CAPACITY DEVELOPMENT AND INSTITUTIONAL CHANGE FROM PEDICTABILITY TO UNPREDICTABILITY

Heather Baser
August 2008

Abstract: After a brief review of the evolution of capacity development to become the core goal of many development organizations, the paper pulls out relevant lessons from several research studies. A key theme is the unpredictable and unplannable nature of CD for institutional change. The paper suggests some steps that international development organizations should consider to address increasing unpredictability, including using complex adaptive systems to better understand unpredictable situations, deepening their knowledge base, giving more attention to issues of time and timing, putting more emphasis on building relationships and developing their capabilities to address capacity and institutional issues.

The Evolution of Capacity Development

In the 1980s, there was a great deal of criticism of technical assistance (TA) which was seen as self perpetuating and with little sustainable impact. Capacity development (CD) was seen as a way of re-orienting TA from carrying out specific tasks, to leaving behind increased abilities to carry out activities over the longer term. One of the definitions used at that time reflected what was a largely technical approach to capacity development – CD is the creation or strengthening of a broad network of skills, people and institutions to carry out certain functions of development management.

There was much concern about the sustainability of CD efforts and recognition that technical inputs alone were not adequate and that effective capacity development needed some intangible inputs such as ownership, participation and demand-led approaches. The concept of CD was hence enlarged to incorporate these. But with this, there was a tendency for CD to mean all things to all people or to take on specific flavors depending on the character of the organization concerned. Some of these different meanings included:

- As a human resource issue to do with skills development and training at the individual level. These are usually combined with other interventions such as technical assistance and functional improvements. This is *CD as training*.

- As a general management problem-solving approach or a means to the end of improving delivery or implementing better. This is *CD as a means to ensure improved results and performance*[i] and is the line of thinking in the DAC "good practices" paper[ii] which emphasizes the importance of understanding the international and country contexts, identifying and supporting sources of country-owned change, and learning from experience and sharing lessons.

- For symbolic purposes – This is CD as an umbrella concept including ownership, innovation, partnership, knowledge management, change, scaling up, accountability, etc.

and a symbol of new thinking and ways of managing development activities. Here *CD is good development practice.*

- As having an inherent meaning with operational content. This approach puts emphasis on the *specificity of capacity*. This is the approach used in the study done by the European Centre for Development Policy Management in which I have been involved[iii].

Although this lack of specificity makes discussions about it fluid and amorphous[iv], capacity development has become an increasingly important goal for most development organizations, with some saying they spend as much as 75% of their budgets on the issue. For many international development organizations, capacity development (CD) is not just another activity to be supported, they see it as at the heart of their espoused values and operational strategies[v]. In addition, it is seen as being an important contributor to broader international goals as stated in OECD/DAC paper, *The Challenge of Capacity Development: Working Towards Good Practice[vi]*:

"Adequate country capacity is one of the critical missing factors in current efforts to meet the Millennium Development Goals. Development efforts in many of the poorest countries will fail… if the development of sustainable capacity is not given greater and more careful attention."

In a similar vein, the *Paris Declaration on Aid Effectiveness* (2005) [vii] emphasizes the importance of capacity development as a mechanism for increasing aid effectiveness. It stresses ownership, alignment, harmonization, managing for results and mutual accountability.

Despite the professed importance of capacity development, there was for many years little research done within the international development community on the topic. It is only in the last 5 or 6 years that there has been increased effort to pull together evidence on what works and what does not. Several studies have been done including:

- A UNDP study entitled *Reforming Technical Cooperation[viii]* which focused on the weak contribution of technical assistance to capacity development;
- A World Bank evaluation of the relevance of its support for the public sector in Africa entitled *Capacity Building in Africa[ix]*;
- A joint Asian Development Bank/Australian Agency for International Development study, *Pacific Capacity Development Study: Final Report [x]*, which identifies key factors for successful capacity development in that area;
- A multi-donor financed study, *Capacity, Change and Performance* by the European Centre for Development Policy Management on how capacity develops from within a system and how it can be unpacked or broken down; and
- A second multi-donor led study, still in draft, entitled *Effective Technical Cooperation for Capacity Development* under the guidance of JICA focusing on good practice and lessons from selected experience in country-led planning, flexibility of design, organizational change management, country-led management, complementarity and organizational learning.

There is another body of literature that has not received a great deal of attention from the development community: that put out by large civil society organizations and the private sector, largely in the United States. Discussions on capacity began as much as 50 years ago and have accelerated over the last 2 decades, resulting in a considerable body of literature seeking a better understanding of the factors that lead to improved capacity and hopefully performance. There is considerable reflection in this literature on how to unpack or break down the concept of capacity, for example, Dave Ulrich and

Norm Smallwood in *Capitalizing on capabilities*[xi] and P.H. Fuchs, K.E. Mifflin, D. Miller, J.O. Whitney, in *Strategic Integration: Competing in the Age of Capabilities* [xii].

What is Capacity?

Applying some of the thinking from the papers cited above and from others[xiii] as well as the analysis of the 17 case studies done for the ECDPM study[xiv], we arrived at the following three elements of capacity:
- *Individual competencies* – skills, mindsets, motivations & hopes of individuals
- *Collective capabilities* – the skills of a system[xv] to carry out a particular function. It is what enables a system to do things and sustain itself.
- *System capacity* - overall ability of an organization or institution to create public value

These elements interrelate, for example, changes in overall system capacity can either support or undermine collective capabilities.

In addition, we have broken down collective capabilities into 5 core capabilities. These abilities must go beyond the usual task of implementation, i.e. carrying out technical or logistical functions or delivering programs. They must extend to the broader abilities that are needed to make an organization or system endure and perform over time. We see these core capabilities as follows:
- *Commit to engage in development activities.* This capability is about ownership and motivation. Organizations must have will, confidence and energy to take action to change the conditions around them. Without this capability, nothing will change. It is hence the capability that energizes all the others. In the Indonesia case cited below, for example, the district regent for South Sulawesi was an enthusiastic supporter who enthusiastic to local development.

Developing Capacity for Participatory Development in the Context of Decentralization – South Sulawesi, Indonesia

Between 1997-2002, Takalar district in the Indonesian province of South Sulawesi and JICA introduced a model of participatory development known as 'SISDUK' as a means of tackling rural poverty. Rather than providing goods and services to communities as passive recipients, SISDUK sought to mobilize community groups through small grants and a development concept that challenged conventional ways of tackling local development. It demanded a significant change in the way government works, shifting from highly centralized to local decision making.

JICA played a key role as a facilitator of change, offering a protected space for innovation and learning and for forging collaborative relationships among local actors. Incentives helped to encourage different stakeholders to embrace change in an otherwise bureaucratic and hierarchical environment. However, in the longer term, broader institutional change processes such as linking SISDUK with an existing village development program as well as the legacy of the country's political economy began to undermine the original objectives. The opportunity for change opened and closed. Village chiefs assumed some of the decision-making authority for activities which had previously been decided through bottom-up participatory development.

