



Reflection

Monitoring and evaluation of capacity and capacity development

David Watson

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

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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.

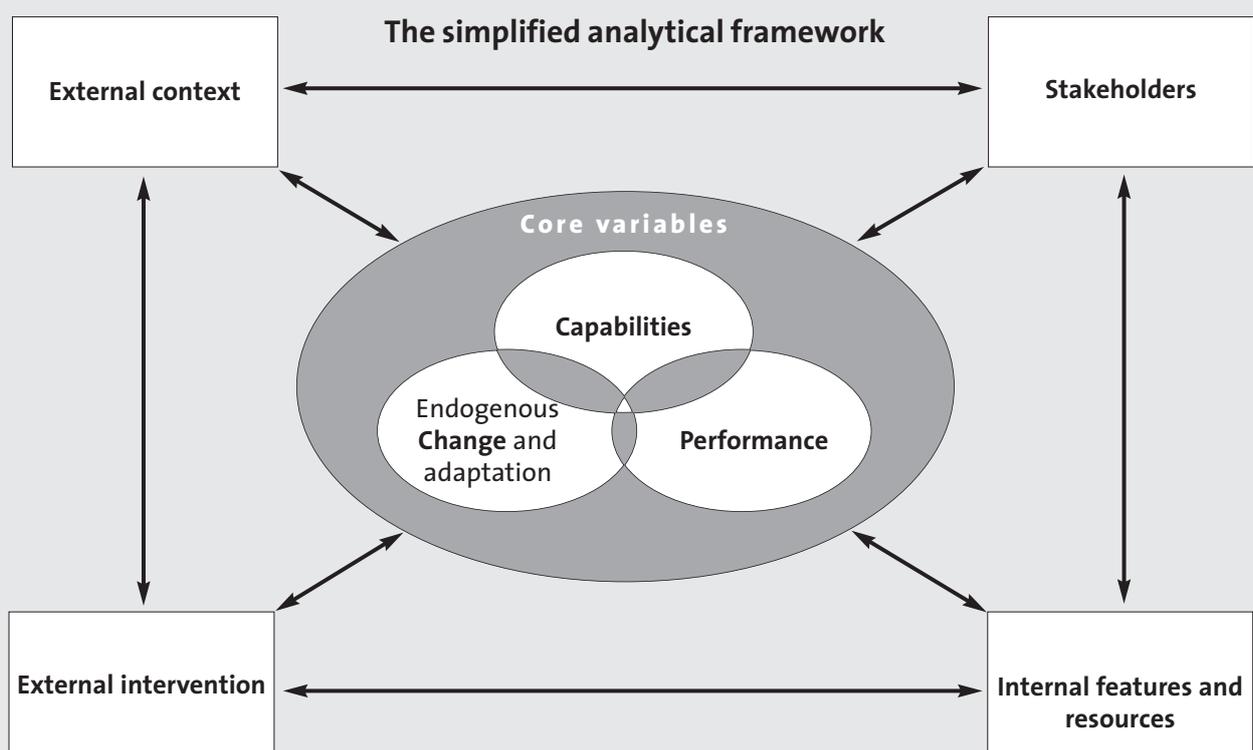
The study consists of about 20 field cases carried out according to a methodological framework with seven components, as follows:

- **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).



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Acronyms

ADRA	Adventist Development and Relief Agency
ALPS	Accountability Learning and Planning System (Action Aid)
ARDE	World Bank Annual Review of Development Effectiveness
AROE	World Bank Annual Report on Operations Evaluation
CB	capacity building
CD	capacity development
CIDA	Canadian International Development Agency
COEP	Comitê de Entidades no Combate à Fome e pela Vida (Committee of Entities in the Struggle against Hunger and for a Full Life), Brazil
CIT	critical incident technique
CSO	civil society organisation
DAC	Development Assistance Committee, OECD
DANIDA	Danish International Development Agency
DFID	Department for International Development, UK
DoC	'drivers of change' approach
ECA	UN Economic Commission for Africa
ECDPM	European Centre for Development Policy Management
ENACT	Environmental Action programme, Jamaica
GDLN	Global Development Learning Network
HIPC	Highly Indebted Poor Countries initiative
HRD	human resources development
IMF	International Monetary Fund
IUCN	International Union for the Conservation of Nature/World Conservation Union
LenCD	Learning Network on Capacity Development
LENPA	Learning Network on Programme-based Approaches
LG	local government
MDGs	Millennium Development Goals
M&E	monitoring and evaluation
MSC	'most significant change' technique
NEPAD	New Partnership for Africa's Development
NGO	non-governmental organisation
Norad	Norwegian
OECD	Organisation for Economic Cooperation and Development
OED	Operations Evaluation Department, World Bank
OM	outcome mapping
PIU	programme implementation unit
RBM	results-based management
ROACH	results-oriented approach to change
RRA	Rwanda Revenue Authority
SDC	Swiss Agency for Development and Cooperation
Sida	Swedish International Development Agency
UNCDF	United Nations Capacity Development Fund
UNECA	United Nations Economic Commission for Africa
USAID	US Agency for International Development

Summary

This paper is one of several theme papers being produced under the auspices of the above study programme. An earlier version was discussed in a LenCD (Learning Network on Capacity Development) meeting in October 2005, and many of the comments and suggestions received from participants - including additional sources and evidence - have been incorporated into this text.

The paper relates the ECDPM study to key points emerging from a review of some of the literature on the topic of capacity, capacity development, and its M&E aspects. This literature represents the perspective of researchers who have surveyed the scene, and practitioners (development institutions or academics) who have invested in capacity development and have reflected on their experiences. It also synthesises important contributions from systems thinking champions, pertinent to M&E of capacity and capacity development, and reviews some contributions from recently launched innovative approaches to monitoring and evaluating capacity and capacity development. In the light of this body of experience, it distils the M&E-related features and issues raised in the ECDPM case studies, offers some conclusions, and raises questions for further research and discussion.

The general conclusions so far are as follows:

1. There are very few examples in the literature of monitoring of 'capacity' itself. However, monitoring of performance is being adopted as one way of formulating conclusions as to the capacities that are being developed, and which need further development. Lavergne (2005) summarised the distinction between capacity and performance in the context of the Learning Network on Programme-based Approaches (LENPA), based on a definition of capacity as the potential to perform. The ECDPM definition, however, sees capacity as both a means - performance - and as an end in itself: 'capacity is that emergent combination of attributes, capabilities and relationships that enables a system to exist, adapt and perform'.
2. The literature on the topic is very broad in nature: much of it stems from the concerns of development banks and donors with the issue. This often but not exclusively concerns the public sector of

developing countries. A growing body of literature is emerging from NGOs and studies of other independent organisations whose capacity processes appear to be essentially internally driven, and not propelled by the concerns of an external donor. These are termed 'endogenous' processes.

3. Wide variations in the roles of development banks and donors in relation to capacity development processes are apparent. These institutions tend to design and plan capacity-related interventions in detail, especially in public sector interventions. They also tend to use the project (or logical) framework as their design tool, and this is then used for monitoring progress and evaluating effectiveness. The main reason they appear to favour these approaches is that they provide the basis for meeting accountability concerns through reporting to policy makers, politicians and taxpayers.
4. Systems approaches - where no detailed objectives are specified at the outset, and more emphasis is put on generating feedback and learning as the intervention proceeds - tend to be more often used by NGOs than by donors and development banks.¹ However, there are some cases where development agencies have funded this type of intervention, normally playing a low-key role, and demonstrating considerable flexibility.
5. The results of capacity enhancement efforts in the public sector of developing countries have been disappointing. Some causal factors relate to the problematic political and institutional environments in which these interventions take place. Development agencies themselves appear to be part of the problem, especially if they apply formal results-based management/logical framework approaches rigidly to programme design, after what may be flawed analyses of capacity needs.

Notes

- 1 This conclusion applies to the NGOs featured in the case studies, and in the literature reviewed for this paper. There is, however, growing evidence that M&E practices, and their corresponding accountability dimensions, vary considerably among large NGOs. There is some evidence that in cases where they are reliant on donor funding, this can sometimes lead to 'exogenous' accountability dominating 'endogenous' accountability (see Wallace and Chapman, 2004).

6. The ECDPM case studies illustrate that sustainable development and change take time.² However, results-based management approaches tend to stress short-term 'products' or delivery and tend to discourage the emergence of long-term processes of change unless they are carefully tailored to the context.
7. Formalised M&E systems may impede progress with capacity enhancement because a major effort on the part of the supported organisation is needed to establish and operate such systems. This diverts resources from the primary mission of the organisation.
8. However, there are circumstances where formal M&E of capacity building-related interventions, if planned in detail, appear to be feasible and productive (including in the public sector). These circumstances, which are illustrated in several of the ECDPM cases, include:
- where it is possible to define the required capacities unambiguously and specifically, and to assess thoroughly existing capacities (and the gap between them and required levels), so that it is relatively straightforward to define indicators;
 - where stakeholders are able and willing to assess their own capacities and performance shortfalls, acknowledge that their capacities are deficient, express a will to 'sign up' to the intervention, and agree to work collaboratively with externally resourced assistance;
 - where there are incentives to improve performance (including demand pressure from clients or citizens) and/or extra (discretionary) resources available to build capacities further; and
 - where there is firm leadership, and all the above conditions combine to produce 'ownership'.
- The overwhelming impression from the literature is that these circumstances are rarely encountered or created in donor-supported public sector capacity development interventions in developing countries.³
9. There appear to be difficulties in translating or transferring more informal approaches to M&E to public sector environments, for a variety of reasons. These include the difficulties inherent in such environments, the formal 'official' relationships development banks and donors tend to have with government counterparts, and problems of 'institutional memory' in donor organisations.
10. Development banks and donor agencies face obstacles in improving their own capacity building capabilities. These include the absence of incentives to devote full attention to M&E aspects of the programme cycle, the consequent reluctance on the part of professional staff to plan and actually implement M&E strategies, diffuse accountability within organisations for M&E, and the lack of capacities of, and practical guidance to, staff in how to tackle M&E of capacity building. The evidence points to major resultant weaknesses in using the results of whatever M&E does take place in the generation of learning within donor agencies and development banks on how best to support capacity development.
11. Accountability mechanisms are significant in capacity and capacity building in several ways.
- Donors are accountable to taxpayers and politicians (development banks to their Boards) and need to establish the cost-effectiveness and impact of their interventions - including those related to capacity building. This is an important reason why they adopt project framework/ results-based management approaches.
 - Recipient countries and organisations are accountable to their lenders or donors for the utilisation of external resources. The paper refers to this as 'exogenous' accountability.
 - Recipient governments or organisations - be they public or private sector or NGOs - have some form of mechanism to ensure accountability to their citizens, clients or members. These mechanisms may - if they are functional - act as incentives to enhanced performance. These are termed here 'endogenous' pressures.⁴ They may spur the development of improved capacity to deliver.

Notes

- 2 In the ENACT case ten years elapsed before the partner organisations began to develop clear indications of enhanced capacity to take on environmental management issues.
- 3 There are of course exceptions. The District Support Programme in Zimbabwe (initially supported by DFID) in the 1980s and 1990s, and the Local Government Development Programme in Uganda (supported by UNCDF and then the World Bank) attempted to create these conditions, and in some measures succeeded. The present paper (section 3) notes that public financial management is another sector where it has been feasible to define precisely the performance required. Pressures from international development agencies articulated through the IMF and World Bank have focused attention on a minimum set of competences in public finance, which represent the conditions to be met before IMF credits would be available. This has helped in the precise definition of capacity needs.
- 4 For explanations of the terms 'exogenous' and 'endogenous' accountability, see Appendix 3.

12. M&E of performance can be an incentive for the development of improved capacities to deliver if accountability mechanisms are present or given serious attention. 'Endogenous' accountability appears to be more important as an incentive to performance than performance monitoring largely for reporting to 'exogenous' stakeholders (donors or lenders). Several ECDPM case studies illustrate 'endogenous' performance monitoring and accountability mechanisms that have strongly motivated performance improvement, and enhanced capacity.⁵ On the other hand, the case studies provide little unambiguous evidence that exogenous accountability is effective as a spur to performance enhancement and capacity building.
13. In several case studies, recognition of performance improvement by peers and clients proved an important motivational factor in enhancing and maintaining the 'dynamic' of change. This requires rigorous client-focused information generation, dissemination and feedback processes. We conclude that measures that provide support to 'endogenous' monitoring of performance by service providers are worthy of more attention than they appear to have received thus far.⁶
14. Development banks and donors that base their own monitoring systems on an endogenously developed monitoring system do not impose any additional monitoring or reporting burden on their counterparts, and thereby do not detract from the very capacities they are trying to improve.
15. There is persuasive evidence of the value and effectiveness - in contributing to organisational capacity building - of 'endogenous' M&E approaches that:
- are based upon participation through self-assessment of key players;
 - encourage feedback, reflection and learning on the basis of experience; and
 - promote internal and external dialogue between stakeholders.

