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A Results-Oriented Approach to Capacity Change

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Abbreviations

CD	Capacity development
MDG	Millennium Development Goal
PRSP	Poverty Reduction Strategy Papers
ROACH	Results-oriented approach to capacity development and change
SWAp	Sector-wide approach
TA	Technical assistance

Foreword

Capacity development support is a key element in all development assistance provided by Danida and other donors – whether aimed at specific organisations or as part of a wider sector programme support. However, it is generally recognised that the knowledge about how best to deliver and assess the outcome of such support has been limited or contested.

This short version of a larger analytical working paper commissioned by the Evaluation Department is intended to bring about a better understanding of what ‘capacity’ of organisations means, and in particular which are the potential constraints and the realistic options for changing and enhancing organisations’ capacity. The target group of the reader are all those involved in the delivery of Danish development assistance: the representatives of the partner governments and concerned civil society, the responsible managers and staff of the partner organisations, the technical advisers, the Danida staff at embassies and at headquarters. May be some of our colleagues in other donor agencies could also be inspired by the reader.

Hopefully, it will contribute to a wider consensus of how capacity development works. Not least understanding the importance of the contextual influence of the organisations, and the identification of factors which can be influenced, and factors which can largely be appreciated. Some readers may, of course, not sustain all the arguments, and we are still trying to improve our understanding. But we feel now we have a much better analytical and tested platform from where operational guidelines can be drafted. Together with this reader the guidelines will provide a real tool for capacity development support to all Danida-funded activities.

It has been a long and arduous road to complete this learning and development exercise. Acknowledging the innovative nature and the difficulties of the endeavour, the Evaluation Department decided in 2002 to apply a step-by-step approach. First, authored by Nils Boesen, Consultant, and Ole Therkildsen, Senior Researcher, Danish Institute for International Studies, an analytical framework was developed. Secondly, a desk study of 18 Danish sector programme support and environment interventions followed. Subsequently, a methodology for evaluation of capacity development was drafted, and the final step was the field-testing of the methodology in Ghana within two programmes. Each step has been reported in a separate working paper or report, which can all be down loaded or ordered from www.evaluation.dk

The Evaluation Department would like to thank all who have been involved in this exercise. The authors have given great inspiration, and staff across departments and embassies, external resource persons, researchers and other donors have taken an interest in the work and have contributed generously with comments and suggestions. The field-testing was followed closely by the Ghana reference group. We are grateful for the many contributions and look forward to the continued discussion of how best to use the insights gained to improve capacity development assistance.

Danida's Evaluation Department

1. The Results-Oriented Approach to Capacity Change

What capacity improvements in the public sector are possible in poor countries? And what can outsiders such as donors do to support and encourage capacity development (CD)? What are the alternatives to traditional practices that have not delivered convincing, lasting results? This paper presents a conceptual framework for dealing with these questions¹.

A story begins...

A senior reform-minded government official and an enthusiastic donor official, facing a mid-term evaluation focusing on capacity gains in the education sector, would recall the day two years ago when the government official reluctantly accepted a vaguely described component of technical assistance and training as part of a wider support package providing much needed extra operational funds to the sector.

The donor funds, though entangled in cumbersome special procedures, would not easily be derailed to other purposes, and they would cover those operating expenses which, even if approved in the budget, never materialized because of the perennial liquidity shortfall in the Treasury.

Popular notions about capacity development, change, results-orientation, ownership and commitment were used by both officials in these early days. But behind the apparent joint understanding, the government official knew how difficult, if not impossible, it would be to get the teachers' union to accept supervision and control of their performance, and to get central ministry staff to devolve authority to districts and schools. And she knew that appointment of teachers, building of schools and supply of materials were since times immemorial deeply intertwined with patronage and politics, touching both regional and ethnical issues. She knew that the minister pragmatically saw his role as managing these realities, not changing them, since this would affect the very legitimacy of the ruling party which partly built on the patronage system.

On the other hand, the donor official had observed severe capacity weaknesses in the Ministry; how long time even simple work processes could take, and how financial management did not provide safeguards and transparency. Apart from serving capacity development needs, the TA and the training would certainly also help to push implementation, and to keep an eye on the use of donor funds. Headquarters were keen on both these aspects, and keeping them happy was, after all, not the least of priorities.

Here the story had started. Time had passed; the mid-term evaluation was still two years ahead. Fortunately so, for nothing much seemed to have changed yet. Capacity seemed largely to be untouched by the efforts of the TA and the training...

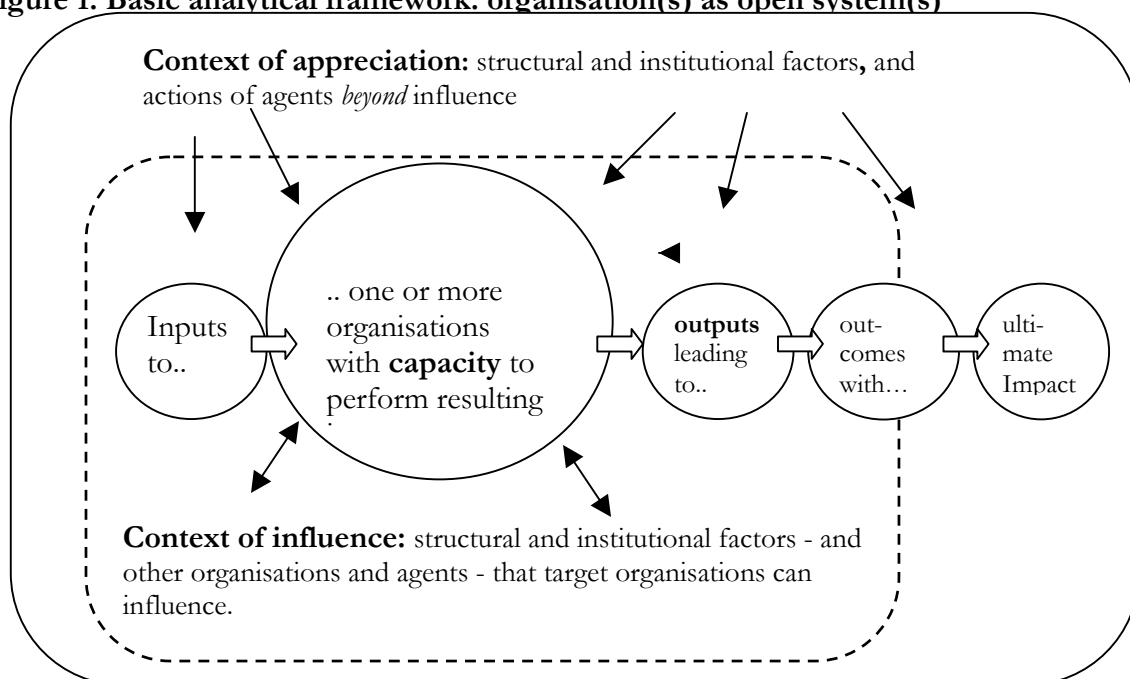
...to be continued...

