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Capacity development: the why's and how's

What does capacity look like? How can you develop capacity bottom-up? What is the driving force behind successful capacity development? Does better capacity necessarily lead to better performance?

Questions of this kind are daily challenges for practitioners, policy-makers and academics working on capacity development.

Despite the existence of an extensive body of writing on capacity development, the answers are still not clear. For a start, the international development community has paid relatively little attention to the why's and how's of capacity development. Moreover, the bulk of the literature has been written from the vantage point of an 'outsider' supporting the organisational change processes and not from the perspective of those involved in such processes.

It was this kind of reflection that prompted a study entitled '*Capacities, Change and Performance*'. This study, led by ECDPM, is currently one of the main activities being undertaken under the aegis of the Network on Governance, operating under the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD). A number of organisations in developing countries are involved in the current work and feed the studies with analysis and lessons learned. This issue of *Capacity.org* presents the first cases that have come out of it.

The cases record and analyse stories told by members of a variety of organisations about how and why capacity develops. They focus on key or core capacities and the dynamics of change in them that produce good and sustained performance. Through their work,

the study team hope to identify promising patterns of action that support the development of capacity in a variety of environments.

Four case summaries are presented here, with an introduction to the study written by Heather Baser. The first article, by Franklin McDonald, focuses on an innovative model for promoting change in the Environmental Action Programme (ENACT) in Jamaica and explains how this model differs from more conventional approaches. Based on his experience in India, Bangladesh and Pakistan, Niloy Banerjee dissects what it takes for a non-governmental organisation to both survive and be sustainable, and examines the capacities that this involves. The third article, by Dr Vasantha Chase, looks at the investments required by the reorganisation of the Environment and Sustainable Development Unit (ESDU) of the Organisation of Eastern Caribbean States and the role played by regional stakeholders in supporting this process. The fourth contribution is an abstract of a study on how the Lacor Hospital in Northern Uganda not only survived, but became a centre of excellence in an environment characterised by civil war, epidemics and extreme poverty. Alongside these contributions, there is a brief list of relevant literature. Finally, we would like to draw your attention to the updated Capacity.org website, which lists new, downloadable resources from the CIDA (Canadian International Development Agency) extranet site on capacity development.

Introducing the DAC study on capacity

The lack of capacity in low-income countries is one of the main constraints preventing them from meeting Millennium Development Goals and reducing poverty. But even people involved in capacity development activities have only a limited understanding of how capacity actually develops. Practical guidance on how to stimulate the process is equally scarce. In addition, though the terms *capacity* and *capacity development* are in common use, interpretation of their meaning tends to vary from one setting to another.

As the welcome letter mentions, it is this kind of reflection that has prompted a DAC study entitled *Capacities, Change and Performance*. The study seeks both to provide practical guidance on capacity and capacity development and, more specifically, to foster a better understanding of the interrelationships between capacity,

organisational change and performance. It addresses such questions as:

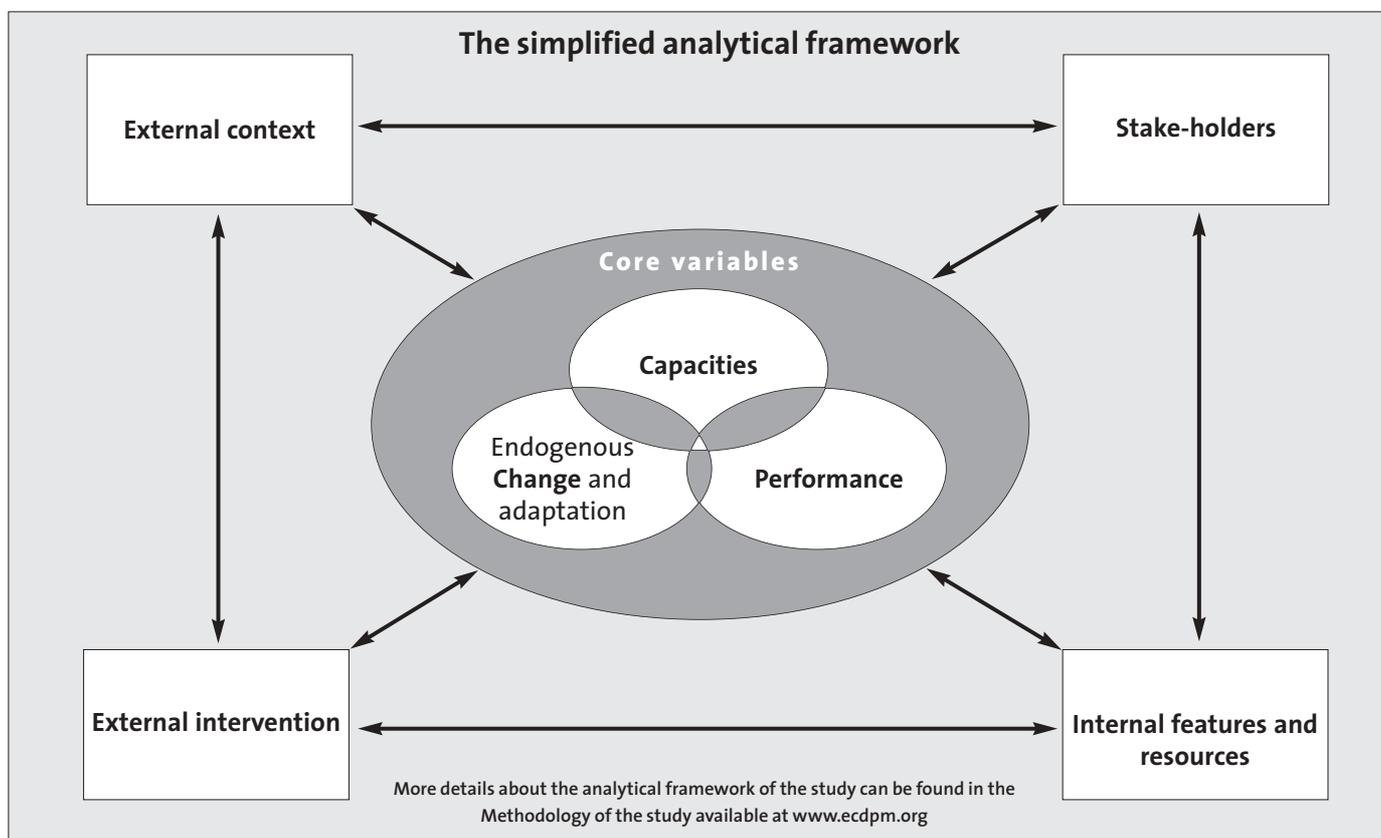
- What *is* capacity?
- What change strategies are effective in developing capacity?
- Does better capacity necessarily mean better performance?
- What can outsiders such as development organisations do to encourage the development of capacity and enhance performance?