Despite this, there is little evidence that development banks and donors are reducing their reliance for their monitoring on formal results-based management approaches that emphasise 'measurement'⁷ of results - in a form defined by, and

acceptable to, these external funding agencies. Informal approaches to monitoring - where 'feedback' generation is given greater prominence than 'measurement' - are a feature of systems-thinking-influenced approaches. The case studies provide only a few examples of donors supporting informal monitoring using a systems thinking approach.

16. We suggest that discussion is needed on approaches to M&E of capacity development which themselves contribute to the enhancement of key capacities in the participating organisations or systems, and how further application of such approaches can be 'mainstreamed' by development cooperation agencies, while preserving and enhancing their own accountability to politicians and auditors.⁸

The paper ends with several questions. These relate to:

- whether development banks and donors face an 'accountability' dilemma;
- whether enhancing 'endogenous' processes of accountability, based on more widely available information, represents a way forward;
- whether development banks and donors themselves have the institutional capacity to cope with new paradigms of development cooperation based on trust and 'letting go';
- whether the costs of M&E systems - especially the formalised ones adopted by development banks and donors - should be taken more into account; and
- the implications of the paper for capacity builders and training service providers.

Notes

- 5 NB: some of the cases where 'endogenous' accountability mechanisms were operating effectively were based on results-based management frameworks, e.g. the Rwanda Revenue Authority and the Philippines Local Government Support Programme.
- 6 See Hauge (2002).
- 7 See Appendix 1, table A1, for a summary of the distinction between these terms.
- 8 See Hauge (2002) for a discussion of accountability in general, and the alternative means by which development cooperation agencies can support endogenous (public) accountability mechanisms.

1 Introduction

This is one of several theme papers to be issued in connection with the ECDPM study on Capacity, Change and Performance. It relates to the issue of the monitoring and evaluation (M&E) of capacity and capacity development, with special reference to developing countries. An earlier version of this paper was presented and discussed in a meeting of the DAC Learning Network on Capacity Development (LenCD) in October 2005. The present paper takes into account the points made at that meeting.

The issue of M&E has been selected for further investigation, and as the subject of a theme paper (one of the 'Reflection' series emerging from the research programme) because of:

- the uneven level of attention paid to M&E observed in the ECDPM case studies;
- the variety of approaches to M&E encountered in the case studies. The role of development banks and donors in M&E were found to vary from prominent to low key. Several case study organisations demonstrated significant capacity, and histories of learning from experience and capacity development over time, apparently without the application of formal M&E systems;
- the problems surrounding monitoring and its follow-up by the principal development agencies, especially when results-based management/project framework logic is the basis for M&E efforts;
- the encouraging insights being derived from some innovative approaches to M&E of capacity and capacity development that have begun to emerge over the past few years; and
- a wish on the part of coordinators of the study to highlight these insights from the case study observations, in order to raise some important but as yet little-covered issues for further discussion.

The paper relates the ECDPM study to key points emerging from a review of the literature on M&E aspects of capacity and capacity development. This literature (see bibliography) represents the perspective of researchers who have surveyed the scene, and practitioners (development institutions or academics) who have invested in capacity development and have reflected on their experiences. Two broad 'schools' are identified: those who have pursued *results-based management* approaches (embodied amongst others in the project framework), and those who advocate *systems thinking-based* approaches.

In the light of this body of literature, the paper then distils the M&E-related conclusions and issues raised by the case studies. It synthesises important contributions from systems thinking champions, pertinent to M&E of capacity and capacity development (see Appendix 1), and reviews some examples of recently launched innovative approaches to M&E of capacity and capacity development (Appendix 2) with systems thinking characteristics. The paper then draws some conclusions on this basis, and raises questions posed by this synthesis.

2 Capacity, capacity development and M&E in context

The governments of both developing and developed countries have identified capacity deficiencies in developing countries as a key constraint in achievement of the MDGs.

The international conferences on sustainable development in Johannesburg and on financing for development in Monterey in 2002 reaffirmed the importance of the systematic development of sustainable capacity in poor countries. The recent report of the Commission for Africa (2005) did the same, and linked capacity (defined as the ability of states to design and deliver policies) with accountability (how the state answers to its people) as the key priorities to be addressed by developing states. The Commission report acknowledges that past efforts at capacity building have been disappointing, despite an estimated 25% of donor support having been devoted to it. Key reasons include the piecemeal nature of reforms; poor political commitment and leadership; reforms that were ill-focused on behavioural issues; 'short-termism'; destructive donor practices (especially with regard to aid management structures) and inadequate monitoring of the impacts of reforms.

The Commission for Africa report argues for an explicit framework for monitoring the results of well defined capacity building activities. One of the principal means of monitoring (governance) practices and capacities is the African Peer Review Mechanism (a product of the deliberations of UNECA, NEPAD and the OECD), to which 24 African countries (representing 75% of the continent's population) have signed up. The report notes that HIPC tracking surveys and client surveys (such as scorecards in Tanzania) have been some of the means employed so far, but mutual review is seen as crucial too.

There is some recognition of the importance of complementary approaches to building capacities in public sector environments ...

In its Annual Review of Development Effectiveness, the World Bank (2005c: 35-36) acknowledges the problems encountered and the failures in building

public sector capacities in difficult socio-political and institutional contexts. It stresses that the lessons from inauspicious experiences point to a need for 'supply-side' efforts to be complemented with approaches that are likely to enhance the demand for better public sector performance, including tighter accountability, public financial management and decentralisation. Only country 'ownership' of capacity enhancement processes can address the influence of political economy and cultural factors affecting demand for public sector performance.

... but there is still a dearth of empirical work to guide capacity building strategies.

In his paper to the Learning Network on Programme-based Approaches (LENPA), Lavergne (2005) notes how the discussion in that donor forum has touched upon the importance of demand for performance. He describes technocratic approaches to diagnostic work on capacity (by consultants) that pay too little attention to the social and political dimensions of change, motivation, incentives, or to governance and accountability issues. He also notes not just a dearth of empirical work on 'capacity', but that this state of affairs also applies to 'performance'.

3 Literature concerning capacity and capacity building in the public sector, and formal M&E approaches

Most of the M&E literature on capacity issues in development cooperation is based on formal results-based management and project framework approaches.

The bulk of the literature on M&E of capacity and capacity development appears to be based on the most common framework used by development banks and donors in the design of their interventions: the logical framework. In this approach, a problem issue is identified, and is broken down into inter-related sub-problems. The goals and objectives of the proposed project address this problem 'tree', usually specified in terms of (welfare) outcomes of some target group. The framework posits a logical interrelationship between inputs and activities, outputs, intermediate objectives or outcomes, and welfare outcomes (sometimes called *impacts*⁹). The causal chain of any intervention is the key to its systematic monitoring and evaluation. *Monitoring* checks what has happened, while *evaluation* examines why each step may or may not be materialising. Measurable or observable *indicators* at each level are specified so that it is possible to determine whether or not the stage of the intervention is materialising or not. However, public sector capacity building has usually been treated as a 'collateral' objective of donor-supported interventions (which are concerned with improving public sector performance), rather than as a goal in its own right.¹⁰

... but recent reviews of experiences of capacity development initiatives, particularly their M&E aspects, point to some underlying dilemmas, and reveal a field that is still in its early stages¹¹ ...

- There is *little agreement on how to identify and measure the concept of capacity development*. This makes it *difficult to assess capacity gaps* and evaluate the impacts of programmes at national, institutional or organisational levels. A corollary is that the reasons for partial or complete failure of most projects oriented towards developing capacity in the 1980s and 1990s remain ill-specified.
- *Few studies have attempted to measure capacity*. This has been explained by the lack of glamour involved in measuring and understanding the capacity enhancement process (compared to measurement of its apparent results, including improved performance). Another disincentive to close consideration of the concept of 'capacity' is that it involves essentially subjective assessment based on partial or incomplete information. Polidano (2000) examined the feasibility of creating comparative indices of state and public sector capacity in terms of policy making, implementation and operational efficiency. He concluded that this might be possible on a trial basis in certain circumstances at the national level, but for a variety of reasons this was infeasible for sub-national governments. He argued that a separate index would be needed to capture the presence or absence of socio-political and economic factors that influence public sector capacity.¹²
- *Performance and capacity are interrelated, but are not synonymous*. While performance may be one indicator of capacity, it may cast little light on which aspects of capacity are deficient.

In a review for USAID of capacity development in the health sector, Brown *et al.* (2001) presented further insights along the same lines:

- Most capacity assessment tools (of 16 reviewed) focused on *organisations at a particular point in time*.
- *Very few assessment tools were developed or have been used strictly for M&E purposes*, and few have been validated for this purpose.
- *Methodologies for capacity assessment and for M&E of (health system) capacity appeared to be 'still in the early stages of development'*.
- 'One explanation for the lack of application [of capacity assessment tools] in M&E is a *general reluctance amongst agencies working in capacity building to quantify the results of capacity measures*'.¹³ The need for numbers to be cautiously interpreted, and thus their lack of suitability for comparison purposes, are cited as supplementary reasons.

Notes

⁹ World Bank (2005b) 2004 Annual Report on Operations Evaluation (AROE), p.3. The report used the term 'impacts' to refer to changes in outcomes due to an intervention.

¹⁰ See World Bank (2005a) Capacity Building in Africa, p.5.

¹¹ See Mizrahi (2004).

¹² See, for example Anderson *et al.* (2005). This paper, from DFID's PRDE team, identifies (for weak and fragile states) proxy measures of capacity and willingness to form partnerships with external agencies for the purposes of poverty reduction.

¹³ Brown *et al.* (2001), p.31; emphasis added.

- Experience of *monitoring changes in capacity over time is limited*.
- There is *little empirical evidence indicating which elements of capacity are critical to health system performance*, so that the choice of indicators to assess elements of capacity 'remains experimental'. Most indicators related to (health) personnel and organisational capacity ... '*no indicators measured links between the four levels of the health system*' (system, organisation, personnel, individual/community). This would appear to be a fundamental weakness given their clear functional interrelationships and interdependencies.

The picture emerging of capacity and capacity development experience is also reflected in an in-depth assessment, Capacity Building in Africa (World Bank, 2005a). Despite the quantitative significance of the Bank's capacity building (CB) activities (estimated at one-quarter of total investment credits), the CB elements:

- are not based on adequate needs assessments, and feature inadequate attempts to engage borrowers in planning CB;
- have ill-defined objectives;
- are not quality-assured at the design stage;
- have inappropriately sequenced activities;
- vary considerably across sectors (the 'visibility' of the sector and political sensitivity are key variables affecting borrower interest and ownership);¹⁴
- pay very limited attention to building national capacities for delivering CB; over half of the projects sampled inadequately addressed the implementation capacity constraints that were ultimately to limit project achievements;
- focus unduly on bolstering individual skills through training; and
- overall are *not routinely tracked, monitored or evaluated*.¹⁵

The World Bank evaluation notes (p.10) that 'the absence of baseline data and the extremely limited evidence from monitoring and evaluation limit the inferences that can be drawn from the activities reviewed'.¹⁶ It concludes that (especially for CB embedded in operations and therefore not routinely monitored and evaluated as core objectives) 'the relevance of Bank capacity building efforts is undermined by insufficient M&E of Bank interventions and the failure of operations to draw lessons from experience'.¹⁷

4 Development banks and donors, their organisations, and M&E of capacity development

The explanations for dilatory M&E by at least some development banks and donor agencies may lie close to home - in their own organisations ...

