Apartheid public sector of South Africa from the outside. The failure of their attempts was largely related to their lack of understanding of wider system constraints, particularly the capability and willingness of the public sector to absorb changes in the short term. There was a dilemma of balance and timing: not enough innovation leads to stagnation but too much scares supporters.

16. Local Government Support Programme: A case study of local government capacity development in the Philippines

The Philippines has made significant progress in decentralisation and democratisation over the past decade. Its devolution legislation and local government system are frequently studied by other Asian countries as a model for decentralisation. However, the process has not been without challenges. In 1991, when the Local Government Code was enacted, few local governments had the capacity to carry out their newly mandated functions. The national government and local government officials themselves identified the urgent need for capacity development and capacity development assistance for local government units. The national government charged the Department of the Interior and Local Government (DILG), with responsibility to develop the capacity of local governments and invited donor assistance. Since 1991 many national government initiatives and donor-assisted projects have supported local government capacity development with one of the most successful being the Local Government Support Programme (LGSP), which represents a long-term commitment on behalf of CIDA to support the Government of the Philippines' decentralisation and poverty reduction strategies.

This case study explores capacity development and related performance improvement within the context of local governance in the Philippines over a 13-year period through the experience of the LGSP as well as the DILG which enjoyed different but complementary mandates to support the decentralisation process. It focuses on the development of 'local government units' (cities and municipalities) that in the Philippine political structure are a second tier of government with specific functions devolved to them by the central government, and examines the capacity development strategies employed to accompany the process of their development. The case describes the local government units and the enabling and regulatory environment in which they function as a system that is evolving and becoming stronger at the same time as the individual local government units are developing. The concept of capacity development presented in the study is an open systems model that considers capacity development as an ongoing process that in the case of Philippine local governments has led to related improvements in local government performance that in turn have resulted in better services and benefits to citizens.

The case suggests that given the political and social context conducive to devolution and democratisation that existed in the Philippines after the fall of the Marcos regime, and the enabling policy environment created by the enactment of the Local Government Code in 1991, endogenous local government capacity development began to occur. It also suggests that certain external interventions were very effective in supporting and enhancing this endogenous local government capacity development process because of the approaches and methodologies used.

Capacity Insights

Strategic positioning and trade-related capacity development: The case of CPTL and Russia	Building the capacity for managing public sector reform: The Tanzania experience	The National Action Committee Western Cape (NACWC) and technical education in South Africa	Local Government Support Programme: A case study of local government capacity development in the Philippines
<ul style="list-style-type: none"> This case illustrates how a strategic management approach combined with a focus on building a self-financing think tank in Russia became the driving force for change and capacity development. A strategic positioning or competitive analysis approach provided the appropriate incentives that supported capacity development. It also promoted the kind of organizational structure required for partner institutions to survive in the open market once external interventions came to an end. Engaging local institutions from such a business-oriented perspective helped to develop the kind of culture and decision making required to secure new clients, put resources where they could be most effectively used, and position these organizations to adapt to changing market and competitive conditions. The case demonstrates that the 'market' for service providers working in the capacity development 'business can be segmented and differentiated according to the kinds of services or projects being demanded. 	<ul style="list-style-type: none"> Tanzania's approach to public service reform is described as <i>planned comprehensiveness</i>. It is an ambitious government-wide approach that does not rely much on piloting or incrementalism, but rather on transplantation of new public management principles. This approach may succeed in Tanzania because of an unusual combination of political support, low levels of political conflict, some skilled Tanzanian managers, an absence of deep bureaucratic resistance, some historical resonance, funder patience and some key domestic constituencies. The role of the <i>international funding community</i> was generally positive. This is attributed to the rebuilding of donor-country relations after reaching a crisis point in the mid-1990s, and to the fact that the reform programme can be characterised as one of low politicisation and high strategy - precisely the type of situation in which international funding agencies are most comfortable. 	<ul style="list-style-type: none"> Large-scale systems change (i.e. changing the delivery of technical education in South Africa) was inherently intractable in the prevailing complex political, technical, institutional, cultural and financial context. Capacity development is a political process as much as it is an approach to technical and organizational improvement. In the NACWC case, a historical perspective was key, as was a cultural and social overview. Organizations can develop capacity if they have the motivation, the resources <i>and</i> the operating space to do it. But there is a balance here. Too little space leads organizations to be disempowered and demotivated. Too much and they become unaccountable, unresponsive and occasionally predatory. Timing mattered in the NACWC case. Windows of opportunity opened and shut. An intervention that might have worked at a certain stage in the evolution of a complex system may fail at another. 	<ul style="list-style-type: none"> The case argues that endogenous capacity development happens where the social, political and economic context is conducive to change. In this respect, timing is critical to success and failure. It argues that effective capacity development is a function of the relationship between internal organisational features and the features of the external intervention. The case emphasises the importance of effective design of external CD support programmes, as well as having access to skilled local and international staff. LGSP worked because it was embedded within on-going local government strengthening efforts, it took a long term perspective, and it used approaches aimed at enhancing endogenous processes rather than introducing external solutions.