Taken from: Baser and Morgan, 2008, pages 137 and 141.

- *Capability to carry out tasks*. This is the most common way of thinking about capacity. These are the skills to carry out functions, provide services, or create other forms of public value. The emphasis is on functional, instrumental ways of meeting a set of objectives and fulfilling a mandate. In SISDUK, this included the capabilities of project personnel to work within the existing system, to train local NGOs able to do community facilitation, and help formalize rules and procedures to support staff in effectively implementing

- *Capability to relate and attract resources* – This involves relating and surviving within the context and in connection with other actors. Organizations could more effectively pursue their mandated goals if they gained the legitimacy, operating space, control and buffering needed to sustain themselves in difficult contexts. SISDUK was able, for example, to mobilize community groups to adopt a capacity development approach aimed at empowering and facilitating village groups.

- *Capability to adapt and self-renew* – This involves adjusting, often in contexts where change is rapid. In Indonesia, JICA adopted an approach based on awareness raising, continuous learning and a process of internalization of new concepts and approaches. In this regard, the JICA team defined the main purpose of the programme as being to promote organizational learning, rather than of necessarily achieving measurable results on the ground.

- *Capability to balance diversity and coherence* - This is the ability to find the right combination of different capabilities, interests and identities that enable the activity to move forward but without losing focus or even breaking apart. It requires a balance among the forces acting within or on the system. It seemed as if SISDUK had difficulty in its relatively short lifespan in developing the balance between technical and political capabilities necessary to ensure its survival. After JICA's withdrawal, the key elements of the SISDUK concept and practice were compromised with the emergence of new policy priorities, namely to expand the programme across the district and to shift back to a more bureaucratic mode of planning and budgeting. In hindsight, the programme could have benefited from the services of a process facilitator to guide the further development of the system, manage the absorption process and hold all stakeholders to account.

This is not the only way to think about capacity or to break it down. But the essential point here is that, in any activity that purports to develop capacity, there needs to be an understanding of what it means to the participants, the stakeholders. Without that understanding, there is likely to be disappointment. And many so-called capacity activities have no such common understanding.

This lack of specificity has contributed to the fact that, despite an acceleration in the amount of research done both in the private sector and in the international development community, capacity has still not achieved the legitimacy of an academic discipline like economics or sociology. It is rarely taught in universities. There are no research institutes or professional associations or journals devoted to it. In general, its academic grounding is not strong and it has a limited body of theory for practitioners to use with confidence. There is also reluctance on the part of the international development community to draw on material coming out of the private sector. It is thus still fair to say, as did the Bank in its 2005 evaluation, that:

"Capacity building has not developed as a well defined area of development practice with an established body of knowledge about what works in meeting different needs under different country and sector conditions[xvi]".

The literature is particularly limited on how to bring about increased capacity at the institutional[xvii] or macro level.

Capacity Development and Institutional Change

Let us turn now to some of the literature coming out of the development community and what it says about capacity development and institutional change, drawing on the studies mentioned above as well as recent work by the Swedish International Development Agency (Sida) specifically on institutional development.

The **UNDP study** focused on the role of knowledge management and information technology in institutional change, particularly as a means of accessing global information. It cites other important trends such as the role of process consultation, and strategy formulation with participatory techniques.

The focus of the **World Bank study** is the public sector where it finds *considerable variation in success among sectors* with support to roads being more effective than that to heath and education. This is because the roads sector is "characterized by clear goals, stakeholders with a direct interest in change, a known technique transferable across countries, and readily measurable results." These factors are not, however, readily replicable in other sectors where public pressure for change is more diffuse and it is more difficult to measure and manage for results[xviii]. The report admits, for example, that "*Bank support has not done well in proving support for institutional and organizational development*" in the health sector[xix].

The World Bank evaluation also found that "technical assistance has been effective when used for a discrete and well-defined technical task and in the context of a clear TA strategy that includes a phase-out plan[xx]." However, there was *inadequate synchronization among the various human capacity, organizational and institutional capacity development activities* employed to improve public sector performance[xxi].

The **ADB/AusAID study** identifies a number of key factors influencing success in the cases written for the report. These include many cited in other studies such as participation and ownership; leadership and vision; getting the incentives right; harmonization of efforts; effective use of technical advisors; and an enabling environment. There are also ones which are less frequently mentioned including the capacity to demand; relevance, readiness and receptivity; investing in understanding; flexibility and adaptiveness; ensuring sufficient time; and taking a systems approach. The study concludes with *four themes* emerging from the case research: "the importance of:

1) *understanding the context*;
2) *thinking strategically about capacity* (i.e. the dynamics of the capacity system, soft capacities (e.g. leadership, legitimacy, trust, motivations and values), the relationship between capacity and performance, and the role to be played by the external intervener;
3) *programming strategically* for sustainable capacity, and
4) *learning from experience*"[xxii].

The focus of the **JICA-directed study** is on individuals and organizations and is

based on the *hypothesis that "particular TC and CD planning and management processes will help optimize effectiveness*[xxiii]*."* The study identifies benchmarks against the Paris Declaration assessment criteria for ensuring an effective results chain based on a management for results philosophy. It does recognize, however, that "many of these results chains and institutional and organizational capacity outcomes are, by their very nature, iterative and sometimes unpredictable, given changing country and sector contexts[xxiv]." The *solution* proposed *is a long term perspective* to guide priorization and sequencing of CD outcomes and help inform the best mix of TC inputs and activities.

The **ECDPM study** focuses mainly at the organizational level but with considerable reflection on the dynamics of capacity development and the role of institutional change. The issues raised include:

Much of the focus of capacity development interventions remains on the overt, the formal and the recognizable. And yet many of the *factors that shape the process of capacity development* – the structures, the patterns of authority and the cultural norms – are part of the informal and hidden institutional system. The nature of the interplay between the overt and the hidden, and the formal and the informal is a major determinant of the effectiveness of any effort to develop capacity.

In the ECDPM cases, turning individual competencies and group capabilities into organizational or system capacity normally required institutional change. Although *capacity development was about both first and second order change, improved performance depended on second order change.* Intangible factors such as relationships, incentives and learning played a key role, as illustrated in the box below describing a participatory development model supported by JICA in Indonesia. This case also illustrates how CD can alter power, resources and access to opportunities, threatening the foundations of traditional institutions such as village chiefs.