The report Capacity Building in Africa (World Bank, 2005a) casts little light on the causal factors for the discouraging assessment of capacity building experience and its M&E. These were, however, usefully highlighted in an almost concurrent publication, the *2004 Annual Report on Operations Evaluation* (AROE).¹⁸ They comprise essentially internal organisational factors:

- *Poor incentives* for good M&E within the Bank and among borrowers. Earlier reports noted the importance of addressing the incentives question. 'No such review has been attempted yet'; 'Management still needs to develop time-bound

Notes

- 14 One positive feature of recent experiences in supporting public financial management has been that clearly specified performance indicators helped in the process of deciding on capacity needs, the design of appropriate strengthening programmes, and output indicators. These in turn assist in the process of M&E that is given prominence in the five measures suggested for improving this aspect of public sector capacity development (World Bank, 2005a: 30).
- 15 The 2004 AROE concluded that 'even well-designed M&E plans to support project appraisal documents are seldom implemented' (World Bank, 2005b).
- 16 However, four new multi-sector CB projects (total value US\$200 million) address inter- and intra-ministry CB issues in a more integrated fashion, and include joint needs assessments, links between HRD measures and overall civil service reform, and M&E systems development.
- 17 The World Bank Institute subsequently organised a video conference via the Global Development Learning Network (GDLN) with African (anglophone and francophone) stakeholders. They suggested that there should be more emphasis on gender mainstreaming of capacity issues; capacity needs analysis especially at sub-national levels of government; a greater focus on the capacities needed for public-private partnerships in service delivery, and on leadership; public access to information (for political representatives and constituents); and that nationally driven, longer-term capacity building visions and strategies should replace donor-driven, short-term objectives.
- 18 World Bank (2005b). The AROE's assessment framework is derived from the logical framework approach. The report assesses how results-oriented the Bank's M&E systems are, and the extent to which they contribute to managing for results in the Bank (emphasis added).

actionable measures to address this issue'; 'many staff and managerial incentives do not fully support the move to a results oriented M&E, and managing for results ... in some cases they inhibit it'; 'Incentives for M&E have been traditionally weak in the Bank because of the lack of a learning culture'; 'interviewees reported that they felt discouraged from monitoring results when things had not gone quite as anticipated.'

- *Diffuse accountability and lack of clarity on M&E roles and responsibilities among Bank staff and between the Bank and borrowers.* 'The Bank has attempted, but has not yet succeeded in identifying measures of Bank performance and of the Bank's contribution to development outcomes, for which staff can be held accountable' (p.11).
- *Weak Bank and borrower capacity for M&E.* This was manifested in inadequate resources made available for internal capacity building; existing *staff being insufficiently skilled and/or uninterested in prioritising M&E; inadequate guidance to staff:* 'The interviewees ... reported lack of operationally relevant guidance about the implications of those messages ...'; mixed messages: recent messages on the importance of increasing Bank lending and the Infrastructure Initiative could compete with the outcome focus; and *lack of recognition for following the rhetoric on the importance of learning from M&E.* Interviewees also observed that management should reinforce its message on managing for results by recognising staff who respond to the message.

These factors had prevented the achievement of a target that results-based M&E would be mainstreamed in all Bank operations by 2004. The lack of adequate results-oriented M&E data has led to the postponement of the planned transformation of the annual report on portfolio performance into an 'operational performance and results review' until 2007. 'The absence of such reporting limits the scope of corporate decision-making to be grounded in results information'.

But it is not just the Bank - as a lending institution - which has problems internalising and acting on learning from its own experience ...

In one of the rare cases of an examination of the internal workings, procedures and 'culture' of a bilateral development organisation, Ostrom *et al.* (2002) analysed Sida with a view to assessing the extent to which Sida as an organisation - and the staff it

employs - influences the incentives for stakeholder performance and sustainability of the benefits of development initiatives in partner countries (including via capacity building support). Their findings on the issue of individual and organisational learning within Sida were that:

Individual learning:

- Sida staff rotate rapidly between assignments;
- there are few mechanisms to ensure the effective transfer of knowledge from recently returned staff with experience in field operations;
- the growing proportion of temporary staff negatively affects learning about sustainability; and
- Sida's career advancement criteria are unrelated to the performance and sustainability of past projects (with which the staff member has been associated).

Organisational learning:

- 'Few formal evaluations contribute to new knowledge that can benefit the prospects for sustainability, because they rarely include significant stakeholders, and come too late in the project cycle to affect activity decisions and outcomes. More than four out of five staff interviewed considered evaluations to be largely ineffective.'
- 'No department reported on efforts to learn about sustainability from ongoing projects'.
- Perverse incentives thrive in the absence of information' (p.45).

Other recent analyses of the capacity constraints within donor agencies have painted a similar picture. In a recent article on donor organisational capacities, for example, Conyers and Mellors (2005) point to constraints resulting from the way donors are staffed. Their specialists are not necessarily practitioners, and appear to be ever-changing and transferring jobs. Donors are tending to rely more and more on consultants (engaged through cumbersome procurement regulations). Advisory staff members have a tendency to introspection and peer-competition. Donors strive for new aid modalities. Recipient countries have complained of unexplained and sudden changes in donor priorities, the donors' preference for parallel management structures, and for seeking reports rather than on-site facilitation from their consultants.¹⁹

Eyben (2005) focuses on donors' preoccupation with results-based management both as an explanatory factor in their problems with learning, as well as a symptom of an unequal relationship between donors and recipients. She asks whether 'the absence of an

imperative' can explain why donors have ignored the developments in concepts of change, especially 'systems thinking', over the last 20 years (see sections 7 and 8 below, and Appendix 1).

The Paris Declaration on Aid Effectiveness (DAC, 2005) notes a range of impediments to effective collaboration with recipient countries and their institutions in order to deliver support to the achievement of the MDGs, and makes a series of commitments to address them, some of which are related to capacity development. These include establishing common criteria for assessment of public financial management and procurement systems; ensuring a higher proportion of coordinated programmes of technical assistance in support of capacity development; reducing the prevalence of parallel implementation structures;²⁰ and more joint donor missions.

It remains to be seen whether development banks and donors will be able and willing to change their practices in line with these agreed goals, and adopt more flexible approaches.

5 Public sector capacity building and related M&E: the ECDPM case studies

Some (donor) organisational and public sector context problems are reflected in the ECDPM case studies. They illustrate the practical problems involved in applying M&E in capacity issues.

Some of the ECDPM cases cast light on the dilemmas being faced by development agencies in keeping track of the effectiveness of their capacity-oriented interventions in what are often highly problematic institutional contexts. The study of devolved education service delivery in Punjab province, Pakistan, depicted the dysfunctional context in which the many development partners worked, and a history of discouraging results in capacity building in the public sector (see box 1).²¹

Box 1: M&E of capacity and capacity building, Punjab province, Pakistan

The national, provincial and district political, socio-economic and governance context was unfavourable for the productive application of techniques or systems developed and introduced through 'capacity development', and posed no incentives - indeed it posed disincentives - to key players' performance.²² Accountability at all levels was weak.

'Capacity building' (equated with off-job training) was a major industry for providers within the public service. Vested interests among providers in the continuation of 'training' appeared strong. They had no incentive to learn about local reality or needs, nor an interest in or capacity to respond flexibly to such features. Training appeared to have become a ritualistic exercise.

Monitoring or evaluation exercises fell victim to this unpropitious context. M&E efforts for capacity building programmes were uncommon, mounted only by development banks and donors, if at all. They depicted universally poor results in terms of impact on work performance or practices.

There was no evidence that development banks and donors shared or reflected on the poor results of capacity building efforts, and in only one case were the results of these M&E exercises acted upon decisively by the provincial government (the expensive but futile training scheme in question was abandoned). Such decisiveness (on the part of development banks/donors or the government) was the exception rather than the rule.

The case study from Takalar district, Indonesia (box 2), illustrates the limitations of conventional donor approaches to M&E of interventions involving major attitudinal, systemic and 'bureaucratic culture'

Notes

- 20 According to a recent World Bank survey there are currently 1652 parallel programme implementation units (PIUs) in 34 countries
- 21 Watson and Khan (2005). Capacity Building for Decentralised Education Service Delivery in Pakistan. ECDPM Discussion Paper 57G.
- 22 Factors impeding capacity development were not amenable to rapid (external) influence or pressures for change. These included political instability and immaturity; a history of (non-) devolution of power; discontinuity of incumbency of senior posts; absence of trust (between central and provincial governments and towards district governments); the dubious integrity and objectivity of allocation of public resources; and the historically (colonially) entrenched public sector administrative manpower structures and rigid cadre system.

changes in local agencies.²³ The case is a classic example of the limitations of 'typical' donor approaches to monitoring and evaluating the introduction of capacities for innovative (planning) approaches in a bureaucracy. The case highlights the need to observe the resilience and persistence of the 'culture' into which inputs are to be provided, and the motivational and 'political' factors that risk undermining the sustainability of such capacities.

The Ethiopia and Pakistan cases illustrate the potential importance of endogenous²⁴ accountability mechanisms as influences on capacity, and incentives for capacity enhancement.

The Ethiopia case was concerned with the same issue as the Pakistan/Punjab study: education service delivery capacity under decentralised governance arrangements.²⁵ It illustrated the importance of 'endogenous' forms of performance monitoring, in this case, committees at local level demanding 'downwards accountability' acting as a driver of performance improvement and therefore a source of pressure for improved delivery capacities, and a traditional form of appraisal of individuals known as *gemgema* (see box 3).

The Pakistan case also provided some encouraging evidence of the potential of two initiatives to boost 'endogenous' accountability and information mechanisms in the hope that they would become drivers of better public sector delivery performance in future (see box 4).

The case of the Rwanda Revenue Authority (box 5) illustrates the potentially productive synergy of internal or 'endogenous' pressures within a results-based management framework.²⁶ These pressures were from the top (Ministry of Finance), as well as from the 'bottom' (in terms of public opinion on service), and involved the influence of an external (donor-funded) facilitator of change processes (who provided comparative evidence or insights from elsewhere.)

Notes

23 Land (2004a) Developing Capacity for Participatory Development in the Context of Decentralisation. ECDPM Discussion Paper 57B.

24 See Appendix 3 for explanations of the terms 'endogenous' and 'exogenous' accountability.

25 Watson and Yohannes (2005) Capacity Building for Decentralised Education Service Delivery in Ethiopia. ECDPM Discussion Paper 57H. See also Watson (2005) Capacity Building for Decentralised Education Service Delivery in Ethiopia and Pakistan: A Comparative Analysis. ECDPM Discussion Paper 57I.

26 Land (2004b) Developing Capacity for Tax Administration: The Rwanda Revenue Authority. ECDPM Discussion Paper 57D.

Box 2: Capacity for participatory development in the context of decentralisation: Takalar district, Indonesia

This case concerned the introduction of a participatory approach to planning in Takalar district, South Sulawesi, Indonesia, through a donor-funded project that ran from 1997 to 2002. It compares the post-project situation with the project period. Due to devolution in Indonesia there have been major increases in levels of autonomy granted to districts since the start of the project. The approach to support reflected good practice at the time (process facilitation; social mobilisation, including civil society organisations; avoiding a PMU; a focus on system capacity development rather than on generating quick results; and advisory and training inputs at the provincial level to provide the potential for continued support from that level and possible replication). A mixed CD strategy was adopted, including training, systems development; networking and mentoring; and empowerment of local communities to address local development challenges.

The project was evaluated in 2002. There was evidence of sustained change of attitude on the part of district officials who had been project counterparts, and who had received coaching (during practical experience) from project TA staff. Three levels of impact were discernible: village, district and province. There was evidence of local government 'ownership' of the approach.

However, while there appeared to be sustained impact on attitudes of personnel involved in the project, after it finished, the system it introduced had undergone major modifications, having been merged with a funding mechanism which elicited none of the community engagement characteristic of the original formula, and which gave the headmen much more influence. The rapid spread of the funding beyond the limited number of communities involved initially, combined with transfers of original staff, gave rise to doubts as to the sustainability of the original formula.

Issues raised by this case include:

- The tendency of donors to support capacity building for discrete time periods, and rarely providing mentoring support thereafter. This undermines the sustainability of capacities built up.
- How to judge 'when to stop'.
- The measurement and significance of attitudes as elements of capacities;
- The need for clear identification of key players and stakeholders, and of their continued interest in sustaining and further developing the capacities in question. In this case, field officers (as well as the beneficiary communities themselves) were its strongest and most committed champions, but they were effectively disempowered by the changes introduced by the district government after the end of the project.

