Synthesis

Study on Capacity, Change and Performance

Interim Report

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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:
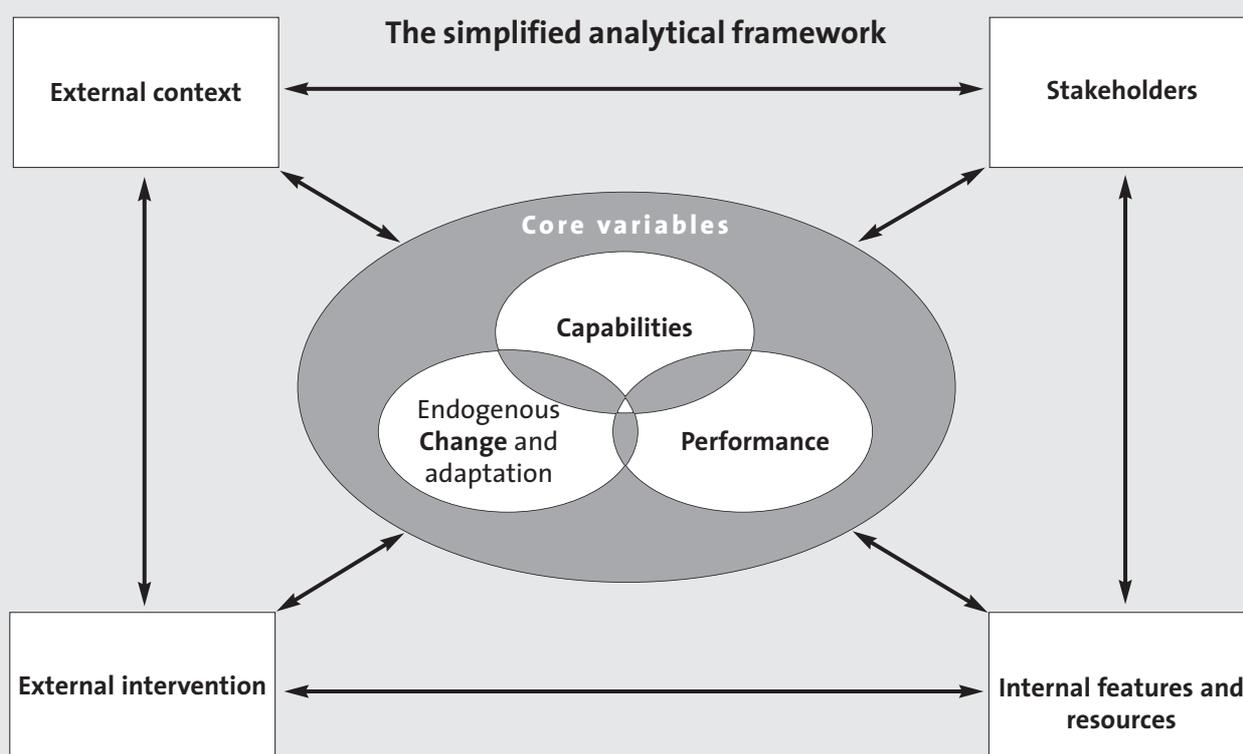
- **Capabilities**: *How do the capabilities of a group, organisation or network feed into organisational capacity?*
- **Endogenous change and adaptation**: *How do processes of change take place within an organisation or system?*
- **Performance**: *What has the organisation or system accomplished or 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

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Acronyms

ACBF	African Capacity Building Foundation, Harare, Zimbabwe
ADB	Asian Development Bank
AusAID	Australian Agency for International Development
CIDA	Canadian International Development Agency
COEP	Committee of Entities in the Struggle against Hunger and for a Full Life, Brazil
ECDPM	European Centre for Development Policy Management
ENACT	Environmental Action programme, Jamaica
ESDU	Environment and Sustainable Development Unit, OECS, St Lucia
DfID	Department for International Development, UK
Govnet	Network on Governance and Capacity Building, Development Assistance Committee of the OECD
HSSP	Health Sector Support Programme, Papua New Guinea
IDRC	International Development Research Center, Canada
INTRAC	International NGO Training and Research Centre, Oxford, UK
IUCN	World Conservation Union
JICA	Japanese International Cooperation Agency
LenCD	Learning Network on Capacity Development
LENPA	Learning Network on Programme-based Approaches
NAC	National Access Consortium, South Africa
NGO	non-governmental organisation
OECD	Organisation for Economic Cooperation and Development
OECS	Organisation of Eastern Caribbean States
PNG	Papua New Guinea
RRA	Rwanda Revenue Authority
Sida	Swedish International Development Agency
SSM	soft systems methodology
SWAP	sector-wide approach

1   Background

1.1   Purpose of the study

In 2002 the chair of the Govnet, the OECD's Network on Governance and Capacity Building, asked the European Centre for Development Policy Management (ECDPM) in Maastricht, the Netherlands, to undertake a study of the capacity of organisations and groups of organisations, mainly in low-income countries, its development over time and its relationship to improved performance. The specific purposes of this study were twofold:

- to enhance understanding of the interrelationships amongst capacity, change and performance across a wide range of development experiences; and
- to provide general recommendations and tools to support the effectiveness of external interventions aimed at improving capacity and performance.[1]

1.2   Purpose of this interim report

The purposes of this interim report to the Govnet are:
- to bring Govnet members up to date on the current status of the study;
- to set out some of the patterns emerging from the findings; and
- to indicate the tasks and schedule required to complete the study.

1.3   Analytical approach to the study

Before reviewing the progress to date, we first describe the analytical approach to the study.

First, the study focuses on endogenous processes of change. We are trying to understand the processes and dynamics of capacity development as they unfold at the field level. We are not advocating the value of country ownership. We assume it. Given that assumption, how does capacity emerge, and why? Part of the final report will focus on the role of external interventions, particularly those of international development agencies, but this aspect is not intended as the main part of the analysis. Our focus is on helping to improve, first, the current level of understanding, and then the types of intervention.

Second, the study looks at capacity issues from a broad range of perspectives. The case studies, from Africa, Asia, the Caribbean and Latin America,[2] examine organisational, inter-organisational, network and sectoral activities in the NGO, public and non-profit sectors. The intention is to look at capacity development as a complex human, technical and organisational process across a wide range of contexts and activities.

We are not attempting in our research and publications to put forward a comprehensive view of all capacity issues at all levels, ranging from the country level to the individual participant. We have focused our attention more on studying the capacity of formal organisational actors ranging from individuals to larger networks and groups of organisations. Given the breadth of capacity issues, we believe other agencies such as the World Bank and the Asian Development Bank are better suited to address macro-institutional issues and the formulation of national capacity strategies.[3] We are acutely aware, however, that societal structures and institutions are a key part of almost all capacity 'systems', and we have tried to take their role in account in our work.

Third, we are carrying out the analysis from a wide range of perspectives. Part of the difficulty in understanding capacity issues is the tendency to rely on uni-dimensional explanations. NGOs rely mainly on the implicit theories of organisational development.

Notes

1   Several other efforts to rethink approaches to capacity development are underway. The World Bank has, for example, established a task force to focus on the practical and operational challenges of improving support for its capacity building efforts. The African Development Bank is working with its regional and non-regional partners to define a new paradigm for supporting capacity. The Govnet of the Development Assistance Committee of the OECD is writing a good practices paper on capacity development which tries to draw from all of these efforts. As of March 2005, this paper is still in draft.

2   It was originally intended to include cases in high-income countries to make the point that capacity issues are universal and are not limited to low-income states, but financial constraints prevented their inclusion.

3   See, for example, Levy and Kpundeh (2004) *Building State Capacity in Africa*, and Campbell and Fuhr (2004) *Leadership and Innovation in Sub-national Government*.