Capacity enhancement of the public sector in poor countries has become both increasingly needed and desired as a key strategy to achieve sustained poverty reduction. Unfortunately, it has often not been possible to achieve what is so needed and desired. This is one of the reasons why donors and partner governments are changing from project-focused development assistance to programmatic approaches such as sector-wide approaches (SWAs) and budgetary aid. These approaches – which emphasise country ownership – are also expected to counteract the negative effects that fragmented, project-organised donor assistance has exerted on domestic organisational capacity.

¹ The paper is an abbreviated and slightly modified version of Boesen & Therkildsen: Between Naivety and Cynicism: A Pragmatic Approach to Donor Support for Public-Sector Capacity Development. Danida, 2004. This longer version is fully referenced. Selected references are provided in section 8.

To enhance analysis and dialogue about capacity development in the context of programmatic development assistance, this paper presents what we call a “results-oriented approach to capacity development and change” (ROACH). The basic analytical framework is shown in Figure 1.

Figure 1: Basic analytical framework: organisation(s) as open system(s)



The ROACH builds on six key propositions:

- *A focus on specific organisational results or outputs* (services, products) is useful in understanding organisations and their changes, as well as in adopting a relevant analytical and operational vantage point.
- *A wide range of factors and issues in the context in which organisations are embedded* determine actual and future capacity and performance, and must be considered.
- Organisations can conveniently be understood and analysed as *open systems*.
- *Both a “functional-rational” and a “political” perspectives* on what makes organisations perform must be applied in understanding how capacity is shaped and how it changes.
- *Capacity development and change are overwhelmingly a domestic matter*, and should be based on *possible* rather than just *desirable* capacity development opportunities.
- Analysis and dialogue based on the above propositions will determine *if and how outsiders such as donors can support and encourage capacity development opportunities*

ROACH pays analytical and operational attention on organisations and networks of organisations whose outputs are important for a particular sector. It focuses on the output constraints within *these* organisations and in *their* context that must be analysed and understood in order for governments and donors to identify feasible capacity development initiatives. When working on a sector level, this organisational and network capacity orientation will have to be supplemented by other analyses of e.g. desirable and feasible sector policy options, poverty and social impact, longer term fiscal impact etc.

In contrast, the UNDP/World Bank approaches to capacity development focus on people, institutions and societies and their ability to “perform functions, solve problems and set and achieve objectives.”

The next sections will detail each of the six key ROACH propositions mentioned above. A final section offers a guide to further readings.

2. Results Orientation

Talking about results...

When long-term TA was fielded to the Ministry of Education, the objective was to “develop capacity”, especially in modern management, planning, and work organisation. It was assumed that the TA would hold workshops, structure on-the-job training, develop draft guidelines etc. But it was never clear how this would exactly influence the performance of the Ministry: Would the annual work plan, which was usually only presented some 3-4 months into the year it was covering, now come on time? Would middle managers, after training, be expected to deliver specific, better quality outputs?

On the other hand, after a storm had destroyed a dozen of schools in a poor, remote area where regional insurgency had once occurred, the Minister of Education insisted that all schools quickly be brought back to standard, and he publicly set a date when he would re-open the schools. Surprisingly, the Ministry was able to comply with the date, except for some minor details which were well hidden during the ceremony.

...to be continued...

Why focus on outputs?

We define ‘capacity’ as *the ability of an organisation to produce appropriate outputs*. The definition also applies to a sub-unit of an organisation (e.g. an accounting section producing reports and balance sheets) or a network of organisations involving one or more sectors (e.g. the ministry of health or finance, regional authorities and public hospitals involved in producing curative hospital-based health services).

There are four reasons why capacity development should focus on organisational outputs:

- First, the outputs resulting from increased capacity must contribute to development.
- Second, an output focus allows identification of the target organisations for capacity development, and of the relevant context factors.
- Third, changed outputs are the immediate effect of capacity development.
- Fourth, tracking and assessing such specific changes helps organisations to learn how to improve capacity, and helps to provide a clearer basis for political accountability

Outputs must contribute to development

Simply put, outputs from public sector organisations should contribute to development outcomes and impact, and thus be ‘appropriate’. What ‘appropriate’ means is, of course, at the centre of discussions about ‘development’. It is therefore as much a political as a technical issue to translate policies and strategies into appropriate and rather concrete outputs for specific organisations.

But ‘appropriate’ outputs, even when well intended, do not automatically translate into desirable development outcomes or impact. It is therefore often very difficult to attribute changes in outcomes and impacts to organisations’ own efforts to produce outputs, or to donor support for CD. Other significant factors also contribute to outcomes and impact

(see figure 1). For example, a primary school can enhance its capacity to supply better quality teaching (an output). It can do less to ensure that girls attend school and therefore that they graduate (an outcome). It can do even less to ensure employment for the girls when they leave school (although this may be a desired impact). Because of such attribution problems, ROACH focuses on organisational outputs.

Outputs identify the target organisations for capacity development

Considering outputs enables us to establish a relevant analytical vantage point. Once the ‘appropriate’ organisational outputs are identified, we also know the organisations – or parts of these - that are in charge of producing them. The accounts department, for example, is the primary organisation responsible for producing monthly account statements. This department is therefore our analytical vantage point if we are interested in such outputs.

If, instead, we look at the environmental regulation of pollution arising from animal husbandry, this may require a legal framework, a permit system, reporting, supervision schedules and enforcement activities. Delivering this set of outputs may involve central ministries of the environment and agriculture, local governments, and farmers’ associations. As a result, this network of organisations becomes the focus of capacity development efforts. Capacity development problems and challenges must be analysed from the analytical vantage point of these target organisations. The focus on outputs enables us to identify them.

Capacity development must lead to changes in outputs

If CD activities do not contribute to quantitative or qualitative changes in organisational outputs, they should be reconsidered, changed or stopped.

We do, however, not advocate the full battery of performance measurement, performance based payment schemes or elaborate indicator systems associated with the New Public Management. Nor do we favour the use of narrow and ambitious output targets, which may produce a compliance culture where every manager achieves her partial indicator, but nobody assumes responsibility for the combined output. We simply ask managers and others to carefully pay attention to the changes in the outputs of the organisations that will be the effect of their CD efforts, in the short and medium term.