The study assumes that all countries wish to develop capacity. The methodology includes a survey of relevant literature, a review of a selection of existing case studies, and field work on new cases. The case studies will be written from the perspective of those involved in processes of change, and not, as in most development literature, from the vantage point of a development agency

supporting them. The researchers hope to draw conclusions that will help to guide the work of organisations involved in capacity development, both international and local.

The heart of the analytical framework for the case studies is the interrelationship between capacity, change and performance. This dynamic is shaped by four factors, namely the external context, stakeholders, internal features and resources, and external interventions. These are set out in the graph below.

The researchers plan to perform about 20 field cases to assess how the process of capacity development works in both low-income and industrialised countries. These cases will pay particular attention to factors that encourage capacity, and examine how capacity development differs from one context to another, and why efforts to



develop capacity succeed in some contexts better than in others. The final report will identify promising patterns of action to support the development of capacity and assess their relevance to other environments.

There are three main audiences for the study:

- the members of the donor community who are sponsoring it,
- people working in developing or transition countries with an interest in capacity development, and
- organisations involved in cases which have a particular interest in learning.

The researchers are keen to seek these groups' views on their work and on how it can be made more relevant. The study team also hopes to engage in more focused discussions with local networks, particularly in Africa.

The products of the study will include:

- A two-part final report, including the findings of the case work and the literature on the what, how and why of capacity and performance improvement processes, as well as the implications both for those involved directly and for the outside organisations supporting them.
- Customised reports for specific target groups.
- A selection of case studies.
- A compendium of tools and frameworks.
- A partially annotated list of resource materials including literature from three main sources:
 - development cooperation literature on capacity issues, e.g. the UNDP study on Reforming Technical Cooperation;

- development cooperation literature on institutional development and management;
- literature on management and organisation e.g. organisational design, core competencies and networks, most of which has been produced by the private sector.
- One or more training modules, depending on demand.

We welcome your comments on the capacity study in general and on the articles included here. Background documents for the study can be found on the complementary web pages of *Capacity.org* and on the ECDPM's website www.ecdpm.org (Donor Reform).

By Heather Baser, ECDPM Programme Coordinator and Study Leader, e-mail hb@ecdpm.org

A new model for promoting change: responsive entrepreneurship

The Environmental Action (ENACT) Programme was set up to assist Jamaican public, private and non-profit organisations to improve their ability to identify and solve national environmental problems. It was one of the first donor-sponsored interventions in Jamaica to make capacity-building its core objective. The programme falls under the National Environment and Planning Agency, an executive agency of the Jamaican government created in 2001 under the Public Sector Modernisation Programme. The Programme is supported by both the Canadian and the Jamaican governments.

ENACT works with a wide spectrum of organisations, levels and tactics, all with the goal of creating a critical mass of capabilities and performance improvements. Its model for promoting change and developing capacity provides a challenging contrast to more conventional approaches.

Approaches

One of the most common approaches to promoting change is *mainstreaming*, in which policies and programmes are centrally determined and, at least in theory, applied uniformly. All operational staff are required to integrate activities relating to a new policy into their work and senior managers are expected to oversee this. The dynamic is one of supply and enlightened enforcement. The onus is on the targeted staff to comply.

A less intrusive approach is based on the principle of *social marketing*, in which targeted staff are seen as clients who are free to buy into or at least accept the programme or service on offer. The emphasis here is on persuasion or the creation of demand, on building awareness and on inducing officials to try something that has wider social benefits. The onus is on the provider to make the case for the adoption of the programme.

From the beginning, the ENACT Programme has followed a different approach. Based on key guiding principles developed with stakeholders during the planning phase, the ENACT team's intent has been to enhance the capabilities of others to deliver programmes that are supportive of sustainable development. What was needed was something that was both demand-driven



Photo: ENACT
According to John Robinson, a recent Canadian High Commissioner to Jamaica, the ENACT Programme 'produces like crazy'.



Photo: ENACT
“Coffee Industry Board reviewing material for a Code of Paractice’. Workshop in Linstead (2001) to improve environmental performance in the coffee industry of Jamaica.

and suited to Jamaican conditions. ENACT has focussed on adding value to others' programmes. ENACT has developed a process to proactively nurture pockets of energy, interest and commitment and try to respond to the needs of the groups involved. ENACT is as much responsive as it is proactive.

The ENACT team members used their networks and access to people to seek out opportunities. In ENACT terms, this was called working with 'primacy processes' or those activities that were already in place. The emphasis was on responding to real as opposed to 'constructed' needs, a pattern of behaviour that is new inside the government of Jamaica and within the international donor community.

