Analysis

Building capabilities for performance

The Environment and Sustainable Development Unit (ESDU) of the Organisation of Eastern Caribbean States (OECS)

Peter Morgan

A case study prepared for the project 'Capacity, Change and Performance'

Discussion Paper No 57K

May 2005

ecdpm

European Centre for Development Policy Management

Centre européen de gestion des politiques de développement

Study of Capacity, Change and Performance

Notes on the methodology

The lack of capacity in low-income countries is one of the main constraints to achieving the Millennium Development Goals. Even practitioners confess to having only a limited understanding of how capacity actually develops. In 2002, the chair of Govnet, the Network on Governance and Capacity Development of the OECD, asked the European Centre for Development Policy Management (ECDPM) in Maastricht, the Netherlands to undertake a study of how organisations and systems, mainly in developing countries, have succeeded in building their capacity and improving performance. The resulting study focuses on the endogenous process of capacity development - the process of change from the perspective of those undergoing the change. The study examines the factors that encourage it, how it differs from one context to another, and why efforts to develop capacity have been more successful in some contexts than in others.

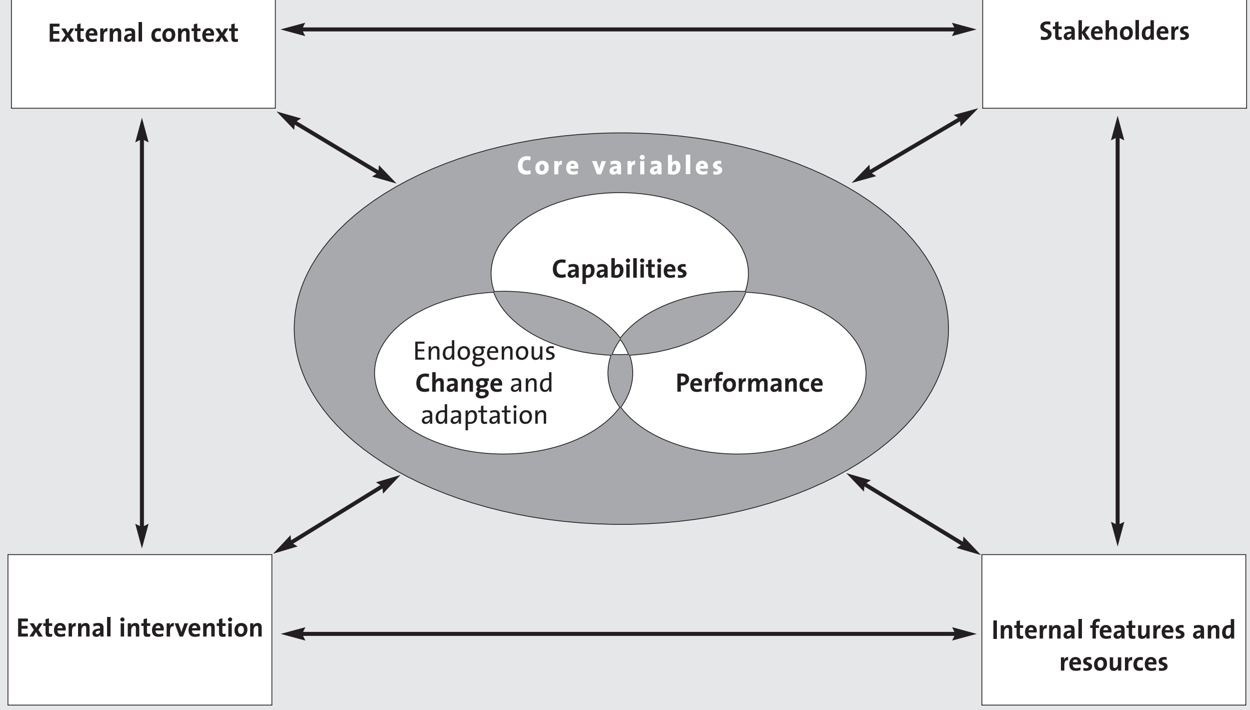
The study consists of about 20 field cases carried out according to a methodological framework with seven components, as follows:

- **Capabilities***: How do the capabilities of a group, organisation or network feed into organisational capacity?*
- **Endogenous change and adaptation***: How do processes of change take place within an organisation or system?*
- **Performance***: What has the organisation or system accomplished or is it now able to deliver? The focus here is on assessing the effectiveness of the process of capacity development rather than on impact, which will be apparent only in the long term.*
- **External context***: How has the external context - the historical, cultural, political and institutional environment, and the constraints and opportunities they create - influenced the capacity and performance of the organisation or system?*
- **Stakeholders***: What has been the influence of stakeholders such as beneficiaries, suppliers and supporters, and their different interests, expectations, modes of behaviour, resources, interrelationships and intensity of involvement?*
- **External interventions***: How have outsiders influenced the process of change?*
- **Internal features and key resources***: What are the patterns of internal features such as formal and informal roles, structures, resources, culture, strategies and values, and what influence have they had at both the organisational and multi-organisational levels?*

The outputs of the study will include about 20 case study reports, an annotated review of the literature, a set of assessment tools, and various thematic papers to stimulate new thinking and practices about capacity development. The synthesis report summarising the results of the case studies will be published in 2005.

The results of the study, interim reports and an elaborated methodology can be consulted at www.capacity.org or www.ecdpm.org. For further information, please contact Ms Heather Baser (hb@ecdpm.org).

The simplified analytical framework



Building capabilities for performance

The Environment and Sustainable Development Unit (ESDU) of the Organisation of Eastern Caribbean States (OECS)

Peter Morgan

A case study prepared for the project 'Capacity, Change and Performance'

May 2005

Contents

The European Centre for
Development Policy Management
Onze Lieve Vrouweplein 21
NL-6211 HE Maastricht, The Netherlands
Tel +31 (0)43 350 29 00
Fax +31 (0)43 350 29 02
info@ecdpm.org **www.ecdpm.org**

Acknowledgements

Peter Morgan, Programme Associate of ECDPM, carried out the research at the ESDU office in St Lucia during the period 17 to 21 February 2003. He is, of course, indebted to Dr Vasantha Chase, the head of the ESDU and her colleagues in Castries for sharing their story.

Acronyms

CIDA	Canadian International Development Agency
DAC	Development Assistance Committee
DFID	Department for International Development (UK)
ECDPM	European Centre for Development Policy Management
ESDU	Environment and Sustainable Development Unit
EPC	Environment Policy Committee
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (Germany)
IT	information technology
NGO	non-governmental organisation
NRMU	Natural Resource Management Unit
OECD	Organisation for Economic Cooperation and Development
OECS	Organisation of Eastern Caribbean States
SIDS	UN Global Conference on Small Island Developing States
SWOT	strengths, weaknesses, opportunity, threats
ToR	terms of reference
TA	technical assistance
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WTO	World Trade Organization

Executive summary

This paper looks at the experience of the Environment and Sustainable Development Unit (ESDU) of the Organisation of Eastern Caribbean States (OECS) located in Castries, St Lucia. The unit was originally conceived as the regional implementing arm for projects funded by the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) at the beginning of the 1990s, but has since become a facilitating and bridging organisation responding to the needs of the Member States of the OECS.

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. The following strategies were used:

- taking ownership of ESDU as an organisation;
- crafting the role and contribution of the organisation;
- aligning the direction and design of the organisation;
- recruiting and developing ESDU staff;
- creating a collective, team-based approach to its work;
- finding the right leadership style;
- learning how to learn collectively; and
- generating an upward spiral of capabilities and performance.

The case study comes to several broad conclusions that have wider application across the DAC study of capacity, change and performance:

- ESDU contained within itself most of the potential solutions to improve its capabilities and performance. ESDU staff at all levels had a lot of tacit knowledge and insight about what to do to make things better. The challenge was to create the environment and to allow such insight to emerge and be given serious consideration. Embedding the capability for effective internal dialogue and learning was critical for performance enhancement.
- ESDU's experience confirms what is now widely known about capacity development strategies. They do not emerge in a fully articulated condition. It is not useful to think about them as a series of linear steps. For the most part, they are not programmable. Ideas and action steps appear slowly in fits and starts and bits and pieces. ESDU simply tried things, experimented, argued about this and that, improved here and there and above all, built on improvements that appeared to work. ESDU persisted over the seven-year period. It acted with strategic intent over time.
- Organisations can expand too quickly and try too many things. For ESDU, matching its supply with different kinds of demand was critical for its stability and sustainability.
- Small organisations or sub-units have their own forms of complexity and vulnerability and they need to be nurtured carefully. Those such as ESDU that achieve high levels of performance also attract resentment and criticisms from other groups that feel they have less access to resources and opportunities. From this perspective, capability protection and buffering may be as important as capability enhancement.
- Analyses of capacity often take place unconnected to issues to do with the source, the type and the conditions of the organisation's financing. Yet these issues set the pattern of incentives that shape the decisions and actions of many of the participants. In the ESDU case, the weight of donor financing and the relative absence of core funding from the Member States, especially in the late 1990s, put the onus on ESDU to balance the capacity development needs of the two groups.
- The debate about 'where to start?' may be a false one. The answer in the ESDU case was just about anywhere. They tried something and learned about the results. They developed some momentum. They got a sense of the overall system at work. Then they tried again to intervene at those points of leverage where big gains could reasonably be expected.

1 Introduction

This case study looks at the experience of the Environment and Sustainable Development Unit (ESDU) of the Organisation of Eastern Caribbean States (OECS) located in Castries, the capital of St Lucia. The point of this case is to highlight ESDU's effectiveness in enhancing its organisational capabilities for performance over the period 1996-2003.