Another case, the Local Government Support Programme in the Philippines²⁷ was also concerned with the public sector, but this time in local government (box 6). This case depicted how a rigorous M&E framework - again based on results-based management but with clear, measurable indicators - has provided a tool for capacity building. The case helps indicate the conditions under which the use of such a formal, rigorous framework 'works'.

The experience of the apparent effectiveness in certain circumstances of a precise statement of performance required is echoed by one of the few positive examples of capacity building and its monitoring cited in the report *Capacity Building in Africa* (World Bank, 2005a). In the provision of support for public financial management, a key feature has been 'the introduction of public financial *management performance indicators that serve to identify country capacity needs, and prioritise donor support to capacity building*'. Among the five principal ways to improve its approach to capacity building in financial management, the Bank has identified: 'deepen the diagnosis of underlying political and institutional solutions' and 'establish outcome indicators and the process for monitoring and evaluating capacity building activities' (p.30). It is also important to note that among the multilateral development banks and donors there has been a rare degree of consensus and cooperation concerning the minimum public finance capacities and performance needed by prospective recipients of IMF credits, Bank loans and direct budget support.

Box 3: Capacity building for decentralised education service delivery: endogenous accountability mechanisms in Ethiopia

Education monitoring committees at district (*woreda*) and sub-district levels - made up of citizens most of whom are parents - contribute extraordinary volumes of resources to education. They are therefore highly critical observers of government input delivery, including teachers' performance. Tight (downwards) accountability of autonomous local governments to their client communities bodes well for capacity development to promote improved local service delivery performance.

Ethiopia has also institutionalised a system of individual performance assessment (*gemgema*), which involves '360 degree' type assessment of leaders by subordinates. This was developed by the liberation movement (the TPLF) during the war against the Derg regime. Autonomous regional governments were experimenting with annual (institutional) performance assessments of its departments, and individual performance incentive awards (but only for the staff of those departments which had excelled).

Box 4: Towards more endogenous M&E through accountability and information for user empowerment: Punjab province, Pakistan

The study team met only one person in government who had a clear, unambiguous view of what 'capacity development' related to public sector services entailed. The chairman of the National Reconstruction Bureau saw it as a process of popular empowerment via citizen community boards (newly formed local level committees of citizens and service users) and provision of more information to ordinary people, to provide prospects for a greater 'voice' from users of services. He was openly sceptical about whether, in the absence of immediate pressures from below, it was realistic ever to expect sustained improvements in public sector service delivery performance.

A service delivery survey (conducted in several 'rounds') was seen as the only reliable benchmark of public opinion on services. Such surveys will be implemented regularly and thus represent a means of introducing a degree of public accountability into the system: by providing information, publicising the results, and ultimately encouraging dialogue between service providers and consumers based on objective survey data.

Box 5: Monitoring performance, learning, capacity enhancement and change in tax administration: The Rwanda Revenue Authority

The Rwanda Revenue Authority (RRA) has improved its performance markedly since it was established in 1997. Monitoring of performance is largely endogenous to the public sector system and takes place at several levels: via IT systems of the compliance with revenue collection targets set by the Ministry of Finance, as well as cost-effectiveness indicators and measures of customer satisfaction. Organisation-wide *indicators are translated into departmental, divisional, group and individual targets*. There are also 'process' targets connected with audits performed, smugglers apprehended, and cases of corruption. It also monitors changes in the policy and legislative environment nationally, regionally and globally. Board members play a role in bringing these issues to the attention of management.

There are *systems in place for monitoring the relationship between the RRA and its primary development partner, DFID*. A quarterly steering committee, weekly sub-committees on project components, and 'output to purpose' reviews have all contributed to the organisation's learning ability. A full-time DFID project manager monitors DFID-provided resources, supervises TA, and *overviews the management of change process* within the RRA. TA personnel have participated in 'modernisation teams' set up to support restructuring and transformation of particular departments or functions. Overall, the study points out that 'the transformation of the RRA has been a *locally driven process*, underwritten and sustained by strong ownership, and driven by *decisive leadership*'.

Box 6: Local Government Support Programme: The Philippines

Of all the ECDPM case studies, the Philippines presents the most complete and detailed monitoring framework for (local government, LG) capacities and performance. Under five performance areas (governance, administration, social services, economic development and environmental management) it depicts 17 capacities and 46 indicators. The LG Performance Management System (PMS) was to be launched nationally in 2005, having been *field tested* in 2004.

LG *self-assessment is encouraged* as part of the programme. LGs which have received assistance are more likely to identify a full range of capacities they want developed, whereas non-assisted LGs have tended to focus only on the capacities of key service sectors. However, *only LGs which actively requested assistance* (based on their self-assessments using an 'appreciative enquiry' approach) and *expressed their willingness to participate in their own development process* were provided with TA.

The four-stage capacity development process culminates in 'institutionalisation', which includes a 'recognition conference' (organised by each participating LG, with assistance from the consultants) to summarise improvements in LG performance and accomplishments over the life of the programme. These have reportedly *improved motivation of newly elected and re-elected officials to continue their efforts*. It is acknowledged that a *long period is needed before conclusions as to the sustainability of organisational changes put in place can be drawn*.

The paper reports that 'LGSP-assisted LGs *realised the need for continuous learning*', and that 'capacity building was an ongoing process in which development of certain capacities gives rise to the need for further CD'. They also recognised the value of *performance measurement as an input into development planning, allocation of resources and improving responsiveness of services to citizens*. They also recognised that hitherto there had been little *capacity nationally to document, disseminate and support replication of locally initiated innovative practices*. LGSP had tackled this problem. The *credibility and intelligibility of examples of how to make changes are greater if they come from another LG rather than a training organisation*.

An elaborate M&E system has been developed (using many of the *same indicators* as the PMS) to measure the results of LGSP activities, *and* to help develop LGs' capacities for performance management, *including involvement of constituents and service users*. The latter lead to better official understanding of community needs.

6 M&E practices in a systems thinking framework: the literature

Morgan (2005) discussed the idea and practice of systems thinking and their relevance for capacity and capacity development, with particular reference to organisations as learning entities. This school of thought posits that the allegedly 'reductionist' view of development problems adopted in results-based management:

- impedes comprehensive understanding of the true nature of, and the 'boundaries' to development problems;
- underestimates the inter-connectedness of units within organisational systems, and therefore the difficulties of attributing impact to discrete interventions, or even predicting their probable effects;
- may obstruct learning from practical experience, because it attempts to measure progress in achieving predetermined objectives (which may detract attention from vital, though unanticipated features, insights or variables) and thereby disempowers stakeholders involved in implementation;²⁸ and
- constrains capacity development, performance and progress towards optimal solutions or development goals.

Systems thinking acknowledges that the inter-connectedness - or complexity - of (inter-)organisational systems is such that it is impossible to predict the consequences of any particular policy action. One of the central tenets of this school is that a pragmatic approach, based on reflection on practical experience in attempting to achieve goals, provides the best frame of reference for deciding 'what works, what doesn't, and why', and is therefore the best guide for future decision making.²⁹

Monitoring and evaluation of experience is therefore central to systems thinking, in so far as providing feedback to stakeholders on the practical results of an organisation's work contributes to learning. Involvement of a range of stakeholders in processes of reflection - including those in, and served by, the

organisation - can contribute to the 'emergence' of analytical capacities and 'ownership' of the organisation's mission.

Appendix 1 summarises some recent contributions on systems thinking and its actual and potential implications and application in monitoring and evaluation of development cooperation initiatives. The references encompass formative evaluation, the distinction between 'feedback' and 'measurement',³⁰ and several overviews of recent experiences with capacity building. Their conclusions are supportive of the application of systems thinking approaches and point to the futility of attempting precise measurement and 'impact evaluation' in multi-factor fields such as organisational capacity development.

Some donor initiatives are consistent with systems thinking approaches.³¹ For example, DFID's 'drivers of change' analyses at country level contribute to enhanced donor understanding of the socio-political, historical and cultural context in which aid operations are taking place. The implications for donor support include the provision of the 'enabling environment' where effective learning can take place (including strengthening local institutions for research, policy analysis and information dissemination), and allowing longer time horizons for operations. Drivers of change analyses can also assist with capacity needs assessments, especially if the analysis reveals 'how things really work in practice'.

On the basis of the literature, we suggest that the corollaries of systems thinking approaches in M&E include the following:

- The typical approach to needs analysis under results-based management (RBM), 'gap' analysis (assessing the gap between what an organisation needs to be able to deliver, and what it can achieve now), may yield misleading results. It is based on several assumptions, at least some of which may need to be revisited from a systems

Notes

28 Wheatley and Kellner-Rogers (1999) suggest that 'measurement' will not produce favourable behavioural changes, and indeed may damage the quality of working relationships, and 'trivialise the meaning of work'.

29 For an excellent introduction to the terminology of various systems thinking approaches, and an illustration of their application to the UK National Health Service, see Chapman (2002).

30 See in particular table A1, Appendix 1.

31 See Unsworth (2003).

thinking standpoint.³² In such 'gap' analyses, some key factors under systems thinking may well be neglected, and thus remain little understood.

These include existing capacities, and what they say about 'what works' or 'the way things work' in the environment in question; what stakeholders see as the key operational problems (and their solution); and the distortive effects of the prospect of funding for an externally defined capacity building programme.

- Detailed predetermined strategies (with associated indicators) for capacity development - especially if they are rigidly based on 'gap' analysis - may be at best irrelevant and at worst counter-productive.
- M&E systems established for reasons of 'exogenous' accountability of funding agencies (measuring the effectiveness of development banks or donors' resources devoted to a specific capacity building strategy) may not provide a suitable environment for learning and feedback to the principal organisational actors involved.
- Some donor initiatives (e.g. drivers of change) are consistent with systems thinking approaches.
- Donors already support 'endogenous' accountability mechanisms, but do not necessarily view such support as an aspect of 'monitoring' of capacities.³³

Notes

³² These assumptions include: that present performance is deficient in terms of some ideal performance level, usually defined by the external prospective source of support; that the recipient organisation acknowledges this 'gap' is valid and is therefore committed to filling it; that capacity 'gaps' can in fact be defined on the basis of the performance 'gaps' and that there is little existing relevant capacity.

³³ See Hauge (2002) for a discussion of accountability in general, and the alternative means by which development agencies support endogenous (public) accountability mechanisms. Examples include: promoting access to public information (e.g. from expenditure tracking surveys, or official budget allocations and actual expenditures for programmes); aiding 'voice' mechanisms: supporting CSOs' monitoring of service delivery; client scorecards; satisfaction surveys; public hearings; supporting oversight agencies (auditors; parliamentary committees; ombudsmen); strengthening (endogenous) evaluation capacities.

7 M&E practices in a systems thinking framework: the ECDPM cases

Several of the ECDPM cases involve NGOs, illustrating their approach to monitoring and learning from their performance and activities. What is striking in these cases is their implicit reflection of systems thinking approaches to capacity and capacity development, and of the importance of informal approaches to M&E in that.

The case of the Environmental Action (ENACT) programme in Jamaica (box 7) illustrates how the donor (CIDA) actually changed its approach to M&E of the beneficiary organisation's performance.³⁴

The case of the COEP network in Brazil³⁵ illustrates a purely nationally sponsored network organisation that has avoided formal performance monitoring altogether (see box 8).

Another case - the Lacor Hospital in northern Uganda (box 9) - depicts a foreign-supported medical facility, which is also part-funded by the state.³⁶

The three cases above illustrate the effectiveness for the organisations involved of non-formal approaches to organisational learning and the continuous development of capacities. The case study of a regional NGO (IUCN in Asia; box 10) provides more evidence.³⁷ It also illustrates the capacities identified as central to the emergence of a credible, learning responsive regional organisation, and the practical but varied approaches to capacity building it has adopted.

The cases summarised above strike chords with the literature on systems thinking. Common themes include the following:

- identification - and recognition throughout the organisation - of overall goals, and emphasis on values that should be reflected in achieving them;
- clarity of the mission of the organisation for its staff and/or members, arising from regular dialogue on what is being done, and its contribution to achievement of goals;
- knowledge of its mission, and recognition of its contribution, from those it serves;

Box 7: The Environmental Action (ENACT) programme, Jamaica

The ENACT case depicts how a formal 'predictive, detailed and mechanistic' approach to performance monitoring was *abandoned* as unworkable in favour of empowerment of frontline staff to ensure capacity for rapid response in the face of opportunities for interaction with stakeholder groups. This was consistent with the adopted approach to organisational change in environmentally significant organisations and networks: experimental, *seeking out willing partners*, building awareness, *absence of a 'model'* to assess capabilities or performance levels, *not 'pushing'* but letting partners adapt and adopt measures at their own pace.