New model

What emerged over time was an ENACT approach that combined a variety of elements into a coherent process. It bears some resemblance to a venture fund model, in which initiatives come from the participants rather than the investor. It also has some similarities with consulting work, where enhancing the client's organisational effectiveness is the priority. It draws from the techniques of social marketing, in

which clients are introduced to ideas and practices that generate a broader social value. And finally, it includes an element of partnership in which both parties combine their resources to achieve a common goal. The term 'responsive entrepreneurship' may best capture the nature of the ENACT approach.

The ENACT experience leads us to think a little more about the nature of 'demand' for capacity development. In the early stages, much of the demand for ENACT's services was latent, in the sense that groups or organisations showed limited interest, but were willing to collaborate with outside groups if approached appropriately and directly. Later, this pattern became more varied as ENACT staff came into contact with demands not directly aimed at ENACT participation. Finally, ENACT received more and more specific requests for it to participate in projects and activities.

By 2003, all three patterns were in a shifting mix. Much of ENACT's effectiveness has depended on its ability to adapt management strategies to deal with a varying pattern of demand over time. In some situations and on some issues, the programme

has been more proactive and has sought out latent demands. In others, especially as its credibility has increased, it has balanced supply and demand.

Partnership

The resulting relationships between ENACT and various groups frequently take the form of a partnership, with both sides contributing ideas, resources and legitimacy. Most interventions rely on dialogue, facilitation, demonstrations, accommodation and some persuasion. The partnership normally goes beyond the traditional quick fix of a capacity assessment, followed by a short consultancy or an injection of resources. Instead, ENACT tries to become a co-creator of results by defining goals in terms of client results rather than consultant products and matching the project scope to what the client is ready to do. ENACT plays the role of a catalyst or coordinator.

Most efforts at capacity development that are unconnected to specific projects suffer from a lack of unallocated funds and process support, specially within the public sector. Staff at the middle levels of government organisations cannot usually get access to seed money for services, workshops, publications or expert advice. In the Jamaican context, it is not easy to fund innovation through regular channels. The ENACT team injects resources into the system by supplying small amounts of funding and advice, such as for workshops with the Coffee Industry Board or for an environmental stewardship action plan for a particular agency. In such cases, ENACT acts as a capability investor trying to shift the balance towards innovation and organisational change. The organisations and groups concerned must already have demonstrated commitment and a willingness to achieve results. The provision of financial resources thus follows results rather than precedes them.

ENACT does not take on controversial or politically intractable issues connected to the enhancement of capabilities and performance. Thus, it does not threaten the prerogatives, mandates or vested interests of powerful groups such as public-sector

unions or central government agencies. Also, it does not press for the reform of legislation governing environmental and sustainable development.

In some ways, ENACT is a stealth programme specialising in 'middle-up and down' initiatives, i.e. addressing those interventions largely controlled by senior and middle managers in the public sector who ride below the political radar screen. Although few of ENACT's initiatives represent dramatic breakthroughs in capability and performance, they are increasingly important on a cumulative basis.

Over time and through its partnerships, the ENACT Programme has converged with and reinforced the major reforms underway in the country. ENACT is part of the technical team advising the Cabinet on matters related to environmental management and sustainable development. ENACT is also a partner of the Local Government Reform initiative led by the Ministry of Local Government, as well as of the Modernisation of the Planning Framework for Jamaica led by the Ministry of Land and Environment.

The ENACT team's approach to publicising its role and achievements is generally low key. On the one hand, it disseminates the ENACT Programme image and 'brand' through documents, workshops and other public events with the objective of bolstering the image of support, Jamaicanisation and partnership. On the other hand, the team takes care to adopt a discrete profile in terms of taking individual or programme credit. Publicity for successes is passed on to partners through whom and with whom the ENACT unit works. The ENACT Programme Manager, in particular, is careful to avoid public attention. Too much intrusive or publicity-grabbing behaviour is likely to undermine the very legitimacy and credibility that are needed to be effective.

Conclusion

In conclusion, we believe that ENACT represents a model of change that is both innovative and unusual. We hope that it provides some food for thought for other organisations on how they might develop capacity for change, not only in the environmental sector, but in other areas as well.

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For more information about the ENACT Programme, please visit its website at www.enact.org.jm or send an e-mail to: enact@mail.infochan.com.

References

- Shaffer, R. 2002. *High-Impact Consulting: How Clients and Consultants Can Work Together to Achieve Extraordinary Results*. S.I.: Jossey-Bass. This book espouses a style of relating to partners which includes defining goals in terms of client results rather than consultant products, matching the project scope to what the client is ready to do, aiming for rapid-fire success to generate momentum, building a partnership to achieve and learn and, finally, leveraging resources and getting more results with fewer consultants.
- Morgan, P. *Organising for Large-Scale System Change: The ENACT Case in Jamaica* (draft). Mimeo.



*Photo: ENACT
"Wolmers Preparatory School creating its own environmental messages'. Workshop (2001) to launch a set of six posters developed under the National Environmental Communications Campaign.*

The capacity for survival

Capacity lessons from NGOs

Background

Non-governmental organisations (NGOs) are growing increasingly important in the field of development. They are diverse both in terms of organisational form, structure and culture and in terms of the issues they cover. Correspondingly, the capacities that NGOs need to deliver on their mandate range across a broad spectrum. When asked, NGOs themselves list an interesting set of capacities that make them sustainable and effective.

This article, emerging from research undertaken as part of a broader assessment of capacity development across a wide range of contexts and organisations, looks at NGOs from the inside-out - the capacities that NGOs consider critical to their effective functioning. With NGOs now delivering approximately 12 per cent of global flows of aid and technical cooperation,¹ it is clearly useful to understand their workings and dynamics.