Readers need to understand three boundaries to this case. First, the analysis looks at the achievements of ESDU in building its capabilities for performance, including both the 'how' and the 'why' aspects. Simply put, it focuses on strengths. It does not dwell on ESDU's weaknesses except for a brief section towards the end of the paper. This emphasis on analysing strengths is in line with the general direction of the ECDPM research. Second, the focus is on the development of ESDU as an organisational unit. The analysis does not devote much attention to two other important issues - the organisational relationship of ESDU to the wider OECS, and the capacity development strategies that ESDU itself used in supporting the environmental work of the OECS Member States. Both these issues are important and merit a separate analysis. But shortage of time and resources did not permit giving them much attention for the purposes of this case. This case study is not a management review or an overall organisational assessment of ESDU. It looks back not forward, its purpose is explanatory, and it makes no recommendations or proposals for future action, although we hope the insights will be helpful for future activities.

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. For those who favour either the blood transfusion method of organisational improvement (i.e. injecting some institutional support here or there into an organisation in hope of improving its general health), or the fast food approach (i.e. a little training on the side), the insights of the ESDU case provides another perspective.

The wider study of Capacity, Change and Performance

This case study is a contribution to a wider study on Capacity, Change and Performance coordinated by the European Centre for Development Policy Management (ECDPM) under the aegis of the Working Group on Governance and Capacity Development (Govnet) of the OECD's Development Assistance Committee (DAC). The wider study, which is grounded in some 18 case studies across the globe, aims to understand what capacity is and how it is developed, and to provide insights into how external organisations can best support endogenous capacity development processes. Through experiences drawn from the individual case studies, the wider study seeks a better understanding of the meaning of capacity, of the complex relationship between capacity and performance improvement, and of the processes through which capacity is developed.

Readers need to be clear about the use of the analytical framework developed to guide the conduct of these case studies (see inside front cover) and its relationship to a systems view of the ESDU experience. The framework identifies seven independent dimensions: the external context, stakeholders, the internal organisational features and resources, endogenous management for change and adaptation, the emerging capabilities, external interventions and, finally, the achieved level of performance. Some analysis of the experience of the dynamics *within these categories* is set out. But what matters crucially in terms of understanding the causes of the ESDU effectiveness - the 'why' questions - are the complex interrelationships *amongst these categories*. These issues are highlighted in section 8 on performance.

A final word about definitions. The term 'capacity' is used in this case to refer to the ability of the organisation or system *as a whole* to perform.[1] As such, it is not equated with any subsidiary element such as a particular 'capability'. That term refers to a specific ability of the organisation to do something in particu-

Notes

1 Alan Kaplan (1999) defines capacity as 'the ability of an organisation to function as a resilient, strategic and autonomous entity' (*The Development of Capacity*, p.32).

lar such as to facilitate or to learn or to manage projects. Most of this case is about 'capability' as opposed to 'capacity' development. Finally, the term 'performance' is used in this case study to mean accomplishment or execution or delivery. It is not about potential or capability.

Background

The OECS was established in 1981 under the Treaty of Baseterre, and currently has nine Member States: Anguilla, Antigua and Barbuda, the British Virgin Islands, Dominica, Grenada, Montserrat, St Kitts and Nevis, St Lucia and St Vincent and the Grenadines. The Natural Resource Management Project under the OECS was launched in 1986 with the assistance of an existing project of the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ). In 1991, the project was restructured into the Natural Resource Management Unit (NRMU) to act as a partner for a number of donor-funded projects, including those of USAID (1991-1998) and later DFID (1997-2002).[2] The NRMU officially became part of the OECS in 1991. In 1996, the Fisheries Unit of the OECS was folded into the NRMU making it a more multidisciplinary team covering a broader range of sustainable development issues. In that year, the unit also led the preparation of the OECS Regional Position and Action Plan for Sustainable Development, which was presented to the UN Global Conference on Small Island Developing States (SIDS). An environment capacity building project sponsored by the Canadian International Development Agency (CIDA) began in 1999, followed by World Bank support for solid waste management in 2001.

After the signing of the St George's Declaration in April 2001 (see box 2), the unit changed its name from NRMU to ESDU to better reflect the nature of its mandate.[3]

2 The external context of the Eastern Caribbean

ESDU as a unit within the OECS functioned as an open organisational system interacting with its external context both in St Lucia and across the Eastern Caribbean region. This report therefore starts with a brief analysis of the key contextual factors that shaped ESDU's functioning over the period 1996-2003.

ESDU works exclusively with the small island states of the Eastern Caribbean, which are now struggling to adjust to and find new ways of meeting the demands of the globalising world economy.[4] In the words of one analyst, '... small states are at a crossroads. The post-colonial model - based on trade preferences, official aid and relationships with former powers - is fading and a new model is being born'.[5] Most of the economic challenges faced by such states are well known, including high income volatility, a dependence on a few income-producing sectors, a rapidly changing set of trade rules under the World Trade Organization (WTO), declining levels of development assistance and a low capacity to diversify risk.[6]

Small island states in the Caribbean also face a particular set of issues in managing their environment.

Notes

2 The NRMU incorporated the OECS fisheries portfolio in 1996 and became the Environment and Sustainable Development Unit (ESDU) the after the signing of the St George's Declaration in April 2001. For simplicity, this case study uses the present name ESDU throughout the text.

3 The ESDU mandate as set by the Environment Policy Committee (Ministers) includes facilitating capacity building and institutional strengthening at the national level, catalysing and stimulating Member States to improve the planning and management of the environment and to be a reliable source of information and advice on natural resource management and sustainable development.

4 A small state is generally recognised to be a country with a population of 1.5 million or less. There are 49 such states, of which 42 are classified as developing counties, 32 are islands, and most are located far from their major markets. Of the 25 countries ranked by the Commonwealth Secretariat as the most vulnerable, 25 are small states. Of the 25 least vulnerable, only two are small states. For further information on the issue of small states, see OECS, *Human Development Report 2002*.

5 Commonwealth Secretariat/World Bank Joint Task Force on Small States (1999) *Making Small States Less Vulnerable: Supporting Development During Globalisation*, draft, p.16

6 The Commonwealth Secretariat/World Bank report (p.2) estimates that small states have an income volatility 25% greater than those of other states.

Some of the most pressing are the following:

- An increased vulnerability to natural disasters. The Eastern Caribbean region lies across one of the world's most active volcanic zones. Changes in global climate may be accelerating the frequency of severe hurricanes.[7]
- The prevalence of small scattered fragile ecosystems within these countries heightens their vulnerability. Small size leads to tight system interconnections among environmental events. Hillside erosion and soil runoff in the morning, for example, can affect inshore fishing in the afternoon. Most human populations are also concentrated in small areas, giving rise to problems with solid waste management, traffic congestion and infrastructure development. Competition can be intense for limited land resources.
- The fates of the environment and the economy are tightly connected. Tourism, one of the region's only internationally competitive industries, depends critically for its survival on the natural resource base, even as it contributes to its destruction.[8] Biodiversity, coastal and marine ecosystems, and water and forestry resources are all under threat.

Small states face special institutional constraints.[9] They must carry out a range of national tasks - maintaining border and coastal defences, complying with international treaties, macroeconomic policy making, etc. - that can strain the capabilities of small governments. Meagre resources in terms of human skills and funds have to be spread over a wide range of government functions. It is difficult to justify a major investment in training for small state organisations, particularly when nationals with marketable skills tend to emigrate. Most small states have a lower ability to deliver effective services and higher per capita costs than large states. They must spend a disproportionately high level of their revenues on infrastructure investments such as roads and bridges. Many government organisations find it difficult to break out of traditional patterns of administration given the limited internal mobility and promotion possibilities. Incentives for performance are weak, particularly at the senior levels of the public sector. Small states must take more on trust and are vulnerable to exploitation by organised external groups eager to profit from their sovereignty. They also find it hard to develop the capabilities to mobilise, facilitate and collaborate amongst themselves and other actors.

None of the above factors automatically mean that small island states are destined to end up as hapless victims in a globalised world. Reports by both the World Bank and the UNDP point to genuine opportunities for them in the emerging global economy.[10] What does seem to be clear is the need for such states to develop their capabilities to take maximum advantage of their human and natural assets in order to make their way. Collective action both within and amongst countries is a key way to generate better performance.

3 The influence of ESDU's stakeholders

All organisations have stakeholders. Most can benefit from having demanding external ones - clients, beneficiaries, partners, customers, supporters, funders, citizens - who will both exert pressure for performance and provide the support and resources necessary for sustainability. This general notion held true for ESDU. What was different in this case were the particular interests and configuration of its stakeholders and their interrelationships. As we shall see, its pattern of stakeholder involvement was one of the underlying reasons for ESDU's effectiveness.

The first and most important of its stakeholders were the Member States of the OECS. As noted above, the nine countries were faced with the challenge of spreading their meagre resources across a range of national public functions. Not surprisingly, none of them opted for a separate ministry or independent agency focusing solely on the environment. All have environmental units housed in sector ministries that deal with other related issues such as health, tourism or agriculture (see table 1 on page 4).

ESDU staff saw the Member States - their governments and people - as their main stakeholders, beneficiaries and partners.[11] All the countries were of such small size that ESDU staff could develop personal relationships with a broad range of citizens and

Notes

7 A good part of Montserrat, including the capital, was buried under volcanic ash in 1997. Over 65% of the population had to leave the island. St Vincent has been hit by five hurricanes in the last four years.

8 Tourism contributes up to 25% of GDP in some islands. For most it is now the major earner of foreign exchange.

9 See Baker (Ed.) (1992) *Public Administration in Small and Island States*.

10 About 28% of world tourism spending goes to countries specialising in 'sun, sea and sand'.

government officials. This personal involvement motivated ESDU staff and gave them a direct and tangible connection between their efforts and outcomes. In addition, OECS ministers responsible for environmental issues in the Member States also sat on the Environment Policy Committee (EPC), which for ESDU functioned much like a board of directors.[12] This governance structure reinforced the line of accountability between ESDU's staff and its partners and beneficiaries. It provided a system of checks and balances that shielded ESDU's work to some degree from undue politicisation. Most important, it provided ESDU with clear answers to two questions that bedevil most public sector organisations in any country - exactly who is the organisation working for, and why? Given its tight focus on the needs of the Member States, ESDU was in a position to align its capabilities and performance to meet those needs. It was also not forced to engage in non-productive symbolic behaviour to mollify marginal stakeholders.