The process of capacity development is shaped by its relationship to contextual factors, many of these institutional, either formal or informal. The following three kinds of contextual factors appeared in the ECDP cases which are summarized in Annex 1 of this paper:

Historical pathways and evolution or how activities fit into the process of institutional, political and organizational change emerging over generations or even centuries. In some of the cases we looked at, the key to capacity development was to develop organizations in such a way as to reflect deeper trends and expectations, for example, COEP's [xxv] goals supported the renewal of democracy in Brazil. In others, new generations were determined to overturn old habits and structures, for example, young mayors in the Philippines pushed for participatory practices as part of improved governance.

The influence of *politics and power.* Capacity development was not just a technical exercise in achieving better development performance: it was also a process that allocated authority, opportunity, resources and security to some and not to others. There are winners and losers. Decentralization in the Philippines, for example, brought more power to local authorities by taking it from central government departments.

High levels of *social trust and the ability of people to engage in collective action* – Much of the success of the Tanzania Public Sector Reform Program can, for example, be explained by the social/political situation in the country: a relatively homogeneous population, one language, a non-political military and comparatively small regional differences in economic and political power.

Most processes of capacity development must respond in some way to

accelerating uncertainty and complexity, often at the institutional level – globalization, decentralization, privatization, etc. Many current assessment and management techniques such as planning, detailed design and scheduling assume predictability and intentionality and do not cope well with unpredictability.

In almost all of our cases, *contexts were shifting, expanding and becoming more complex*. It was a challenge for actors to keep up with what was happening. What mattered was not so much the nature of the context but how actors related to it. Those who consciously faced outwards and had the flexibility to adapt to contextual changes did better than those who faced inwards. Some tried and succeeded in crafting their own context because they had operational space, strategic flexibility and the initiative to go into certain directions.

A report on the support from **Sida** to institutional development entitled *Changing Rules – Developing Institutions* (2006) provides some other useful insights on institutional change:

ID is a dynamic process that is often gradual, incremental, and not necessarily smooth. The sequence of activities may also vary. It is a largely organic process that evolves spontaneously without conscious design. Even formal reform with planned elements involved unanticipated change which was difficult to foresee. In general, ID is complex and may involve changes of rules at different levels[xxvi].

Institutional development involves the interaction of several crucial factors:
Initiating and driving factors – There are two kinds of factors, those which initiate change such as economic crises and those which sustain a process, for example, providing additional assistance to reinforce a particular reform;
Actors, their roles, incentives and interaction – Some individuals and organizations promote change, others resist it;
Values and beliefs, perceptions and ideas – This involves changing how people see the world and their vision of what it should be like;
Other rules, particularly informal – Institutional interrelatedness implies that rules are linked to each other. The role of informal rules is particularly important because they often take precedence over formal rules; and
Knowledge – Effective ID involves changing behavior through learning[xxvii].

Several factors make ID particularly difficult. There are vested interests in maintaining the status quo, usually among actors who have incentives and opportunities to resist change from taking place. The existing institutional set up codifies values and beliefs which shape perceptions of the world and ideas of how it should be. The fact that rules cannot be observed results in their not being recognized, especially the informal ones. Interrelatedness among institutions may render partial institutional change ineffective because inconsistent rules prevent adherence. All these factors illustrate the embeddedness of institutions in their specific history and context which, in turn, contributes to rigidity[xxviii].

The findings on institutional change from the studies cited above suggests that traditional planned approaches to capacity development work well in situations that can be clearly defined but that they are less suitable in contexts of unclear goals and diffuse or weak public support. These situations do not tend to be either predictable or plannable. The rest of this paper will concentrate on capacity development for institutional change, which is particularly unpredictable, and how it might be addressed.

Approaches to CD for Institutional Change

Given the experience described above, what approaches to capacity development might be appropriate when the focus is on institutional change?

In terms of overall planning and implementation approaches, planned change based on prediction, goal setting, hierarchical structures and top-down design seems to have limitations, especially where institutional change is concerned. Different models of thinking and planning are needed that help to clarify the deeper patterns of behavior and relationships that lie beneath individual events and actions. An alternative to a planned approach is *complex adaptive systems* which relies on relationships, interrelationships, and system energy, with capacity emerging out of their multiple interdependencies and causal connections.

Complex adaptive systems implies means-based management rather than results-based management: the focus is on nurturing relationships and then waiting for results and capabilities to emerge rather than trying to predetermine them. Controlled and directed change is seen as having little chance of working over time and may indeed damage the natural process of change by blocking or curtailing unforeseen opportunities for innovation. Effective change must work with the natural dynamics and energy in the system, not against them. The box below describes how two networks in Brazil, one for poverty alleviation and the other for health, evolved by nurturing connections and relationships which eventually generated capacity.

The emergence of capacity: two networks in Brazil

The COEP and Observatório networks in Brazil were first energized by the pursuit of key values to do with democratization and social justice. They grew organically through informal connections and relationships. They refused to set clear objectives at the outset. A direction and an identity emerged over time. Facilitation, connection and stimulation worked better than traditional directive management. There was no attempt to develop formal hierarchies at the outset. They experimented throughout the network with small projects and interventions. There was a constant exchange of experiences, information and knowledge. They spun off many working groups, informal communities and associations. Collective networking capabilities emerged through linking and connecting capabilities at the individual and organizational levels.

From Baser and Morgan, 2008, page 79.

Complex adaptive systems sees capacity as emerging or growing through self-organization. Capacity is not assembled like a machine. Instead, it appears to emerge spontaneously and unpredictably at that point in the evolution of the system which falls just between being tightly structured and inflexible and being uncontrollable and directionless.

The process of *emergence* as described in the box abov*e* can be messy with *ad hoc* efforts, formal or informal, to develop skills amidst the normal rush of general programming, problem solving and implementation. People may pay attention to some things and not others. Some people opt in and others out. Or perhaps a crisis of some sort has to be faced. At some point, participants either remain in the operational fixing mode and or else move on to a more strategic approach.

In addition to a general approach to capacity development, actors need to do *some strategic thinking and acting*. Many participants in the ECDPM cases thought through the potential dynamics of change, using planned strategies in some instances and emergent or systems approaches in others. Some of the strategies were tacit, others explicit. Some were conventional, some highly innovative. Some were long, others short term. But above all, there was a mind at work that contributed to the shaping of events and ideas about capacity development and institutional change.

Here are some internal and external processes *which helped to drive capacity development* in the ECDPM cases and which relate particularly to institutional change, either by affecting capacity and being affected by it.

Most capacity development strategies include some attempt to counter the collapse of *incentives, rewards and sanctions* in the public sector in many low-income countries. As a result of low salaries and poor working conditions, chronic absenteeism, corruption, and demoralization have become the norm in many public services and the institutional standard has become one of non-performance. Approaches such as the 'new public management' try to change this by inducing results and performance through incentives and sanctions. These can include salary supplements, performance-based payments, efforts to boost demand and accountability, greater transparency, and competition.