This article draws primarily from the experience of NGOs in the South Asia region, i.e. medium-sized to large organisations with annual budgets of a quarter of a million dollars and above, and employing anywhere between 25 and a few hundred people.

The capacity for survival and sustainability

The capacity for survival is one of the fundamental capacities that distinguish successful NGOs. Organisations that worry about next month's rent rarely accomplish their missions effectively. More likely, they tend to suffer significant distractions. In a recent paper, a group of NGO leaders from around the world listed 'sustainability' as the top challenge in a heap of eight challenges faced by civil-society organisations.²

The implications for capacity are straightforward. The leadership must not only ensure

that the organisation survives in the short run, but also that it is sustainable in the longer term. So there is a need for capacities to execute programmes and to keep building the institution by hiring quality staff, deploying systems and hardware and, therefore, finding predictable and sustained sources of funding. Staffers in NGOs, as in other organisations, have legitimate concerns about their jobs and security of pay. Organisations that cannot demonstrate a trend of positive growth are likely to lose their staff, with the best ones usually departing first. Conversely, if a leadership is able to deliver on the above, the organisation is usually well-placed to perform well in accomplishing its core mission.

Inherent to the capacity for survival are certain other elements that the leadership of successful NGOs demonstrate.

Capacity for survival: being 'donor savvy'

The leadership of successful NGOs tends to have a reasonable level of contact with donors and a relationship of equality with key staff at donor agencies. This ensures a level of comfort on both sides and it is not uncommon to find donors lining up behind a leader because of the 'comfort', even if the person is known to be autocratic, say.

Capacity for survival: mapping out a growth path

Successful NGOs are distinguished by the fact that their leaders have a very clear mental model of the organisation and its mission throughout its life cycle. This allows them to retain a degree of flexibility to add modules as opportunities arise, i.e. to reap windfalls. For example, in India, where the rapidly globalising economy led to the advent of large numbers of private corporations in the 1990s, many NGOs have been open to partnerships with the private sector despite having had long-standing ideological opposition to private capital.

Capacity for survival: a tactical approach to funding

Most donors' internal policies allow for very little support to grantees for institution-building. Some donors do not fund beyond two years. Some do not fund infrastructure. Others do not believe in funding a general support endowment. Yet an NGO leader has little choice but to think in terms of buildings (to avoid recurring rents), vehicles, salaries with steady increments (to retain competent staff), provident funds (a common staff demand in countries with no state social safety net), accident insurance and so on. Then there is the need to demonstrate a possible career growth path to employees - again, with the aim of retaining the best.

Such compulsions require the leadership of NGOs to be tactical in seeking donors, hedging risks and spreading costs among donors in a manner that takes care of the 'unfundables'. Besides these capabilities, the leadership needs to have a good 'antenna' for the general funding environment.

Capacity for survival: the element of trust

Successful NGO leaders often demonstrate the capacity to convince donors to allow them a certain degree of flexibility with the end-use of funding. This could entail, for example, the diversion of funds from a steady programme to an emergency (say, floods), or committing resources to an activity that seems justifiably important, but is not part of the agreed plan between an NGO and its donor.

A host of other capacities also distinguish successful NGOs. Many are key drivers or members of networks or network-like arrangements. The use of networks has proven to be a strategic 'force multiplier' in obtaining wider outreach.

The capacity for being perceived as legitimate

Successful NGOs have an informal sphere of credibility in the constituencies they serve.

For their constituents, NGOs embody the optimism that prevailing status quos will change. This legitimacy comes from demonstrating capability and leadership in a number of areas e.g. intellectual capability, capability for empowering, capability for rhetoric against a status quo, capability of ensuring funding, and so on. Internally, the legitimacy derived from imagery ('the leader travels overseas, meets many important people, knows many donors on first name terms, etc.') also plays an important part.

The capacity for political neutrality

Part of the legitimacy question derives from the capacity for maintaining equidistance from political parties of different hues while engaging in work that is essentially political in nature. There is, however, a caveat in that the need to be neutral is highly context-specific. While development-oriented NGOs in India need to demonstrate political neutrality, in Pakistan and Bangladesh, an element of political dexterity is more important than strict neutrality.

Capacity for breakthrough under adversity: the key informal innovation

Over the decades, many successful organisational performances have hinged on key breakthroughs either in concept or in process. These innovations have then been taken to scale by others adopting these breakthroughs and mainstreaming them. For example, Grameen Bank's innovation of lending on the guarantee of peer pressure rather than against collateral; the Bangladeshi, Thai and Indian examples of using religious leaders to spread successful contraception messages; the Brazilian Bolsa Escola innovation of paying mothers rather than the school system a subsidy for education, all fall in this category.

Many highly successful programmes and institutions demonstrate this capability at some stage in their organisational life cycles. The key informal innovation usually involves a novel 'tweak' to an existing (and accepted) paradigm, including sometimes turning it on its head. This also has implications for the legitimacy of the leader. Often, the leader is the one to whom the staff will turn when faced with an intractable prob-



Photo: Sudhendu Patil
Meeting of the Women's Cooperative Society in progress: Pairokar Vikas Samity, Jaipur, Rajasthan, India.

lem. This pressure has often led to path-breaking, locally appropriate innovation - sometimes with globally acclaimed results.

Capacity for delivering on diverse donor and (national) statutory requirements

Successful NGOs are characterised by an amazing degree of capability in their administrative structures for delivering on multiple requirements. As in the world of bilateral and multilateral aid, donors to NGOs impose multiple budgeting, reporting and auditing requirements on grant recipients.

The national government also demands compliance with local statutory regulations. In India, for example, this includes preparing and filing an audited balance sheet; a form for the Ministry of Finance on grant utilisation (including grants from all sources) to keep grants from being treated as 'income' and hence attracting income tax; and a disclosure to the Ministry of the Interior specifying the amount, source and end-use of all funds of foreign origin. Each of these is a complex exercise. Additionally, frequent trips need to be made to government offices in order to release tranches of agreed grants.