The donor - CIDA - *modified its approach* to monitoring ENACT from tight control and 'counting' of attainment of targets, towards a more 'learning-friendly' approach. Indeed, the peculiarities of ENACT militate in favour of such an approach:

- it has no definitive pre-planned programme;
- it works through other organisations, and does not seek attribution of positive impacts;
- M&E functions emerge in the context of demands from partners and beneficiaries, and are designed in a participatory way; and
- a variety of monitoring techniques would be implied in an organisation that is engaged in such a diverse range of activities, and its workload has precluded major attention to these techniques up to now (and this impeded full analysis in the case of performance outcomes of ENACT's work).

To its credit, CIDA has resisted the temptation to push for short-term results, or to attempt to micromanage ENACT. *It abandoned an inappropriate monitoring system*, while maintaining the continuity and consistency of its support.

- leadership, especially empowerment by the leader of principal staff to encourage experimentation, and define what resources were needed, and how inputs should be phased;

Notes

- 34 Morgan (2005a) Organising for Large-scale System Change: The Environmental Action (ENACT) Programme, Jamaica. ECDPM Discussion Paper 57J.
- 35 Saxby (2005) COEP - Mobilising against Hunger and for Life: An analysis of capacity and change in a Brazilian network. ECDPM Discussion Paper 57C.
- 36 Hauck (2004) Resilience and High Performance amidst Conflict, Epidemics and Extreme Poverty: The Lacor Hospital, Northern Uganda. ECDPM Discussion Paper 57A.
- 37 International Union for the Conservation of Nature; Rademacher (2005) The Growth of Capacity in IUCN in Asia. ECDPM Discussion Paper 57M.

Box 8: The COEP Network, Brazil

COEP is a Brazilian-initiated, Brazilian-resourced initiative. It is a successful national voluntary network of over 800 member organisations (public, private and NGOs) devoted to social development. Its initial membership in 1993 was 30. COEP is not a funding agency, but has 'leveraged' members' resources by encouraging mutual collaboration. It has mounted major national campaigns to mobilise institutions and the general public to fight poverty and has encouraged 'active citizenship'.

COEP has not explicitly monitored its performance or the social effectiveness or impact of the changes brought about by its participating organisations and their projects (841 had been supported by COEP by June 2004). 'Evaluation would probably be a low priority for most people in the network'. 'COEP has an activist culture and its participants use their time to act on social issues'. *Cadernos* (notebooks) and videos record successful projects, and these are used to raise the public profile of the COEP network. 'Reference projects' are identified as being particularly innovative, and information about them is made available to members and other development organisations.

What COEP does do, via the Administrative Council, is robustly monitor adherence by members to the principles and statutes to which they subscribe (initially in writing) as members. While it has no jurisdiction over its members, its 'informal power' and influence comes from its *legitimacy* and the charisma and personal trust in which its leadership is held. Personal and group initiative and drive have carried COEP forward.

- regular opportunities for learning from experience, self-assessment, and the identification of 'stories' involving positive examples or experiences, significant changes or errors;
- flexibility in structures, team formation, partnerships and approach in the light of new needs or past experience;
- encouragement of the development of individual and group skills in response to identified needs or new priorities;
- emphasis on on-the-job development of such skills, though participatory face-to-face practical, 'hands-on' approaches;
- the informality of M&E systems (where they exist at all), and their being in a form responsive and

Box 9: The Lacor Hospital, Uganda

The Lacor hospital is a successful, iconic medical facility that functions in accordance with *fundamental principles* rather than adopting explicit strategies to achieve plans. Its core principle is 'to offer the best possible service to the largest number of people at the lowest possible cost'.

It has a *culture of self-assessment and self-regulation, based on openness and information gathering* (rather than 'control systems'). Several workshops held annually since 2002 brought together the board, management and its stakeholders to discuss the functioning and future of the hospital. They promote *two-way learning* between stakeholders and hospital management, and *internal learning amongst the hospital's staff*. They have been the main monitoring device to date.

Although the hospital is partly dependent on an external donor, and does have to account for the funds it uses, *'no external authority has forced any project or process on it'*. However, the hospital's financial accountability systems need attention given the somewhat burdensome reporting required by both the Ministry of Health (approximately 16% of its running costs) and other external funding agencies.

- relevant to the needs or requirements of members or clients; and
- the capacity to learn from experience is seen as a critical capacity.

Another striking feature of the systems thinking cases is nature of the role of donors. Where they do play a role, it is one of:

- providing financial support but minimal interference with detailed planning or strategy;
- trusting the supported organisation to deliver and to learn from its own experience (but not necessarily to be 'expert', automatically 'knowing how to do it'); and
- accepting periodic reporting in formats that are related to routine information exchange in the organisation.

Box 10: Capacity building for regional credibility: IUCN in Asia

IUCN is unique in that it combines governmental and NGOs in its membership, to further its vision of 'a just world which values and conserves nature'. Regional-level initiatives, such as the IUCN in Asia (Bangkok) office, are a relatively new venture. The case focuses on the capacity building process in the period 1995-2005 to meet the goal of developing a dynamic, sustainable regional organisation poised to bridge the global and local conservation aspirations of IUCN in Asia. The perspectives of those engaged in it are the primary sources of material in the case study, distilled from *self-reflection facilitated by a consultant*.

An important contributor to this process has been the *flexibility demonstrated by funding agencies*, which has enabled IUCN to *experiment* and test new approaches, and to maintain a spirit of *innovation and creativity*. Some donors have established performance requirements to be met, which vary from donor to donor. *Staff exchanges* between some donors and IUCN have taken place, providing directly some institutional knowledge in funding partners of the nature of IUCN's work.

Features supportive of IUCN growth and capacity included:

- the *evolution of the learning processes* established in the strongest country office (Pakistan) to IUCN in Asia (the regional director used to head that office);
- the growth in 'capacity' of IUCN in Asia was *evidenced* in its prompt and effective reaction to the tsunami (which would have been impossible several years ago), and also in the *recognition/legitimacy* it was accorded by member states as a truly regional organisation;
- technical and managerial abilities were evident, marked by rapid response to change, through a '*teaming*' process (forming small teams and their corresponding networks to tackle specific aspects of a larger programme response); and
- its regional nature was developed out of strong sense of *ownership of (and stake in)* IUCN among host-country governments, as well as the pan-regional challenges, and the corresponding programmes IUCN established.

Four elements of a '*bundle*' of capacities were identified:

- institutional culture and systems (including values, management approaches, consultative decision taking);
- content/technical (delivery abilities, planning coordination, monitoring, brokerage, influencing);
- strategic interaction with external context (maintaining regional integrity while balancing national and global levels); and
- adaptability and flexibility (repositioning; shaping new partnerships).

Capacity building is seen as an *ongoing, continuous process*, motivated in part by the (external) expectations of development partners (funders) such as CIDA, SDC, Norad, DGIS and Sida. *Internally*, capacity development has been moved forward by management - but *flexibly with continuous adaptation*, within a framework provided by agreed policy and regional strategy documents. '*I do not have a road map, only a goal (which can change)*' said the regional director. She attempted to create an *enabling environment* for the creative formation of IUCN in Asia, based on *shared values, encouraging re-thinking and re-fashioning*. Formal training has contributed to individual and organisational development, but the *prevalent training modes are experiential*, including mentoring and on-the-job training (including exchanges of staff with some partner funding agencies). Specialists are tasked amongst other things with developing organisational capacity in their particular field ... again this is achieved through *working together on joint initiatives*, rather than formal 'training'.

Monitoring the external environment (members, developments, the policy settings, partnership opportunities) was done by a full-time director of constituency development. The director of organisational development *monitored commonalities* internal to IUCN: among, and differences between, organisational components and fostered integration and the sharing of lessons between country programmes. Both posts mentored, trained and monitored the system. *Information-sharing networks were critical to building capacity* within IUCN in Asia (including the senior management forum).

8 Innovative approaches to monitoring performance and capacity development

A number of innovative approaches to the task of evaluating capacity development are being piloted, adapted and adopted in various country settings. They tend to follow the gradually recognised 'good practice' principles that have emerged from less than successful past practices and the impediments reflected in the literature - especially that related to systems thinking. Several examples of these approaches are summarised in Appendix 2, including Action Aid's Accountability Learning and Planning System (ALPS), the most significant change (MSC) technique, and outcome mapping (OM). Their common characteristics include:

- They involve structured interaction and reflection between stakeholders.
- The approaches are not concerned primarily with quantitative measurement or analysis, but with creating consensus as to what represents qualitative improvements or 'contributions' towards achievement of broad development goals, without any attempts to attribute changes to specific inputs.
- They rarely make reference to detailed, predetermined outcome indicators, but are more likely to reflect emerging themes or trends based on day-to-day practical experience.
- 'Work stories' generated by a range of actors are often vehicles for 'sense-making' of what is happening, and with what effects. These innovative approaches usually involve dissemination of information about 'what happened' and cause there to be critical reflection and analysis of that experience.
- They attempt to demystify and de-professionalise M&E and allow clients - including the most vulnerable - to have a voice in periodic reflection on achievements and learning to date.
- They therefore develop capacities for analysis, debate and consensual decision making among stakeholders and the staff of the organisations concerned.

9 Conclusions

The conclusions of this paper are that:

1. There are very few examples in the literature of monitoring of 'capacity' itself. However, monitoring of performance is being adopted as one way of formulating conclusions as to capacities that are being developed, and which need further development. Lavergne (2005) summarised the distinction between capacity and performance in the context of the Learning Network on Programme-based Approaches (LENPA), based on a definition of capacity as the potential to perform. However, ECDPM's definition sees capacity as both a means - performance - and an end in itself.³⁸
2. The literature on the topic is very broad, much of it stemming from the concerns of development banks and donors with the issue. This often, but not exclusively, concerns the public sector of developing countries. A growing body of literature is emerging from NGOs and studies of other independent organisations whose capacity processes appear to be essentially internally driven, and not propelled by the concerns of an external donor. These are termed 'endogenous' processes.
3. Wide variations in the roles of development banks and donors in relation to capacity development processes are apparent. These institutions tend to design and plan capacity-related interventions in detail - especially in public sector interventions. They also tend to use the project (or logical) framework as their design tool, and this is then used for monitoring progress and evaluating effectiveness. The main reason why they appear to favour these approaches is that they provide the basis for meeting accountability concerns through reporting to policy makers, politicians and taxpayers.

Notes

³⁸ The definition of capacity adopted in the ECDPM study is: 'Capacity is that emergent combination of attributes, capabilities and relationships that enables a system to exist, adapt and perform'.