On the other hand, actors in the some of the cases managers relied on *values, meaning and moral purpose* to underpin allegiance, loyalty and motivation in a way that restructuring, incentivizing and strategizing could not. Such values helped to bring about deeper or second-order change, for example, by engaging public entities in its campaigns, COEP has helped to change the public discourse on poverty in Brazil.

A critical component for effective capacity development in virtually all of the cases was the *creation and protection of operating space* – a protected area within which participants could make decisions, experiment and establish an identity. Such a space could be physical, organizational, financial, institutional, intellectual, psychological or political. It created the conditions that allowed a physiological sense of ownership to take hold and, as in the SISDUK example below, it allowed the key processes of capacity development to evolve.

JICA and buffering: SISDUK, Indonesia

In Indonesia, JICA buffered the SISDUK experiment from the intrusions and pressures of the local political and administrative system. It provided a space for innovation and experimentation that lasted for 4–5 years. Its pilot status gave it bureaucratic and financial protection. The programme related to a separate set of incentives and accountability arrangements. And beyond all these arrangements, JICA could defend the programme directly using its relationship with the government. Part of the explanation for later difficulties was the weakening of the operating space put in place during the pilot period.

Source: Baser and Morgan, 2008, page 74.

In many of the ECDPM cases, *institutional issues shaped the pattern of incentives*, influenced the behavior of actors and determined the pattern of constraints

and opportunities associated with capacity development. Sometimes they were laws and regulations with long-standing ways of interacting and with deep historical roots. Or sometimes they were formal organizations trying to challenge the influence of traditional institutions. Actors found that changes to laws could be put into place relatively quickly but informal institutions such as cultural norms changed more slowly. Some of the cases showed evidence of the effect of *demand* on developing capacity. In Ethiopia, for example, the Education Sector Development Program provided for watchdog groups at the local levels to monitor progress. But it is not clear if demand-side approaches *by themselves* lead inexorably to improved capacity in ways not possible under a *supply*-side regime. The classic pattern of citizen demand was apparent in only a few of the cases. What emerged was a more varied pattern of relationships between 'demanders' and 'suppliers' that worked at different times for different kinds of organizations. In Pakistan, as the box below illustrates, demand was limited by the lack of experience in and tradition of public action.

Demand-side strategies for capacity development: education sector, Pakistan
In Pakistan in the period 1995-2003, a number of mechanisms had either evolved or were established to increase accountability in order to improve state education services:
A national bureau charged with designing the devolution policy and regulations to enhance accountability and service delivery;
Citizen community boards charged with monitoring service delivery, and a body mandated to develop their capacity;
The Pakistan Bar Association attempted to give legal backing to demands from key groups to compel improved services; and
Alliances with civil society organizations to work on creating greater demand.

These demand-side mechanisms seem to have had limited influence on improving service delivery. Major constraints still existed on the supply side, including the bureaucracy, which had little commitment to improving educational opportunities; inadequate pay, leading to low staff morale; low public expectations of the state education sector; few if any pressures or incentives to perform; and a dysfunctional budget system. Changing these constraints would require supply-side interventions, at least initially, to stimulate the bureaucratic and political elites to fight for change.

From: Baser and Morgan, 2008, page 70.

The debate about supply and demand needs to be situated in the context of social and economic rigidities, often institutional in nature, such as those in the Pakistan context, which can restrict the ability of people to express their needs.

Three *political issues* were critical across the cases.

The *pattern of restraints/incentives for elite*s. In some cases, political, bureaucratic, ethnic, regional or commercial elites were able to form coalitions in support of capacity development, for example, political leaders in Tanzania and Rwanda promoted better capacity and performance in the public sector.

The *nature and durability of the space for institutional pluralism and distribution of power.*[xxix] Some organizations were less prepared than others to tolerate the emergence of new centers of power and capacity. Their interests were better served by undermining or at least limiting, the capacity of other actors. In the South Africa technical education case, vested interests in the large educational bureaucracies at both

national and provincial levels struggled for authority and resources, and finally succeeded in shifting the emphasis towards maintaining support for public providers.

The *degree of societal cohesion and political conflict*. This was a positive factor in the Tanzania case mentioned earlier but a negative one in the Papua New Guinea cases.

The cases indicate that the presence, or absence, of *legitimacy* influenced the development of capacity across a range of circumstances. Organizations that had earned or had been granted some sort of legitimacy appeared to benefit in terms of improved capacity. Those with little societal legitimacy such as public agencies with a record of corruption did not have much success in developing their capacity through technical or functional fixes. Formal organizations seeking legitimacy had to work to ground themselves in the cultural and institutional values of the society in which they were embedded.

The analysis above suggests that the planning and control model used extensively in the international development community has limitations in the context of capacity development for institutional change which is inherently unpredictable. Using systems thinking to supplement the planning model would help to provide some insights into how to unleash energy and drive to get capacity moving. In addition, actors need to have an understanding of theories of action based on change strategies and how these can be used to support institutional change.

Conclusions

What would development organizations need to do to support an approach to capacity development for institutional change based on an assumption of unpredictability?

Development organizations would first need to accept that in situations of instability and unpredictability, there are often *many stakeholders with different views, the outcomes are contested, and the means to proceed unclear*. Such situations need to be addressed differently from ones where the objectives are generally accepted and the means clearly defined or definable. This is the difference between public sector reform in the roads sector and in the health sector. Complex adaptive systems is a possible alternative to a planning and control model because it focuses on means rather than unknown ends.

A systems view of capacity development would push *participants to think differently about their work*. The complexity and paradoxes of human systems, including many context–actor relationships, do not conform to a linear cause and effect pattern of effects. Instead, they interact amongst themselves to produce pressures, opportunities and traps, many of which can not be understood in advance. Actors would have to think more creatively about the complex interrelationships between capacity and performance and about collective as opposed to individual action. The approach would tend to bring out the imagination and ingenuity needed to develop more effective capacity. And it would contest the conventional view that focusing on performance outcomes is, by itself, the most useful way to improve a process.

Unpredictability also requires greater attention to the issues of time and timing. There is often a tension between the long-term objectives of changing major systems and the reality that windows of opportunity close and stakeholders lose interest without some signs of progress. Development organizations and their country partners need to

come to a common understanding about the balance between the short- and the long-term, and when it is appropriate to intervene.

Development organizations would also need to give *more emphasis to building relationships* so as to develop a *deep knowledge of country and regional conditions.* Such knowledge would help to identify champions of change, to understand how they fit into the broader development context and to recognize windows of opportunity to support them. The ECDPM study suggests that there is a robust correlation between strong, trusting and frequent contacts between development agency partners and their colleagues and the success of capacity development efforts, especially those focused on institutional change such as the Tanzania Public Sector Reform Program.