Institutional economists see supply, demand and incentives as providing the key concepts. Political analysts use power as the central framework. Governance groups see societal organisation as determinant. Programme managers are concerned with inputs, targets, timelines and efficiency. We attempt to use all of these perspectives at different times. All are necessary and valuable but none is sufficient to provide a complete explanation. We are also reviewing the use of another framework that we believe adds a good deal of explanatory power: that of systems analysis.

Fourth, we are trying to combine theoretical and operational insights. Most of the 'demand' for capacity analysis is from practitioners asking for definitions, tools and frameworks - the 'what' and the 'how'. We are addressing this need in our work. But it is clear from our research that capacity analysis also suffers from a lack of an explanatory theory that can adequately address the 'why' issues. We hope to make some contribution to filling this gap in the final report.

The bulk of the analysis is targeted on the cases as examples of effective or at least promising capacity development. For the sake of comparison, we will include a section in the final report on the pattern of reasons for failure and lack of progress, but our intention is to call attention to the success stories for the insight they can impart. Many of these cases are filled with accounts of people acting with genuine ingenuity and professionalism. We hope they convey a sense of the enormous potential for capacity development that exists in most development situations.

Finally, we are not intending to come up with any kind of universal formula for effective capacity development. The results of our research indicate that each situation requires a customised approach. What we hope to contribute are some perspectives that can be useful to help people understand complex capacity situations.

1.4 Methodology

The methodology to date has been a combination of case studies (see figures 1 and 2) and a review of the global literature on capacity issues, including that from the private sector. In the remainder of the work, we intend to use the workshop format to discuss the findings in more detail.

The case studies were chosen on the basis of both methodological and pragmatic considerations, including:

- deemed success;
- geographical and sectoral distribution;
- issues of special interest to the overall research, such as successful inter-governmental coordination;
- availability of substantial data on the organisation or system;
- availability of funding and donor preferences; and
- the interest of country participants.

This last point perhaps requires more explanation. Most of the country organisations involved have welcomed the fieldwork and have used the cases as opportunities for learning, to help them better understand the reasons behind their success and their options for the future. In most of the cases, country staff participated in the analysis in some way. Some have used the results of the research in internal seminars, training sessions and in discussions with boards and funding agencies. Figure 1 provides a breakdown of the cases by region and entry point.

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

1.5 Funding

The study has benefited from the support of a variety of donors, including the UK Department for International Development (DfID), the Netherlands Ministry of Foreign Affairs, the Canadian International Development Agency (CIDA), the Japanese International Development Agency (JICA), the Swedish International Development Agency (Sida), and the Australian Agency for International Development (AusAID). Several country organisations made financial contributions to the costs of their cases, including St Mary's Hospital Lacor in Uganda, the Committee of Entities in the Struggle against Hunger and for a Full Life (COEP) in Brazil, and the Asia Region of the World Conservation Union (IUCN).

1.6 Outputs to date

The study is near the end of the research stage. A number of case studies are still to be finalised and we hope to carry out at least one more that deals with religion, early childhood education and community schooling in East Africa. We are also part way into the process of analysing in some detail the patterns emerging from the cases, and are reaching conclusions about their significance. Other tasks undertaken to date include the following:

- A methodological framework has been developed to guide the casework.
- A partially annotated literature review has been prepared with emphasis on three main sources: the international development literature on capacity issues; other cases of capacity development reported in the international literature; the global literature on management, including organisational design, core competencies and networks[4]; and reports published by country organisations on capacity issues.
- A total of 18 case studies and one comparative study have been carried out, of which six reports have been published, 11 are in draft, and two are in preliminary stages (see figure 2 for an overview of the status of the case studies).
- An issue of *Capacity.org* devoted to the study has been published: 'Capacity development: The why's and the how's'[5], more than 1000 copies of which have been distributed in English and French.
- An article, 'What is capacity? Going beyond the conventional wisdom', has been published in *News from the Nordic Africa Institute*.[6]
- A draft discussion paper on the nature of capacity has been prepared.

- Various papers and contributions to international meetings and conferences have been prepared.
- A section of the *Capacity.org* website has been established to provide access to all documents related to the study (www.capacity.org).

Notes

4 A number of international development agencies are currently reviewing their work in the area of capacity development, including the Asian Development Bank, the Rockefeller Foundation, the Commonwealth Secretariat, the Africa Region of the World Bank, and the International Development Research Center (IDRC). The International NGO Training and Research Centre (INTRAC) is also conducting a major study with support from the Netherlands. There is a growing literature on capacity building coming out of the North American NGO community. See, for example, Blumenthal (2004) *Investing in Capacity Building: A Guide to High-impact Approaches*; and McKinsey and Co. (2001) *Effective Capacity Building in Nonprofit Organizations.*

5 '*Capacity development: the why's and how's*', Capacity.org, Issue 19, October 2003.

6 Baser (2004) '*What is capacity? Going beyond the conventional wisdom*', News from the Nordic Africa Institute, No.2, p.13.

Figure 1. Cases by region and entry point for analysis

Entry Point of Study		Organisation		System	
		Public Sector	**Non-Profit Sector**	**Public Sector**	**Non-Profit Sector**
R e g i o n	**Africa**	• *Revenue Authority, Rwanda* • Public Sector Reform, Tanzania	• *St Mary's Hospital, Uganda* • NAC, South Africa		• *Decentralised Education, Ethiopia* • Madrassa Schools, East Africa
	Asia/ Europe	• Trade Capacities, Russia	• NGO Capacities, India	• *Community Development, Indonesia* • Local government reform, Philippines • *Health Sector, PNG* • *Churches and Governance, PNG*	• IUCN Asia, Pakistan • *Decentralised Education, Pakistan* • Micro-Credit, Bangladesh
	Caribbean	• *ESDU, St Lucia* • *ENACT, Jamaica*			
	Latin America			• Human Resources for Health, Brazil	• *COEP, Brazil*

Cases that have been published or are near publications are in *ITALICS*

Figure 2: Status of the case studies

Agreed cases	Researchers	Funding	Status	Write-up	Expected Publication Date
ENACT, Jamaica	Peter Morgan	Core	Done	Done	April
ESDU, Org. of Eastern Caribbean States, St Lucia	Peter Morgan	Core	Done	Done	April
NAC, South Africa	Peter Morgan	Core	Done	In process	?
Capacity for Survival of NGOs, India	Niloy Banerjee	Core	Done	Done	?
St Mary's Hospital, Lacor, Uganda	Volker Hauck	Core	Done	Done	Done
Local Government Reform, Philippines	Alix Yule	CIDA	Done	In draft	?
Trade Capacities, Russia	Phil Rourke	CIDA	Done	In draft	?
Competition and Microcredit, Bangladesh	Niloy Banerjee	Core	Done	In draft	?
COEP, Brazil	John Saxby	Core	Done	Done	Done
Health Sector, Papua New Guinea	Joe Bolger, Angela Mandie-Filer, Volker Hauck	AusAID	Done	Done	Done
The Role of Churches in Governance, Papua New Guinea	Volker Hauck, Angela Mandie-Filer, Joe Bolger	AusAID	Done	Done	Done
Decentralisation, Takalar District, Indonesia	Tony Land	JICA	Done	Done	Done
IUCN Pakistan/Asia, Pakistan	Peter Morgan + IUCN staff	CIDA, core	In process	In draft	?
Civil service reform programme, Tanzania	Peter Morgan, Heather Baser	ACBF, core	Done	In draft	June 2005
The Rwanda Revenue Authority, Rwanda	Tony Land	DFID	Done	Done	Done
Human resources for health, Brazil	Francisco de Campos, Volker Hauck	DFID	Done	In process	?
Decentralisation and education, Ethiopia	David Watson, Lissane Yohannes	DFID	Done	Done	April 2005
Decentralisation and education, Pakistan	David Watson, Adnan Qadir Khan	DFID	Done	Done	April 2005
A comparative paper on Ethiopia and Pakistan (decentralisation and education)	David Watson, Lissane Yohannes, Adnan Qadir Khan	?	Done	Done	April 2005

2 Emerging patterns

In this section we briefly describe some of the patterns that have emerged from our casework and analysis to date. These findings are organised roughly in the categories of the analytical framework used to guide the fieldwork. We will refine these and other findings at an internal ECDPM meeting in mid-March 2005.