This point is especially important because several recent evaluations of CD show that such attention is lacking in most current CD efforts. They tend, instead, to focus on inputs like TA and training – not outputs. Yet, evidence clearly shows that well-performing organisations in poor countries have a culture where management and staff have a strong commitment to and drive for results, and that this makes a significant difference – even when operating conditions are difficult.

An output focus enables learning and clearer political accountability

Changes in organisational outputs are operational *proxy indicators* of organisational capacity change – and can therefore be used to track the extent to which capacity development efforts are working or not. For it is the outputs of products and services, which ultimately demonstrate that all the elements constituting a capacity are in place.

A straightforward focus on outputs helps us to *learn* what is feasible and effective in terms of capacity change (provided that initial output levels are known, and possible changes monitored). However, learning is not just a task for external specialists or observers, nor

exclusively for managers. The output focus must become a permanent feature of organisational life: it must penetrate the culture and ethos of the workplace. For good reasons, this may not be easy to achieve, but even if it is not, to discuss what the organisation actually produces in terms of the quality and quantity of service delivery is a good place to start, in both setting goals and discussing how performance can be improved as well as measured..

Finally, a focus on outputs can help to keep service providers *politically accountable* and therefore motivate managers to pay attention to results. This results-orientation can also make good *political* sense, to the extent that short-term regime legitimacy depends on enhanced outputs that benefit sufficiently large numbers of *citizens*. There is evidence, also from newer democracies in poor countries that such accountability relations do emerge as political competition increases.

A new approach..

After realising the limited effects of the TA and training provided, and that these could not be demonstrated anyway, the two officials agreed that the Ministry would define very specific output targets in critical key areas, including production of statistics on education quality, and, on a pilot basis, learning effects of peer-based pedagogical support to schools. The target results were defined as incremental to actual performance levels, big leaps were not envisaged. The TA was used to assist in achieving the targets, but responsibility rested solely with the Ministry. The donor would be an engaged partner and observer, and offer links to similar experiences in other countries.

Initially, there was resistance to being very specific, and to setting output targets which might not be reached. But it was soon realised that having a result to steer after, rather than just activities, helped focus attention, and it was underlined that targets might not be attained for good reasons. They were partly achieved, it turned out, which was satisfactory, and all involved had a chance to learn why this was so.

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What should be considered in relation to outputs?

Defining “appropriateness” is at the heart of the politics of development

Governments, political parties, social groups and donors have their own understanding of what ‘appropriate’ public sector outputs mean in a specific sector and context. This may be reflected in country visions, poverty reduction strategies, party programmes, international development goals, or donors’ preferences. How far should local user demand determine service outputs? Should central authorities, instead, specify supply-led service provision to ensure equity in access to services – or to ensure that urgent issues, such as aids, are addressed? Such questions about what outputs the public sector should deliver - and how they should be produced - are at the core of any discussion about public sector capacity, and of the political processes and trade-offs that are inherent in development.

Defining the future in view of the past

Looking at past outputs and the trends in their quality and quantity may provide a clear idea of the *actual* priorities governing resource allocation, and of management’s attention to outputs. Past performance is also a good indicator of likely capacity changes in the near future, since performance is normally unlikely to change dramatically in the short run. When looking forward, one should not let the future be a captive of the past, and broader visions about the desired level of services are important. But unfounded optimism that is

not informed by past experiences may lead to nothing but disappointed expectations, or to strongly supply-driven solutions. What is desirable may not be possible.

Past output levels are also a good guide to future output levels because of ‘path dependency.’ Previous policy choices and organisational practices will exert strong influences into the future. Significant output changes can take place, but these rarely happen. The past is most often a reasonable predictor of realistic outputs for the immediate future. Such an incremental approach to output changes may fit actual policymaking practices well. Even major capacity development initiatives are rarely the result of setting clear and well-ordered goals based on comprehensive reviews and analyses. The actual process of changing outputs is cautious and takes place in small steps, often modified along the way: Problem (policy) analysis is done in an *ad hoc* manner, one step at a time.

3. The Context: Drivers for and Constraints to Capacity Change

The difficult battle against teacher absenteeism

Teacher absenteeism was recognised to be a major problem for the quality of education in rural areas. Teachers would often not show up Monday morning, and/or would leave Thursday afternoon to travel to where their families lived. Parents had few channels if any to complain.

To increase the teaching capacity at school level, five measures were introduced: 1) The headmasters were required to register teacher presence; 2) The Parent Associations were to be asked twice a year whether absenteeism was a problem; 3) salary deductions would be introduced for absenteeism beyond a threshold level; 4) not least thanks to donor funds, better housing would be constructed for teachers in remote areas, and 5) rural teachers would receive a “rural bonus” linked to their presence.

Contrary to expectations, these measures had initially only negligible impact on teacher presence in that country and thus on quality enhancements.

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Why is the context important?

The context in which organisations are embedded shape the conditions for their capacity development. The context provides *drivers of change* as well as *constraints to change*. Reasons for poor performance – and explanations for success – are not to be found only inside organisations, but must also be sought in the *wider context* in which they perform. CD initiatives that focus on organisations and training activities often rest on the erroneous belief that the constraints on performance can be effectively addressed by the organisations themselves.

In the ROACH, the analysis of the context is therefore as important as the analysis of internal capacity constraints. Changes in contextual factors may be as relevant for causing capacity change in specific organisations (or in the public sector as such) as direct changes in organisational-internal factors or public-sector internal factors.

What should be considered in relation to the context?

Factors which can be influenced, and factors which can be appreciated

It is useful to divide context factors into those which can be *influenced* by the organisation(s) in question, and those which are largely beyond influence and must be *appreciated* by it.

What should be classified as influenceable and appreciated, respectively, depends on the

analytical vantage point. For an accounts unit manager in local government, the influenceable context factors are quite different – and most likely much more limited – than such factors are for a minister of finance.

Agents – individuals, organisations - must respond differently to the two types of factors. The *influenceable* factors – other agents, their agendas, decision-making, actions, interactions and relations – can be *proactively* influenced. The *appreciable* factors, on the other hand, set the stage for possible changes in capacity and performance conditions, to which agents can merely *react* through *adaptive* action in order to modify targets, processes and approaches. Such factors include what is often called *structural and institutional factors* in the context, which by definition are slow to change and only open to limited short-term influence by agents.