4. Systems approaches - where no detailed objectives are specified at the outset, and more emphasis is put on generating feedback and learning as the intervention proceeds - tend to be more often used by NGOs than by donors and development banks.³⁹ However, there are some cases where development agencies have funded this type of intervention, normally playing a low-key role, and demonstrating considerable flexibility.
 - where there are incentives to improve performance (including demand pressure from clients or citizens) and/or extra (discretionary) resources available to build capacities further; and
 - where there is firm leadership, and where all the above conditions combine to produce 'ownership'.
5. The results of capacity enhancement efforts in the public sector of developing countries have been disappointing. Some causal factors relate to the problematic political and institutional environments in which these interventions take place. Development agencies themselves appear to be part of the problem, especially if they apply formal results-based management/logical framework approaches rigidly to programme design, after what may be flawed analyses of capacity needs.
6. The ECDPM case studies illustrate that sustainable development and change take time.⁴⁰ However, results-based management approaches tend to stress short-term 'products' or delivery and tend to discourage the emergence of long-term processes of change unless they are carefully tailored to the context.
7. Formalised M&E systems may impede progress with capacity enhancement because a major effort on the part of the supported organisation is needed to establish and operate such systems. This diverts resources from the primary mission of the organisation.
8. However, there are circumstances where formal M&E of capacity building-related interventions, if planned in detail, appear to be feasible and productive (including in the public sector). These circumstances are illustrated in several ECDPM cases:
 - where it is possible to define the required capacities unambiguously and specifically, and to assess thoroughly existing capacities (and the gap between them and required levels), so that it is relatively straightforward to define indicators;
 - where stakeholders are able and willing to assess their own capacities and performance shortfalls, acknowledge that their capacities are deficient, express a will to 'sign up' to the intervention, and agree to work collaboratively with externally resourced assistance;
9. There appear to be difficulties in translating or transferring more informal approaches to M&E to public sector environments, for a variety of reasons. These include the difficulties inherent in such environments, the formal 'official' relationships development banks and donors tend to have with government counterparts, and problems of 'institutional memory' in donor organisations.
10. Development banks and donor agencies face obstacles in improving their own capacity building capabilities. These include the absence of incentives to devote full attention to M&E aspects of the programme cycle, the consequent reluctance on the part of professional staff to plan and actually implement M&E strategies, diffuse accountability within organisations for M&E, and the lack of capacities among, and practical guidance to, staff in how to tackle M&E of capacity building. The evidence points to major resultant

The overwhelming impression from the literature is that these circumstances are rarely encountered or created in donor-supported public sector capacity development interventions in developing countries.⁴¹

Notes

- 39 This conclusion applies to the NGOs featured in the case studies, and in the literature sampled for this paper. There is, however, growing evidence that M&E practices, and the corresponding accountability dimensions of these practices, vary considerably among large NGOs. There is some evidence that in cases where they are reliant on donor funding, this can sometimes lead to 'exogenous' accountability dominating 'endogenous' accountability (see Wallace and Chapman, 2004).
- 40 In the ENACT case ten years elapsed before the partner organisations began to develop clear indications of enhanced capacity to take on environmental management issues.
- 41 There are of course exceptions - the District Support Programme in Zimbabwe (initially supported by DFID) in the 1980s and 1990s, and the Local Government Development Programme in Uganda (supported by UNCDF and then the World Bank) attempted to create these conditions, and in some measures succeeded. The present paper (section 3) notes that public financial management is another sector where it has been feasible to define precisely the performance required. Pressures from international development agencies articulated through the IMF and World Bank have focused attention on a minimum set of competences in public finance, which represent the conditions to be met before IMF credits would be available. This has helped in the precise definition of capacity needs.

weaknesses in using the results of whatever M&E does take place in the generation of learning within donor agencies and development banks on how best to support capacity development.

11. Accountability mechanisms are significant in capacity and capacity building in several ways.
 - Donors are accountable to taxpayers and politicians (development banks to their Boards) and need to establish the cost-effectiveness and impact of their interventions - including those related to capacity building. This is an important reason why they adopt project framework/results-based management approaches.
 - Recipient countries and organisations are accountable to their lenders or donors for the utilisation of external resources. The paper refers to this as 'exogenous' accountability.
 - Recipient governments or organisations - be they public or private sector or NGOs - have some form of mechanism to ensure accountability to their citizens, clients or members. These mechanisms may - if they are functional - act as incentives to enhanced performance. These are termed here 'endogenous' pressures.⁴² They may spur the development of improved capacity to deliver.
12. M&E of performance can be an incentive for the development of improved capacities to deliver if accountability mechanisms are present or given serious attention. 'Endogenous' accountability appears to be more important as an incentive to performance than performance monitoring largely for reporting to 'exogenous' stakeholders (donors or lenders). Several ECDPM case studies illustrate 'endogenous' performance monitoring and accountability mechanisms that have strongly motivated performance improvement, and enhanced capacity.⁴³ On the other hand, the case studies provide little unambiguous evidence that exogenous accountability is effective as a spur to performance enhancement and capacity building.
13. In several case studies, recognition of performance

improvement by peers and clients proved an important motivational factor in enhancing and maintaining the 'dynamic' of change. This requires rigorous client-focused information generation, dissemination and feedback processes. We conclude that measures that provide support to 'endogenous' monitoring of performance by service providers are worthy of more attention than they appear to have received thus far.⁴⁴

14. Development banks and donors that base their own monitoring systems on an endogenously developed monitoring system do not impose any additional monitoring or reporting burden on their counterparts, and thereby do not detract from the very capacities they are trying to improve.
15. There is persuasive evidence of the value and effectiveness - in contributing to organisational capacity building - of 'endogenous' M&E approaches that:
 - are based upon participation through self-assessment of key players;
 - encourage feedback, reflection and learning on the basis of experience; and
 - promote internal and external dialogue between stakeholders.

Despite this, there is little evidence that development banks and donors are reducing their reliance for their monitoring on formal results-based management approaches that emphasise 'measurement' of results - in a form defined by, and acceptable to, these external funding agencies. Informal approaches to monitoring - where 'feedback' generation is given greater prominence than 'measurement'⁴⁵ - are a feature of systems-thinking-influenced approaches. The case studies provide only a few examples of donors supporting informal monitoring using a systems thinking approach.

16. We suggest that discussion is needed on approaches to M&E of capacity development which *themselves* contribute to the enhancement of key capacities in the participating organisations or systems, and how further application of such approaches can be 'mainstreamed' by development cooperation agencies, while preserving and enhancing their own accountability to politicians and auditors.⁴⁶

Notes

42 For explanations of the terms 'exogenous' and 'endogenous' accountability, see Appendix 3.

43 NB: some of the cases where 'endogenous' accountability mechanisms were operating effectively were based on results-based management frameworks, e.g. the Rwanda Revenue Authority and the Philippines Local Government Support Programme.

44 See Hauge (2002).

45 Appendix 1, table A1, for a summary of the distinction between these terms.

46 See Hauge (2002) for a discussion of accountability in general, and the alternative means by which development cooperation agencies can support endogenous (public) accountability mechanisms.

10 Questions posed by the cases, and the literature concerning M&E of capacity and capacity development

Development banks and donors, accountability and stimuli for performance

One set of questions revolves around the inevitably major role of development banks and donors in supporting and monitoring capacity development in developing countries. It appears that the adoption by many development banks and donors of logical frameworks as basic tools of programme design and formal monitoring is motivated primarily by their own obligation to account for the use of resources.

- Are results-based management approaches inimical to emergence of long-term processes of change, through their tendency to stress short-term product or service delivery?
- Is it the case that formalised M&E systems imposed by some development banks and donors impede progress with capacity enhancement (because major effort is needed to establish and operate such systems), thus detracting resources from the primary mission of the organisation?
- Is there more scope to encourage development banks and donors to support mechanisms for keeping borrower or grantee organisations close to their client constituencies, thereby enhancing the prospects for 'endogenous' processes of accountability and performance monitoring, which can lead to incentives for improved capacities?

Have development banks and donors the capacity to cope with a new paradigm for international cooperation?

Horstman (2004) asks 'Is international development ready for processes and structures built on trust and forgiveness?'

In view of the example of donor flexibility (CIDA demonstrated its own flexibility, and its trust in the

ENACT programme, by abandoning an inappropriate formal M&E system); the acknowledgement by the World Bank (2004b) that 'One lesson from international experience is that managing for results can only be achieved with profound changes of organisational culture and incentives ... and that changing mental models is the central challenge'; and the fact that the impetus, and most of the resources, for M&E, including of capacity and capacity development, comes from development banks and donors,

- Is there any evidence that development banks and donors are reflecting on the ineffectiveness of much of their current M&E practices as a means of building capacities in the organisations they seek to assist?
- Should development banks and donors be encouraged to change their own 'mental models' relating to learning, and capacity development in the organisations they support?
- Will the Paris Declaration (DAC, 2005) serve as an implementable framework for improved donor ability to respond to capacity building challenges implied in the MDGs?

Costs

In all the material on M&E of capacity and capacity development there are very few references to the costs involved in these activities. Most discussions centre on methodological questions. Only the World Bank (2004b) identified absence of costing of M&E as a possible omission in M&E strategy development. In their major methodological contribution to M&E of capacity for DANIDA, Boesen and Therkildsen (2002-4) never mention the costs of applying their elaborate 15-step model. However, Action Aid has picked up evidence of dissatisfaction among its client communities over the costs in terms of lost time, and thus income opportunity costs, of the intensive participation that their Accountability Learning and Planning System (ALPS) implies. The evaluation of the outcome mapping methodology picked up concerns about the intensity of time (and therefore cost) inputs it required.

- Why are there so few references to the costs of monitoring and evaluation of capacity and capacity development?
- Is this an important issue?

Capacity of capacity builders

Very little material encompasses the role of the 'capacity builders' themselves - whether academic and/or training institutions, consultants, peer organisations, or donor staff advisers. Only one example was cited (in the World Bank's Capacity Building in Africa report) of a project to help transform 'traditional' academic trainers into innovative, responsive facilitators of organisational development in their (expanded) client groups.⁴⁷

- What needs to be done to relate the conclusions of this paper to the work of capacity builders and training service providers?

Notes

47 Under the Ugandan Local Government Development Programme (LGDP), local authorities now have incentives and resources to boost their own capacities. The Makerere University Innovation Centre is catering creatively and practically to the expanded demand for training assistance from these local authorities.

Appendix 1: Systems thinking approaches, and their link to M&E of capacity

Morgan (2005) discussed the idea and practice of systems thinking and their relevance for capacity and capacity development, with particular reference to organisations as learning entities. This school of thought posits that the allegedly 'reductionist' view of development problems adopted in results-based management:

- impedes comprehensive understanding of the true nature of, and 'boundaries' to development problems;
- underestimates the inter-connectedness of units within organisational systems;
- may obstruct learning from practical experience, because it attempts to measure progress in achieving pre-determined objectives (which may detract attention from vital, though unanticipated features, insights or variables) and thereby disempowers stakeholders involved in implementation; and
- constrains capacity development, performance and progress towards optimal solutions or development goals.

Systems thinking acknowledges that the inter-connectedness - or complexity - of (inter-)organisational systems is such that it is impossible to predict the consequences of any particular policy action. One of this school's central tenets is that a pragmatic approach - based on reflection on practical experience of attempting to achieve goals - provides the best frame of reference for deciding 'what works, what doesn't, and why' and therefore is the best guide for future decision making.

Monitoring and evaluation of experience is therefore central to systems thinking, in so far as *feedback* to stakeholders on the practical results of an organisation's work contributes to *learning*. Involvement of a *range of stakeholders* in processes of reflection - including those in, and served by, the organisation - can contribute to the '*emergence*' of analytical capacities and '*ownership*' of the organisation's mission.

One of the advocates of systems thinking has recently argued for adoption of a systems approach in evaluation. Horstman (2004) acknowledges that this would

require development professionals to develop deeper knowledge of the political and cultural landscape and the historical context in which they work. In turn, this would require organisations to rethink their incentives and structures to ensure staff gain first-hand and continuous exposure to primary stakeholders, and thus greater attention to developing relationships within and between organisations. In order to illustrate the argument, she depicted an innovative formative evaluation approach in a community development programme in the US (see box 11).

The UK's Department for International Development (DFID) has already adopted an approach to analysis of change processes - and their links with poverty reduction - which emphasises the need to better understand the underlying political systems, formal and informal institutions, and the 'mechanics' of pro-poor change, including power structures, vested interests and incentives. Monitoring of the application of these 'drivers of change' (DoC) analyses has identified cases where, as a result of DoC country studies by DFID staff and consultants:

- the extent of political will and commitment is clearer;
- programme time frames have been extended, to acknowledge constraints in the political and institutional context;
- in one case an entire programme of work was abandoned based on DoC study evidence of its probable futility;
- new (non-traditional) partners have been engaged; and
- staff from a variety of different backgrounds have debated and shared their perspectives on development issues.

While the above results of the application of DoC approaches and analyses at country level share some of the features of systems thinking, and considerable discretion is given to devolved country offices in programme design and direction, DFID still bases its programme planning on RBM and logical framework methodologies. However, staff are encouraged to apply the findings of DoC analyses to programme planning, and to reflect their interpretation of the

Box 11: Formative evaluation using systems thinking approaches

The Community Development Corporation /Arts Development Initiative was a four-year, \$4.5 million programme to support community-based organisations in Pittsburgh, USA, as a means to revitalise low-income communities. The initiative was funded by the Ford Foundation and managed by an NGO, the Manchester Craftsmen's Guild (MCG). The role of the evaluator was included in the design of the project from inception, and he was selected by the MCG, and not the Ford Foundation. He adopted a formative evaluation approach: the evaluator's frame of reference was not predetermined goals, but was instead concerned with questions such as:

- how does the programme achieve its mission?
- how are participants' concerns being addressed?
- what effects and activities are emerging, how and why?
- what are the implications for the programme of these effects?
- what does the programme look like from a variety of perspectives?