2.1 Broader context and governance

We have been struck in our research by the reach and intrusion of a complex range of contextual factors that have acted to shape the evolution of capacity. From a systems perspective, all the organisations in the cases were themselves systems. They were, in turn, part of larger systems that have influenced their behaviour in both positive and negative ways. Part of the challenge for the participants was to 'see' these contextual factors at work and to manage strategically in response. Put another way, governance and capacity development were tightly coupled in many - although not all - situations. This interim report is not intended to present a full analysis of the range of contextual influences encountered, but some key patterns may give a sense of the situation.

Political and governance structures have exerted a profound influence in most of the cases. It is instructive to compare the public sector reform programme in Tanzania with those in Pakistan and Papua New Guinea. Tanzania has a relatively homogeneous population with over 200 small tribes and ethnic groups and a common language. Landed elites have exerted little influence. There were fewer regional differences in economic and political power than in many other African countries. Its geopolitical and security situation was stable. Its political system was structured along the lines of uncompetitive pluralism resulting in low levels of political conflict and a high level of policy continuity. In practice, the governance environment in Tanzania provided the productive space and stability necessary for capacity building at all levels.

These governance conditions did not exist in Pakistan and Papua New Guinea.[7] Both countries have had to contend with ethnic and geographical fragmentation. Political struggles have spilled over into all aspects of public life and have constrained or at times prevented

capacity and performance improvements. In a deeper sense, the governance situation in both countries has hindered the emergence of truly professional structures de-linked from politics. Those organisations in the public sector that did exist lacked the incentives, the resources and the operational autonomy needed to function effectively. In such contexts, approaches to capacity development need to be crafted differently than the technocratic strategies on display in the Tanzania case.

This is not to say that dysfunctional contexts always lead to capacity failures. In a number of cases - such as the Lacor Hospital in Uganda, the IUCN in Pakistan and Asia - organisations have prospered amidst chaos and disorder. But four factors were at work in these cases. First, these organisations had operational autonomy and were not dependent on public financing. All were outside the public sector. Simply put, they could buffer and defend themselves from various kinds of incursions. Second, they had nimble senior managers who were able to navigate their organisations through the risks and take advantage of the opportunities that are always present in unstable environments. Third, they had loyal external supporters ready to buffer them in times of crisis. Finally, they had earned their legitimacy and the support of key domestic groups, who also acted to protect them.

In some of the cases, we can see the impact of factors such as the 'brain drain', HIV/AIDS and civil strife. Also in evidence were the effects of globalisation and the arrival of the information technology revolution. A number of the case participants were engaged in virtual learning, global partnerships and international communities of practice. New ideas connected to capacity issues (for example, social accountability, performance management, executive agencies) have spread rapidly through global networks and in donor practices. [9]

Finally, a number of the efforts at capacity development, especially those in the public sector, had drawn strength from earlier social and political convulsions that brought new elites into power and changed the rules of the game. The Rwanda case may be the most obvious, but the participants in the cases in Brazil,

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7   See, for example, Nadvi and Robinson (2004) *Pakistan Drivers of Change: Synthesis and Policy Implications.*

8   This globalising aspect of the context has also affected the practices of international funding agencies. For an analysis, see the Rockefeller Foundation Capacity Building Review (2004) *What is Capacity and Why Do We Devote One-third of the Portfolio to Building It?*

9   For an analysis of a state struggling to overcome institutional constraints, see Matsuda (2003) *Peru Institutional Governance Review.*

Ethiopia, Indonesia, the Philippines and South Africa all drew strength from new ideas and from the new organisational and institutional spaces they were able to occupy.

In the final report, we will endeavour to show how contextual factors have acted to shape or at least influence the capacity development behaviour of organisational actors.

Box 1: Comparing the environments for decentralised education in Ethiopia and Pakistan

While both Ethiopia and Pakistan moved towards devolution and building the capacities to support it at about the same time, the political ownership of the national goals differed significantly. Ownership in Ethiopia was more widely shared than in Pakistan, relying heavily on the ruling party's discipline and communication chain. It was also more consensual, based on deeper representative democratic structures than existed in Pakistan (the ratio of population to locally elected representative is 1:200 in Ethiopia, but 1:1000 in Pakistan). In Pakistan, suspicions of the re-centralising motives of the bureaucracy persisted and the approach adopted was in spite of the bureaucracy, not through it. In addition, there was considerable opposition to the devolution plan on the part of vested interests within the political and bureaucratic establishment, particularly at the provincial level, which stood to gain little in terms of power or resources. All of these factors contributed to the conclusion of the team that more favourable and faster change is taking place in Ethiopia than in Pakistan.

2.2 Inter-organisational systems and networks

Over the balance of the work we intend to pay particular attention to capacity development at the multi-organisational level. Capacity issues arising from such complex structures contain within them a series of challenges, including incentive structures, shared leadership and decision making, the crafting of capacity strategies, conflict and mandate management, competition versus collaboration, scaling up, and many others.

- Many capacity development interventions at the organisational level are embedded within larger systems that exert positive or negative effects on those interventions. In some of the cases these systems were characterised by their inability to manage resources effectively, or to make or enforce stable policies. In such systems, capacity development faced major constraints.

- In other cases, improved system capacity and performance helped to set off virtuous spirals that pulled along individual actors. In practice, most of the individual organisations, such as the Rwanda Revenue Authority (RRA), were themselves multi-organisational systems that were both loosely and tightly coupled with partners, suppliers, interest groups, authorisers, competitors and others. Their level of capacity depended, in turn, on the capacity of others. Local governments in Indonesia and the Philippines also functioned within complex national systems that involved actors at the provincial and federal levels.

- Formal institutions - including laws, acts and regulations - mattered in many of the cases. The passing of new legislation reforming local government was critical in both Indonesia and the Philippines. Formal institutions were a key part of the capacity puzzle in Ethiopia, Papua New Guinea, Rwanda, South Africa, Tanzania and Uganda.

- Multi-organisational structures and specifically networks that link individual organisations are becoming more pervasive in all sectors in many countries. A number of the cases in this study, including the two in Brazil, fall directly into this category. Networks appear to offer one way to address the issue of scaling up capacity. We intend to say more about their particular contribution in the final report.

The task in the final report will be to set out how capacity develops in these larger systems and networks and how they act to induce or suppress capacity in individual actors.

2.3 Capacity

A key objective of the study is to develop a more complete understanding of organisational and system capacity: what comprises it, how and why it emerges,

how and why it contributes to development results, and how and why it weakens or collapses. Despite its advertised centrality to development, people everywhere struggle to explain exactly what capacity is or what it comprises. Virtually all discussions about the subject begin with an effort to agree on a definition. Few that have appeared give much operational help to practitioners.

From the cases, two basic ways of thinking about the idea of capacity have emerged. The first, and by far the most common, sees capacity as a general, aggregated outcome of a series of organisational conditions or assets or relationships that are part of an organisation or system - structure, culture, systems, tangible and intangible resources, staff, legitimacy, pattern of incentives, identity and confidence, leadership, and so on. In an effective organisation these conditions combine to produce capacity or the general ability to implement programmes or deliver something of value to others. Capacity here means the general ability to perform.