Its international funding agencies - mainly GTZ, USAID, DFID, the World Bank, the Caribbean Development Bank, the Organization of American States, and CIDA - made up a second key group of outside stakeholders. Section 7 looks in more detail at the contributions these organisations made to ESDU. But it may be useful to highlight one key point at this stage of the analysis. For a variety of reasons, these funding agencies established direct working and financial relationships with ESDU and, for most purposes, they treated it as an individual entity with its own mandate, work programme and set of accountabilities. The beneficial effect of this relationship on ESDU as an organisation was that it allowed it to control its own operating space. ESDU had the freedom to set its own direction and experiment with different approaches in terms of improving its capabilities and performance.

The Eastern Caribbean region has a history of civil society involvement in environmental management and sustainable development.[13] Most NGOs have been involved in information management, advocacy and beautification, but few have participated directly in the actual management of natural resources given the dominant role of public sector organisations. Lack of capacity was one reason offered for this lack of involvement. ESDU's interactions with NGOs remained modest over the period.

Finally, ESDU was a sub-unit within the OECS.[14] That latter organisation managed over the period to sort out the 'whole and the parts' relationship that is a test for organisations all over the world. How do organisations balance the need for overall corporate cohesion and sub-unit flexibility? Are these trade-offs or can they be pursued simultaneously? What func-

Table 1. Location of the environmental management function in the OECS Member States

Member State	Ministry or agency with a mandate for environmental management
Grenada	Health and Environment
St Lucia	Planning, Development, Housing and the Environment
St Vincent and the Grenadines	Health and Environment
St Kitts and Nevis	Health and Environment
Dominica	Agriculture and Environment
Antigua and Barbuda	Tourism, Culture and the Environment
Montserrat	Agriculture, Lands and Environment
British Virgin Islands	Natural Resources and Labour
Anguilla	Chief Minister's Office

Notes

11 Without exception, every ESDU staff member interviewed for this study talked at some length about the responsibilities of ESDU to meet the needs of the Member States.

12 The EPC met once per year. There is also a Technical Advisory Committee (TAC) which provides advisory services to the ESDU.

13 See OECS Natural Resources Management Unit (2000) *Options for the Participation of Civil Society in Environmental Management and Sustainable Development*, Technical Paper 3.

tions must be centralised and which must be delegated for sub-unit responsiveness and speed of action? How can organisations such as the OECS as a whole benefit from the dynamism of one of its sub-units such as ESDU? What is the responsibility of a sub-unit such as ESDU in terms of supporting the overall needs of the organisation? For the most part, the OECS Secretariat and ESDU opted for an organisational design that allowed ESDU a good deal of operating flexibility which, in turn, accounted for much of ESDU's effectiveness.

The emerging outlines of ESDU's enabling environment for building its capabilities and performance can now be seen. It had direct and clear relationships with its key stakeholders, beneficiaries and partners, many of whom at the governmental level were in a position to supervise its behaviour. This pattern of institutional incentives pushed ESDU towards improving its capabilities and performance to meet the specific needs of the Member States. In addition, its 'loose-tight' relationship with the OECS, and the willingness of its donors to give it direct funding, provided it with the operating autonomy and flexibility to make many of its own decisions with respect to organisational structure, recruitment of personnel and operating style.

None of these factors, by themselves, were guarantees of improved capabilities and performance. The enabling environment was not determinant. Part of ESDU's success came from its ability to maintain its operating space by managing and balancing the behaviour of its stakeholders - earning legitimacy and trust from the Member States, attracting outside support, restraining inappropriate donor initiatives and using outside support to keep its independence. Maintaining that enabling environment was a crucial part of the capability and performance puzzle. In the ESDU case, it encouraged self-ownership and a capability for action. These, in turn, provided much of the organisational dynamism that was characteristic of ESDU over the period 1996-2003.

4 Internal organisational features

The internal organisational features of ESDU can be roughly tracked over the seven years from 1996 to 2003. Annex 1 sets out the organisational structure and the staff numbers in 1997. In that year, the organisation disbursed about EC$ 3.2 million including both operational and programme funds. Staff morale and motivation were typical of most small organisations. A staff survey in mid-1996 showed general satisfaction but also a number of the usual concerns about personal recognition and rewards, cleavages between groups, uncertainty about ESDU's direction, unsatisfactory training opportunities and a poor information technology (IT) system.[15] Relations with the OECS Secretariat were perceived as needing some improvement. Ties to the Member States appear to have been satisfactory but largely mediated through donor projects and other activities. ESDU's relationship in 1996 with its donors was mainly reactive. Up to that point, ESDU's role had been largely that of a project-based holding operation implementing activities largely inspired, supplied and funded by donors. ESDU had given little thought to its capabilities or performance. It focused on its internal procedures and functions in a somewhat unsystematic way. Staff took a conventional problem-solving approach to their work.

None of these characteristics was unusual. For the most part, they represented the profile of most small organisations or units with an average level of performance. The question for ESDU was the following: what should and could be done to get itself up to a higher level of capability and performance? The remainder of this report sets out ESDU's approaches to achieving that objective.

The new head of ESDU, appointed in January 1996, began to think through different leadership styles and tried to understand the most effective ways to improve ESDU's overall capacity. What followed was a persistent effort to improve capacities and performance. Annex 5 shows ESDU's current organisational structure. In 2001 there were 15 staff members, including the head of programme, five programme leaders, seven support staff and two consultants and has remained roughly the same ever since. Of the 13 permanent positions, 11 are now core funded by the Member States. Total annual disbursements are now

Notes

14 The head of the ESDU reports to the director of functional cooperation in the OECS Secretariat, who in turn reports to the Director General.

15 Systems Caribbean Ltd (1996) *Interim Report #1, Management Audit of NRMU*.

about EC$ 2.5 million (US$ 750,000). Of this figure, 38% goes to cover administrative costs, 65% of which is funded through the Member States. The total projected disbursements for the period 2002-2006 are EC$ 15.8 million (US$ 6 million). By all accounts, it has become a highly effective organisation. What strategies were put in place to reach that stage?

5 ESDU's strategies for change

ESDU's experiments with improving its capabilities and performance went on for most of the seven-year period. The following strategies appear to have made the most difference:

- taking ownership of ESDU as an organisation;
- crafting the role and contribution of the organisation;
- aligning the direction and design of the organisation;
- recruiting and developing ESDU staff;
- creating a collective, team-based approach to its work;
- finding the right leadership style;
- learning how to learn collectively; and
- generating an upward spiral of capabilities and performance

Taking ownership of ESDU as an organisation

Part of the current conventional wisdom about aid effectiveness has to do with ownership, i.e. the need for country governments and participants to 'take ownership' of development projects and programmes supported by international funding agencies. Much of this wisdom is useful, but part of it masks the wish of funders to equate ownership with country compliance. From this perspective, compliance could allow international funding agencies to continue to respond to their own set of incentives and keep generating the usual stream of initiatives and programmes. The notion of country compliance or 'buy-in' in some instances became a convenient way of reconciling competing ownerships.[16] This issue was more acute in the Eastern Caribbean where the disparities in resources and expertise between the funding agencies and small island states could be quite wide.

ESDU began to devise an answer to this issue of ownership in mid-1996. It would take ownership of its own organisation. It would come up with its own programmes and priorities. Staff would develop an ownership mentality. The aid relationship could then be reversed, with funding agencies being encouraged to respond to ESDU's initiatives and needs. ESDU also began to think more creatively about its own way of organising. Most organisations in the public sector think constantly about their programmes and budgets. When they look at organisational issues, the staff focus on structure, the administrative processes and the constraints they face in delivering their programmes. They think about staff numbers, workloads and the availability of equipment. Staff who spend a great deal of time thinking systematically about their programme strategies somehow fail to do the same thing when it comes to their own organisation. In many cases, issues to do with control, motivation, inequities and weaknesses, leadership - the dreaded 'soft' issues - become undiscussable.

One of the keys to ESDU's success over the seven-year period was its growing capability to think creatively and persistently about itself as a human system. 1996 marked the departure point from which ESDU staff began to experiment with different approaches to organising.

- In 1996, ESDU improved upon a set of recommendations coming out of a management audit sponsored by DFID.[17] For example, it opted for a much flatter structure as opposed to the sharp hierarchy recommended by the consultants. That same process generated the mission statement that remains at the heart of ESDU's work in 2003. In the same year, ESDU issued its first five-year operational plan 1996-2001 and its first administrative manual.
- In April 2001, the St George's Declaration on Environmental Sustainability officially designated ESDU as the regional implementing agency (see box 2). ESDU also went through another management review in November of that year.
- In late 2001, ESDU requested CIDA to cease supplying it with full-time Canadian technical assistance (TA) personnel through an executing agency contract. ESDU and CIDA agreed on a transitional plan to phase out the Canadian TA, and ESDU became responsible for implementing the CIDA-funded programme in April 2002.
- In 2002, the OECS issued an Environmental Management Strategy drafted by ESDU, which

Notes

16 This issue was summed up by a delegate in the UNDP-CIDA-JICA workshop in the Philippines who asked the question about who owns ownership.

17 It is instructive to note that the ESDU did not accept the recommendations in this 1996 review to install a clear organisational hierarchy, but opted instead for a much flatter structure typical of an adhocracy.

reflected wide stakeholder participation throughout the region. ESDU also issued its second five-year operational plan in May 2002.