The evaluator regularly captured information on what enabled effectiveness and what hindered it, through a variety of means including listening to the stories being told. This built trust between the evaluator and participants.

Reports were produced after each visit and shared widely. Adjustments were made accordingly. Recipients were thus able to 'co-create' the initiative, and thereby to develop their own capacity for assessment. 'Sense-making' was done to meet the needs of recipients, not just those of the MCG and the donor. This involved 'collective thinking and mutual vulnerability'. No one knew how to do 'it' beforehand.

Ongoing learning had enabled the success of the initiative. The donor, the MCG and the recipients were 'learning partners working from a base of trust and trustworthiness. As the donor, the Ford Foundation proved able and willing to employ the MCG for its ability to learn collaboratively - not to be an 'expert'.

The costs of the formative evaluation process were between 10% and 15% of the programme's cost. Horstman (2004) believes that the value of the process should be measured in terms of what it saved rather than what it cost.

political and institutional context in terms of programme partners, and in the style, content and duration of interventions.

Advocates of systems thinking argue that donor agencies should go further, and look critically at some of the basic concepts which are inherent in RBM-based approaches to resource management and programme design.

Wheatley (1999), for example, discusses the difference between a key systems concept - 'feedback' - and a pillar of management by results and project framework approaches - 'measurement'. She summarises the main points of comparison as follows:

She also argues that behaviour(s) and change are never produced by measurement: they are the result of choices made by people. Instead, she sees the desirable behaviour of individuals in organisations - quality work with commitment, focus, teamwork and learning - as performance *capabilities* that are likely to emerge when people develop a shared sense of what they hope to create together, and as they operate in an environment where everyone feels welcome to contribute to that shared hope. She believes that 'the longer we try to garner these behaviours through measurement and reward the more damage we do to the quality of our relationships, and the more we trivialise the meaning of work'.

In order to move towards measurement processes more likely to induce desired behaviours (and thus resemble feedback), the following questions need to be addressed:

- *who creates the measure?* (ideally those doing the work);
- *how will we measure our measures?* (in order to ensure their relevance and utility);
- *are they flexible enough?* (do they invite innovation and surprise);
- *will the measures generate information likely to increase capacities to develop?* (what measures will inform us about the critical capacities: commitment, learning, teamwork quality and innovation?)

Table A1. Feedback and measurement

Feedback	Measurement
Context-dependent	One size fits all
Self-determined: system chooses what to notice	Imposed: criteria established externally
Information accepted from anywhere	Information in fixed categories only
System creates own meaning	Meaning pre-determined
Newness and surprise essential	Prediction and routine valued
Focus on adaptability and growth	Focus on stability and control
Meaning evolves	Meaning remains static
System co-adapts	System adapts to the measures

The thrust of the approach advocated by Wheatley is echoed in a recent review of approaches to assessing the impact of organisational capacity building (Hailey et al., 2005). Systems thinking is seen as one of the innovative approaches adopted, as are others, such as:

- adopting a *participatory approach* to identification of indicators **and** to self-assessment of performance, and thus enhancing ownership of the process;
- acknowledging that *different stakeholders may have different understandings of 'capacity building'* and of the purpose of the impact assessment exercise;
- demonstrating the *contribution* made by a given programme to the resultant changes, rather than specifying 'attribution'; and
- increasing *awareness of the importance of inclusive and culturally appropriate approaches* and processes.

The authors explain the renewed stress on more qualitative approaches in broad acknowledgement of the limitations of quantitative data to explain - in an organisational context - why something occurred; the relationship, including power shifts, between components of an organisation or system; and the relative contribution of environmental changes. The examples of qualitative approaches include reflective commentaries and story-telling such as the most significant change and outcome mapping approaches described in Appendix 2.

Some recent work on evaluating capacity development lends support to the emerging pragmatic the-

ses outlined in the examples above. Horton et al. (2004) concluded⁴⁸ that:

- 'capacity development cannot be delivered to 'adopters' or 'users' who play a passive role in the capacity development process. Instead, capacities develop within individuals and organisations through learning processes and the acquisition of new knowledge, skills and attitudes. CD efforts are therefore best judged by *observing changes in the behaviour and performance of people and organisations*, not through studies of the 'impacts' of external interventions'.⁴⁹
- 'M&E of organisational capacity development is of critical importance to ensuring that CD initiatives actually lead to increased performance' (p.32).
- The case studies highlighted the *importance of self-assessment* approaches to evaluating organisational CD. This was because staff and stakeholders 'gain an in-depth understanding of what works well and why, and where improvements are needed'.⁵⁰ However, 'no simple recipes or blueprints are suitable for evaluating the broad range of organisational capacity development efforts that take pace in different organisations' (p.84).

Notes

48 On the basis of an overview of experiences in developing the capacities of agricultural and natural resources R&D centres, based on six evaluations conducted between 2000 and 2002.

49 Key capacities of R&D centres were defined as: personnel, infrastructure technology and financial resources; strategic leadership; programme and process management; and networking with other organisations and stakeholders. It further sub-divided these capacity areas into operational and adaptive capacities.

50 The study espoused 'utilisation-focused evaluation' (a phrase coined by Michael Quinn Patton in his 1997 book, *Qualitative Research and Evaluation Methods*) to ensure results were actually taken on board by those responsible for considering them.

- 'Work stories' explored 'how staff perceived their contribution to the [research] institute's core activities; if and how their work had changed over time; if and how their own capacities had evolved; and how these capacities related to the organisational capacity development efforts of the institute'.

Boesen and Therkildsen (2002-4)⁵¹ also espoused a pragmatic approach to donor support of public sector capacity development. Their review and recommended approach summarised the conditions when capacity improvements can be expected to take place, distilled from a range of earlier studies, and, conversely, the conditions under which capacity development in public sector organisations has proved difficult. Their conclusions were that:

- the most important factor for CD to succeed is *commitment to and leadership of change* from top management;
- 'CD must be a domestic affair in order for it to succeed';
- a focus on outcomes and impacts is unhelpful when dealing with CD in public sector organisations (because of problems of attribution and the strong, uncontrollable influences on organisations from the external environment);

- excessive or naive faith in results-based management is misplaced;
- a more modest, *incremental* stance, focused on what actors' efforts result in, is advocated. Favourable CD outcomes should lead to positive changes in the outputs of an organisation (the latter become proxies for organisational capacity change), and both can and should be encompassed when assessing the effectiveness of CD;⁵²
- a range of donor practices can inhibit or constrain capacity development;
- donors should *listen* more, and act as *catalysts* to stakeholders' ownership of CD processes;⁵³
- it is important to think about CD in a *holistic* manner, due to the complexity and interdependence of factors that shape the environment in which organisations operate (and of functional interrelationships within them);⁵⁴ and
- the implication is that development banks and donors should not demand a protracted up-front design process, but permit inputs to be modified rapidly.

Notes

51 This was a major review of the literature and practices conducted for DANIDA over a two-year period, to inform its policy development on capacity in developing countries and its enhancement, with a view to facilitating organisational change. In particular, the study provides an analytical framework for evaluating the impacts of Danish capacity development assistance to public sector organisations in the context of sector programme support.

52 The authors have since presented these thoughts in more detail as a 'results oriented approach to change' (ROACH), after piloting the CD evaluation methodology in Part 3 in Ghana (Boesen and Therkildsen, 2005).

53 The authors cite Unsworth (2003), who mentions examples of such catalytic actions: analysing country contexts as a starting point; connecting such analytical work with that of other partners; acting long-term and strategically; providing joint learning opportunities between national and international partners; and strengthening local research or policy analysis institutions.

54 In his feasibility assessment of a 'public sector capacity index', Polidano (2000) defined ethnic/regional fragmentation, civil society, political instability, economic crisis, and aid dependency as environmental influences on the three core public sector capacities: policy making, policy implementation, and operational efficiency.

Appendix 2: Innovative approaches to M&E of capacity development

This Appendix summarises the main features of three innovative approaches to capacity development. The first, the *Accountability, Learning and Planning System* (ALPS), was introduced in Action Aid, a major international NGO, as a result of dissatisfaction with established country programming and monitoring practice. The second, the '*most significant change*' (MSC) technique, was developed by the author in order to evaluate the impact of a large integrated rural development programme in Bangladesh, and seeks to identify most-valued directions of development programmes. The third, *outcome mapping* (OM), attempts to assess the contributions of development programmes to the achievement of outcomes.

Action Aid's Accountability, Learning and Planning System (ALPS)⁵⁵

ALPS was envisaged as being more than a rethinking of an internal reporting system, to help operationalise what was then a new strategy 'Fighting Poverty Together'. Rather, its evaluator, Irene Guijt, saw it as 'an organisational charter of values and procedures' that was to guide its planning and accountability strategies, operational aspects, and attitudes and behaviours it expects of its staff' (Guijt, 2004: 3).

ALPS replaced a reporting system that was seen to be:

- too upward-focused;
- bureaucratic, centred on Action Aid's (and donors') internal information needs, which included precise statement of goals, objectively verifiable indicators and 'output to purpose reviews';
- onerous: writing and re-writing reports were consuming excessive staff time (up to three months per year). The reports also had to be written in English, the second or third language of most staff concerned;
- an important determinant of how staff performance would be evaluated; and
- producing reports that were never used operationally.

In response a (central) team from the Impact Assessment Unit, supported by members of the

Participation Group in IDS Sussex, were tasked with formulating a new system, and even out - and reverse - power relations between levels.

ALPS was to have three 'layers':

- *core requirements*: involving strategies, three-year rolling plans, annual internal and periodic external review processes, reports and appraisals;
- *principles*: accountability to poor people and partners; participation of poor people in planning and assessing the value of interventions; better analysis of gender and power; reduced burden of reporting, more learning and reflection; feedback loops and better management; better understanding of costs and impacts of interventions; fostering a culture of transparency; and
- *organisational culture* (including mechanisms, attitudes and behaviours) including human resources policies encouraging learning and 360-degree appraisal, and embedding ALPS in capacity building; critical reflection leading to innovation and adaptation; spontaneous communication; clear criteria for prioritising; learning agendas; identification of challenges and achievements.

Ultimately, in ALPS:

- country teams were to be empowered to explore and devise with their own partners their own processes for monitoring and reporting;
- monitoring could use new media formats (including video, local languages, popular theatre);
- teams would base monitoring on participatory review and reflection processes at least annually with multiple stakeholders;
- Action Aid's accountability to poor people was to be enhanced through (downward) transparency of operations (including budgets);
- opportunities for learning would be stressed, to improve the quality of its operations;
- ... while still providing essential information to donors.

As a result of the introduction of ALPS:

- field staff and local groups are reportedly more forthcoming and open about failures, difficulties and challenges;
- more information - including financial information - is being disclosed from the centre to the field.

This has enabled and stimulated informed debate on Action Aid activities and apparent priorities among beneficiaries (its operational wing attracted praise from the government of Kenya as 'one of the most transparent and honest CBOs');

- questions are being raised about the costs - to poor communities in particular - of participating in consultative review exercises such as ALPS ... and whether such participation leads to local views being frankly articulated (given local vulnerability and insecurity) and to their actually being taken on board;
- there had been a marked increase in the number of staff with M&E and impact assessment responsibilities since the late 1990s when virtually no one was responsible for this function (18 full-time and 74 part-time staff are now championing the function)

However, the Guijt evaluation showed that there was still some way to go before ALPS could be considered 'institutionalised'.

- Of the 'layers' above, the first was the most obvious 'face' of ALPS, but the core requirements do not define quality (accountability and learning) standards, and it was not possible to establish an overview of compliance with core requirements;
- (central) support for ALPS implementation was inadequate (and there was too much 'wheel-reinvention' going on);
- there was too little sharing of ALPS-related experience or clarification of terms and interpretations;
- there was imbalance in the attention given to various 'principles' (with gender and delegated decision taking having less energy expended on them than accountability and transparency), and lack of clarity in interpreting them;
- capacity building appeared to be poorly related to ALPS, and too much of the content of courses was at the behest of hired training consultants;
- there have been no ALPS-type audits of human resources or communication policies to bring them fully into line with the new system;
- there remains lack of clarity between ALPS and M&E. Quantitative monitoring processes 'seem to have all but disappeared in some cases', and the use of comparative data to inform 'what works and why' appears to be rare.