The second perspective is to see organisations or systems as a collection of more specific abilities distributed among a variety of levels:

- Individuals obviously have personal abilities or attributes or *competencies* that contribute to the performance of the organisation or system.
- Organisations or broader systems have *capabilities* to do things such as manage stakeholders, facilitate community development, carry out marine resource assessments, manage financial resources, listen and learn, empower staff, and so forth. Capabilities can be understood as the building blocks of an organisation's overall capacity to perform.
- Organisations or systems try to connect these competencies and capabilities into some sort of *coherent combination* or system that allows them to perform.

This focus on specific abilities is critical to understanding capacity. Using the lens of specific competencies and capabilities allows for a more focused operational discussion of the capacity issue - something that still eludes many participants.[10] But these abilities draw their strength and effectiveness from the deeper conditions of the organisation or system of which they are a part. In systems terms, competencies and capabilities are emerging properties of the system of which they are a part.

To get a deeper analysis of these issues, we are reviewing some of the patterns that have emerged from the cases.

- The organisations needed all different types of competencies and capabilities in order to survive. Those that delivered value on the outside versus those that were needed only on the inside. Those that were technical and professional versus those that were organisational or logistical. Those that were limited to a few people versus those that were needed by all staff. Those that were absolutely central or 'core' as opposed to those that were needed only up to a satisfactory level. Some seem to be transitory and play a particular role at a particular time, while others are often permanent, helping to sustain the identity and even the existence of the organisation.

- One of the most pervasive patterns was the need for both 'hard' (or technical/logistical) and 'soft' (or human motivation) capabilities. In many of the cases - Lacor Hospital, the Rwanda Revenue Authority, the ESDU Unit of the Organisation of Eastern Caribbean States (OECS), ENACT in Jamaica - the participants worked hard to combine hard and soft capabilities into a coherent whole. Too much on the hard side and the organisation began to flounder as a human community. Too much on the soft side and it could not deliver value to its clients and stakeholders. Among the most significant soft capabilities were those that enabled an organisation to transfer or internalise core values over time, to adapt to change and to reach out to create networks with other organisations and to learn. The challenge was for national participants and external agencies to collaborate in a way and at a speed necessary to get the balance right.

Box 2: Inculcating standards and values in an organisation

Dr Piero Corti and Dr Lucille Teasdale set up St Mary's Hospital at Lacor in Northern Uganda in the early 1960s. Their goal was to offer the best possible service to the maximum number of people at the lowest possible cost. For them, the capability to instil a sense of medical professionalism in the staff was key. The Cortis also saw the hospital's ability to live up to the values of Catholic humanitarianism as central to its work. A core group of 15 to 20 people within the hospital are now responsible for transferring both these hard and soft skills to all staff, mainly through the power of example on the job and through regular staff meetings. The hospital's management approach of sharing responsibility and involving staff at all levels is another transfer mechanism.

Notes

10 For a systematic way of analysing capabilities, see Ulrich and Smallwood (2004) '*Capitalizing on capabilities*'

- Part of the process of capacity development involved the way organisations altered the pattern of the competencies and capabilities as they grew in size and scope of action, and the complexity of their tasks increased. The Rwanda Revenue Authority case tracks the evolution of the agency over three stages and eight years. The COEP network in Brazil added logistical capabilities as it grew beyond a certain size. The staff of ESDU in the Eastern Caribbean worked as a group to add soft capabilities in order to better meet the needs of the countries they serve. The Lacor Hospital added management capabilities as it went through a generational change in leadership.

Over the rest of the research and analysis, we will concentrate on a number of issues:

- We are doing more work to track the patterns of growth in competencies and capabilities in order to give a more evolutionary view of capacity development as it unfolds.
- We will include some analysis on how various organisations and systems have addressed the development of a particular capability, e.g. building a capability for international project management in the Asia region of the IUCN, or how the local government system in the Philippines improved its collective capability to learn.
- We know more about the process of developing capabilities at the level of single organisations than we do at the level of inter-organisational groupings or more complex networks or even whole societies. We intend to go more deeply into this issue using the two cases of effective network development in Brazil in order to better understand the process at that level.

2.4 Institutional and organisational change

We are trying to get a better sense of change issues both within organisations and across multi-organisational systems. We are also trying where possible to disentangle national roles and interventions from those of external actors, which are discussed separately in section 2.6 below.

We remain puzzled about the relative lack of attention being paid to change issues in development cooperation. In the private sector, an enormous literature and body of experience exists, much of which emphasises the difficulties and challenges involved in designing and managing programmes of intentional change. The high rate of failure of change efforts in the private sector has long been accepted as normal and has led to intensified efforts to master it as a process.[11] In development cooperation, much of the analysis seems to have a more technocratic, programmed style that minimises the risks and boosts the apparent benefits to be achieved. Many approaches push a particular ingredient - incentives, participation, leadership, commitment, technical advice and support, and so on - that is felt to be the key solution. Many capacity analyses also contain a good deal of prescription and advocacy but tend to be short on understanding the dynamics of complex processes of change.

This tendency has led us to try and better understand this issue as it unfolds in the real world. Two questions have thus preoccupied us:

- What change strategies did the participants end up with, and why?
- How did capacity change and evolve in response to these strategies. What worked and what did not, and why?

We would also add two points about change in support of capacity development. First, many capacity analyses set out lists or sets of conditions that support effective capacity development and contrast them with those that hinder its emergence. But their informal application to most of the cases reviewed for this study was not helpful. Many of these conditions have more to do with outcomes than with determining factors. On the face of it, most of the cases in this study faced uncertain or discouraging prospects for capacity development at the outset. But the more effective interventions contained an energy

and a way of attracting support and resources that enabled them to move to new levels of capacity and performance.

The second has to do with the detailed design and strategic planning of capacity interventions. We see no universal value in these techniques. In some cases in which a coherent approach had to be imposed across a wide range of actors, planning and more centralised policies had merit. In others that were more experimental and exploratory in nature, such as the growth of the COEP network in Brazil, the participants relied on common values, informal networks and constant adaptation to maintain their coherence and direction. In these cases, few of the practitioners seemed to have much faith in grand capacity strategies. They had no systematic 'plan' for capacity development in the conventional sense of that term, and few saw the opportunity to formulate them. We will say more about differing approaches to programming and design in the final report.

Box 3: A pragmatic and incremental change process

In the Rwanda Revenue Authority, large-scale, comprehensive and predetermined reform processes have been avoided in favour of pragmatic and incremental approaches characterised by adaptation to emerging needs and priorities and progression over relatively short time frames. Working incrementally has not meant, however, being non-strategic.

The importance of positioning

One of the first issues to come to our attention is what we call 'positioning', i.e. the entry point for the selected intervention and the change strategy that underpinned it. The cases contained a wide range of positioning strategies, some explicit and some not, some successful and some not. Many were unconventional and counter-intuitive.

- The Brazilian network COEP endeavoured to energise and connect existing capacity for social development in Brazil housed in agencies such as the national oil company and the post office. The strategy here was one of mobilising public resources from outside the public sector by a non-governmental actor.
- In the ENACT case in Jamaica, the organisational unit charged with supporting capacity development in the environment sector, adopted a strategy of 'responsive entrepreneurship' in an effort to entice public agencies to volunteer to join the programme. This programme was positioned more as a challenge fund or a venture capital initiative rather than a supplier of more conventional supply-driven programmes. The ENACT programme also used the techniques of social marketing to encourage Jamaican agencies to look at capacity issues.
- In the Russia trade case, the programme abandoned a conventional training approach to capacity development in the Ministry and opted instead to set up a hybrid firm in the private sector that could then act as a support structure for the sector as a whole.
- In the Tanzanian case, the government and its supporters settled on a comprehensive, mandatory, long-term approach to public sector reform based on what was felt to be international best practice. In the Ethiopia case, in the efforts to combat HIV/AIDS, the reverse strategy was adopted with small initiatives being put in place that would show results within 100 days.
- In the case of the National Access Consortium (NAC) in South Africa, a group of social entrepreneurs set up a semi-private technical college to increase the intake of youth left unprepared by the apartheid educational system. The experiment encountered enormous obstacles in its attempt to integrate itself into the wider public education system.