In recent years, international development agencies in general have moved heavily into donor harmonization, and their field staff spend increasing amounts of time in coordination meetings. This means less time working with partner country colleagues either on a one-to-one or a small group basis. Much of the work requiring close donor–partner country contact has been delegated to consultants, and donor agencies no longer have the corporate knowledge of the country and contacts they once had. There needs to be a *rebalancing between coordination and the acquisition of knowledge through interpersonal contacts.*

Development agencies wanting to address unpredictable situations would need to *invest more in their capabilities to address capacity and institutional issues.* Capacity development would need to be seen as a specialty requiring dedicated resources along the lines of those in place in organizations like Sida, the Asian Development Bank and AusAID. It would require more incremental planning processes and more organizational incentives to encourage staff to develop in-depth cultural understanding of partner countries (rather than moving from one country desk to another in quick succession). Monitoring and evaluation would have to put more emphasis on intangible aspects of development such as legitimacy and self-empowerment, as well as on the tangible outcomes.

Donors need to *think about* their *limits.* Each organization is situated in a particular context which allows it certain freedom of movement or space. Each is constrained by contextual factors. Supporting institutional change requires considerable organizational flexibility and tolerance for risk taking. Organizations that do not benefit from these may find it difficult to play a significant positive role in promoting institutional change.

Annex 1: The case studies

1. Developing Capacity for Participatory Development in the Context of Decentralization – South Sulawesi, Indonesia

This case study examines how Takalar district in the Indonesian province of South Sulawesi took up the challenge of tackling rural poverty through the introduction of participatory development and community empowerment methodologies. The case looks at the range of capacities that were required of various local stakeholders (local government officials, non-governmental organizations and the communities at large), examines the processes through which the district, in partnership with JICA, undertook to develop these capacities, and discusses the broader socio-political challenges encountered in sustaining interest in and the capacity for participatory development against the wider background of political and administrative decentralization.

Between 1997-2002, Takalar district and JICA introduced a model of participatory development known as 'SISDUK'. Influenced by a Japanese participatory development planning concept, it recognizes that all communities possess indigenous capabilities and resources that can be mobilized to address development needs. Rather than providing goods and services to communities as passive recipients, SISDUK seeks to mobilize community groups to help themselves by adopting a capacity development approach aimed at empowerment and facilitating local (village) institutions. SISDUK is both a programme facility offering small grants to stimulate community development initiatives, and a development concept that challenges conventional ways of tackling local development.

Much like other participatory development methodologies it offers an alternative model of local development. In the Indonesian context, the notion of participatory development is particularly challenging as it demands a significant shift in the way government works and in the way it sees its relationship with other stakeholders. Inevitably, many capacity challenges arise, but perhaps most prominent is the issue of influencing attitude, or mindsets.

JICA assistance to SISDUK came to a close in 2002. Two years on, SISDUK remains in place, backed up by a local government regulation and financed through the local government's own budget. Senior management talk enthusiastically about SISDUK and of the contribution it has made to local development and decentralization. At the provincial level, training and promotion work continues to be provided. Some eight districts have shown interest in the Takalar experience and are considering doing something similar in their own localities. Yet despite the achievements SISDUK has changed in fundamental ways. Key elements of the participatory development system are no longer being practiced as intended, while many of the capabilities developed are no longer actively used. The story of SISDUK is therefore as much about the dissemination and sustaining of novel ideas and the inculcation of a different model of development as it is about developing specific capabilities.

2. Developing Capacity for Tax Administration – The Rwanda Revenue Authority

In November 1997, the Rwandan transitional parliament passed a law establishing the Rwanda Revenue Authority (RRA) as a body corporate charged with administering the collection of taxes and customs and excise duties on behalf of

government. The establishment of the RRA marked the beginning of a remarkable process of organizational development, which has seen the transformation of the government's capacity to manage revenue collection. In just six years, the RRA has become a performing and respected institution that has helped increase domestic revenue generation from 9.5% to 13% of GDP. This is in stark contrast to the situation prior to the creation of RRA. Revenue collection had been the responsibility of a department within the Ministry of Finance that was characterized as incompetent, inefficient and corrupt.

This case study looks at the first six years of the RRA and identifies the factors that contributed to its remarkable achievements. What has transformed it into a performing and respected institution? What have been the factors driving change? How important has capacity development been to this record of achievement? How has external assistance facilitated the process of transformation?

The organisation's spectacular achievements have taken place against the background of a country emerging from trauma. After more than 30 years of state division, ethnic conflict and growing economic malaise, the RRA was born into an environment that could best be described as hostile. The civil war and genocide had left one million people dead and nearly three million refugees in exile, the fabric of society had been torn apart, the state and economy had collapsed and infrastructure destroyed. In 1997, the Rwandan state was still in a process of reconstruction but had begun to move to the point where longer-term development issues could begin to be contemplated alongside the ongoing need to deal with issues of regional insecurity as well as social and political fragility within its borders.

Today, it is clear that the government has succeeded in galvanizing a societal drive to pick itself up and to work towards becoming a prosperous, secure and confident society. There seems to be a strong desire to succeed and to prove that the country can re-emerge from the depths of crisis. The drive to perform and the eagerness to succeed are all-pervasive and go a long way to compensate for the shortages in capacity that the country faces. The Rwandan government had also been able to mobilise the support of sections of the international community that had pledged support to rebuild the country. Together with its external partners, it has set out an agenda to create a united Rwandan people sharing common identity and goals. At the heart of this agenda is the fight against poverty and the creation of a democratic and inclusive political dispensation.

3. *Papua New Guinea's Health Sector – A Review of Capacity, Change and Performance Issues*

This case study examines the reform process in PNG's health sector from a capacity development perspective. It addresses a number of factors influencing capacity development, change and performance in the sector, including issues internal to the National Department of Health (NDoH), capacity issues at sub-national levels, the institutional 'rules of the game' that guide attitudes, behavior and relationships in the PNG context and in the emerging health SWAp, and broader contextual factors. The study takes the health *sector* as the main unit of analysis, but with significant regard to NDoH given its central role in planning, standards and setting overall policy direction. The report highlights how the different levels of PNG's broader 'capacity system' are interdependent, with constraints and opportunities at one level influencing possibilities at the other levels.

The Health Sector is presently guided by the fifth National Health Plan – *Health Vision 2010* – which aims to 'improve the health of all (5.3 million) Papua New Guineans, through the development of a health system that is responsive, effective, affordable, and accessible to the majority of our people'. Specific priorities include increased services to the rural majority (85% of the population), many of whom presently do not have access to basic health services.

