



**Canadian International
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**Agence canadienne de
développement international**

**AN UPDATE ON THE PERFORMANCE MONITORING OF CAPACITY
DEVELOPMENT PROGRAMS.**

WHAT ARE WE LEARNING?

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1. INTRODUCTION

1.1. For most of the 1990s, the international development community has been championing two ideas: capacity development (CD) and performance monitoring. The first refers to that aspect of development cooperation which focuses on improving abilities and development performance at all levels of a society¹. Virtually all programs and projects now include some components to do with capacity development and many see it as the key to sustainability and longer-term impact. The second idea refers to an approach to development planning and management that focuses on the achievement of results, outcomes and the accounting to clients and other stakeholders for the performance achieved².

1.2. Progress in the international development community in combining these two ideas - i.e. applying performance monitoring techniques to capacity development programs and projects - remains mixed. On the plus side, we can see examples of development projects that have turned capacity development monitoring (CDM) into a participant-driven approach to learning and self-management. The emerging lessons of some of these projects will be discussed in this paper. But at the same time, many CDM efforts still fall short. Programs seem uncertain as to what and when and how to monitor when it comes to capacity issues. Numerous indicators and voluminous amounts of information are generated but contribute little, in the final analysis, to program decision making or performance.

1.3. This update sets out some tentative observations about what the international development community, including participants in both funding and host countries, are learning about the interrelationships between capacity issues and monitoring. The good news is that CDM is evolving slowly beyond the initial phase which tended to emphasize centralized direction, information extraction and methodological complexity. In particular, the development community is learning more about three key challenges:

- How to better understand capacity development issues for what they are - complex phenomena of personal, organizational and institutional change at all levels of a society
- How to convert conventional monitoring techniques into a participant-driven activity focused on creating self-awareness and an improved ability to manage.
- How to help induce an approach to learning and experimentation on capacity development programs.

¹ The definition of 'capacity' used later in this report is the following: "the abilities, skills, understandings, attitudes, values, relationships, knowledge, conditions and behaviors that enable groups and individuals in a society to generate development benefits for their stakeholders over time".

² In this paper, the term 'performance management' is understood to include diagnosis, monitoring and evaluation. "Performance assessment" is used in the sense of diagnosis. Performance 'evaluation' is used synonymously with the term 'review'. 'Performance monitoring' is seen as the same as 'performance measurement'.

1.4. The use in this paper of the term ‘capacity development program’ needs to be clarified. It is applied both to components of larger development programs, e.g. the design and management of delivery services as part of a maternal and child health program and also to programs such as improved financial management in Bangladesh that have capacity development as their main focus. The paper also tries to keep in mind different types and levels of capacities ranging from those dealing with large-scale organizational reform at the central level to those focused on improvements to community-based organizations. The update itself is organized according to a series of questions that seem to appear regularly in most discussions on CDM.

2. QUESTIONS

What are the principles underlying this update?

2.1. The principles or perspectives in this paper include the following:

- The immediate focus of the update is on the performance monitoring of development projects and programs focusing on capacity development. But in the bigger scheme of things, that is not the key issue. The emphasis in the paper is thus not on how donors can better tighten or demonstrate their means of accountability, worthy topic though that is. Of greater importance is improving the ability or the capacity of individuals, groups and organizations in partner countries to develop their own culture of self-assessment and to establish their own approach to thinking strategically about capacity and performance. What happens on donor-supported projects is only a contribution to that larger objective.
- We need to have realistic expectations for the monitoring and evaluation of capacity development. The word ‘measurement’ with its connotations of scientific precision are not used in this paper given the methodological and operational constraints that CDM invariably faces. Program objectives, for example, are frequently and sometimes deliberately vague. Shared understandings amongst the participants are hard to reach let alone sustain. Resources to fund CDM are usually scarce. Attribution and contextual influences cloud the analysis which, in turn, gives us only a mixed and incomplete view of the value of program outcomes. And so on. CDM can give us useful information. It can force us to think through capacity issues. But at best, it can inform and supplement judgments that participants make on a variety of other programmatic, personal, intuitive and political grounds. CDM is a supplement to broader judgments.
- This update, however, takes the view that results on capacity development and capacity issues can and must be effectively monitored despite their more qualitative nature. If such

programs are to ‘compete’ for credibility and resources in the current aid environment, they must be able to demonstrate performance in a language and a way that others understand and accept. And there also seems little doubt that changes in behavior and capacity can be induced by an exposure to reliable and relevant performance information.