What factors should be considered? That question should always be addressed from the vantage point of the target organisations (see section 2). Some general structural and institutional factors are, however, often thought to be decisive for CD. They are frequently controversial and disputed, but nonetheless necessary to analyse in an appropriate manner.

Among *structural factors* often considered important are:

- The history of state formation, the authoritative resources and legitimacy of the state, and the relation between the economic structures and the state structures.
- Natural and human resources, social and ethnical structures, demographic changes, regional influences, long lasting pandemics.
- Globalisation, geopolitics, trade and investment regimes, domestic and international migration, urbanisation.

Institutions are resilient social structures formed by norms and regulations which provide solidity and meaning to social life. Factors considered important include:

- Norms for exertion of power and authority, from the family level to the state level.
- Socially embedded norms for what government authorities should and should not do, and of how public management should be performed.
- The status and rank accorded to “carriers of public authority”, be it elders, teachers, doctors, clerics, ministers or presidents.
- Norms governing reciprocity in exchanges of e.g. favours and gifts.
- The norms governing how formalised, official laws and rules are considered and used compared to informal sets of rules.

Why were the attempts to increase teacher presence largely ineffective?

- The headmaster-teacher relations had always been informal, with many and delicate mutual interdependencies. The new formal requirement was therefore circumvented, and teachers reported present though absent
- Parents were used to the absenteeism, some even welcomed it as it increased hands for work, and the teachers often had high status and power in rural communities. Parents therefore only rarely complained.
- Since absenteeism was not reported, and would be questioned by teachers unions, and since the administrative systems could not cope with salary deductions anyway, this never became effective
- better housing and bonuses was gratefully acknowledged by rural teachers, who considered it a just, but late compensation for sufferings in the past, rather than an incentive for future performance
It thus turned out that only some factors were influenceable by the new measures, while other factors were beyond immediate reach.

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Beyond such structural and institutional factors, donors' behaviour is often considered of particular importance as part of the influenceable context, because it can undermine rather than contribute to capacity development in many aid-dependent countries, despite declared intentions to the contrary. Potentially constraining action includes, but is not limited to:

- Fragmenting policies and implementation through the proliferation of projects.
- Poaching of government staff for parallel implementation units, and distorting salary schemes through the creation of an aid agency and “enclave” labour market.
- Creating multiple distorting incentives for civil servants (per diem schemes, allowances, topping up systems).
- Creating bypasses of institutional bottlenecks instead of removing them, including bypassing normal budget and accounting procedures instead of strengthening them.
- Undermining national political accountability mechanisms.
- Substituting institutionally demanding domestic taxation with “easy” aid receipts.
- Establishing parallel monitoring systems, initiating overlapping and under-used studies, planning processes, and even capacity-development studies and processes.
- Focusing attention on those parts of the public sector that they support, thus neglecting other, equally important, parts of it.
- “Moving money” as a key indicator of performance.

Dealing with the Context: Listening and Learning

Knowledge of how contextual factors work, as well as of how organisations operate in a specific culture and context, is often intuitive, contested, and neither publicly displayed nor necessarily shared with outsiders or with the partner. This is why mechanical context analyses based on superficial or “official” information will never be sufficient. This is a particular problem for donors who want assurances that their support, including CD support, will be effective. To obtain such assurances, they need to draw on and share local knowledge from a broad range of sources, build trust at a personal level, and respect the sensitivity and confidentiality of some types of information. Improving the results of capacity development initiatives supported by donors will therefore require a more open discussion of these issues than has hitherto been done.

4. Organisations as Open Systems

Dependencies beyond the boundaries of the Ministry of Education

Though up-to-date computers and software have been acquired with donor funds, the rather low salaries compared to middle-class living expenses have long been acknowledged as an impediment to performance in the Ministry of Education. Staffs try to supplement their income by moonlighting as consultants, or by requesting topping-up from donors. In both cases, this creates dependencies, and influences the performance not only of the individual, but of the entire Ministry. The Minister has raised the issue with Finance, but they argue that agreements with the IMF do not allow any room for adjustments.

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The open-systems approach is very well suited to analyse capacity and CD issues. Subsequent sections provide more details of particular elements not yet discussed (organisational networks, organisational capacity and inputs). Figure 1 above illustrates the approach.

Any organisation (or a unit within an organisation, or a network of organisations) can be viewed as a system with interacting and interdependent elements embedded in a context from which the organisation obtains inputs, processes these inputs and produces outputs.

Organisational survival and growth depend on adapting to and influencing the changing environment, as well as on producing outputs that are valued by external stakeholders.

The open-systems perspective on organisations is analytically useful for developing a comprehensive view of the organisation embedded in its context. Equally important, it forces analysts, managers and agents of change to look both inside and outside organisational boundaries to identify sites of capacity constraints and potentials for improvement.

Seen from the vantage point of the manager of an organisation, she has highly varying degrees of control of various factors inside and outside the organisation's boundaries. It may be tempting to assume that a manager has full control of organisation-internal factors such as structures, procedures and internal work processes, decisions concerning organisational strategies, management, staff motivation, etc. But that is not even remotely the case: labour unions may have a strong voice about pay issues; work processes may be formally codified in regulations that apply to the entire public sector; and there may be a tradition of “how things are done here” that is untouchable in the short term.

The organisational network

In programmatic approaches like the sector-wide approach, the vantage point defined by outputs will often include a network of organisations, which may span from central ministries to local governments, and to civil society and private sector organisations. The open systems approach is also applicable to analyse networks, and capacity development issues often have to be dealt with from a network point of view. However, at sector or public sector level, other analyses drawing on political science and economics may also be required to understand the dynamics of, constraints to and opportunities for change

Organisational networks have three characteristics in common: interdependence, goal variety, and (fairly) stable patterns of bargaining interactions. Contrary to individual organisations, they usually have no shared central apex of formal authority, or only a very remote one (e.g. the president). Apart from strengthening individual units in the network, CD may also be required to improve the network relations: adding more stability to interactions, modifying bargaining processes, share information, improve coordination etc.

Networks exist because organisations need other organisations' resources (such as funds, staff, technology, information, support, services, decisions, etc.) to produce outputs. Interdependence varies, of course, since some organisations are more important than others in the production of a specific output, or has more power.