The government of Papua New Guinea and the donor community are moving towards a sector-wide approach (SWAp) to health reform, consistent with international development cooperation trends. AusAID and the Asian Development Bank have been the major contributors to the SWAp. However, despite significant investments in the sector in recent years, the health of Papua New Guineans is 'at best plateauing' and a number of health indicators are actually declining.

The report contends that while PNG has a fundamentally sound national health policy, implementation has fallen short of the mark. Relying on a capacity development lens, the report explores some of the reasons why NDoH has been 'successful' in policy development, but less so in policy implementation. It suggests that PNG's policy development strengths are rooted in the experience and commitment of senior actors in the sector and are buttressed by a broad consensus in PNG on the importance of health services. Shortcomings in implementation are attributed to a number of factors, some of which are internal to the sector, including management issues, relationships, financing arrangements, the skills of health practitioners, and external factors, such as the institutional rules which affect the behaviour of sector stakeholders. Despite the implementation challenges, the team noted a number of 'success stories' which have emerged.

4. The Role of Churches in Governance and Public Performance – Papua New Guinea

This case examines the role of Christian churches as institutional actors within Papua New Guinea's governance and service delivery landscape. It considers their capacity to engage in advocacy and policy related work, as well as to function as a partner of government in the delivery of social services. In so doing, it looks at the interplay of endogenous change processes and the development of capabilities to see how these have translated into the performance of various church-based institutions and the capacity of the church sector as a whole. The positioning of Christian churches as a significant player within the PNG institutional landscape needs to be understood in the context of the role of traditional institutions in PNG society and the struggle of the formal state to establish legitimacy at the local level.

The community of Christian churches in Papua New Guinea (PNG) is very diverse, ranging from mainstream churches, such as the Catholic, Lutheran and United Churches, to others with smaller congregations, such as the Baptists and Anglicans. The Seventh Day Adventists form an important church community in PNG, and there has been an increase in the number of Pentecostal and Evangelical churches across the country. In total, PNG has approximately 150 different missions, sects and free churches. These church groups entered PNG in several waves since the late 19th century, and an estimated 99% of the population now identify themselves as Christians. While PNG has had relatively long contact with various church groups, some remote communities had no contact with the 'outside world' as late as the 1950s.

There is a widespread recognition that the churches play a very important role in PNG society. Collectively, they provide about half of the country's health services and – in partnership with government – co-manage some 40% of the primary and secondary education facilities. Churches also run two of the country's six universities and are responsible for training many of the country's teachers and health workers. A number of church groups are also involved in peace and reconciliation activities in areas experiencing tribal or other types of conflict, while others speak out on the governance situation and the lack of basic government services in parts of the country.

The churches are seen as having made a significant contribution to development and modernization, and the introduction of values and morals which are now recognized in the country's Constitution. They have deep roots in PNG's diverse communities and can draw upon considerable social capital to influence change processes at various levels. Many of the country's leaders have been trained in church institutions and continue to play a prominent role in shaping PNG society. However, there are some who believe that religious organizations have also contributed to the decline of PNG's traditional cultural practices and values.

5. *COEP – Mobilising against hunger and for life – An Analysis of capacity and change in a Brazilian network*

This case examines a Brazilian social solidarity network, COEP (the Committee of Entities in the Struggle against Hunger and a Full Life) through the lens of organisational and social capacity and change. COEP is committed to building a just and inclusive society for all Brazilians, one without hunger and poverty. Its members include government agencies, parastatals and organizations from the private sector and civil society. COEP is in fact a network of networks, active federally, in all of Brazil's 27 states, and now also at the municipal level. Its strategies include encouraging its members to support and participate in development projects to combat poverty, organizing campaigns to mobilize public and institutional resources to end poverty, and promoting cooperation among its affiliates in their development work and campaigns.

The COEP experience is of interest to the wider study for several reasons.

It is uniquely Brazilian, part of that country's renewed democracy and of the broad social movement against hunger. Created by Brazilian initiative, COEP has been sustained by Brazilian resources.

It is an intriguing hybrid - a voluntary nationwide network that embodies many aspects of a civil society organization, but which operates in the border area between the state, the parastatal sector, private business and civil society.

It is engaged with the paramount development issues of the day, mobilizing citizens and organizations to work to end poverty and for social justice. It commands legitimacy as a development actor, legitimacy that helps to keep these issues on the public agenda.

Against the background of Brazil's recent socio-economic and political evolution, the case examines how the network has evolved and identifies the capabilities that have enabled it to become a thriving and dynamic network active throughout the country. COEP's trajectory over its first decade was remarkable by any standards. From improbable beginnings in 1993, it has grown to include more than 800 organizations. At critical junctures along the way, it has shown considerable resourcefulness and creativity, drawing on its substantial internal resources to respond to the dynamics of a

changing environment and its own membership. Four elements stand out:

- COEP's strong self-definition: the core values, principles and purposes of the network were clear from the beginning, and have remained constant.
- The network has had creative leadership with strong legitimacy and a capability for strategic thinking.
- The network has created effective structures for governance and management, well suited to its changing circumstances and profile.
- COEP has managed a dramatic growth in numbers and geographic scope to become a nationwide organization.

6. *Capacity Building for Decentralized Education Service Delivery – Ethiopia*

This study is one of two that examines capacity building for decentralized education service delivery. It explores the recent experiences of Ethiopia in reforming the education sector since 1997 against the background of a broader devolution process which begain in earnest in 2001. The study examines the institutional environment and broader governance context and identifies factors that have both facilitated and constrained the development of capacity across the sector from the classroom level to the policy making level. It also looks at the role of external partners in supporting the reform process.

Ethiopia is a low-income country with a GNP per capita of only $100 in 2002, and a Human Development Index ranking of 169 out of 175 countries. Almost 40% of the population are illiterate and only 24% of pupils complete primary school education. For the present government, which came to power in 1991 after 16 years of bloody civil war, education is now a national development priority: nearly 14% of government budget is allocated to it. The Education Sector Development Programme (ESDP) was introduced in 1997 as a vehicle for implementing the 1994 education policy, which envisaged universal primary education by 2015.

The devolution of service delivery was included in the 1995 Constitution, which provides an unusual degree of autonomy to Ethiopia's 11 regional states. In 1999-2000, however, studies by the World Bank depicted an administration more akin to deconcentration below the regional level. Regional state governments tended to dominate service delivery at the *woreda* and kebele levels. After a crisis within the ruling party (EPRDF), which culminated in a policy 'renewal' in 2001, more genuine devolution took place. Full discretion was given to elected *woreda* councils to allocate unconditional grants from regional state treasuries (initially in the four largest regions).