Most significant change (MSC) technique

The most significant change (MSC) technique was first developed in Bangladesh for evaluation of a complex rural development programme. It has now been adopted by the Adventist Development and Relief Agency (ADRA), and applied to community health, rural water supply and sanitation and health education projects in Laos.⁵⁶ The technique involves:

- MSC process managers identify broad domains of change they think are important, and which should be evaluated.
- Stories - brief descriptions of changes which observers deem to be most important in the last reporting period - are periodically collected from key stakeholders (including field staff, clients and beneficiaries). They are also asked to state why they think the change is so important.
- These stories are then analysed and filtered up the through the levels of authority managing the programme intervention being evaluated. At each level specially formed committees review stories emerging from the levels below, and pass on the most significant story to the next level above.
- The criteria used to select the most significant stories are recorded, and are fed back to all stakeholders, so that successive rounds are informed by earlier selections and criteria.
- After several rounds - perhaps annually - the MSC stories selected by the uppermost level in each domain are documented, along with the reasons why they were chosen.
- This document is sent to programme funders, with a request that they select those that most fully reflect the outcomes they wish to support financially, along with the reasons for their selection.
- The written results are then fed back to all stakeholders.
- Visits may be made to the sites of reported change events, in order to check the accuracy of reporting, and to glean more information about particularly significant change events.

Thus the primary purpose of the MSC technique is to facilitate improvement of the programme by focusing the direction of work towards explicitly valued directions and away from less-valued directions. The central aspect of the technique - in the view of the authors - is not the stories themselves, but the deliberations and dialogue surrounding the selection process.

Optional additional steps can include:

- quantification: including quantitative information at the time of MSC story collation, and by quantifying the extent to which MSCs identified in one location have taken place elsewhere; and
- monitoring the operation of the MSC process itself: who participated, how different types of events were recorded, and what effects undertaking MSC have had on programme operation and its financial backing (see the ADRA Laos example below).

The characteristics of the MSC technique include:

- a continuous search for significant programme outcomes;
- deliberation of the value of these outcomes;
- it takes place over time;
- it is therefore responsive to the changing nature of the programme and its context;
- programme policy makers and funders are engaged in dialogue about the value of changes being introduced by the programme, and therefore its outcomes;
- considerable deliberation takes place on choice of criteria for selecting MSC stories: the reasons for these choices are also documented;
- non-experts (story writers) are engaged in evaluation;
- dialogue is based on real events and concrete outcomes, not abstract indicators;
- experience of MSC indicates that people concerned relate to information better when in story format (storytelling being an ancient cross-cultural process of making sense out of routine experience, and so is familiar to all);
- it resembles aspects of the 'critical incident technique' (CIT); however a key distinction is that CIT focuses on variations from prescribed practice, and tends to generate negative information, whereas MSC searches for significant outcomes through an inductive process and usually generates positive information;
- it also resembles 'results mapping' (see below), although the latter involves coding by 'experts' in relation to a results 'ladder' and analysis of their contributions.

An assessment of the MSC technique in the Adventist Development and Relief Agency (ADRA), applied to community health, rural water supply and sanitation and health education projects in Laos, the conclusions were:

- The benefits gained were worth the time (mainly staff training and meetings) invested;
- beneficiary participation in M&E increased as a result of its application. They reportedly felt more involved and informed.
- Staff engagement in monitoring changed from activity/progress reporting to a focus on what beneficiaries were doing, feeling and thinking. Participation of in-country and donor-country management staff in monitoring increased.
- After initial difficulties in grasping MSC concepts, staff enjoyed participating in it, and were willing to work on MSC activities over weekends.
- It tested the research skills of field staff, and indirectly identified deficiencies therein that could be addressed in future.
- There was a significant shift in the thinking of staff about development and their role after six months of MSC implementation.
- It appears to have contributed to organisational learning.
- It is a replicable model, but would have to be adapted for use in other contexts.
- The MSC was successfully developed and implemented,⁴⁹ but was not designed to assess overall impact of ADRA. In order to do this, additional evaluation techniques should be used.

Outcome mapping

Outcome mapping⁵⁰ (OM) is based on Kibel's 'outcome engineering' approach to assessing and reporting on development impacts. It characterises and assesses the contributions of development programmes to the achievement of outcomes. It is applicable to monitoring as well as evaluation. It adopts a learning-based and use-driven approach that incorporates participation, iterative learning, encouraging evaluative thinking from all programme team members.

It requires first that a project or programme team

Notes

⁴⁹ In terms of the goals set for MSC by management: increasing stakeholder participation in M&E of ADRA; developing analytical skills of field staff; improving the ability of ADRA Laos to assess impact of projects, and how they interact with beneficiaries; and to improve project management.

⁵⁰ Earl et al. (2001).

clarify its vision of anticipated improvements to which the programme will contribute; it then focuses M&E on factors and actors within its sphere of influence. Partners are identified, as are strategies for equipping them with tools, techniques and resources that will contribute to the development process. The central concept of outcome mapping is that development is brought about by changes in the behaviour of people (or organisations), termed 'outcomes', which are - through a process - 'mapped'. These outcomes may enhance the possibility of development impacts, but the relationship between them is not necessarily one of cause and effect. The desired changes (in behaviour) are not prescribed by the development programme. Outcome mapping provides a framework and vocabulary for understanding changes, and assessing efforts aimed at contributing to them.

The full process has three stages:

- *Intentional design*. In a workshop setting, a vision and mission statement are prepared, partners and strategies for influencing them are identified, and outcome challenges and progress markers (indicators of behavioural change) are decided upon.
- *Outcome and performance monitoring* includes organisational practices as well as strategies and activities, with a view to indicating areas for performance improvement, and assessing the programme's contribution to date.
- Evaluation planning shows *how results will be evaluated*.

In their paper at an OM experience-pooling workshop in Peru, Ortiz and Pacheco (2004) summarised the differences between results-based management and outcome mapping as follows:

Results-based management	Outcome mapping
Emphasis on <i>results</i> : measurable changes, attributed to programme	Emphasis on <i>outcomes</i> : changes in behaviours relationships or activities of people and organisations, to which the programme has contributed;
Impact: determined by achievement of results (i.e. measurement of success)	Impact: determined by multiple causes, factors and actors ('a lighthouse which guides action').
Programme tends to exclude itself from the system	Programme: organisational unit with potential to be agent of change and subject to change.
Planning: based on linear cause-effect relationships	Intentional design: based on multiple logics, nonlinear relationships, uncertainty, virtuous and vicious circles.
Monitoring and reports: focused on improving programme performance and accountability, regarding achievement of results; resource use and risk management.	Monitoring and reports: focused on the project's sphere of influence; oriented towards capacity development, learning, programme improvements and accountability.
Self evaluation: stimulate ownership by local institutions and improve decision making.	Systematised self-evaluation and group learning: tool for building awareness, empowerment and consensus
Evaluation: clarifying how the project causes change (attribution) and identifies lessons learned.	Evaluation: focuses on clarifying how the programme facilitates change (i.e. its contribution) and in deepening understanding of areas of special interest.
Incorporates gender equity	Considers relationships and influences among partners.

Since 2001 several inventories of experiences with OM have been compiled. At a workshop in April 2004, IDRC's Latin American partners pooled their experiences, and came to the following conclusions (Raj, 2004):

- Projects have had difficulty in framing outcomes in behavioural terms (although they can be amended during implementation).
- There is a tendency to accumulate too much information from monitoring (all) partners.
- Researchers analyse 'journals' recording information from staff observations of partners, and conclude what changes have taken place (every 3 to 6 months or so). This provides an opportunity for staff to reflect on their work, and how and why change is taking place.
- There has been confusion about whether a 'boundary partner' (i.e. one whose behaviour is to be changed) can also be an 'implementer' (sometimes this is the case).
- The major issue so far has been the time commitment and resources needed for OM to be applied.

Appendix 3: Endogenous and exogenous accountability

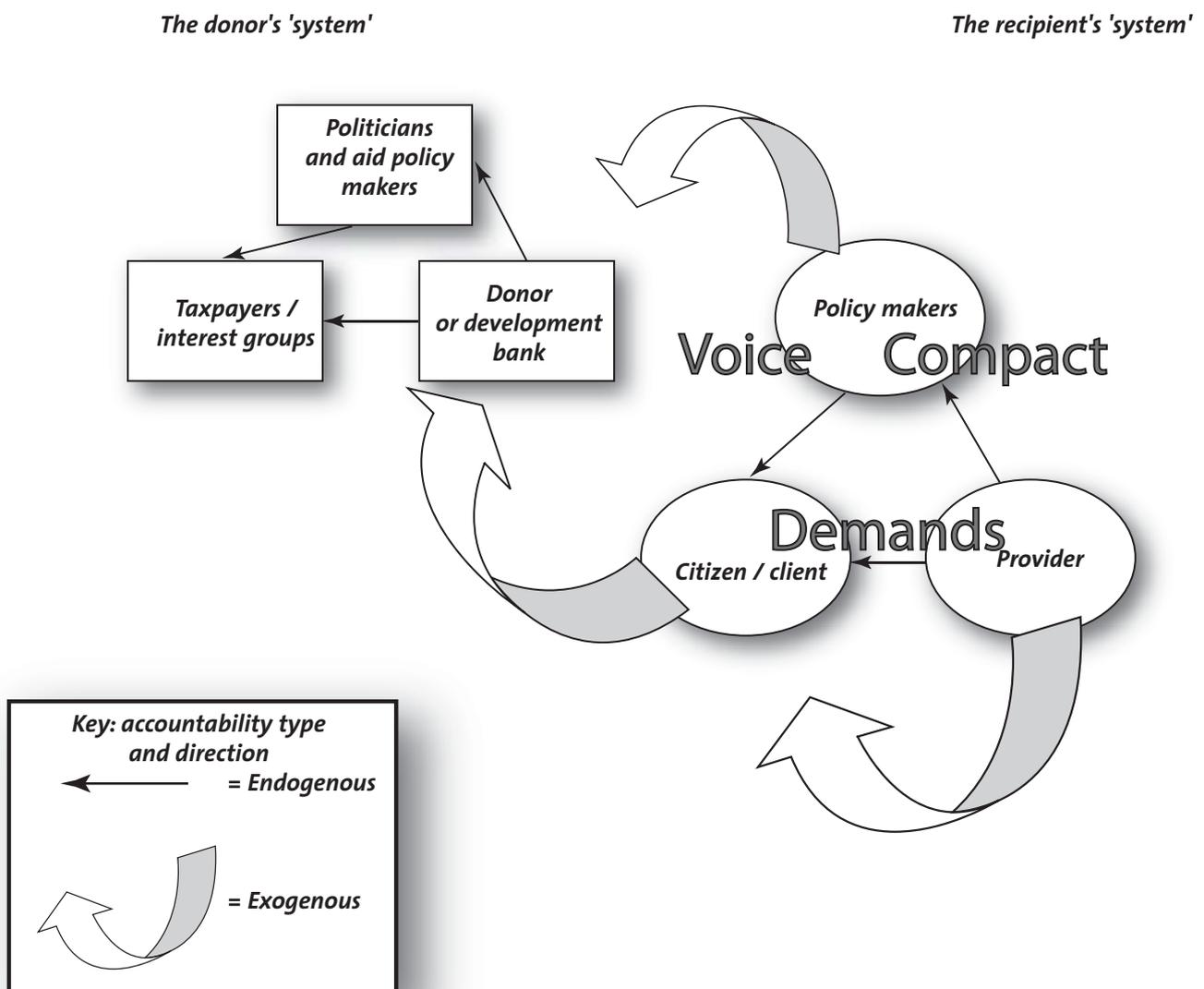
The diagram below illustrates the distinction drawn in this paper between endogenous and exogenous accountability, and the significance of the concept. It is based on the framework of accountability presented in the *World Development Report* (World Bank, 2003).

The **endogenous** channels and modes of accountability are as follows:

- policy makers/politicians are accountable to citizens or users using their democratic 'voice'.
- service providers (perhaps local governments, private firms or NGOs) are accountable to policy makers in accordance with a *compact or service contract*, and to their clients/users through listening and responding to their demands.

When a donor is funding a service delivery capacity building programme for example, its presence and approach may well introduce **exogenous** accountability from national stakeholders to the donor through its progress and performance monitoring reporting system. The donor is accountable to domestic politicians, policy makers, taxpayers and interest groups.

Patterns of accountability in service delivery: endogenous and exogenous
(after World Bank, 2003: 204).



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