The Six-box Model of Internal Elements of Organisations

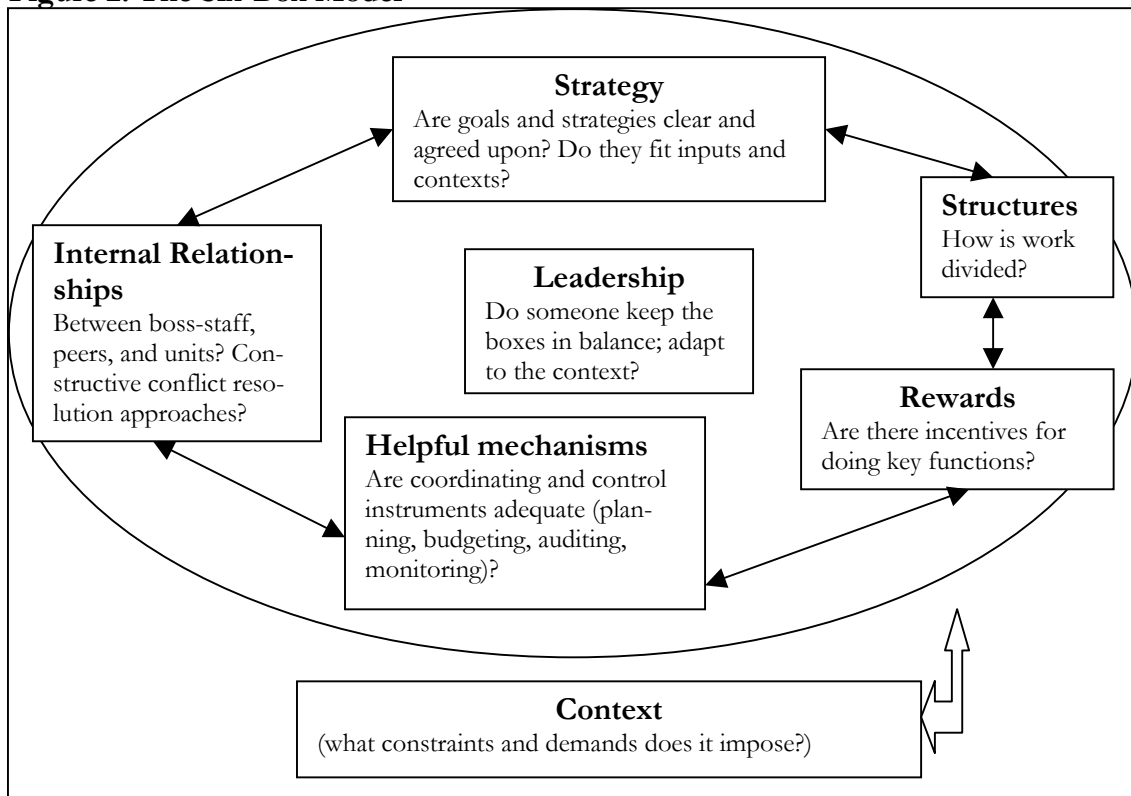
Organisations perform functions that convert inputs into outputs. This requires interactions between people and systems within the organisation, as well as interactions with external agents. It is an organisation's capacity which enables it to perform and produce outputs. Analyses of transformation processes help identify existing capacities, as well as those factors within the organisation which may help to constrain or enhance capacity.

There are many good models for analysis of the internal elements of individual organisations. We use a six-box model as shown in Figure 2, which is straightforward and easy-to-use, but other models may be equally suited. Two boxes in the model deserve special comments:

The *leadership box* is a hub connecting the other five boxes. Some may question the central role and influence of top management in the model, but it is their responsibility to deal with factors that constrain capacity and to realign relationships between the boxes. There is also ample evidence of the great importance of leadership in poorly institutionalised public-sector systems. Moreover leadership is important if major capacity-development initiatives and other organisational change measures are to succeed.

The *rewards box* is important because organisational performance depends significantly on staff motivation. The formal system of salaries, bonuses and the like form part of the organisation's rewards or incentive system. An organisation's informal reward system is, however, also important because a formal reward system does not guarantee that staff will feel and act as if they are rewarded. This brings issues such as personal growth and satisfaction in social relationships, the prestige and recognition associated with working for an organisation, professional pride and service to one's community or country to the fore. Such informal aspects of reward systems in government organisations are often of prime importance.

Figure 2: The Six-Box Model



In each of the six boxes, a *formal system* (what exists on paper) and an *informal system* (what people actually do) operate side by side. Neither system is any better than the other. Diagnosing the formal system is partly based on the organisation's statements, charts and reports, and partly on the extent to which this fits in with the context that the organisation is operating in. Diagnosing the informal system is obviously more complex, and seeks to validate if there is an appropriate fit between the formal and the informal systems.

Looking at the elements inside an organisation, it is important to remember that *identifying problems inside an organisation does not automatically imply that these problems should be mostly or exclu-*

sively addressed directly or through an “internal” approach. The internal capacity problems may often also have to be addressed by approaches that aim to modify contextual factors which shape the internal capacity.

The Inputs

The inputs consist of staff, funds, infrastructure, technology, equipment, raw materials, semi-manufactured articles and knowledge. These are obvious key elements - without the raw materials and semi-manufactured inputs, there will be no performance and no outputs.

Analyses of capacity constraints often point overwhelmingly to a “lack of funds”, “lack of transportation,” “lack of skilled staff” etc. – in short, to a lack of inputs. Limited resources do, of course, impose objective limits on what can be done. But a basic problem of the “lack-of”-argument is that it invites the conclusion that the solution to capacity development is to provide what is lacking, namely more funds. This is rarely the only problem, and additional issues should be explored before any “lack of inputs”-type argument is accepted:

- A comprehensive overview of all funds (recurrent and capital) available to the organisation with revenue sources is critical to get before any analysis could be concluded.
- A mismatch between goals and resources often goes hand in hand with poor use of the few resources available. More resources will by itself not address such poor use.
- Low funding is often made worse by inflexibility in the formal budget, which typically allocates too much for salaries compared to other operational expenses.
- High levels of uncertainty about if and when inputs become available may reduce work planning and task assignments to largely symbolic exercises.
- Whether funds come from donors or from local taxes will influence organisational behaviour, as do other factors in and around an organisation.

5. The “Functional-Rational” and “Political” Dimensions of Organisations

When technical fixes are not enough ...

Based on a detailed analysis of workflows, it was proved that the process of approving a new teacher position could be reduced from 38 steps to only 5, with an estimated reduction in processing time from 6 months to 1 month. At the same time, this reduction – combined with the use of a somewhat sophisticated school mapping system – would optimize teacher allocations according to objective and transparent criteria.

There were thus few arguments against the change. But it could only be implemented by removing the hitherto head of planning to a formally higher, but really unimportant position. And implementation did not yield all the expected results, since local education district officers boycotted the data collection for the mapping until they were again given influence on the micro-assignment of teachers in their district, a function they would often share with the district executive officer (presumably against reasonable ‘fees’). But after a couple of years, the system had ensured a more, though not entirely equitable, allocation of teachers.