The federal government was reorganized in 2001. An Office for the Coordination of Capacity Building (soon converted into a ministry) was established to initiate capacity building polices, to design and implement related programs in support of the regions, and to coordinate other related organs of government, including the Ministry of Education. A national capacity building strategy was also developed as part of the Civil Service Reform Programme launched in 1998, and a plan for implementing it was put in place to be led by the newly created Ministry of Capacity Building. The strategy's three elements - human capacity, systems and procedures, and organizational structures and interrelationships - are based on the understanding that the country will only achieve its goals if it can coordinate the use of its human resources, institutional capacity and the procedures to carry out these tasks.

7. *Networking Collaboratively – The Brazilian Observatório on Human Resources in Health*

This case explores the evolution of the Brazilian Observatório on Human Resources in Health - a network of university institutes, research centers and one federal office, consisting today of some 13 network 'nodes' or 'workstations' , which are coordinated via a secretariat consisting of staff members of the Ministry of Health and the Brasilia office of the Pan-American Health Organization (PAHO).

This case sheds light on the creation and sustenance of capacity and capabilities in the context of networks. It provides insights on what capabilities are needed to make networking function and how capacity created in the context of networks leads to performance. It traces the way in which the network has grown into being a significant actor in the health sector and examines the discrete but crucial role that external partners played in supporting the development of the Observatório .

The idea for a formal network on human resources for the health sector came to Brazil in 1998 as part of a PAHO initiative to improve human resources policymaking throughout Latin America. At that time, policy for human resources planning, development and management in the health sector had become a key concern in various Latin-American countries. Earlier networking experiences among several health institutes from as early as the 1970s provided a foundation for the Observatório's implementation in Brazil. A year later, in 1999, the Ministry of Health legally recognized it as a mechanism to exchange information with which to inform policy and develop, regulate and manage human resources in the health sector. But the network was not created from zero. A long history of multiple processes shaped the cooperation arrangement. Many of these processes have internal roots and were driven by the motivation and commitment of individual network members. But there have also been moments when external support and intellectual inputs proved crucial to the network's flowering. The PAHO has been particularly instrumental, as it has facilitated, balanced and stimulated interchanges among actors through its long-term presence in the country.

The Observatório is nationally and internationally recognized as a unique and successful case of state-non-state interaction in health. The network has produced a substantial amount of valuable information and analyses from its productive interplay between Brazil's Ministry of Health, PAHO and the network working stations, as well as from intense horizontal cooperation between network members. Most of these members are active in other health networks as well, which has created an environment in which intense exchanges and collaboration on issues in public health have been initiated   and   developed.

8. *Building the capacity for managing public sector reform: The Tanzania experience*

This case study is about how a country - Tanzania - went about building its capacity to manage a complex process of institutional and organizational change. It is not intended as an analysis of the outcomes and impacts of the overall Public Service Reform Programme (PSRP). Instead, the case study concentrates on the topic of

capacity development for change management within the public sector. The main focus of analysis is thus on the work of the Public Service Management (PSM) unit within the President's Office (PO-PSM) as a change manager within the public service rather than the PSRP as a programme.

The Public Service Management (PO-PSM) unit initially functioned as a project implementation unit set up to manage public service reform as a conventional aid project. It was subsequently converted into an established part of government and expanded in size. The reform process was carefully designed to balance this connectedness with Government through tight connection to processes and networks while providing operating space through some freedom of action.

The Government of Tanzania has been going through various stages of public sector reform with the help of DFID, the World Bank and some other bilaterals, since the early 1990s and is seen to have made more progress than many other countries. It has also made genuine progress in building its own capacity to design and manage reform. The case looks at how and why this has happened, with an emphasis on the efforts of the Tanzanians involved. While the contributions of international funding agencies such as DFID and the World Bank were crucial to the progress of the work in terms of the provision of advice and financial support, they were not determinant. Capacity emerges. It is not delivered or transferred. National participants make or break capacity development in all cases.

In general, public service reform has more traction in Tanzania than in many other countries. The actions of government officials have been broadly supportive and the Tanzanian governing elite appears convinced about the need to embrace globalization as a key part of any national development strategy. In addition, Tanzania has gone a considerable distance to depoliticize its policy making and to create space for ministries and departments to craft and manage reform programs with politicians supplying general oversight.

The Government of Tanzania positioned the Public Service Reform Programme (PSRP) in the mainstream of global public sector reform. In the late 1990s, the Government, with enthusiastic international support, opted for the wholesale adoption of a set of reform measures collectively known as the 'new public management' (NPB), much of which was being applied internationally under the sponsorship of agencies such as the World Bank and DFID. This preference for foreign models had implications in terms of the transfer of organizational practices, absorptive capacity and a heavy reliance on technical assistance.

9. The National Action Committee Western Cape (NACWC) and technical education in South Africa

In the period 1994-6, a group of non-profit organizations with support from Danida sought to introduce a 'new institutional form' or model for technical education that would contribute to reforming the post Apartheid public sector of South Africa from the outside. The failure of their attempts was largely related to their lack of understanding of wider system constraints, particularly the capability and willingness of the public sector to absorb changes in the short term. There was a dilemma of balance and timing: not enough innovation leads to stagnation but too much scares supporters.

10. *Local Government Support Programme: A case study of local government capacity development in the Philippines*

The Philippines has made significant progress in decentralization and democratization over the past decade. Its devolution legislation and local government system are frequently studied by other Asian countries as a model for decentralization. However, the process has not been without challenges. In 1991, when the Local Government Code was enacted, few local governments had the capacity to carry out their newly mandated functions. The national government and local government officials themselves identified the urgent need for capacity development and capacity development assistance for local government units. The national government charged the Department of the Interior and Local Government (DILG), with responsibility to develop the capacity of local governments and invited donor assistance. Since 1991 many national government initiatives and donor-assisted projects have supported local government capacity development with one of the most successful being the Local Government Support Programme (LGSP), which represents a long-term commitment on behalf of CIDA to support the Government of the Philippines' decentralization and poverty reduction strategies.

This case study explores capacity development and related performance improvement within the context of local governance in the Philippines over a 13-year period through the experience of the LGSP as well as the DILG which enjoyed different but complementary mandates to support the decentralization process. It focuses on the development of 'local government units' (cities and municipalities) that in the Philippine political structure are a second tier of government with specific functions devolved to them by the central government, and examines the capacity development strategies employed to accompany the process of their development. The case describes the local government units and the enabling and regulatory environment in which they function as a system that is evolving and becoming stronger at the same time as the individual local government units are developing. The concept of capacity development presented in the study is an open systems model that considers capacity development as an ongoing process that in the case of Philippine local governments has led to related improvements in local government performance that in turn have resulted in better services and benefits to citizens.

The case suggests that given the political and social context conducive to devolution and democratization that existed in the Philippines after the fall of the Marcos regime, and the enabling policy environment created by the enactment of the Local Government Code in 1991, endogenous local government capacity development began to occur. It also suggests that certain external interventions were very effective in supporting and enhancing this endogenous local government capacity development process because of the approaches and methodologies used.