Capacity for harmonising diverse group identities and aspirations

In a number of countries in Asia and Africa,

the highly stratified nature of society is reflected among the poor. The poor continue to have factional, i.e. caste-based, tribal and ethnic, identities and aspirations that distract them from their primary aspiration of moving out of poverty. These also create competing interest groups among the poor that dilute effective action. The capacity to manage disparate group ambitions and harmonise these under a general plan for alleviating poverty is a key requirement for a successful NGO.

Whilst this article is based on broad generalisations, this discernible set of common characteristics is valid across many NGOs in different countries.

- 1 Second Round Table on 'Reforming Technical Cooperation for Capacity Development', Turin, UNDP, 2001. <http://capacity.undp.org>
- 2 Paper of the Civil Society Group, First meeting of the Resource Network on HIV/AIDS, Johannesburg, UNDP, 2003.

By Niloy Banerjee, Consultant,
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Investing in successful reorganisation

A regional experience from the Caribbean

Although most - if not all - organisations are reorganised and refocused from time to time, there is no guarantee that this will automatically improve their performance. Surveys of US businesses undergoing reorganisations suggest, for example, that no more than one third of them actually succeed. Here at the Environment and Sustainable Development Unit (ESDU) of the Organisation of Eastern Caribbean States (OECS), the feeling is that we have succeeded. But it has not been without blood, sweat and tears.

What follows is a summary of the ideas presented in a case study performed by the ECDPM, and of our own experience. In presenting it, I recognise the contributions made by many - the staff of ESDU, our clients (largely OECS Member States), the organisation's senior management and the funders who support us. The reorganisation has required imagination, effort, thought, discipline and staying power. In short, it has needed purposeful organisational investment by all these parties.

The ESDU is located in Castries, Saint Lucia, and was founded in 1986 as the regional implementing arm for GTZ-funded projects (German Technical Cooperation). It has since become a facilitating and bridging organisation responding to the needs of the nine OECS Member States.¹ With a staff of thirteen, the ESDU has a simple organisational structure and adequate funding to implement its second five-year operational plan (2001-2006).

We have the advantage of having direct and clear relationships with our key stakeholders, together with a supportive director at the OECS secretariat. This helps to create incentives to meet the needs of the Member States and fosters an enabling environment in which we are encouraged to constantly improve our capacities and performance.

At the same time, we have tried to maintain our operating space by managing and balancing the behaviour of our stakeholders - earning legitimacy and trust from the Member States, attracting outside support, restraining donor initiatives and using outside support to retain our independence. Maintaining an enabling environment is a crucial part of the capability and performance puzzle.

Peter Morgan, who did the case study for the ECDPM, writes:

"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 the hope of improving its general health, or the fast-food approach, i.e. a little training on the side, the insights from the ESDU case provide an interesting new perspective."

The experiments we have performed with improving our capacities and performance have lasted for most of the seven-year period from 1996 to the present. The changes implemented during this period have affected the organisation's mandate, management style and structure, and include:

- *Taking ownership of the ESDU as an organisation.* We have reversed the all too frequent aid relationship (where ownership means compliance) and encouraged funding agencies to respond to initiatives we put forward and needs we express. We have also integrated two lines of strategic thinking into our work: first, the positioning view, to look at our role and potential contributions to the Eastern Caribbean and, second, the resource-based view, to focus on our comparative advantage based on our internal resources and capacities.

- *Crafting the organisation's role and contribution.* The ESDU is in the fortunate position of being able to concentrate on the needs of one group of stakeholders, i.e. the OECS Member States. They and the staff have gradually developed a consensus about the organisation's mandate as a facilitator or bridge supporting the efforts of the Member States in utilising and managing natural resources. We only perform tasks which the Member States themselves cannot carry out. The answer to the question 'capacity for what?' is therefore clear.
- *Aligning the organisation's direction and design.* In order to enhance interpersonal and interfunctional coordination and communication, we have devised an organisational structure that is virtually flat, with overlapping job responsibilities. All staff are expected to understand the full range of the ESDU's activities. Each staff member blends generalist skills, such as facilitation, with more technical ones, such as coastal zone management. Ad-hoc teams or quality circles are formed around projects or problems.
- *Recruiting and developing ESDU staff.* The core of the group has remained in place from 1996 to 2003. Access to meaningful work rather than career opportunities is key to this continuity. A culture of skills acquisition in which staff acquire individual and organisational competences through regular work has also played a role, and has been more important than formal training.
- *Creating a collective, team-based approach to our work.* We have spent a great deal of time getting our internal dynamics straight. A shared allegiance to personally held values such as sustainable development and the

potential of the Eastern Caribbean has helped to create group cohesion. The organisation has not only reinforced and validated these values, but has also provided staff with an opportunity to put them into practice in their daily work. This has given staff a continuing sense of professional purpose. In most cases, the staff also agree on both programme ends and organisational means, most of which are symbolised by the mission statement. In addition, we have made sustained efforts to reduce the disparities and segmentation within the unit and to value the contribution of all.

- *Finding the right leadership style.* It would be unthinkable to try to lead such an organisation using a *command and control approach* or a *hub and spokes* model. Empowerment of staff through delegation and trust is critical. As the Head of the ESDU, I have had to learn to avoid micromanagement. Staff have had to learn to identify with the organisation as a whole and to share responsibility for its overall management, i.e. to develop a sense of organisational citizenship. Decision-making has become more collective.
- *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 both how to perform existing activities better and how to perform new ones well. They must also learn to give up certain practices that have long been effective. Our staff seem to need to learn constantly and collectively. They spend considerable time brainstorming about ways to solve problems and improve working methods. They try to learn about aspects of the organisation that are not part of their current work assignments. Learning is part of their real work and not a supplement as and when time allows. Learning focuses as much on the future as on the past and on capitalising on opportunities as much as on solving problems. Learning thus extends beyond the normal, safe technical issues to

social learning, i.e. how better to interact with colleagues in an effort to improve everybody's performance.