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The open-systems approach may be interpreted as if organisations only strive to meet official goals, and that these are fairly specific; that staff and external stakeholders agree on these goals and are motivated to pursue them; and that formal rules, structures and processes *inside* the organisation are those that determine performance. From this point of view,

poor performance is interpreted as “a lack of functional rationality”. This is often translated into a lack of proper planning, lack of job-descriptions, lack of an appropriate structure, lack of proper workflows etc. – in short, a lack of everything that can be considered the hallmark of a healthy, efficient organisation.

Unfortunately, this focus on immediately observable *deficiencies* inside organisations has several advantages. It attracts attention to those inputs for change that money can buy (e.g., consultants, computers, training courses). It is largely uncontroversial and is not that technically difficult, since models and best practice for the particular kind of organisation can be copied from other, more “advanced” countries.

But, as experience has shown, this approach is also normally ineffective on its own. It overlooks several thorny issues, such as relations of power in organisations, the pursuit of other interests than those related to accomplishment of the particular task, and conflicts inside or outside the organisation over goals, mandates and influence. The capturing of organisational resources for personal benefit is also ignored. Informal processes and structures, and informal relationships among key stakeholders, go unnoticed. Finally, the focus on perceived deficiencies overlooks what *actually works* in the organisation and often ends up formulating goals for performance which are unrelated to present capacity or to achieving a gradual, sustained increase in this capacity.

Therefore, the “functional-rational” dimension of organisational analysis, which often adopts a rather mechanical view of how to optimise work tasks and performance, must be supplemented by what we are lumping together under the label of the “political” dimension of organisations. Table 1 below illustrates the different foci of these two dimensions.

Table 1. The “functional-rational” and “political” dimensions of organisations in the open-systems approach

	“Functional- rational” dimension	“Political” dimension
Main unit of analysis	The organisation as an entity with certain functional requirements; focus on task-and-work system	Subgroups with self-interests, in shifting coalitions; focus on power-and-loyalty systems
What driving forces are emphasised?	A sense of norms and coherence, intrinsic motivation	Sanctions and rewards, extrinsic incentives
Which image of man is assumed?	Employees concerned with the organisation’s interests	Individuals concerned with self-interests
How does change happen?	Through participative reasoning and joint learning, finding the best technical solution	Through internal conflict and external pressure, coalition-building, finding the powerful agents who can force positive and negative capacity change
What will change efforts focus on?	Internal systems, structures, skills, technology, communication	Change incentives, fire foes and hire friends, build client and performance pressure.
“Emotional tone” of the analysis	Naïve	Cynical

It is important to stress that *both* dimensions are needed in order to obtain a better understanding of existing organisational capacity and the opportunities for enhancing it. Organisations cannot function without power being exerted, nor without a dose of instrumental order and organisational rationality. Likewise, organisations cannot function without informal norms and rules interacting with formal ones.

The “politics of bureaucracy” is therefore an inseparable element of life in public-sector organisations. Incentives both to compete and to cooperate are present between public-sector organisations as well as inside each organisation. Failing to grasp the politics of power and the power of politics – thus being unable to take these issues into account in an informed manner – is one of the most obvious weaknesses in current donor approaches to capacity development and capacity development support.

6. Making Organisational Capacity Change Happen

External pressure mounting...

After the TA support had become effective, one of the first actions was to make a comprehensive capacity assessment of the Ministry, and a capacity development plan for this core actor. External consultants were hired to do this within one month. In the process, they discovered a couple of earlier assessments and plans, which had never been fully implemented. They delivered their products, and the deputy permanent secretary endorsed the plan in a meeting with a group of donors.

As a result, long term TA prepared a proposal for a new organisational structure, and procedure manuals for some core business processes. But even after some time had passed, nothing really seemed to change.

At the same time, a group of influential officers in the Ministry of Finance, and the Minister of Finance herself, had concerns about the galloping increases in primary education expenditures, particularly in salaries, without apparent gains in learning outcomes. The group began to meet with key staff from the president’s office, and with selected journalists. Shortly after, critical but well researched stories began to appear in the press about ghost workers on the payroll in education, and about low completion rates in schools – based on alternative data as the Ministry of Education claimed they did not have such information due to system incompatibilities.

After an apparently casual, but none the less clear critical remark by the President about the state of affairs in education, the Ministry of Education got busy. A year later the payroll was largely purged for ghost teachers. Donors paid for the relatively small amount of TA required developing the systems and training staff. The Minister of Education supervised the process personally. Advantages were taken of the previous efforts to make teacher allocations more transparent and equitable, and the two things in combination delivered unexpected synergies.

...to be continued..

ROACH helps to think about capacity development change in a comprehensive manner. This is necessary for two main reasons. First, our focus is on capacity development change in public-sector organisations that *together* produce various ‘appropriate’ outputs in a *sector*. Consequently, capacity development efforts may need to focus on a network of organisations across several sectors and, sometimes, several levels (central and local governments). Second, broad and sustained capacity change is the result of complex processes that cannot be explained with reference to a few determining factors, nor created by means of a standard recipe that will work anywhere and anytime across all sectors.

Therefore, ROACH provides no standard recipes for how to make sustainable capacity change happen. Instead, it provides a systematic framework for analysing the processes and factors that influence such changes positively or negatively. This framework helps to identify what empirical evidence shows are often crucial for making or braking capacity development and change:

- Factors *external* to an organisation are often powerful drivers of organisational capacity change. Indeed, such factors often provide incentives and pressures for organisations to initiate *internal* changes that may enhance capacity.
- “Political” factors (e.g. commitment to and leadership of change processes; power to push changes through; stakeholder pressure) are often *more* important than “functional rational” factors (e.g. legal mandates, organisational structure).
- A change *strategy* is required, which considers the range of options for capacity development that in principle exist (addressing external/internal and function/political factors).
- Aid agencies can contribute to capacity development, but can do little more than that. Their ambitions must be restricted to the feasible rather than the desired. Donors cannot force, impose, buy or insist on CD – but they can support it.

The range of change options

Organisational capacity-change options should be analysed from two complementary perspectives, each including two dimensions. This results in four major options for organisational change as shown in Table 2. Note that the four options should not be taken as “either-or” categories: they supplement each other by bringing different relevant capacity-development options to the fore.