The organisational thinking of ESDU shifted incrementally during the period 1996-2003. It began with the effort to bring together its technical activities and donor-supported projects into a cohesive programme. ESDU then started to upgrade its internal structure and systems. It issued an organisation manual in 1996 to support staff work in that area. Its view of itself as an organisation then widened to include the 'soft' or people issues that staff seemed to care about. It then broadened again in 1999 and saw itself as an organisational whole or a system whose elements - the mission, the structure, the people, the needs of Member States, the supply of resources, etc. - were interconnected. By the end of the decade, the staff had begun to give more explicit attention to the issues of performance and results. By the time the second five-year operational plan was issued in 2001, more specific thinking was being paid to building specific capabilities. In 2003, ESDU had begun to integrate two views of strategic thinking about its work - the 'positioning' view, which looked at its role and potential contribution in the Eastern Caribbean, and also the 'resource-based' view, which paid more attention to its comparative advantage based on its internal resources and capabilities.

Crafting the role and contribution of the organisation

It is, of course, one thing to take possession of an organisation, but it is quite another to decide what to do with it. In 1996 ESDU faced a number of possible strategic choices about its niche and direction. Should it be a policy research organisation along the lines of some other sub-units in the OECS? Should it implement projects directly on behalf of Member States? Should it focus on providing facilitation and support? Or should it be an all-purpose actor and try to do a bit of everything given the huge range of needs in the Member States? How should such critical choices be decided, and by whom? And who would pay?

It is useful to return here to the discussion on stakeholders in section 3. ESDU was in the fortunate position of being able to concentrate on the needs of one group of stakeholders - the Member States. The staff also brought to the table their own set of values that gave prime importance to building the capabilities of these states, and groups within them, to manage their own affairs. Thus early in 1996, a consensus developed around the idea of ESDU as a facilitating or bridging organisation that would respond to the needs of the Member States and support their efforts.[18] The mission statement crafted at that time read as follows:

'To be a dynamic facilitator of effective utilisation and management of natural resources for sustainable development in the OECS sub-region through collaboration with and among Member States'.

Direct implementation by ESDU would only be undertaken in cases where the Member State in question could not carry out tasks such as the procurement of services and equipment. This set of key decisions to do with ESDU's role and contribution was reflected in the 1996 mission statement, and became the basic assumption around which the organisation was designed. Put another way, there was now an accepted answer to the question - 'capabilities for what?' The challenge for ESDU would be to try and ensure that the donor-funded projects it agreed to implement would also meet the needs of the Member States.

Aligning the direction and design of the organisation

Once the basic directions had been set, ESDU could then begin to align its structures and systems to support its mission. In practice, it could devise a coherent organisational strategy and focus the work of its staff. We can thus see the organisation doing the following over the period.

In 1996 ESDU shifted to an organisational programme structure to break down the internal empires created by donor-funded projects. It opted for a much flatter structure to increase inter-unit communication and collaboration. ESDU in practice became an almost horizontal organisation with an extremely limited vertical hierarchy and strong informal linkages working horizontally to take advantage of its small size.

Job designs and terms of reference were deliberately made to overlap in order to increase interpersonal and inter-functional coordination and communication. All staff members were encouraged to understand the full range of ESDU's activities. Multi-tasking was

Notes

18 **These types of organisations come with their own set of challenges. See Brown (1992) *Development Bridging Organizations and Strategic Management for Social Change*, IDR Reports.**

encouraged. They had to be able to fill in for others during absences or emergencies, as well as to represent the organisation at public functions. ESDU made progress in becoming what one staff member called an 'open library' that enabled staff to know much more about what happening in ESDU at both individual and organisational levels. Staff tried to stop hoarding information and got rid of private files held at their desks.

The technical content of job design appears to have been carefully calculated. Staff needed sufficient technical skills to add value to discussions with officials from the Member States. But technical job content could not reach a point where it created communication barriers within the organisation or interfered with the willingness of staff to be comfortable with tasks that were multidisciplinary and multi-functional. Staff skills were to be a careful blend of both those of the generalist (e.g. facilitation) and the technician (e.g. coastal zone management) in order to match the job design. More specific technical skills would be hired within the region or outside as necessary through consultancies.[19]

ESDU developed the capacity to create *ad hoc* teams or 'quality circles' around projects or problems or some concentration of staff activity. In many cases, these teams were virtual, given the long absences of team members as they travelled in the region. Internal communication systems were also improved. These included some formal channels such as an ESDU newsletter, *The Insider*, which was designed to keep the widely dispersed staff up to date on the range of programme activities, and the OECS newsletter, *Participaction*, to communicate internally.

Recruiting and developing ESDU staff

In a small organisation such as ESDU, effectiveness depends critically on the skills and motivation of its staff. ESDU relied on a strategy that allowed for 'making' rather than 'buying' the core skills it needed. Most of the staff who joined the organisation over the period 1991-1996 were from St Lucia, and some had worked together before in the Fisheries Department of that country. All the technical staff were graduates in the social or physical sciences or environmental management, and came with a personal commitment to the development of the Eastern Caribbean. A gender balance was maintained to avoid the usual dysfunctions caused by too many women or men in one office.[20]

ESDU did not face a problem with retaining staff, and the core of the group remained in place over the period 1996-2003. Salaries and financial incentives were adequate to retain them. The small private sector in the Eastern Caribbean was not in a position to offer rewarding secure work of similar interest. ESDU's growing effectiveness and legitimacy, the dynamism of the work and the opportunities for making a development contribution combined to retain the staff and protect ESDU's core skills. Access to meaningful work rather than promotion possibilities was key.

It is important to note the degree of overlap between the formal and informal structures within ESDU.[21] Most organisations, especially those larger than ESDU, tend to separate into formal (e.g. jobs descriptions, reporting relationships, lines of authority) and informal structures (e.g. patterns of group behaviour and personal relationships). In many countries, the informal becomes dominant. The two can also conflict with the informal aspects, acting to interfere with the goals of the formal organisation. Staff, for example, can have more incentives to maximise their own personal interests regardless of the wider negative impact on the whole organisation. The ESDU case was the reverse in that the staff saw little, if any, difference between their own interests and those of ESDU as a whole.

Staff training was a minor part of ESDU's approach to developing its capabilities. Most years, it spent less than 1% of its annual budget on training. What mattered more was the development of a culture of skill acquisition and the encouragement of staff to build individual and organisational capabilities through their regular work. Those formal training opportunities that were provided appear to have had more to do with motivation than with skill development.

Notes
19 In 1991 ESDU issued 71 contracts for outside consultants.
20 Maintaining a gender balance in the Eastern Caribbean frequently means hiring more men.
21 For details of ESDU's formal structures, see Annexes 1-6.

Creating a collective, team-based approach to its work

ESDU decided to take advantage of its small size and try to create a cohesive, collective approach to managing. Indeed, few organisations focused more on getting their internal dynamics straight than did ESDU. Part of the group cohesion was achieved through a common allegiance to a set of values having to do with sustainable development and the potential of the Eastern Caribbean. Many of these ESDU values reflected those brought to the organisation by the staff themselves. What ESDU added was the reinforcement and validation of these values combined with the opportunity for staff to put them into practice in their daily work. ESDU helped provide its staff with a continuing sense of professional meaning and purpose. In most cases, they agreed on both programme ends and organisational means, most of which were symbolised by the mission statement that staff internalised.

Sustained efforts were made over the period to reduce the disparities and segmentation within the organisation (see box 1). The message to (and from) staff was that everyone was valued and that every contribution was critical to ESDU's overall performance. Staff needed to understand the ways in which their contribution and their personal behaviour affected the work of others in the organisation. ESDU staff developed a collective capacity for managing internal conflict. Mechanisms such as the quality circles, late Friday afternoon get-togethers and group field trips reinforced a sense of collegiality.

Staff spent a good deal of time in 1998 designing the office addition funded by DFID. They planned staff-friendly cubicles for both technical and administrative staff. They asked for common areas such as an eating area, meeting rooms and an outside deck to encourage staff interaction. They designed a building with a lot of access to natural light to reinforce the culture of openness and natural life.

Box 1: ESDU and its administrative support staff

In 1996, the ESDU organisational structure had a formal (and informal) staff hierarchy, with the head of the unit, a second layer of technical programme staff, and a third layer of administrative support staff. The technical staff had been implicitly assigned an image of authority and respect deriving from their work experience, educational background, professional expertise and public recognition. The behaviour patterns of and interactions among staff at the second and third levels resembled those familiar to organisations all over the world.

ESDU staff decided to reduce the level of segmentation, for a variety of reasons. These included performance pressures that dictated greater internal collaboration, and the need to create a sense of respect and recognition for all staff members. They began by talking about the issue openly and coming up with informal rules for personal behaviour. Support staff received more access to training,[22] and they began to take on roles beyond those normally assigned to support staff, including representing ESDU at outside meetings and interacting with the public. All staff members, regardless of their position, were expected to make the connection in their work programmes between their contributions and the overall performance of the organisation. In due course, the title 'administrative support services' was changed to 'corporate services' and was included as one of the core capabilities of the organisation. Perhaps most important, the staff persisted in dealing with the issue over the next four or five years in an effort to change the culture of the organisation.

Finding the right leadership style

Such an emerging organisation clearly could not be led and managed on the basis of a 'command and control ' style or a 'hub and spokes' structure that are typically found in small organisations. Throughout the period 1996-2003, the head of ESDU worked to understand the needs of the emerging organisation and adjust her approach to leadership and management accordingly.[23]

Notes

22 For example, the registry clerk was sent to Canada for training.

23 Her emerging leadership style bore an uncanny resemblance to that described in Bradford and Cohen (1984) *Managing for Excellence: The Guide to Developing High Performance in Contemporary Organizations*.