- *Generating an upward spiral of capabilities and performance.* Organisations can easily get locked into systemic patterns from which they find it difficult to escape. A few manage to generate an upward spiral that builds on strength. Here at the ESDU, we like to think that we fall into the latter category. Stakeholders, especially the Member States, have rewarded us by investing more resources and more trust in the unit. Staff have responded by identifying more with the ESDU, and the OECS as a whole, and committing themselves to its goals and way of working. The unit's psyche has grown stronger and more expectant of good performance. We have become our own enabling environment.

On the basis of the experience gained at the ESDU, I would like to make some suggestions that other organisations may find useful:

- *Learn from inside the organisation.* The staff of the ESDU already tacitly knew a great deal about how to improve our capabilities and performance. The challenge was to create an environment that would encourage these insights to emerge and be given serious consideration. Creating a climate for effective internal dialogue and learning is critical to improving performance.
- *Don't expect even progress.* Our experience confirms what is now widely known about capacity development strategies. They do not emerge in a fully articulated state. For the most part, they are neither programmable nor linear. Ideas and action steps appear slowly and in fits and starts. At the ESDU, we tried things out, experimented, argued about this and that, improved here and there and, above all, built on improvements that appeared to work.
- *Match supply and demand.* Organisations can expand too fast and try too many things. In our own case,

matching our supply with different kinds of demand has been critical to our stability and sustainability.

- *Provide buffers.* Small organisations or sub-units need to be carefully nurtured. We have attracted a degree of resentment and criticism from other groups within the secretariat, who feel they do not have as much access to resources and opportunities as we do. Our determination, coupled with the support of our stakeholders and the senior management at the secretariat, have helped us to hold our course and maintain our capacity.
- *Start anywhere.* Asking 'where to start?' may prove to be a misleading question. For us, the answer was 'just about anywhere'. We tried something and learned about the results. We developed momentum. We got a sense of the overall system at work. Then we tried again to intervene at those points where big gains could reasonably be expected.

While we have made significant progress at the ESDU over the years, this has taken longer than expected. Maintaining our strategic direction during this period has required patience on the part of our stakeholders, our senior management, our colleagues in the other divisions and units of the secretariat, and our funders. It has also demanded a great deal on the part of staff who have had to perform for the Member States while going through what are often demanding changes in approaches. The challenge for other organisations is to develop and nurture this kind of adherence to purpose. More information on: <http://www.oecs.org/units.htm>

1 Grenada, Anguilla, Antigua and Barbuda, the British Virgin Islands, Dominica, Montserrat, St. Kitts and Nevis, St. Lucia, and Saint Vincent and the Grenadines.

By Dr Vasantha Chase, Head of the ESDU,
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- Morgan, P. *Building Capabilities for Performance: The OECS/ESDU Case* (draft). Mimeo.

Performance amidst conflict, epidemics and poverty

St. Mary's Hospital (known locally as Lacor Hospital) in the Gulu District of Northern Uganda is a former Catholic missionary hospital which is now fully integrated into the Ugandan health system. The case study describes how the hospital has grown into a centre of excellence, setting an example to the rest of the Ugandan health system and helping to build healthcare capacity for the whole country. With 470 beds, Lacor is the second biggest medical centre in Uganda. It is an extraordinary example of capacity development, adaptation and performance in a region characterised by a 17-year civil war, extreme poverty and outbreaks of virulent epidemics.

Dr Piero Corti (from Italy) and his Canadian wife, Dr Lucille Teasdale, began the Lacor hospital in the early 1960s. Dr Corti formulated a clear mandate for the hospital: to offer the best possible service to the largest possible number of people at the lowest possible cost. Dr Teasdale imprinted an attitude of care and love for patients on the staff. The two founders' tireless dedication and hard work has set an example for the staff and developed into a value system which still guides the hospital.

The full case study analyses the key competences underpinning the hospital's excellent performance. Here are the five most important:

- *The ability to transfer the founders' values* to others in the organisation. This internalisation process takes place primarily on the job, through the power of example and regular staff meetings. It is supported by an incentive package and a management approach that shares responsibility and involves staff at all levels.
- *The ability to reproduce the organisation.* An inner core of some 15 to 20 people supervise new staff members and act as the guardians of the organisation's working culture and core

values. In addition and more on the technical side, the hospital makes an enormous investment in training, partly as a means of attracting staff to an otherwise unappealing location. Thirteen to fifteen percent of the annual budget is reserved for training, including both in-house teaching and outside training.

- *The ability to adapt.* The hospital's guiding principle is to respond to the demands of its key stakeholders. This implies learning processes that enable the hospital to acquire knowledge, to reflect and to apply the lessons of experience. It also means a rejection of conservatism in the form of dogmas, old habits and outdated procedures.
- *The ability to self-regulate.* Although Lacor has established formal administrative and professional standards, the management prefers to encourage the staff to take responsibility for their own performance. Control systems play a secondary role.
- *The ability to network and collect intelligence.* Throughout the history of the hospital, contacts with the outside

world have been essential to understanding the broader environment and surviving in very different and at times exceedingly difficult political periods. In addition, the hospital has been able to build contacts that have proved valuable in raising operating funds to subsidise operations.