We would emphasise again that capacity development is usually one of many agendas competing for attention amongst both donors and country participants in what can be chaotic situations. Positioning represents part of the effort to capture attention, commitment and resources in such contexts.

The influence of politics

The influence of politics, not surprisingly, permeated most of the cases. Capacity development involved shifts in roles, power, access to resources, relationships and identities, and these shifts took place at all levels from the individual to the national. In most cases, conflicting purposes had to be managed. Internal fragmentation had to be reduced and the operating space preserved. In some cases, the process of capacity destruction was crucial as groups and organisations struggled to renovate and reform older structures. In some cases, making systematic efforts to improve capacity made little sense given the pressures, vested interests and perverse incentives. In others, the symbolic manipulation of capacity images was a useful strategy.

We can see the case participants dealing with political factors in a variety of ways. Some groups outside government made consistent efforts to avoid any political identification. The COEP network in Brazil and most NGOs in Bangladesh fall into this category. Others actively worked with political elites to ensure support and protection, as in the case of the IUCN in Pakistan. Some used the buffering power of donors to fend off political intrusions. All the leaders worked informally to maintain their political credibility and legitimacy.

Demand and supply

Current thinking, particularly with respect to dealing with service delivery in the public sector, seems to favour 'demand-side' approaches. Yet, the evidence from the cases was mixed on the effectiveness of demand-side approaches. None of the cases, for example, came with both a strong demand and a ready supply. A number came with neither. Other cases were characterised by a low initial demand from organised beneficiaries sceptical about the government's ability to deliver anything useful. What did appear in a number of the cases was 'demand' from either internal staff or other elite groups interested in improved performance. In the Tanzanian civil service reform case, there were weak demands from citizens but growing

pressures from other organised constituencies such as professional groups, exporters, commercial interests and international funders intent on equipping Tanzania to compete in a globalising world. This pressure energised Tanzanian reformers within government to press ahead in an effort to escape the weak-demand, weak-response dilemma that traps many efforts at capacity development. The Rwanda Revenue Authority showed a similar dynamic. The Lacor Hospital was based on a supply-driven intervention that, in time, created its own legitimacy and led to increased citizen demands. In these cases demand creation seemed as important as demand responsiveness.

Some of the cases show the need to distinguish, when it comes to supply and demand, between actions that can help to spark off capacity development and those that can act to sustain it. In a number of cases, the energy of 'social entrepreneurs' mattered much more than the initial level of demand. [12]

Operating space

An issue that appears in many of the cases was that of operating space, i.e. the degree of policy, operational and financial autonomy that allowed actors the freedom to invest in their own capacity development or to negotiate for support. A number of actors - the Lacor Hospital, the IUCN - were positioned outside the public sector and used their access to external financing to enhance their capacity and performance. Others, such as the Rwanda Revenue Authority in the public sector, were managed under the general guidance of political authorities but were given adequate buffering from politicisation. Maintaining an operating space was also key to achieving some sort of internal stability within the organisation, which, in turn, allowed staff the time to reutilise or institutionalise various competencies and capabilities inside the structure.

One of the most difficult aspects of the space issue appeared to be the achievement of the right trade-offs amongst operational autonomy, political support, performance and accountability. Too much autonomy and the impetus to improve and perform could decline. But too little could disempower the actors and lead to erosion in terms of capacity and performance.

The value of legitimacy

The legitimacy of an organisation within the system in which it operates both contributes to, and comes from, a reputation and loyalty. Legitimacy, in turn,

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Notes

12 See Bornstein (2004) *How to Change the World: Social Entrepreneurs and the Power of New Ideas.*

Box 4: Creating space and maintaining independence

The Environment and Sustainable Development Unit (ESDU) of the Organisation of Eastern Caribbean States (OECS) in Castries, St Lucia, maintained its operating space by managing and balancing its stakeholders. The unit had direct and clear relationships with its key stakeholders, the Member States of the OECS. The organisation earned legitimacy and trust from the Member States which, in turn, allowed staff to use outside support to maintain operating space in their relationships with a range of stakeholders including external funders and other authorising groups.

The legal status of the Rwanda Revenue Authority (RRA) - a semi-autonomous government agency - provided it with sufficient autonomy to take decisions and manage resources on professional principles, and pursue its mandate without interference or distraction. Strong and visionary leadership, including from the Board, helped the RRA translate political aspirations into results on the ground. It could also count on political support from the President who insisted on public service integrity, transparency and accountability as part of his campaign of zero tolerance towards corruption.

produces a range of other benefits that bear upon the capacity issue. It creates opportunities and acceptance. It opens up access to resources and protection. It reinforces personal and organisational identities. Legitimacy stems from a variety of sources. Organisations and systems that persist over a long period of time and under difficult circumstances seem to earn it. Organisations that symbolise a set of values and meaning attract it. Organisations that deliver consistent public value earn it. But legitimacy can also come from factors unrelated to capacity and performance that may have cultural, symbolic roots.

Systems effects

Productive change can come about through what some participants have described as chemical reactions or spontaneous combustion. Systems theory labels this phenomenon 'emergence'. The intervention was well positioned. A window of opportunity suddenly opened sometimes unknown to all the participants. New participants entered the scene and others left. A critical mass of factors and ingredients came together, including the effects of events seemingly remote from the immediate focus of attention. Participants sensed movement and energy and gained confidence. A virtuous spiral of capacity development emerged and accelerated and began to improve both capacity and performance. We do not fully understand this process well enough to be clear about it. But it does explain more about effective capacity development than the linear, machine-building perspectives that have dominated much of the discussion in the past about capacity development. We will be issuing a discussion paper on this subject later in 2005.

The role of leadership

Committed leaders - and followers - were at the heart of all the examples of effective capacity development. But leaders require particular qualities. Those who relied on a heroic model and who focused on a variety of agendas other than capacity development frequently did more harm than good. Our concern here is the nature of the connection between leadership and capacity development. At least four patterns seem to have emerged. First, such people infused energy and confidence into their staff. They overcame the sense of disempowerment that affects many in under-funded organisations. Second, they thought strategically and creatively about capacity development as an end in itself, as well as a means to achieve greater performance. Third, they used their informal networks, contacts and social standing to protect the efforts of the organisation or system. Fourth, they adapted their leadership style as the organisation grew around them. Most recognised the dangers of the 'founder's trap' and worked to overcome it.

Box 5: Inspired leadership and engaged followers

COEP, a national solidarity network in Brazil, is committed to building a just and inclusive society for all Brazilians, one without hunger and poverty. COEP encourages its member entities (in Brazil's parastatal sector, along with businesses, educational institutions and civil society organisations) to support and participate in development projects, organise campaigns to mobilise public and institutional resources, and to cooperate in their work to end poverty. Its success is founded on its substantial intangible resources:

- creative and inspired leadership, which enjoys substantial legitimacy within the network and beyond;
- a sustained capability for strategic thinking and change; and
- the commitment, passion and energy of its institutional members.

Together, these intangibles have created a social and moral imperative to which COEP's members have responded, using their considerable material, financial and professional assets to support anti-poverty initiatives such as the Zero Hunger campaign.