Table 2: Four major options for organisational change

	“Functional-rational” dimension	“Political” dimension
Internal dimension	<p>Focus on changes in task-and-work system <i>within</i> the organisation.</p> <p>Most donor interventions have been in this category – training, restructuring, TA. “Business Process Reengineering”, “Total Quality Management” etc. also fall in this category.</p>	<p>Focus on <i>internal</i> changes in power and authority distribution, conflicts and pursuit of different interests.</p> <p>Interventions could include a focus on changing sanctions and rewards, enforcing hiring and promotions based on merit, building internal coalitions for change, introducing performance-based payments, actively discouraging rent-seeking.</p>
External dimension	<p>Focus on how changes in <i>external</i> factors and incentives will affect the task-and-work-system dimensions of organisational capacity.</p> <p>Examples might be budgetary reforms to ensure predictability of flows of funds to organisations, change in legal mandates, civil-service reform, strengthening of supervisory agencies.</p>	<p>Focus on how changes in <i>external</i> factors and incentives will affect the dimension of power and authority distribution, conflicts and pursuit of different interests in the organisation.</p> <p>Examples might be the strengthening of civil-society organisations or of political accountability, building external coalitions for change, strengthening media’s role as a watchdog.</p>

The first perspective looks at whether change efforts should be directed at external or internal factors: change processes can be driven by modifying important demand-side capacity-shaping factors *external* to the organisation (e.g. a more effective auditor-general's office may force a change in accounting practices in, say, the education authorities). Change may also be achieved by directly modifying *internal*, supply-side organisational factors (e.g. introduction of better planning procedures, training courses for teachers).

The distinction between internally and externally oriented strategies serves the double purpose of guiding both analysis and intervention design. Obviously, a choice to influence external factors – which by definition must be influenceable – will not in itself change the capacity of the organisation being targeted for CD. But change in the external factors will enable or force the organisation to start internal changes.

There are also two dimensions to the second perspective. The first dimension focuses on modifications of the “functional-rational” capacity-shaping factors (e.g. optimisation of work flows to reduce processing time, new quality control mechanisms). The second dimension of change mainly concerns “political” capacity-shaping factors and is related to power and interest-based issues within and outside the organisation (e.g. a new quality control unit may be perceived to concentrate power which was previously in the hands of line managers, and be resisted for the same reason).

The distinction between the “functional” and “political” perspectives is not absolute. Any “functionally” oriented intervention is likely to have implications, which benefit some but are detrimental to others. Apparent technical changes will often redistribute power among staff or units. Moreover, any “politically” oriented intervention aimed at changing power structures will eventually result in attempts to change formal procedures, practices or policies. A change process may focus more on one perspective than another, and constraints and opportunities may be overlooked unless both the functional and political dimensions of capacity change are taken into account. Thus, a narrow focus on introducing “technical fixes” as a response to what are *also* underlying constraints in power and incentive structures is most often doomed to failure.

The four fields in the table represent a basic search model that can help to identify more deeply rooted causes of capacity constraints, and to avoid treating symptoms of capacity deficiencies as causes. We stress, however, that in most cases there are multiple causes of capacity constraints and, hence, several capacity development opportunities.

Strategies for stimulating capacity development

Table 2 draws attention to *these many options to stimulate change* beyond what has been the traditional internal-functional focus. Efforts to enhance organisational capacity may often be best served by addressing factors in all four boxes. A one-dimensional approach will be unlikely to succeed. At the same time, capacity-development efforts must for several reasons be addressed strategically and in a less ad hoc and short-term manner.

First, organisational change typically involves conflicts about *authority and power*. A feasible strategy must be based on an intimate knowledge of the arenas in which such conflicts are managed, as well as of allies and opponents. Change management includes managing opposition, creating and heralding quick wins, taking advantage of opportune moments, and putting together and maintaining a supportive coalition.

Of course, not all CD efforts need to be heavily contested, but surprisingly many are. Standard blueprint approaches that rigidly specify results, activities and inputs before the CD process begins, are particularly poorly suited to the dynamics of successful change and to the unpredictability of the needs for inputs, for the modification of activities and results, and even for temporary or permanent modifications of objectives. But an agreed consensus between the stakeholders on the changes in capacity to be achieved over long term is crucial to a sustainable outcome.

Second, because change typically involves conflicts, *clear commitment to and leadership of change* from those in charge is, perhaps, the single most important factor for capacity development efforts to succeed. Commitment should be visible, rather than something that has to be looked for. Some centrally placed individuals or groups should, at the minimum, demonstrate their intellectual conviction and commitment to change in public.

Moreover, leaders should be seen to make an investment in change (of formal position, of reputation, of political capital, even of self-respect), which may risk being lost if the change does not succeed. Being seen to mobilise others to support changes is such an investment. It indicates that commitment will also be based on a calculus of the potential gains and losses associated with the process, a calculus that few will or should take lightly.

Third, *the scope and time horizon of change* matter – not only for the types of conflicts that are likely to occur, but also for the domestic commitment and organisational capacity needed to implement changes on the ground. More radical changes may be feasible if the stability of power structures, political systems or individual positions is threatened, and reform is perceived to be a response to such a threat. Then it is likely that bold, highly attractive visions at the start of the process may serve change better – by helping to mobilise political support - than realistic, dull, meticulously calculated targets. In situations of relative stability, a more incremental approach to change efforts with a long time horizon (10 to 25 years) is likely to be more feasible. Capacity development is a long-term endeavour.

Fourth, except in situations of major crisis, *sequencing* can be required because resources are limited, because it is practically impossible to do everything at once, and because there is insufficient political commitment to ‘big-bang’ solutions. There is no right way to do this, but several options. In some contexts, capacity development efforts should focus on the functions required for countries to manage their own reforms (units/departments/ ministries responsible for public sector reforms). In other situations, capacity enhancement efforts should focus on agencies considered important for the public sector as a whole (such as revenue authorities, the judiciary, the audit agencies, etc). A third sequencing strategy is to focus on improving core routine processes; once these are successfully addressed, it may be possible to move to more sensitive and ‘political’ issues.

Sequencing is not without risks. It may end up implementing only the initial steps, and become an “island approach” rather than a sequenced approach based on careful strategic analysis with a longer-term perspective. And individual steps early in the sequence may be unsuccessful because they depend on other steps not yet taken. Sequencing is not synonymous with doing one thing at a time. On the contrary, sequencing may require simultaneous activities by various actors, some of whom are not under the same overall authority.

Finally, there may be some occasions where sequencing would foster a build-up of resistance, eventually making reform fail. Transferring deconcentrated civil servants from being under central authority to be under the authority of local governments may have to be done swiftly, and in one move.