This set of competences has evolved slowly over the years and is tightly linked to the deeply rooted value system. It has helped the organisation to survive even during the most difficult times. Lacor was one of the few hospitals in the world to deal successfully with Ebola virus disease, even though it resulted in the deaths of 150 patients and the loss of 14 experienced staff, including Dr Corti's designated successor. The hospital's staff and board are aware that they can overcome such adversities only by further developing their capacities, maintaining their core values and stabilising their finances.

The case study, entitled *Resilience and high performance amidst conflict, epidemics and poverty* by Volker Hauck, is forthcoming and will be available from the ECDPM's website: www.ecdpm.org (Donor Reform). Information on St Mary's Lacor Hospital: http://www.lhospital.org/index_eng.htm



Photo: Brother Elio Croce, Lacor Hospital
Lacor Hospital new paed patients waiting for MD visit

Selected bibliography

The below list of books and articles contains some selected references taken from a much larger resource collection which is being put together in support of the broader program of research carried out by ECDPM for its Study on Capacities, Change and Performance. The list tries to reflect the cross-disciplinary contents of its source and goes beyond the usual suspects in the capacity literature. For the most part, the development cooperation community makes little use of the insights of other disciplines. This list assumes that insights into the complex process of organizing people into productive forms of collective action in developing countries can come from many sources in addition to the going strands of thinking in the international development literature. References are thus made to material from three main sources including the development cooperation literature on capacity issues, e.g., the UNDP study on *Reforming Technical Cooperation*; the overall development cooperation literature on institutional development and management; the global literature on management and organising, e.g. organisational design, core competencies and networks. Where available, links to full or partial on-line versions of some documents are included.

Baron, J.N., and M.T. Hannan. 2002.

"Organizational Blueprints for Success in High-Tech Start-Ups: Lessons From The Stanford Project on Emerging Companies" *California Management Review*, vol. 44, no. 3.

This research looked at a provocative assumption: that in a period of rapid change ('Internet Speed'), systematic capacity building is an unproductive waste of a leader's time ("during a hurricane, even turkeys can fly"). The research looked at nearly 200 technology start-ups in sectors such as computers, biotechnology and telecommunications. The results of the study reject the above assumption. Small organizations in the private sector turned out to be very 'path dependent' meaning that the relevance and direction of their early organizational blueprints mattered a great deal in terms of eventual performance. Capacity building, in short, turned out to be the main event. A wonderful article for those interested in organizational issues in the private sector. <http://www.haas.berkeley.edu/News/cmr/baron.pdf>

Dimaggio, P.J., and W. Powell. 1991. *The New Institutionalism in Organisational Analysis*. S.I.: University of Chicago Press.

This is a dense, 400-page collection of academic articles on the new institutionalism and its implications for organisational analysis. Whilst it is clearly not a book for practitioners, buried within it are

some genuine insights that have real explanatory power for capacity development. Particular topics of interest are the tension in most organisations between symbolic and performance objectives and the ways in which certain environmental factors such as rules, norms and social patterns of behaviour affect organisational behaviour.

Fuchs, P.H. (et al.). 2000. "Strategic Integration: Competing in the Age of Capabilities". *California Management Review*, Vol. 42, No. 3.

This article focuses on the issue of organizational alignment and integration using data from a number of American private sector firms. The thesis here is that effective performance arises from the ability of organizations to synthesize their positioning (i.e. direction, product/market focus) and executional capability (i.e. resources, operational capabilities and organizational culture) into a cohesive strategy. In the view of the authors, it is the systems perspective and a combination of comprehensiveness and alignment that accounts for good performance. A useful reminder that a focus on the process of 'capacity-building' by itself is not sufficient. <http://proquest.umi.com/pqdlink?Ver=1&Exp=01-08-2008&FMT=TG&DID=00000054054058&REQ=1&Cert=D1%2f6uQVjSmmN6q%2bMUpGjcrhcjjonijKAcxaRzJ7KzZPoliY21NBDMXMIFugkOQ%2bdx24SqFCrRw9MfoEQLNUQ-->

Grindle, M.E. 1997. 'Divergent Cultures: When Public Organisations Perform Well in Developing Countries', *World Development*, Vol. 25.

This article is based on a 1994 study for the UNDP that looked at the factors driving effectiveness in a variety of public-sector organisations. The two authors found that the type of task, the salary levels and the client had less impact on performance than the nature of the organisational culture. More specifically, the organisational mystique, management style and operational autonomy, particularly with respect to personnel issues, appeared to matter more.

Hesselmark, O., *Un-Building Capacity: Some Cases from Africa*, EGD Working Paper 1999:1

A pithy little (15 pages) article that looks at the systems dynamics of financial, organizational and human issues that can lead to the 'un-building' or the collapse of capacity. The report focuses in particular on the issues of lack of recurrent costs, politicization, donor exit strategies, external dysfunctions and others that act against sustainability. Useful piece.

Horton, D. (et al.) 2003. *Evaluating Capacity Development - Experiences from Research and Development Organizations around the World*. S.I.: ISNAR, IDRC, CTA.

This book tries to explain how the ISNAR Evaluating Capacity Development Project has used an action-learning approach, bringing together people from various countries and different types of organizations. It is based on six case studies of organizational capacity evaluations in Ghana, Cuba, Nicaragua, Viet Nam, the Philippines and Bangladesh. As project team members conducted six evaluation studies over the course of three years, project participants learned a great deal about capacity development and the process of evaluation. The authors use examples and lessons drawn from the evaluation studies as a basis for making more general conclusions regarding how capacity development efforts and evaluation can help organizations to achieve their missions.

http://web.idrc.ca/ev_en.php?ID=31556_201&ID2=DO_TOPIC

More materials related to the ISNAR project at:

<http://www.isnar.cgiar.org/evaluation.htm> and http://www.capacity.org/Web_Capacity/Web/UK_Content/Navigation.nsf/index2.htm?OpenPage

Johnston, M., and S.J. Kpundeh. 2002. *Building a Clean Machine: Anti-Corruption Coalitions and Sustainable Reforms* (World Bank Institute Working Paper). Washington: World Bank Institute.