Approaches to human motivation

Most approaches to change - and indeed most approaches to capacity development - revolve around conceptions of human motivation. We can see in these cases that the various patterns of incentives affected both organisational and individual behaviour in different ways.[13] But we have also been struck by the way individuals in some of the cases appeared to act against their own self-interest in pursuit of broader goals. An exclusive emphasis on incentives tended to focus too much attention on interpersonal and inter-organisational conflict, and to ignore other sources of motivation such as value systems, norms and goals, organisational identity and social capital. Capacity interventions that gave people meaning or a

larger purpose attracted the kind of personal and organisational commitment that fuelled major gains in capacity. Change appeared to happen the fastest when the incentives and values supplemented and reinforced each other.

The importance of informal patterns of behaviour

We were struck in some of the cases by the two worlds of capacity. A number had deep indigenous roots and practices as their key elements. Formal, 'modern' structures adopted from high-income settings had had been overlaid on these older, more traditional structures but had not replaced them.[14] In many cases, power and legitimacy came out of the informal and traditional rather than the modern. Formal structures and institutions were kept going for the purposes of symbolic appearances. Yet the latter, not surprisingly, received much more attention in capacity interventions funded by donors.

The change strategies that appeared most effective were able to operate well at both levels. They had ways of indigenising techniques from the outside and modernising traditional practices and values. Capacity development was at one level about respecting national values. But it was also about changing them to fit with new challenges.

Box 6: Changing attitudes

The Tanzania civil service reform programme is presently in its fourth phase, this one focused on implementing a performance improvement model. The emphasis is on changing the attitudes of public servants and encouraging new work habits such as promptness, regular attendance and service to the public. There are eight aspects to the total system, of which one is service delivery surveys. In the Ministry of Lands, the highly critical results of the survey helped to provide further incentives, along with computerisation of the system, for improved productivity. The average time required for a land registration dropped from 20 years to 1 or 2 years.

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13 For a detailed analysis of incentive issues, see World Bank, ADB and DfID (2004) '*Early signs of changing incentives for service providers*', in *Devolution in Pakistan*: Vol. 2, *The Recent History*.

14 There are many accounts of this process in the literature. See, for example, Dia (1996) *Africa's Management in the 1990s and Beyond: Reconciling Indigenous and Transplanted Institutions*; and Turnbull (2002) '*Solomon Islands: Blending traditional state power and modern structures in the state*'.

2.5 Performance

All the organisations reviewed struggled to untangle the complex relationship between capacity and performance. We intend to give this special attention as we proceed with the detailed analysis and reporting. In particular, the following issues need clarification:

- Given the systems properties of both capacity and performance, a variety of other factors affected their emergence. Most participants had not thought systematically about the interconnections between the two concepts. In practice, most discussions about capacity were about performance or results and how to achieve them. Few organisations produced a robust supply of information on performance. Furthermore, the linear progression from inputs to outputs to outcomes to impact appeared in few of the cases.
- The time frame mattered. To sustain a long-term focus on capacity development, short-term gains in performance - 'quick-wins' - were essential, as was evident in the Local Governance Support Programme in the Philippines. The question 'capacity for what performance?' was often asked. But attention to the question 'performance for what capacity?' was also important. Interventions that achieved a high level of performance or even a set of 'quick wins' created the impetus for improved capacity development.
- Practitioners, under pressure to sustain their position, frequently had to make risky trade-offs in the short term between capacity development, performance and organisational survival. Many operated in contexts that offered few rewards or incentives for destabilising investments in capacity development that promised uncertain outcomes. In highly politicised environments, there were much better ways to ensure protection and continued access to resources than the hard slog of complex organisational change. And, in rapidly changing situations, the credit for gains in capacity frequently went to others.

2.6 The role of external partners in capacity development

International funding agencies have widely accepted the value of national commitment as perhaps the key driving force in capacity development processes. The cases show that such agencies are shifting to more supportive, facilitative roles. They often now act as catalysts of change, encouraging reform processes that redefine roles and responsibilities or stimulate innovative practices.[15] In many of the cases, international agencies were suppliers of financial and technical resources to help implement activities focusing on personnel and organisational development.

DfID's substantial contribution to the Rwanda Revenue Authority, for instance, enabled the Rwandan authorities to speed up the pace of systems and infrastructure development. In other cases, funding agencies have contributed to strategic planning, brokering on policy matters, information exchange, as well as confidence boosting. Such forms of process facilitation are often intangible, and thus difficult to measure, but make an important contribution towards reinforcing capacity development processes. In Takalar district, Indonesia, JICA played a major role in stimulating new thinking and practices among actors. It also played a strategic role in creating a protected space within which innovative practices could be tested. As a neutral but influential outsider, it could also facilitate linkages between actors that rarely cooperated. In a related fashion, donors such as DfID in Ethiopia and Pakistan and, to a growing extent, AusAID in Papua New Guinea (in cooperation with other development partners), could leverage interest in and resources for a more programme-based and sector-wide approach to service delivery improvement, and in the process helped to create a framework for addressing the complexities of larger systems change.

Notes
15 Levy and Kpundeh (2004: 27) provide a useful chart summarising this shift.

Box 7: Developing capacity for tax administration

The Rwanda Revenue Authority (RRA) administers the collection of taxes, customs and excise. Supported by DfID, it became, in just six years, a respected institution that helped increase domestic revenue generation from 9.5% to 13% of GDP. The RRA and DfID developed a productive relationship based on frank exchange, team spirit, shared accountability for results, and a locally driven transformation process underwritten by strong ownership. This has allowed external technical and financial assistance to accompany the local change process and to adapt to the local tempo of change and emerging priorities.

The cases reveal a number of issues that external partners need to think about when supporting capacity development work.

Product versus process

Managing the tension between product and process has been a continuing part of the debate about ways to improve donor interventions in capacity development, which has intensified with the recent emphasis on results-based management. The cases we have studied span the spectrum of choices. Some, such as the education sector support programmes in Ethiopia and Pakistan and the health sector programme in Papua New Guinea, saw capacity development as a secondary objective in supporting a wider package of 'product' measures designed to achieve a particular development goal. At the 'process' end of the spectrum, in its support to Takalar district JICA defined its outcomes in terms of changed behaviour and decision-making processes. DfID's support to the Rwanda Revenue Authority, whilst contributing to wider improvements in economic management and governance, focused squarely on organisational development and performance improvement. CIDA's support for the ENACT programme in Jamaica was principally about strengthening the capacity for environmental management across a range of stakeholders.

Not surprisingly, our thinking to date is oriented more towards the process side of the debate. Indeed, much of the thinking coming out of the field of human systems indicates how a tightly targeted focus on outcomes can inadvertently reduce overall performance. What is required in many cases is a view of capacity as an end in itself, i.e. 'means-based' as opposed to 'results-based' management. In the final report, we will say more about managing this tension and how that can best be done across a range of contexts and time frames.

Box 8: Life without a donor

COEP is a Brazilian social solidarity network. It has grown from 30 organisations in 1993 to a nationwide membership of 800-plus organisations in 2004 using only Brazilian resources, such as an annual grant for its secretariat from a group of large Brazilian parastatals. The people active in COEP also benefit from their employers' agreement that they work for COEP, often on company time. But COEP itself does not have a programme budget and is not a funding or grant-making body. Instead, as a social solidarity committee, it challenges and encourages its member entities to use their resources creatively in support of development projects and campaigns for social justice. To date, COEP has had no relationships with international funding agencies. The life of the network to date has thus been free of distracting debates with donors and the stratagems and counter-stratagems of conditionality. Only now is it seeking external funds for specific projects to complement Brazilian resources.