17. A Note on Capabilities that Contribute to the Success of Non-governmental Organisations

Non-governmental organisations (NGOs) are increasingly important actors in the field of development. They are diverse, in terms of their organisational form, structure and culture, and the issues they address. Correspondingly, the capacities that NGOs need in order to deliver on their mandate range across a broad spectrum. When asked, NGOs themselves list an interesting set of capacities that they believe make them sustainable and effective.

This paper is not based on a case study, but emerged from research undertaken as part of a broader assessment of capacity development across a wide range of contexts and organisations. It draws primarily from the experience of NGOs in the South Asia region, i.e. medium-sized to large organizations and looks at NGOs from the inside-out – the capacities that NGOs consider critical to their effective functioning. Key among them is the capacity for survival or sustainability which a group of NGO leaders from around the world listed as the top challenge among eight faced by civil-society organisations. Also important were being donor savvy, mapping a growth path based on a vision of the future, building legitimacy, and acquiring the trust of donors.

Capacity Insights

- The paper argues that context plays a significant role in shaping organisational capacities. Successful organisations have an almost Darwinian ability to evolve capacities that will best ensure their probability of achieving their high-end goals.
- The capabilities demonstrated by the leadership of an NGO are strong factors in determining how successful it is. Successful NGOs and their leaders often mirror each others' personalities – a large number of instances demonstrate a correlation between a strong visionary leader or group of leaders and successful organisation building.
- Capacity issues must be conceived of and addressed as a cyclical process rather than linear cause and effect constructs. Clearly, as an NGO 'delivers', it earns trust, and as it does so, that opens it up for more predictable funding and so on . Multiple strands generate themselves and come together in virtuous cycles of capacity development that gather speed as they go along.

18. Capacity issues addressed in the case studies

	Operating space	Resilience	Time and Timing	Organisational learning	Demand and supply	Power and politics (political economy)	Impact of global and regional trends	Results / performance and CD	Incentives and other forms of motivation	Capacity assessment	Networks	Values and organisational culture	Planning, control and intentionality	Complexity and systems thinking	Incremental and emergent change	Leadership	External partners as facilitators of change	Legitimacy and accountability	Soft capabilities and second order change	Hard capabilities and tangible assets	Strategic positioning	
SISDUK participatory development programme, Indonesia																						
Rwanda Revenue Authority																						
Lacor Hospital, Uganda																						
PNG Health Sector																						
PNG Churches																						
Brazil COEP																						
Education Sector Ethiopia																						
Education Sector Pakistan																						
ESDU, East Caribbean																						
Jamaica ENACT																						
Observatório, Brazil																						
IUCN in Asia																						
CPTL in Russia																						
Public Service Reform Programme, Tanzania																						
NACWC, South Africa																						
Local Government Support Programme, Philippines																						

The European Centre for Development Policy Management (ECDPM) aims to improve international cooperation between Europe and countries in Africa, the Caribbean, and the Pacific.

Created in 1986 as an independent foundation, the **Centre's objectives** are:

- to enhance the capacity of public and private actors in ACP and other low-income countries; and
- to improve cooperation between development partners in Europe and the ACP Region.

The Centre focuses on **three interconnected themes**:

- Development Policy and International Relations
- Economic and Trade Cooperation
- Governance

The Centre collaborates with other organisations and has a network of contributors in the European and the ACP countries. Knowledge, insight and experience gained from process facilitation, dialogue, networking, infield research and consultations are widely shared with targeted ACP and EU audiences through international conferences, focussed briefing sessions, electronic media and key publications.

This study is being done under the aegis of the Network on Governance of the Development Assistance Committee of the OECD and has benefited from the support of a variety of donors, including the UK Department for International Development (DfID), the Netherlands Ministry of Foreign Affairs, the Canadian International Development Agency (CIDA), the Japanese International Development Agency (JICA), the Swedish International Development Agency (Sida), and the Australian Agency for International Development (AusAID). Several country organisations made financial contributions to the costs of their cases, including St Mary's Hospital Lacor in Uganda, the Committee of Entities in the Struggle against Hunger and for a Full Life (COEP) in Brazil, and the Asia Region of the World Conservation Union (IUCN).

For further information, please consult: www.ecdpm.org/capacitystudy or send an e-mail to info@ecdpm.org.

ISSN 1571-7577