This is an excellent piece on encouraging organisational and personal change through the pressure of coalitions. In particular, the analysis of a broad repertoire of incentives to sustain such coalitions is one of the best anywhere. This working paper can also be read with profit by practitioners interested in narrower capacity issues. This paper is clearly written and is a pleasure to read. <http://www.worldbank.org/wbi/publications/wbi37208.pdf>

Kaplan, A., 1997. *Capacity Building: Shifting the paradigms of practice*, Community Development Resource Association publication. Brief eleven page series of insights into organizational capacity building. This article makes a convincing case why conventional external interventions, mostly funded by donors, so often miss the mark and produce little in the way of sustainable organizational change.

http://www.cdra.org.za/Publications/Various_Articles/shifting%20the%20paradigms.htm

Kaplan, A. 1999. *The Development of Capacity*. New York: United Nations Non-Governmental Liaison Service.

This booklet (57 pages) is a classic statement of the organisational development approach to capacity development, with particular relevance to smaller, indigenous NGOs. It is a relentless dissection of the dysfunctions of the conventional, project-oriented, technical assistance interventions sponsored by the international donor community. It makes a case for more facilitative, learning-based empowerment strategies that respond creatively to on-going processes. It also contains a useful analysis of the 'hard' versus 'soft' elements of capacity and a plea for less organisational engineering and more systems appreciation of organisational life. This is a useful read for anyone who is about to design an intervention in support of capacity development. <http://www.unsystem.org/ngls/documents/publications.en/develop.dossier/dd.05/dc.contents.htm>

Kerr, S. 2003. "The Best-Laid Incentive Plans" *Harvard Business Review*.

This short (10 pages) article shows how performance measures can easily assess the wrong activities and in the process, provide incentives for employees to game the system and reduce existing levels of performance. Indeed, many of the dysfunctional practices outlined in the article are present in most current efforts at performance measurement systems in development cooperation - indicators (or 'vindications') determined at a central level by technical staff without lower-level staff participation or understanding, lack of awareness of the games that certain measurement 'rules'

create, an undue focus on intermediary activities, an emphasis on information over communication and education, an ignorance of the existing incentive system, a preoccupation with short-term results and a decoupling of measurement activities from broader issues of strategy and culture. Kerr's article is a case study in dysfunctions.

Leonard, D.K. 1987. 'The Political Realities of African Management', *World Development*, Vol. 15. This is an insightful article from an author who has spent a good deal of time and effort trying to understand the operational constraints facing African managers. Leonard looks at the patron-client pressures on managers, on their constant search for legitimacy and external support, and their need for projects that can be both politically and developmentally productive. Leonard takes aim at the relentless technical rationality that pervades donor approaches and its continuing record of failure in most organisational settings. He argues for capacity reforms that flow with rather than against the logic of African organisational and social reality. This is a refreshing change from the regular fare of donor advocacy for various 'lifeboat' solutions to capacity issues in Africa.

Letts, C.W., W.P. Ryan, and A. Grossman. 1999. *High Performance Non-profit Organizations: Managing Upstream for Greater Impact*. S.I.: Wiley Nonprofit Series.

Most analyses of NGOs focus on their role and their programmes. This book emphasises capacity-building, i.e. creating and sustaining effective organisations in the non-profit sector that can perform and deliver these programmes. The authors look at qual-

ity processes, product development, benchmarking, human resources and effective boards and supervision. The final two chapters are of particular interest, especially the comparison between NGO and private-sector approaches in the US to the mentoring of small, growing organisations.

Smillie, I., J. Hailey. 2001. *Managing for Change: Leadership, Strategy and Management in Asian NGOs*. S.I.: Earthscan.

This study, funded by the Aga Khan Foundation Canada, looks at the reasons for the good performance of nine NGOs in South Asia. Two of these are from Bangladesh, three are from India and four are from Pakistan. Among the management issues arising from the analysis are relationships with governments, the tension between formal and informal structures, and between products and processes.

Ulrich, D., "Organizing Around Capabilities" in Hesselbein, F., Goldsmith, M., and Beckhard, R. 1997. *The Organization of the Future*. S.I.: The Drucker Foundation/Jossey-Bass Publishers. A brief (7 page) article which tries to shift the focus in organizational thinking away from the conventional categories such as structure, roles, systems and accountabilities and towards that of capabilities. From this perspective, organizations should be looked at as bundles or portfolios of capabilities that change over time to meet changing needs. The article, in effect, calls for reversing most current assessment frameworks. A neat summary for busy practitioners.

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The European Centre for Development Policy Management (ECDPM) launched Capacity.org as a tool for development researchers, practitioners and decision-makers. As a website and a newsletter, Capacity.org combines information on capacity development policy and practice within international development cooperation with debate on policy issues and practical experiences. It acts as a platform for dialogue by providing a channel for informed review and synthesis of the complex issues faced by development practitioners and policy-makers.

Focusing on both the 'why' and the 'how' of capacity development, Capacity.org seeks to unravel the complexity of ideas and practices underpinning the term 'capacity development'. To achieve this, the editors particularly encourage the exchange of perspectives

and experiences from the South, so as to ensure that discussions are rooted in reality.

Our aim is to make Capacity.org a joint effort, mobilising and sharing a range of capacities and expertise. Interested individuals and organisations can help make Capacity.org an effective communication tool for people seeking to alleviate poverty through capacity development by contributing information, lessons, ideas, opinions and feedback. Any offers of co-finance or for linking up with related initiatives are very welcome.

www.capacity.org

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