Local practice versus external prescription

The cases demonstrate complex combinations of external prescription and local innovation. At one end of the spectrum, funding agencies supplied detailed prescriptions. Most of these dealt with public sector reform and involved the transplanting of techniques, strategies and organisational models developed in other contexts. The Tanzania civil service reform programme provides perhaps the best illustration of such an approach. But this was not a case of simple imposition by a funding agency. Many Tanzanian participants saw the arrival of 'new public management' as a measure of modernisation and access to global best practice. Other cases, such as Takalar district in Indonesia, came from the other direction and paid great attention to indigenous experimentation and the development of customised strategies to capacity development.

The challenge for external partners is to strike the right balance between creating or leaving space for local innovation on the one hand, and drawing from international practice on the other. The Rwandan authorities clearly valued DfID's combination of facilitation support and the provision of substantive professional expertise on tax matters. In Mauritania, the World Bank has also succeeded in achieving the right balance in support of the government's plan to privatise its telecommunications provider.[16] The issue surrounding the transplanting of techniques from one country context to another was the subject of some debate in development circles in the 1970s and 1980s, but declined in the 1990s with the enthusiasm for globalisation and best practice. But it remains an issue that we will say more about in the final report. [17]

> **Box 9: Developing capacity for participatory development in the context of decentralisation**
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> In Takalar district, Indonesia, JICA acted as a catalyst for stimulating change, inspiring new thinking and creating space for experimentation. The context was the shift from a highly centralised military government to one based on decentralisation. Despite a formal but largely ceremonial, even symbolic, process of bottom-up planning, there was little substantive engagement between local governments and communities. JICA introduced a model of participatory development, which recognised that communities possessed indigenous capacities that could be mobilised. The programme resulted in important steps in changing mindsets towards working with local communities and other stakeholders.

Long versus short term

It is difficult to contest the general idea that interventions in support of capacity development, especially those aimed at comprehensive macro-change, require a long-term commitment from all the participants, including international funding agencies. Yet the cases point to a more complex set of calculations when dealing with time frames.

- In the Local Governance Support Programme in the Philippines, a longer-term commitment could only be sustained by short-term gains. In a politicised environment, capacity development interventions had to compete for resources and attention with other priorities. Political leaders soon ran out of patience with and interest in capacity issues in the absence of emerging benefits. The trick appeared to lie in somehow balancing the short and the longer term in a context of conflicting claims. Much of the success of 'quick-win' approaches centred on the need for generating and maintaining energy.
- In some cases, the participants needed some way,

Notes

16 See Wilhelm and Mueller (2003) *The Ingredients of Capacity Enhancement: Three Case Studies in Telecommunications,* WBI Working Paper.

17 For an example of the renewed debate, see Jackson (2004) *How Can Capacity Be Built through Cross-Cultural Management?*, paper prepared for INTRAC.

intuitive or explicit, of differentiating between programmes that had genuine potential over the long term and those that were likely to produce little of value. In the Russia trade case, two years into the programme, a consensus emerged that it would be better to bail out of an ineffective long-term strategy and shift to something dramatically different that had more chance of delivering in the short and medium term. Without that abrupt change in course, much of the benefit of the investment would have eroded over time.

- It is useful to bear in mind that some of the partner organisations in the cases moved quickly to build their capacity. The Rwanda Revenue Authority went from a dysfunctional structure to being a high-performance actor in only six years. In practice, international funding agencies struggled to keep up with the pace set by some of their country partners. The image of patient donors sticking with the ponderous pace of change in support of capacity development did not hold across all the cases.

Participants also needed to calculate the dynamics of change underpinning various capacity initiatives. Some actors stirred and shifted into action under the pressure of time. Others become defensive and disempowered. Some capabilities, especially technical ones that could be bought instead of made, could be improved quickly. Others, such as an organisational ability to learn, took much longer. Creating and sustaining a shared understanding about what needed a patient, long-term commitment and what required urgent, short-term action seemed key in a number of cases, such as the Lacor Hospital and the Tanzania civil service reform programme. We will try to be more specific in the final report about separating out these categories.

Box 10: AusAID - shifting from project to programme-based approaches

AusAID has been shifting towards SWAP type support, reflecting a desire for a more holistic approach and more attention to local ownership and policy dialogue. Previously, there was a feeling in PNG's health sector that they were 'drowning in projects' which placed significant demands on government systems and made it difficult to have a clear overall sense of the reforms. The shift towards a sector approach was further seen as an opportunity to move to a broader approach to development cooperation and to address issues of management, leadership, and inter-sectoral issues.

The importance of learning

The importance of learning in support of adaptation and change was clear across all the cases. The optimal approaches to enhancing capacity development were seldom clear at the outset of the effort. The problems were invariably messy and complex and, in many cases, shifted in response to contextual factors, the arrival of new entrants, political conflict, differences in mandate, and so on. One of the key ways in which participants could make sense of their situation was to learn about what worked and for whom, and how and why.

One obvious pattern that emerged was that of different learning styles. The ESDU group in the Eastern Caribbean relied on an intensely personal, team-based approach best suited to a small homogeneous organisation. The Local Governance Support Programme in the Philippines, in contrast, implemented a formal, structured methodology in which the participants in the various municipalities moved sequentially though four stages. The Rwanda Revenue Authority and the IUCN Asia region developed a culture and informal rules that encouraged staff to question, to reflect and to challenge. In other cases, practitioners valued contacts with other practitioners who were dealing with similar issues. We also noticed the lack of importance attached to written accounts of capacity experiences and the relatively small contribution to learning made by formal training courses.

Most participants appear to value learning in principle, as do all funding agencies. We should be under no illusion, however, about the constraints to learning in support of capacity development. Within many of the cases different ethnic and professional groups had quite different views about the purpose and nature of learning. Control-oriented bureaucracies succeeded a good deal of the time in suppressing it. Most organisations, including those in the international funding community, found it difficult to confront learning that challenged cherished ideas or self-interests. Complex multi-organisational systems struggled to understand the implications of their collective experience. And few monitoring systems did much to encourage indigenous learning systems. In the final report, we will suggest ways in which different learning styles can be shaped to facilitate capacity development both at the field level and within international funding agencies themselves. [18]

Box 11: Learning from experience - the health sector in Papua New Guinea

The Health Sector Support Programme's annual review identified a number of 'conditions for success' for HSSP advisers:

- the need to take a 'stepwise approach', i.e. limiting the number of objectives;
- the need for early success, reflecting, among other things, the fact that many health personnel are 'demotivated by the continual focus on poor performance';
- allowing sufficient time to strengthen capacity - linking capacity building plans to annual activity plans and strategic plans is seen as helpful in this respect;
- exposing partners to best practices, e.g. through twinning arrangements;
- joint development of plans - to strengthen ownership and ensure their 'owner friendliness';
- modelling management styles and work behaviours;
- ensuring a clear understanding of the context, including factors that affect efforts to build capacity; and
- addressing the limited understanding of capacity building/development, which was frequently equated with training.

A focus on weaknesses versus strengths
Many capacity assessments have traditionally focused on deficits, gaps and weaknesses. Indeed, public sector management tends to be preoccupied with overcoming constraints rather than achieving tasks.[19] Most capacity analyses are not clear on the inherent strengths and existing capabilities of those organisations and systems to be supported. But the pattern emerging from the cases is mixed. Some external funding agencies did make efforts to support existing strengths and opportunities rather than being preoccupied with constraints and weaknesses. DfID built on the important ownership and commitment of government and management in the case of the Rwanda Revenue Authority. In Indonesia, JICA sought to validate the capacities that were present within rural communities. ENACT's responsive entrepreneurship sought to tap into sources of energy and capacity within the Jamaican environment sector.

These funding agency interventions were implicitly following the principles of 'appreciative inquiry', an assessment technique that appears to have genuine potential in situations where capacity development is the key objective. We will say more about the application of this technique in the final report.