- She spent more time thinking about the architecture of the organisation and about ways to improve its performance as a system. This pointed to changes in the mission, the relationship with international funding agencies, personal behaviour within ESDU and other issues. Staff accepted her efforts to make things better, and these values of integrity and a performance orientation made their way into ESDU's culture.
- Responsibility and authority were pushed down to the next level in an effort to prevent the disempowerment of ESDU staff. The leadership and staff learned to manage on the basis of greater delegation and trust. The head of the unit tried to manage less at the micro level.
- ESDU moved away from the implicit notion of the organisation as a personal possession of the leadership. Staff understood the need to identify with the organisation as a whole and to share responsibility, along with the leadership, for its overall management. Staff began to accept their individual responsibility for the performance and fate of the unit. They developed what has been called a sense of organisational citizenship. Decision making became more collective.
- The transition to this style of leadership did not prove easy. In a number of ways, this approach puts more rather than less pressure on the heads of organisational units. They still must get involved in micro issues while at the same time paying more attention to macro-system maintenance. As the volume of work expands, leaders find themselves straining to keep up with activities at a variety of levels.

Learning how to learn collectively

At the heart of enhancing capabilities and performance lies some form of learning and unlearning. Staff, both individually and collectively, must learn to do existing activities better or new ones well, and to give up practices that have long been effective. ESDU staff sensed the need to learn constantly and collectively.[24]

- They spent time brainstorming about ways to solve problems and ways to improve. The learning style was primarily inclusive, collective, non-hierarchical and social. In practice, ESDU slowly became a small learning community with the capability to convert individual tacit knowledge into collective learning. Little seems to have come about by dramatic breakthroughs in understanding. Much of ESDU's increased capacity seems to have resulted from slow, incremental, persistent learning.
- They were encouraged to learn about aspects of the organisation not part of their specific work assignments. Learning was seen as part of their real work and not a supplement when time allowed. They were even encouraged to read about ESDU activities outside their job responsibilities.
- Learning was focused as much on the future as on the past, and on capitalising on opportunities as much as on solving problems. A good part was connected to the resolution of operational issues at the field level.
- Learning extended beyond the normal safe technical issues. Staff took on the challenge of what has been called social learning, i.e. how better to interact with colleagues in an effort to improve everyone's performance.[25] They learned, for example, how to engage in productive dialogue inside ESDU, and how to get around the defensive routines that limit the effectiveness of so many organisations.

Generating an upward spiral of capabilities and performance

Organisations get locked into systemic patterns from which they find it hard to escape. Enron is the latest example of the vicious cycle in which negative factors combine and accelerate a decline that eventually collapses the organisation. Others find themselves oscillating from one structure to another and then back again (e.g. centralisation to decentralisation to recentralisation and then back to redecentralisation). But a few manage to generate an upward spiral that builds on their strengths. Capabilities and achievements are enhanced and confidence rises.[26] The organisation then attracts more resources that lead, in turn, to more capabilities and achievements.

This last pattern appears to have happened in the ESDU case. Since 1996, it moved steadily to enhance its capabilities and performance. Stakeholders, espe-

Notes

24 All the ESDU staff interviewed for this case study used phrases such as ... 'we learned how to do x' or 'we now understand about y' or 'we figured out how to do z...' or 'we've come along way since then'.

25 For an analysis of social learning, see Brown (1997) *Social Capital, Mutual Influence and Social Learning in Intersectoral Problem-solving in Africa and Asia*, IDR Reports, vol. 13(2).

26 Stocks of social capital such as trust, norms and networks tend to be self-reinforcing and cumulative. Successful collaboration in one endeavour builds connections and trust which become social assets to facilitate future collaboration in other unrelated tasks.

cially the Member States, rewarded these trends by investing more resources and more trust in the organisation. Staff responded by identifying more with ESDU and committing to its goals and way of working. At some point in this process of building an upward spiral, the organisation tapped into what has been called its positive core, which is a mosaic of its strengths, resources, assets and capabilities.[27] The psyche of the organisation became stronger and more expectant of good performance. ESDU became its own enabling environment.

6 The emergence of ESDU's capabilities

Most discussions about capacity development in small organisations such as ESDU revolve around issues of general management. What should be the mission and objectives of the organisation? What would be the best structure? How best to improve the accounting system? Do staff members have the resources they need to do their work? How can the overall organisation perform better? Many of these issues in the ESDU situation have been discussed in section 5.

But assuming these discussions have taken place, the issue of capabilities remains unaddressed. Having the right organisational structure or even the right people does not guarantee a capability. What else has to be done if more specific capabilities are to be enhanced or built? What actually makes up a capability? How does a capability emerge? In practice, most organisations, including small ones such as ESDU, possess a complex range of capabilities at different levels of aggregation, scope, effectiveness and intensity. They can have capabilities to manage projects, to conduct internal dialogue, to have fun, to raise funds, to negotiate with donors, to make decisions, to arrange workshops, to issue contracts, to brainstorm, to design a partnership, to maintain their computers, to motivate staff, to publicise their achievements, to learn, to adapt their structure, and so forth. Some are core and others are marginal. Some of these capabilities are reinforcing, while others conflict at certain points. Some are aggregated and organisation-wide. Some are narrow and reside in only a few people. The challenge for any organisation is to turn this interconnected tangle of capabilities into some sort of organised portfolio that can be managed for sustained performance.

This section tracks ESDU's efforts to address these issues. In 1996, ESDU was essentially a shell organisation housing a series of donor-supported projects. Six years later, its second five-year operational plan put forward a matrix of four key competencies and five functional areas (see below). Behind this matrix was an ESDU effort to address some of the questions that lay at the heart of the issues of capabilities and performance:

- which capabilities were core and why?
- what made up these capabilities?
- how did these capabilities relate to ESDU programmes?
- what other capabilities had to be put in place to support the core capabilities?
- what had to be put in place to connect up and manage these capabilities?
- what were the risks involved in having this combination of capabilities and how could those risks be managed?

Which capabilities were core and why?

The first step for ESDU was to be clear about the core capabilities that best supported its mission and mandate. This implied a choice that focused on delivering value to the Member States, as discussed in section 3. After internal and external consultations, ESDU settled on four key capabilities, all of which were already present to some degree in the ESDU portfolio. Readers should note that these capabilities were aggregated and broad in scope, and extended across the current range of ESDU's technical programmes. They were not limited to a particular product or project. They were intended to deliver value *outside the organisation* over the medium and long term. They also centred on activities where ESDU could make some sort of unique contribution compared to other organisations working in the Eastern Caribbean. Finally, they reflected a consensus among ESDU's key stakeholders and beneficiaries about where ESDU should focus its attention. As such, these capabilities had some wider legitimacy with ESDU's stake-

Notes
27 See Whitney and Trosten-Bloom (2003) *The Power of Appreciate Inquiry: A Practical Guide to Positive Change*.

holders that added to their effectiveness. All of these factors went into the decision about ESDU's four core capabilities:

- facilitating
- advocating
- mobilising
- managing.

What made up these capabilities?

The make-up of these capabilities can be looked at from two perspectives. The capability of advocacy, for example, was focused on the following priorities.

- advocacy designed to ensure that sustainable development programmes are adequately funded by the Member States;
- advocacy for the development, adoption and implementation of environmental management strategies in Member States; and
- advocacy of the interests of the Eastern Caribbean region in the development and implementation of international policies and programmes.

These core capabilities were also made up of other constituent skills.[28] Individual ESDU staff members, groups within ESDU, and ESDU as an organisation needed to combine technical capabilities (e.g. an understanding of coastal zone management), organisational capabilities (e.g. networking, project management, financial management, contracting) and those to do with the human and social (e.g. being able to manage conflict) in order to make their core capabilities effective. In this way, ESDU's core capabilities were combinations of other constituent materials fused together for improved performance.
In the short time available to carry out this case study, it was not possible to analyse the constituent skills that made up various core capabilities within ESDU. This task also raises two other issues: first, the relationship of such core capabilities to the rest of the organisation, and second, the need for a systematic way of making this kind of assessment across a range of cases.

How did these capabilities relate to the ESDU programmes?

Table 2 is taken from ESDU's second five-year operational plan dated May 2002. It shows the matrix relationship between capabilities and the five programme areas identified in the OECS Environmental Management Strategy that followed the signing of the St George's Declaration in 2001 (the top row indicates the different capabilities required to implement each programme area).

Table 2. Matrix of capabilities and programmes

Role / Function	Facilitating	Advocating	Mobilising	Managing
Sustainable livelihoods				
Environmental planning and management				
Education and awareness Small projects facility				
Corporate services				

Notes
28 Much of what ESDU actually did parallels the thinking on core competencies that can be seen in the private sector literature. See, for example, Hamel (1994) 'The concept of core competence', ch.1 in Hamel and Heene (Eds.) *Competence-Based Competition*.

What other capabilities had to be put in place to support the core capabilities?

The ESDU experience suggests three other types of capabilities are essential to support the core capabilities. First, ESDU had to have a range of *internal* capabilities that complemented and supported those core capabilities that were delivering *external* value. Most organisations find it hard to get this balance right. Many young NGOs, for example, concentrate on programming and interacting with beneficiaries. Their focus is external. But they find it difficult to build the internal systems e.g. personnel and financial management - that are needed to keep the organisation stable. Conversely, large public sector organisations develop those internal systems that help to ensure their perpetuation, but over time they lose the capability to deliver serious value outside the organisation. ESDU appears to have managed to balance these two types of capability. Donors supported ESDU's efforts to improve its contracting and financial systems, IT systems and personnel management. Much of this progress was also made in cooperation with staff of the OECS Secretariat.[29] ESDU also worked to improve its staff performance appraisal systems with the help of the University of the West Indies.

Second, ESDU needed a set of 'soft' capabilities to balance its 'hard' ones. Much of the conventional discussion about capacity development, especially among the donor community, has traditionally focused on ways to improve the formal or 'hard' internal capabilities of organisations such as strategic planning, policy analysis, organisational structure and systems, financial management and human resource development.[30] Most donor-supported technical assistance (TA) has historically worked on these aspects. The ESDU experience, however, leads to the view that such a focus is necessary but not sufficient if overall capacity is the goal. Efforts at capacity development need to be expanded to include these 'soft' aspects that in many cases, only the country partner can supply. It was ESDU's ability to deal with the 'soft' aspects of its management that made the donor-supported interventions effective. In the ESDU case, these 'soft' internal capabilities included, but were not limited to the following:

- the capability to learn;
- the capability of staff to discuss issues and reach a consensus;
- the capability to manage change; and
- the capability to manage outside stakeholders.