The challenge for any change strategy is to arrive at an appropriate (context-specific) balance of incentives and power in favor of change, outside and inside the organizations developing capacity.

7. Capacity development support by donors

The first steps taken, and new horizons ahead..

When the mid-term evaluation was made, the senior ministry official and the donor official were themselves positively surprised about the many small capacity development victories that their now very trustful and easy-going cooperation had led to. Better educational statistics were regularly forthcoming, and the press wrote increasingly about the need to improve learning outcomes. In better-off areas, parent associations were now vigilantly supervising teacher recruitment, and they ensured that budgets assigned to their schools were made public, and also publicly reported on. With donor assistance, parent association from poorer areas had been visiting the avant-garde schools, and there were small signs of progress, especially where parents themselves had a minimal education level.

Nepotism and patronage continued, but less blatantly. The two officials could discuss this quite openly, acknowledging that progress was made, but also that it would, for compelling reasons, be a long term battle.

In the Ministry of Education, units were now preparing specific annual capacity development plans in a participatory manner facilitated by recurrent short-term consultants, with indication of the tangible outputs to be achieved. Success was often only partial, but plans were gradually becoming more realistic, and the Permanent Secretary was beginning to see the advantage of using them to distribute certain sanctions and rewards.

The ministry and donor official agreed with the mid-term evaluation that much had been achieved, and that much remained to be done, also of a very controversial nature. It would still demand strong domestic pressure for better education, strong commitment from the Minister and adequate support from outside.

Shortly after, the ministry official was headhunted to a reform unit in the Ministry of Finance, to plan for a more comprehensive education reform. The donor official left for another posting, where he started full of enthusiasm, only this time of a different nature...

...the end.

ROACH offers a framework for dialogue and joint analyses of capacity issues between donor and government representatives. This dialogue and analysis should start by recognising the overwhelming evidence *that capacity development must mainly be a domestic affair in order for it to succeed*. It can be supported from outside; it may even be initiated from outside. But until and when sufficiently powerful *domestic* actors commit themselves to a process of capacity development, efforts to change will not succeed and will not be sustainable. However, the practical implications for donors of this insight are not clear-cut.

One view is that domestic ownership can be constructed and broadened over time, and that donors can design and organise change processes. Donors can e.g. support groups of

reformers who do not have sufficient initial power to define agendas and lead change. Donor funding of initial “no-harm” activities can also prove that the advantages of capacity development offset the costs of bringing them about, and donors can finance activities that reduces the losses incurred by change (e.g. paying grants for voluntary retirements from overstuffed agencies).

A different view is that the role for donors should be reduced. They should not take the lead in CD processes. They should stick to the analysis needed for their own decisions about whether or not to support what must essentially be domestically lead processes. Donors may support such processes with technical and process expertise, but the support should be acquired and managed by the domestic partners, not by the donors themselves.

Whatever the merits of the two views, experiences with donor involvement in capacity development seem to indicate a need to move towards a more hands-off approach and to lower ambitions to fit conditions in specific countries. This will require changes to deeply rooted cultures in most donor agencies. Identifying and recognising the difficulties of such change in donor agencies should provide a healthy dose of realism and patience when it comes to assisting others to change. There are, however, many useful things that donors could do contribute to capacity development.

First, *capacity development targets must be feasible*. Aid agencies that wish to support CD processes must not demand an unrealistic or counterproductive up-front design and planning phase based on what is normatively desirable. It is important that donors and recipient base the CD activities on a common understanding and acceptance of what constitutes feasible short- and medium term goals and progress. Moreover, it must be possible to modify inputs fairly rapidly so that contractual or bureaucratic formalities do not impede informed flexibility, in close dialogue between the agency and the national partner. If agencies wish to be useful partners in such a dialogue, they need a detailed knowledge of the specific context, the organisations, the stakes and the stakeholders, as well as a detailed understanding of the dynamics of change beyond what a paper can provide.

This is not an easy requirement. Donors, like recipient governments, politicians and citizens, want quick, concrete and tangible results from the public sector. Many such outcomes are now enshrined in international agreements (e.g. MDG) and form the basis of ambitious poverty-alleviation targets under the umbrella of a PRSP. The incentives to go for short-term results are therefore high for donor agencies. They need to demonstrate that “aid works”, and they need to disburse budgeted resources to justify next year’s funds. Recipient governments also face strong pressures to produce results. Their support and legitimacy may grow by association with increases in the delivery of services, even where these are funded by donors. Conversely, a government may lose support by trying to address structural imbalances and disincentives to performance in the public sector as a preparation for more rapid service delivery later. Moreover, seeking to reach ambitious poverty-alleviation targets may be too demanding on the organisations and too far away from what they have been able to produce before.

Second, *donor coordination* and coordination between donor and partner countries is important for partner country capacity development. Efforts to coordinate through MDGs, PRSPs, budget support and SWAps are steps in the right direction, but the transaction costs in seeking to harmonise are often very considerable on both sides of the table. The problem is accentuated by the fact that some donors support SWAps and budget support

while at the same time launching major programmes outside the existing partner institutional framework. Moreover, the number of donors is growing faster than the volume of aid, so that more actors are involved. Many of them have their own requirements and objectives. This increases institutional fragmentation.

Third, an essential requirement for donors to support CD is the *development of a partner relationship* enabling the inevitable negotiations to lead to “win-win” situations. This is not achieved by brief meetings, or by donor-funded consultants “diagnosing” organisations and prescribing “expert medicine”: it is only achieved by developing trust and a shared view of key constraints on and opportunities for capacity development, inside and outside the organisation(s). ROACH offers a framework for a dialogue on such issues, as well as for joint analytical work under the leadership of those with authority over the organisations.

This requires that partners and donors are both committed to obtain better analytical insights as a basis for decisions about if and how capacity-development initiatives should be launched. This is no small commitment. It will bring both partner and donor policies, incentives and operational modalities into the limelight, and it has to move the boundaries of what it is acceptable to discuss and include in such joint analyses. This requires patience, and it does not make sense if ten donors each line up to enter into such a dialogue with an already capacity-constrained government. The goal is to get to a joint agreement of longer term directions of change, and then assist the partner in fleshing out the short term changes in outputs that the capacity development shall result in.

Finally, much more emphasis on learning is required. And though development agencies may wish to focus on learning how they can best *support* capacity development, a first step is to understand much more about when, how and through which forces capacity development is constrained and facilitated in specific countries. The results-based approach to capacity change offered here may contribute to this learning, and to deepen analysis and dialogue.

8. Further reading

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