Notes

18   A good deal of work is already being done on this subject. See, for example, King and McGrath (2004) *Knowledge for Development?: Comparing British, Japanese, Swedish and World Bank Aid*, and Carlsson and Wohlgemuth (2002) *Learning in Development Co-operation*, p.2

19   See Wilson (1989) *'Constraints', ch.7 in Bureaucracy: What Government Agencies Do and Why They Do It.*

3 Operational issues for further study

Part of the study is designed to get a better conceptual and strategic understanding of capacity issues. But it also addresses the challenge of converting these insights into operational guidance for busy practitioners both in partner organisations and in international funding agencies.

Monitoring and evaluation
We have been struck in the cases by the modest contribution of monitoring systems to capacity development. Most monitoring systems were designed by funding agencies to address their own accountability needs. These agencies have tended to focus on a wide variety of issues such as performance or general management, but seem to be uncertain about what the monitoring of capacity development would actually entail. Many seem disconnected from local learning and knowledge systems. Most participants in the field were also uncertain about what data gathering techniques would work best for such a task, given the operational constraints within which they work, and national participants were frequently unconvinced about the added value of such efforts.

We are tracking a number of programmes that have shown promise (e.g. the monitoring and evaluation system being developed for the Tanzania civil service reform programme) and intend to work with a number of other interested organisations to extend our thinking on this subject including the International Development Research Center (IDRC) in Ottawa, Canada, the International NGO Centre for Training and Research (INTRAC) in Oxford, UK, and, hopefully, the African Capacity Building Foundation (ACBF) in Harare, Zimbabwe. A discussion paper on monitoring, and discussions within the context of a larger meeting are planned for the autumn of 2005.

Systems thinking
As noted elsewhere, in the final report we intend to introduce some ideas to do with systems thinking. One of the main patterns to emerge from the cases is that of systems behaviour and its implications for capacity issues. Capacity appears to be an 'emergent' property that derives from the interrelationships among a series of other factors, ranging from gover-

nance to individual leadership to access to resources. We are particularly interested in the 'soft systems methodology' (SSM) developed in the late 1980s and which is now being applied to address a variety of public sector issues in several countries.[20] SSM is specifically designed to help participants deal with messy complex situations characterised by unclear goals, contested strategies and uncertain outcomes - conditions that were in evidence in most of the cases we reviewed. The application of systems analysis can also provide participants with new perspectives on a range of capacity issues, including thinking about cause and effect, finding the most productive points of intervention, product versus process, the relationship between capacity and performance, and many others. The challenge is to understand these complex systems dynamics and help engage participants to address them. We are intending to hold a workshop on systems methods in March 2005, followed by some collaboration with Sida, which has directly addressed systems issues in its thinking about capacity issues.[21]

Capacity assessment frameworks
Many analytical frameworks are nominally used to assess capacity, but most seem inadequate. Many are unclear about the nature of capacity. They tend to focus on individual organisations. They are not designed to capture shifts in capacity over time. They also tend to be reductionist in orientation with little attention paid to systems interrelationships. But the nature of new approaches is not obvious. Frameworks that try to capture the obvious complexity are not likely to be practitioner-friendly. Those that focus on limited aspects of capacity development in order to reduce the complexity also miss key elements. We are working with a variety of groups to look at this issue and will issue a paper on capacity frameworks in the summer of 2005.

The policy and operational implications for international funding agencies
Much of the discussion on capacity development contains two themes: first, the idea of capacity development as moving to the centre of the development debate, and second, the idea of international funding agencies as non-political, technocratic actors in a constant search for more effective methods of capacity development.

We support both of these ideas but are concerned about giving them shape and relevance. Despite all the rhetoric, the whole idea of capacity comes with a

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Notes
20 For a summary of systems thinking and its operational applications, see Chapman (2002) *System Failure: Why Governments Must Learn to Think Differently.*
21 See Gustafsson (2004) *Capacity Development by Strengthening Systems of Organizations and Institutions.*

good deal of ambivalence and uncertain levels of commitment from many quarters. It has limited intellectual respectability given its lack of connection to any established academic discipline. For many, it has no identity as an activity apart from its sectoral context. In donor countries there are no domestic lobbies (e.g. such as those for gender, the environment, human rights, or even governance) pressing for its consideration. It does not lend itself well to the current concern with measurable results. Senior political and bureaucratic officials in both high- and low-income countries see little value in capacity development as a platform for maintaining the flow of resources. General publics find it hard to understand what the concept or its implementation add up to. Most support for the idea comes from middle-level officials and practitioners who must struggle to make aid interventions function and last.

Assuming that the Govnet wishes to press the matter, what can be done? We suggest two approaches.

- The case for making capacity development a serious priority still needs to be made.[22] The DAC 'Good practices' paper[23] will help in this regard. The international development community also needs to step up its own research on capacity issues in line with the trend in the non-profit and private sectors.
- International funding agencies face their own capacity issues. Do they have the competencies and capabilities needed to address them? What are their strengths and gaps? What does best practice look like in terms of donor capacity? Do they have a strategy of some sort to develop their capacity assuming that more is needed? What, in short, are the implications of giving any additional priority to capacity development?

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22 Nor is this situation limited to development cooperation. For an effort to make the case for the US non-profit community, see Light (2004) *Sustaining Nonprofit Performance: The Case for Capacity Building and the Evidence to Sustain It*. For another discussion of this issue, see Lavergne (2005) '*Thoughts on capacity development - what it means and why it matters*'.

23 OECD, 2005

4 The steps required to complete the study

The ECDPM study has reached the consolidation phase. We are currently engaged in three types of activity to achieve that consolidation. We are reviewing all the cases completed to date in an effort to bring out the complex patterns of capacity development. We are working to complete the cases still in preparation. We are also building on the results of the wider literature review in order to be better able interpret the patterns that appear to be emerging.

Our intention is to address some of the key issues in a series of discussion papers, some of which will be reviewed in a series of small workshops with people who have worked specifically on these issues. These topics are likely to include capacity development in terms of demand- and supply-side approaches, capacity and legitimacy, analytical frameworks, the monitoring and evaluation of capacity development and networks as a form of capacity.

More specifically, to bring the study to a conclusion by the end of 2005, we are planning the following series of activities:

- A three-day meeting in Maastricht involving ECDPM staff and some of the case analysts in mid-March 2005 to review the results of the cases and the emerging conclusions
- A two-day meeting in Maastricht to review a draft discussion paper on a systems approach to capacity issues.
- A presentation on systems approaches to the Learning Network on Programme-based Approaches (LENPA) in Washington, DC, in April 2005.
- A workshop with Sida in Stockholm later in 2005 on the results of the research, focusing on systems approaches, analytical frameworks and monitoring and evaluation.
- Discussions on a paper on monitoring and evaluation, possibly in the context of the Learning Network on Capacity Development (LenCD) in Berlin in the autumn of 2005.
- A consultative workshop in the autumn of 2005 that will bring together researchers, contacts from the field cases, advisers and donor representatives

to discuss the results of the research, their implications and the recommendations for the final draft report. Ideally, this session will involve no more than 40 to 50 people.
- The further development of outreach to a wider audience with cases, background resources, intermediate reports, and interactive exchanges on various issues. This will be done via *Capacity.org*, ECDPM's website on capacity development issues, and other networking mechanisms.
- ECDPM will publish three categories of documents:
  Analysis - the case studies, 6 of which have been published and 11 are now in draft form, and two more are in process.
  Reflection - short papers on specific themes such as systems, networks, etc.
  Synthesis - The final report will be published in more than one format, probably including a long paper synthesising the whole study, a shorter paper with policy implications, and an issue of Capacity.org focusing on operational aspects.

We hope that the total of these activities will form a logical continuum, including feedback from different stakeholders and opportunities for dialogue and synthesis.

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