Third, an organisation must have a core capability - usually not included on any list - to connect all of these external and internal, hard and soft capabilities, and integrate them into a performing whole. No capability works on its own. It must be connected and supported to be effective. In the ESDU case, all the capabilities were, in the end, collective efforts. They were energised and made effective by the systemic connections in the organisation amongst the different components - the organisational design, the relationships with stakeholders, the informal relationships, the access to resources, the high levels of motivation and commitment, the leadership, and so forth. It was this capability of strategic integration that appeared to make the real difference.

Box 2: ESDU and institutional development: the St George's Declaration on the Principles of Environmental Sustainability

The idea of an environmental charter for the Eastern Caribbean came onto the ESDU agenda as early as 1997. Such an initiative was discussed at the ministerial meeting of the OECS Environment Policy Committee (EPC) and agreement was reached to begin work. In 2000, ESDU arranged and facilitated a meeting in Antigua, which was attended by representatives of the main country stakeholders including governments, NGOs and the private sector. Over three days, the group came up with a draft charter that was then submitted for further consultations in all the countries. A revised draft was then submitted to the EPC for review and then to the cabinets in all the Member States for final ratification. The document, eventually called a declaration, was signed in St Lucia on 10 April 2001.

The St George's Declaration is an example of the interplay between institutional and organisational issues. It set the rules of the game for Member States in the OECS. It gave a stronger mandate and greater legitimacy to the work of environment ministries and to ESDU itself, and helped both in their negotiations with finance ministries and the international funding community. It also allowed the OECS to participate more credibly in international discussions on the environment and sustainable development such as the follow-up to the Small Island Developing States Plan of Action.

Notes

29 The OECS had overall responsibility for IT systems.

30 The 1996 management audit suggested the following for institutional strengthening - design and implementation of an integrated planning process, an information management strategy, an information technology solution, a human resources management system, a financial management system and a cost recovery strategy (p.13).

7 External intervention

The overall contribution of the international funding agencies to the process of improving ESDU's capabilities and performance appears to have been positive, albeit modest, for two key reasons. The main reason was the determination of ESDU to keep control of its own agenda and to restrain international funders from overwhelming it with a steam of new initiatives, demands, conditions and fashionable ideas. The second was the willingness of international funders to trust ESDU and to listen seriously to its proposals and counter-suggestions. In practice, the aid relationship between ESDU and its funding partners gradually evolved into being the standard of behaviour, trust and support sought by most members of the aid community.

As documented in this case, ESDU's strategies and actions were decisive in building its own capabilities and performance. External intervenors were not in a position to lead or at times even understand the internal process of change that went on over the seven-year period. But an appropriate division of labour emerged. ESDU shaped and managed the process of change but called on outside assistance for more specialised tasks.

Most of ESDU's funders made useful interventions at various times, some of which proved to be of lasting value. These can be summed up as follows:

- A number of donors provided useful advice to ESDU as it tried to think through its organisational strategy. GTZ encouraged ESDU to take a more strategic approach to its management. DFID consultants first raised the idea of a team-based structure and helped craft the mission statement. CIDA consultants provided ideas on the choice of ESDU's core competencies.
- Donors provided ESDU with adequate financing over the period 1996-2003, most of which went directly to ESDU. This access to resources and the protective buffering helped ESDU to maintain the operational space that was critical to building its effectiveness.
- Donor requirements for proper financial management and procedures pushed ESDU to develop its 'hard' systems (e.g. work planning, reporting, contracting and financial management) faster than would otherwise have been the case. They also provided ESDU with support for infrastructure development such as the ESDU building and the OECS website.
- CIDA agreed to phase out its full-time TA earlier than originally planned and helped ESDU with a transitional plan to give it full responsibility for managing the CIDA contribution.

8 ESDU's achieved level of performance

Caution should be exercised in attributing performance gains directly to ESDU's growing capabilities, for a number of reasons. First, ESDU functioned as a facilitator and supporter to the Member States of the OECS. Accelerated project and programme performance were probably as much the result of Member State efforts as they were of those of ESDU. Second, ESDU had only a rudimentary monitoring system that could make a systematic link between its efforts and outcomes for the Member States.[31] Most of the evidence that does exist on the link between capabilities and performance remains anecdotal. Third, many of its performance 'gaps' as perceived by some Member States had to do not so much with ESDU's organisational capabilities but with the issue of the access to core financing from Member States and from international funders.

Given these qualifications, what can be said about ESDU's level of performance? Judging from a review in November 2001, which conducted SWOT workshops in a number of OECS Member States focusing on ESDU's performance, the following assessment seems reasonable:

- ESDU had a good track record in the planning and delivery of large, donor-funded projects.
- ESDU had a well-developed capability to access international funding that the Member States could not match.
- It managed to put in place a collective regional approach to environmental policy making.
- ESDU staff had a reputation for being accessible, hard-working and willing to assist Member States.
- ESDU had a broad knowledge of regional and global issues that could be useful to Member States.
- ESDU had a proven ability to facilitate consulta-

Notes

31 In many cases, performance monitoring remains the responsibility of Member States.

tions in support of policy making by the Member States.
- Member States also nominated ESDU to be their implementing agency with respect to the implementation of the St George's Declaration.

Part of the reason for this level of performance lies in issues that have already been discussed in this case study. But two other dynamics need highlighting. First, ESDU was designed both as a 'supply-driven' and a 'demand-responsive' organisation. On the supply side, it developed its capabilities over the seven-year period. Its staff members were oriented towards performance, to outcomes and to making a contribution. On the demand side, it tried to be as responsive as possible to meeting the needs of Member States. This interacting dynamic - both pushing the supply and being pulled by demand - energised the organisation and accounted, at least in part, for the high level of performance. Second, ESDU went some distance towards integrating its direction, its programme components, its assets and resources, and its execution capabilities into one coherent whole, as described above.[32] In practice, it generated performance from its integrated functioning as an organisational system.

The sustainability of ESDU's capabilities and its level of performance were a perennial subject of discussion, both within and outside the organisation. The issue usually boiled down to the following: ESDU was largely funded by the international funding community, a situation that understandably directed ESDU's attention towards the delivery of donor-funded projects at the expense of the more routine environmental planning and management needs of the Member States. As international funding threatened to decline, the prospects for the erosion of ESDU's capabilities remained a matter of concern. The obvious ways out of this dilemma - either core funding from the Member States or some other way for ESDU to raise revenues - remain under consideration.[33]

The emphasis in this case has been on highlighting ESDU's strengths and achievements. But ESDU was not a miraculous organisation free of weaknesses, flat sides or failures. ESDU staff members were conscious of gaps in their capabilities and performance. At a staff retreat in January 2003 they focused on the topic 'improving performance' and came up with the following:
- ESDU's small size and limited resources prevented adequate follow-up to many of its donor-funded interventions. Member States do not or could not fund this activity.
- Its capability to integrate the social, economic and environmental aspects of sustainable development remained weak.
- Communication barriers within the unit remained an issue despite efforts over the years to eliminate them.[34]
- More resources needed to be invested in skills development for the staff to keep them up to date.[35] ESDU's capabilities might be eroding under the pressure of change.
- Declining financial resources were threatening to undermine ESDU's overall capability to provide timely and efficient service.[36]
- The growing virtuality of the organisation, due mainly to extensive travel demands, had started to erode ESDU's collective spirit.[37]
- ESDU had encountered constraints in its ability to stimulate change within the public bureaucracies of the Member States.

Notes

32 For an analysis of the same phenomenon in the private sector, see Fuchs et al. (2000) 'Strategic integration: competing in the age of capabilities', *California Management Review*, vol. 42(3).

33 All 13 permanent staff positions within ESDU will be core funded by the Member States by 2005.

34 Some internal mechanisms such as the staff newsletter, *The Insider*, and the use of quality circles are being revived.

35 ESDU is now undertaking a skills inventory of its present staff to identify gaps and priority needs.

36 Staff are now formulating a updated resource mobilisation plan.

37 This is a common phenomenon in many organisations. See Prusak and Cohen (2001) 'How to invest in social capital', *Harvard Business Review*, 79(6), pp.86-93.

9 Summary

The lessons of the ESDU case need to be assessed cautiously. All the dangers of the current infatuation 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. Simply put, ESDU was in a good situation and proceeded to make it better.

The case, however, does give rise to several broad conclusions that may have wider application across the wider study.