References

Asian Development Bank/ Australian Agency for International Development (2007) *Pacific Capacity Development Study: Final Report.Manila: ADB. 2007.*

Baser, Heather and Peter Morgan. (2008)*Capacity, Change and Performance*. Maastricht, the Netherlands: European Centre for Development Policy Management.

Bolger, Joe. (2007) *Pacific Capacity Development Study: Final Report (Financed by the ADB and AusAID)* Manila: Asian Development Bank. 2007.

Fuchs, P.H., K.E. Mifflin, D. Miller, J.O. Whitney, (2002) in *Strategic Integration: Competing in the Age of Capabilities from California Management Review,* Vol. 42, No. 3. Spring.

Hamel, G. and A. Heene. (1994) *Competence-based Competition*, Wiley.

JICA, (2008) *Effective Technical Cooperation or Capacity Development: Synthesis Report.* Tokyo: The Development Research Institute, Japanese International Cooperation Agency.

Land, Tony, Volker Hauck and Heather Baser, (2007) *Aid Effectiveness and the Provision of TA Personnel: Improving Practice*. Maastricht: ECDPM Policy Management Brief 20.

Land, Tony., (2005) *Developing Capacity for Participatory Development in the Context of Decentralisation: Takalar District, South Sulawesi Province, Indonesia –* Discussion Paper 57B Maastricht: ECDPM..

Kamoche, K., (1997) *Competence-creation in the African public sector* in *International Journal of Public Sector Management*, vol. 10, #.

P.C. Light. P.C. *Sustaining Nonprofit Performance*: *The Case for Capacity Building and the Evidence to Support It*. Brookings Institution. 2004.

Mascarenhas, B., A. Baveja, and J. Mamnoon, (1998) *Dynamics of Core Competencies in Leading Multinational Companies* in *California Management Review,* Vol. 40, no. 4. Summer

Morgan, Peter., (2002) *Technical Assistance: Correcting the Precedents* in *Development Policy Journal,* Volume 2, December 2002. New York: United Nations Development Program.

Morgan, Peter., (2006) *The Concept of Capacity*. Draft. Maastricht: ECDPM.

Morgan, Peter and Heather Baser., (1993) *Making Technical Co-operation More Effective: New Approaches by the International Development Community*. Ottawa: the Canadian International Development Agency, Technical Cooperation Directorate.

Morgan, Peter and Ann Qualman, (1996) *Institutional and Capacity development, Results-based Management and Organizational Performance*, Ottawa: CIDA

OECD DAC Network on Governance, (2006) *The Challenge of Capacity Development: Working Towards Good Practice*. Paris: OECD.

OECD. (2005) *Paris Declaration on Aid Effectiveness: Ownership, Harmonisation, Alignment, Results and Mutual Accountability.* Paris: High Level Forum. February 28 – March 2,

Skoog, Gun Eriksson., (2007) *Changing Rules – Developing Institutions.* Stockholm: Swedish International Development Cooperation Agency.

Teskey, Graham. UK: DFID. (2005) *Capacity Development and State Building: Issues,*

Evidence and Implications for DFID.

Ulrich, Dave and Smallwood, Norm., (2004) *Capitalizing on capabilities*, Harvard Business Review, June

Sue Unsworth (ed), (2005) *Signposts to More Effective States, Sussex:* Institute of Development Studies.

World Bank., (2005) *Capacity Building in Africa: An OED Evaluation of World Bank Support*. Washington: World Bank.

Endnotes

[i] *Performance* is the way in which organizations or systems apply their capabilities and the results of that application in terms of the ability to deliver and function. It is about execution and implementation.

[ii] OECD, 2005.

[iii] Heather Baser and Peter Morgan, *Capacity, Change and Performance*, 2008.

[iv] Although the definition of capacity in the OECD/DAC paper is cited extensively (the ability of people, organizations and society as a whole to manage their affairs successfully), it has not been translated, for example, into systems of monitoring and evaluation which still remain major challenges for many development organizations.

[v] Morgan, 2005, page 3.

[vi] OECD/Development Assistance Committee (DAC), 2006, Paris.

[vii] OECD/DAC, *The Paris Declaration on Aid Effectiveness*, High-Level Forum, February 28-March 2, 2005, Paris.

[viii] This resulted in 3 books: *Capacity for Development*, edited by Sakiko Fukuda-Parr, Carlos Lopez and Khalid Malek (2002), *Ownership, Leadership and Transformation: Can We Do Better for Capacity Development* edited by Carlos Lopez and Thomas Theisohn (2003) and *Developing Capacity through Technical Cooperation: Country Experiences* by Stephen Browne (2002). All were published by Earthscan in London.

[ix] World Bank, *Capacity Building in Africa: An OED Evaluation of World Bank Support.* Washington, DC: World Bank.

[x] Manila, 2007.

[xi] *Harvard Business Review*, June 2004.

[xii] *California Management Review,* Vol. 42, No. 3. Spring 2000.

[xiii] G. Hamel, and A. Heene, 1994, *Competence-based Competition*, Wiley, P.C. Light in *Sustaining Nonprofit Performance*: *The Case for Capacity Building and the Evidence to Support I, Brookings Instituion*, K. Kamoche, 1997, *Competence-creation in the African public sector* in *International Journal of Public Sector Management*, vol. 10, #4, and B. Mascarenhas, A. Baveja, and J. Mamnoon, Summer 1998, *Dynamics of Core Competencies in Leading Multinational Companies* in *California Management Review,* Vol. 40, no. 4.

[xiv] We did 17 studies based on field experience plus a comparison of two of the cases. They cover a wide spectrum of capacity situations ranging over different sectors, objectives, geographic locations and organizational histories.

[xv] An entity which maintains its existence and functions as a whole through the interrelationships of its parts or elements (from Glossary, *Capacity, Change and Performance, 2008.*)

[xvi] World Bank, 2005, page xiii.

[xvii] *Institutions* are structures, norms and rules of behavior, both formal and informal, that shape the social order of a human community. Institutional change is usually second-order change. By contrast, o*rganizations* are administrative or functional bodies normally with tangible assets such as physical space, funding, staff, and work plans.

[xviii] Ibid, both page xv.

[xix] Ibid, page 25.

[xx] Ibid, page xv.

[xxi] Ibid, page xvii.

[xxii] Bolger, both from page ii.

[xxiii] JICA, page 6.

[xxiv] JICA, page 28.

[xxv] COEP is the Committee of Entities against Hunger and for a Full Life. It is a network of representatives of some 800 corporate, public and parapublic organizations.

[xxvi] Skoog, page xiv.

[xxvii] Skoog, page xvii

[xxviii] Skoog, page 46.

[xxix] See Unsworth