- ESDU did borrow ideas from other organisations and the broader management literature. As mentioned earlier, it followed some - but by no means all - of the consulting advice it received. But the main source of inspiration and insights came from ESDU staff themselves, none of whom were institutional specialists. The point here is that, in common with many organisations, ESDU contained within itself most of the potential solutions to improve its capabilities and performance. These solutions, even those that appeared to be strategic in nature, were sourced from all over the organisation, from leaders to administrative assistants. ESDU staff at all levels simply had a lot of tacit knowledge and insight about what to do to make things better. The challenge was to create the environment and to allow such insights to emerge and be given serious consideration. Embedding the capability for effective internal dialogue and learning was critical for capability and performance enhancement.
- ESDU's experience confirms what is now widely known about capacity development strategies. They do not emerge in a fully articulated condition. It is not useful to think about them as a series of linear steps. In practice, they are emergent. For the most part, they are not programmable. Ideas and action steps appear slowly in fits and starts and bits and pieces. ESDU simply tried things, experimented, argued about this and that, improved here and there and above all, built on improvements that appeared to work. And ESDU persisted over the seven-year period. It acted with strategic intent over time.
- Organisations can expand too quickly and try too many things. Ambition can quickly exceed the reach of capabilities. ESDU, for example, was reluctant to take on too much implementation on behalf of Member States for fear of weakening its existing capabilities for facilitation, mobilisation and advocacy. Matching supply with different kinds of demand was critical for its stability and sustainability.
- Small organisations or sub-units have their own form of complexity and vulnerability and they need to be nurtured carefully. Those that achieve high levels of performance, such as ESDU, may also attract resentment and criticisms from other groups that feel they have less access to resources and opportunities. From this perspective, capability protection and buffering may be as important as capability enhancement.
- More needs to be known about developing or enhancing particular capabilities. What does it take to build a capability for effective learning in a small organisation in a low-income country? Is this easier or harder to do compared to something such as financial management? Is there a sequence or a natural evolution in the development of such capabilities? What does it mean to manage an organisation as a portfolio of capabilities?
- The case raises the issue of the financing of capacity development. Too often, capacity analyses take place unconnected to issues to do with the source, the type and the conditions of the organisation's financing. Yet these issues set the pattern of incentives that shape the decisions and actions of many of the participants. In the ESDU case, the weight of donor financing and the relative absence of core funding from the Member States, especially in the late 1990s, put the onus on ESDU to balance the capacity development needs of the two groups.
- The debate about 'where to start?' may be a false one. The answer in the ESDU case was just about anywhere. They tried something and learned about the results. They developed some momentum. They got a sense of the overall system at work. Then they tried again to intervene at those points of leverage where big gains could reasonably be expected.

Bibliography

Baker, R. (Ed.), 1992. *Public Administration in Small and Island States,* West Hartford, CT: Kumarian Press.

Bradford, D.L. and Cohen, A.R., 1984. *Managing for Excellence: The Guide to Developing High Performance in Contemporary Organizations* (New York: Wiley).

Brown, D., 1992. *Development Bridging Organizations and Strategic Management for Social Change*, IDR Reports.

Brown, D., 1997. *Social Capital, Mutual Influence and Social Learning in Intersectoral Problem-solving in Africa and Asia*, IDR Reports, vol. 13(2).

Campbell, J., 2001. *Third Output to Purpose Review Report of the DFID Project, Support to the Natural Resources Management Unit and the Eastern Caribbean Coastal Resources Management Initiative*, report prepared by the Innovation Centre, University of Exeter, UK.

Commonwealth Secretariat/World Bank Joint Task Force on Small States, 1999. *Making Small States Less Vulnerable: Supporting Development during Globalisation*, draft.

Fuchs, P., Mifflin, K., Miller, D. and Whitney, J., 2000. 'Strategic integration: competing in the age of capabilities', *California Management Review*, vol. 42(3).

Glazier, G. 2001. *Review of the OECS Natural Resources Management Unit*, report prepared for the Environmental Capacity Development Project.

Hamel, G., 1994. 'The concept of core competence', ch.1 in G. Hamel and A. Heene (Eds.) *Competence-Based Competition* (Chichester: Wiley).

National Resources Management Unit, 2002. *An Agenda for Action: Environmental Portfolio, Second Five Year Operational Plan.*

Kaplan, A., 1999. *The Development of Capacity* (New York: UN Non-Governmental Liaison Service).

OECS Natural Resources Management Unit, 2000. *Options for the Participation of Civil Society in Environmental Management and Sustainable Development*, Technical Paper 3.

OECS Secretariat, 2002. *OECS Human Development Report 2002*.

OECS Secretariat, 2002. *OECS Environmental Management Strategy*.

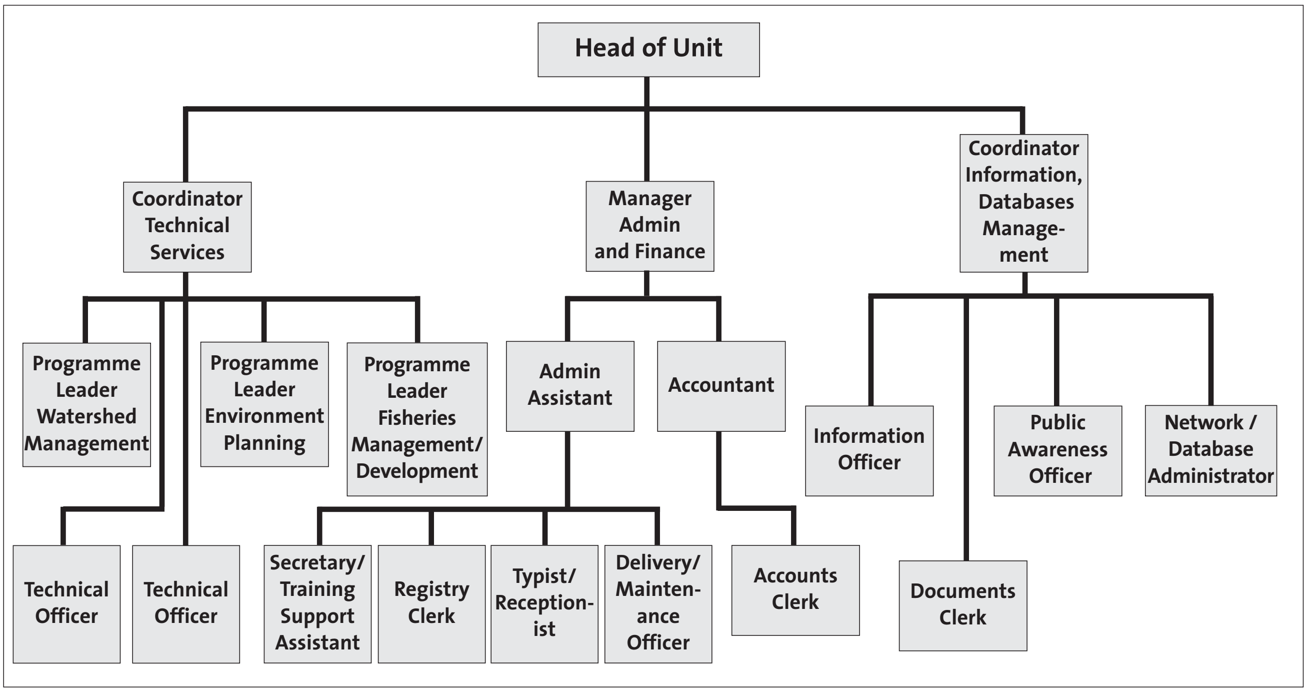
Prusak, L. and Cohen, D., 2001. 'How to invest in social capital', *Harvard Business Review*, 79(6), pp.86-93.

Systems Caribbean Ltd, 1996. *Management Audit of NRMU*.

Systems Caribbean Ltd, 1996. *Interim Reports 1 and 2, Management Audit of the NRMU*.

Whitney, D. and Trosten-Bloom, A., 2003. *The Power of Appreciative Inquiry: A Practical Guide to Positive Change* (San Francisco: Berrett-Koehler).

Annex 1: ESDU - organisatinal structure in 1997



Annex 2: ESDU function managers

1. **CORE FUNCTION:**
   To oversee, direct and coordinate the planning and management of the five functions that make up the portfolio of the OECS-ESDU towards fulfilment of its vision and mission, zoning in on the broader man date of sustainable development.

2. **TERMS OF REFERENCE**
   - 2.1 To participate in the ESDU's strategic planning process and take the lead in the various function areas in the development of work plan and budgets consistent with the ESDU's overall strategy and major objectives;
   - 2.2 To assist in the ESDU's corporate marketing activities; attend and represent the ESDU at relevant national, regional and international events and in related fora;
   - 2.3 To participate, as required, in the ESDU's negotiations and related activities for resource mobilisation;
   - 2.4 To design and ensure maintenance of the ESDU's human resource development system and provide guidance in the day-to-day management of relevant policies and procedures;
   - 2.5 To ensure timely preparation of relevant proposals, agreements and contracts for approval by the OECS-ESDU and donor agencies. As appropriate, review and adjust these submissions;
   - 2.6 To consistently monitor, analyse and report on progress in respect of each function within the Unit, monitor monthly, analyse trends quarterly, and prepare consolidated quarterly and annual reports;
   - 2.7 To ensure allocation of appropriate resources (technical, financial) to facilitate capacity building and institutional strengthening in the OECS Member States;
   - 2.8 To assist the HOU in developing and facilitating appropriate strategies and programmes for improving the ESDU's financial sustainability;
   - 2.9 To maintain control systems for the efficient results management of assigned projects, resources and reporting personnel; and
   - 2.10 To contribute towards the building of a positive team spirit within the Unit.

Annex 3: ESDU task managers

3. **CORE FUNCTION:**
To plan, develop, manage and facilitate delivery of specific tasks that make up the Corporate Services function of the OECS-ESDU, ensuring proper management and monitoring of those tasks, towards the fulfilment of the OECS-ESDU's corporate plans.

4. **TERMS OF REFERENCE**
4.1 to participate in the operational planning of the corporate services function of the ESDU, and pre pare compatible work plans for day-to-day delivery of office administration, personnel services and financial management;
4.2 to plan, develop, manage and ensure the timely production of accurate financial accounting and related project management records;
4.3 to organise, supervise and facilitate delivery of the ESDU's administrative and personnel services;
4.4 to maintain the ESDU'S documentation and records management systems in a systematic, up-to-date order, to facilitate easy identification of relevant information;
4.5 to coordinate and maintain, in a systematic and easily traceable manner, arrangements for travel (staff, resource persons, etc); workshops and the awarding of contracts, grant agreements and travel grants;
4.6 to support/facilitate the development of any other activity consistent with the mandate of the ESDU; and
4.7 to contribute towards the building of a positive team spirit within the Unit.

Annex 4: ESDU management team

5 **BACKGROUND**
The terms of reference for the ESDU Management Team need to be interpreted in the context of the remit of the ESDU Second Five year Operational Plan for the period 2002-2006. Essentially the Management Team will take responsibility for the detailed *implementation* of Operational Plan and the effective, operational *delivery* and *development* of the full range of services and activities of ESDU.

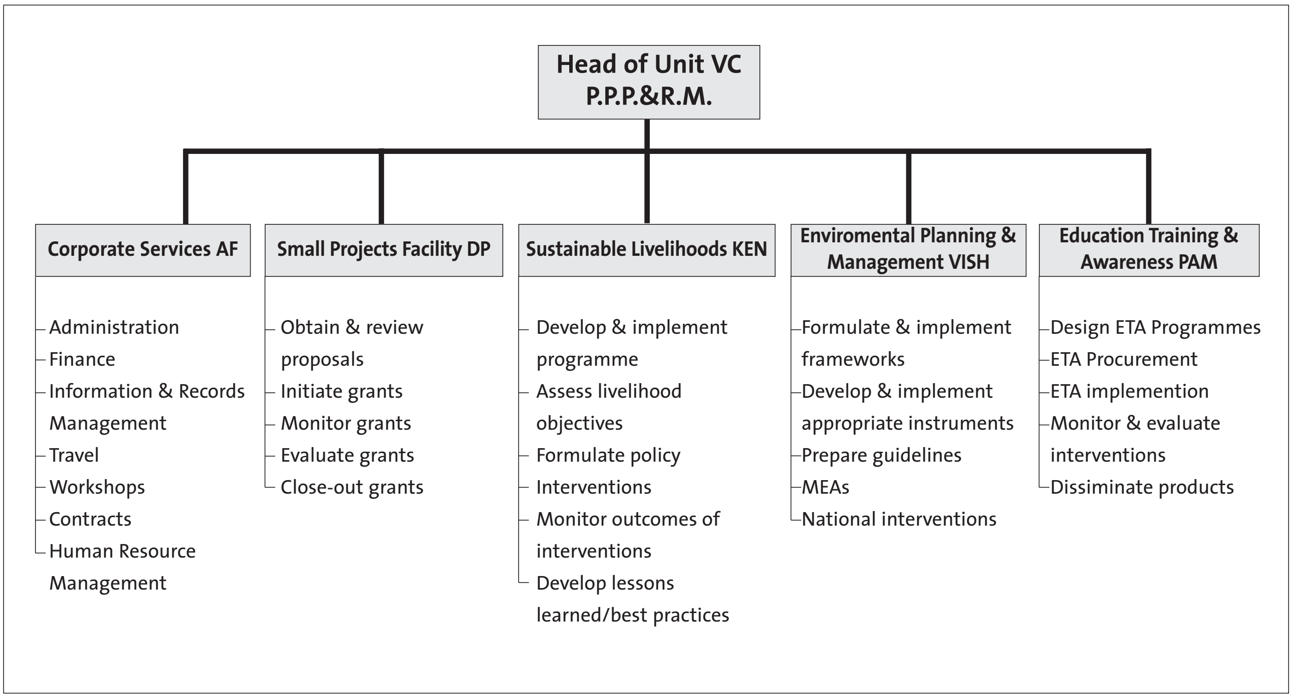
6 **TERMS OF REFERENCE**
The Management Team will contribute towards the building of a positive team spirit within the Unit, and will provide assistance to the Head of Unit by:
6.1 Ensuring that the ESDU operational delivery and development actively support the OECS mission and the OECS Strategic Plan.
6.2 Supporting and implementing OECS policy and procedures.
6.3 Delivering and developing service in a collaborative and complementary fashion with other environmental services. Similarly, and where appropriate, working with other OECS departments / Units to develop and deliver service.
6.4 Contributing to strategy, policy and service development by acting as a management forum to raise issues of common concern, and identifying new opportunities for change, considering new working practices, and formulating proposals for the OECS.
6.5 Developing annual Work Plans that reflects the ESDU's Operational Plan and OECS Strategic Plan and OECS Development Strategy, Member State needs and technical developments concerning environment and development issues. From this, develop and maintain function work plans and assign priorities that accurately represent current and future work for ESDU.
6.6 Making certain strategic decisions that affect the ESDU.

6.7 Developing the capability and capacity to implement the Second Five Year Operational Plan. Ensuring that the ESDU's organisation, processes and tools are appropriate, robust and follow best practice within the areas of environment and sustainable development.
6.8 Delivering service to OECS Member States according to agreed objectives, funding agreements by monitoring and reporting key performance Indicators, work, plans, budgets and deliverables.
6.9 Developing initiatives that improve communication, knowledge and team-working.
6.10 Communicating positively the aims and ability of the ESDU to its member State clients, the wider Caribbean community and, where necessary, to external funding bodies.
6.11 Developing annual budget plans and monitoring, reporting and ensuring adherence to budgetary requirements.
6.12 Ensuring best employment practice is adhered to and adequate training and development provided. Monitoring and maintaining team and personal performance through plans and objectives. Wherever possible, matching OECS service delivery and development needs with staff personal development needs. Ensuring that all staff understand their contribution and value to the OECS, the ESDU, and team goals.

7 MODE OF OPERATION

- Collective responsibility at Management Team level.
- Bi-monthly operational meetings. Up to one hour, to be based on sharing of information around the team.
- Creation of Working Groups composed of certain Management Team members, possibly including other key staff, to develop strategies and proposals.
- Evaluate own performance (i.e. management team vis-a-vis the TORs) on regular basis.

Annex 5: ESDU - current organisational structure



Annex 6: ESDU - proposed organisational structure

Pursuant to the preparation of the second five year operational plan and the endorsement of this plan by the fifth meeting of the Ministers of Environment Policy Committee, the staff of ESDU, has designed a new organisational structure for the Unit.

This proposed structure is based on recommendations from the organisational review of NRMU that was undertaken in November 2001 and which was further refined during the preparation of the second five year operational plan.

The proposed Organisational Structure of ESDU will comprise:
1. The Head of Unit
2. A management team made up of function man agers and the Head of Unit.
3. Function Managers who will be responsible for coordinating and facilitating the functions to which they are assigned.
4. Task Managers who will be responsible for implementing a specific cluster of tasks within a specified function.

The Head of Unit will retain overall functions for policy, planning, programming and resource mobilisation.

The Function Managers, of whom there will be five during the period of implementation of the operational plan, will oversee, direct and coordinate the planning and management of the functions which make up the portfolio of ESDU and as identified in the plan. The five functions during the next five years are as follows:
1. Corporate Services which will be headed by Mrs. Anselma Fevrier;
2. Small Projects Facility which will be headed by Mr. David Popo;
3. Sustainable Livelihoods which will be headed by Mr. Keith Nichols;
4. Environmental Planning and Management which will be headed by Mrs. Valerie, Isaac St. Hill;
5. Education, Training and Awareness which will be headed by Mr. Peter Murray.

The Terms of Reference for the individual function managers is outlined in the organisational chart which is attached in Annex 1.

All Function Managers, with the exception of the Function Manager for Corporate Services has post graduate qualifications to a Masters level. It is recommended that all Function Managers with the exception of that for Corporate Services be fully tenured at the P3 level. At the present time, only Mr. Peter Murray is fully tenured and at the P3 level. Mr. Keith Nichols is also at the P3 level but becomes fully tenured only in January 2003. Similarly, Mr. David Popo becomes fully tenured in January 2003; he is however at the P2 level and it is recommended that he is promoted to P3 in the next budget cycle. It is also recommended that:
1. Ms. St. Hill, who is presently financed with project funds, be promoted to a fully tenured P3 position in the next budget cycle; and
2. Mrs. Fevrier, who is undertaking management studies at the degree level, be promoted to a P1 position when she attains the necessary certification.

The **Task Managers**, all of whom are presently located within the Corporate Services function of the Unit will plan, develop, manage and facilitate delivery of specific tasks which has been assigned to them. It is envisaged that as additional resources are mobilised and new programmes come on stream, additional Task Managers will be hired, on a project basis, for the various technical functions. At present, the Task Managers in the Corporate Services function have been given individual responsibilities for:
1. Administration (Tadia Xavier, Monica Destang)
2. Finance (Carmella Duplessis and Naomi Busby)
3. Information and records management (Sirah Ferdinand)
4. Travel and workshops (Tadia Xavier and Monica Destang)
5. Contracts (Anselma Fevrier)
6. Human resources management (Anselma Fevrier)

The Function Manager for Corporate Services will, in addition to her tasks as a Function Manager, be responsible for ensuring the:

1. General administration of the Unit;
2. Coordination with the various sections and units in Division of Corporate Services; and
3. Liaising with the Secretariat's human resources officer.

The Terms of Reference for the Function Managers and Task Managers are provided in Annexes 2 and 3 respectively.

A management team that will be made up of all the function managers will assist the Head of Unit. The Terms of Reference of this management team is presented as Annex 2. It is envisaged that the inclusion of a Management Team will enable the Head of Unit to guarantee that the integrity of the ESDU team is maintained while ensuring that the team is, at the same time, fully integrated into the organisational structure of the wider Secretariat.

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 **four interconnected themes**:

- Development Policy and EU External Action
- ACP-EU Economic and Trade Cooperation
- Multi-Actor Partnerships and Governance
- Development Cooperation and Capacity

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.

The European Centre for
Development Policy Management
Onze Lieve Vrouweplein 21
NL-6211 HE Maastricht, The Netherlands
Tel.: +31 (0)43 350 29 00
Fax.: +31 (0)43 350 29 20
info@ecdpm.org www.ecdpm.org

This study was undertaken by ECDPM in the context of the OECD/DAC study on *Capacity, Change and Performance* and financed by the UK Department for International Development (DfID).

The results of the study, interim reports and an elaborated methodology can be consulted at www.capacity.org or www.ecdpm.org. For further information, please contact Ms Heather Baser (hb@ecdpm.org).

ISSN 1571-7569