- CDM needs to make the same transition that some other analytical techniques have made, i.e. it must be demystified and legitimized in an effort to make it a useful tool for policy makers and practitioners in partner countries. More than any other development activity and by its very nature, capacity building depends for its effectiveness on participant ownership and commitment. Much of this update traces out the need for more participatory and client-driven approaches to capacity monitoring that strengthen the ability for self-assessment³. CDM is less about measuring and describing progress against pre-set targets and more about building capacity, diagnosing constraints and opportunities and trying to make programs work. It is as much about self-management as it is about donor accountability.
- Finally, capacity development monitoring is not simply a technical subject. It is also about the issues that can be found pervading development cooperation - partnership, accountability, control, commitment, awareness and legitimacy. It is also a more important activity than evaluation given the constant need of capacity components for adaptation and adjustment.

What is the relationship between capacity development and program outcomes?

2.2. For some, capacity development is a rather ill-defined, cross cutting issue and an osmotic by-product that will result (hopefully) from the overall design and implementation of development programs. Capacity development, from this perspective, is a second-order means to first-order development ends - higher agricultural productivity or better research. At the other end of the spectrum, capacity development is regarded as a development objective *by itself* and an activity that merits separate and explicit attention. The conviction here is that the organization or the capacity is itself the ultimate creation or objective of a development program except in emergency circumstances⁴. Policies, goods and services may change and become obsolete but living capacity can mutate and survive. Healthy and productive organizations are the scarcest of all development resources. As a program activity, capacity development should command its own resources and management attention much along the lines of gender, poverty

³ This trend is part of what has been called ‘fourth-generation’ evaluation which moves away from traditional approaches which are characterized as measurement-oriented, description-oriented and judgment-oriented and towards one that is more negotiation-oriented.

⁴ The same perspective can be seen in parts of the private sector. In an effort to analyze the reasons behind the sustainability of private firms over decades and even centuries, Collins and Porras came to the view ..” from seeing the company as a vehicle for the products to seeing the products as a vehicle for the company” quoted in *Built to Last: Successful Habits of Visionary Companies*, 1994, p. 28

or the environment. Programs should, in practice, be seen as efforts at capacity development with certain sectoral themes running through them⁵.

2.3. The tension between these two perspectives runs through most efforts at development cooperation. Many programs tend to oscillate from one perspective to the other, first emphasizing task achievement and the production of program benefits - getting the job done - and then swinging back to a process effort in order to develop more capacity. Getting the right interrelationship between achieving developmental benefits and developing effective and sustainable capacity is crucial. This paper looks at the CDM from the second or more focused perspective, one that is increasing in importance as capacity issues assume more importance.

What is the real significance of the ‘capacity’ issue? What is it that we are assessing and monitoring?

2.4. We are talking, at least in this update, about ‘capacity’ in two ways. The first is an instrumental perspective, i.e. the organizational, technical and even political skills to carry out particular functions or tasks including such old favorites as service delivery, policy management or community development. But beneath the first lies a deeper conception of capacity. This view sees capacity as an effort to change a society’s rules, institutions and standards of behavior, its level of social capital and mores and its ability to respond, adapt and exert discipline on itself. A society or group must learn to take on new roles and attitudes and responsibilities. Capacity in this sense is about the self-organization of a society and the will, the vision, the cohesion and the values to make progress over time. If this is the case, then country participation, ownership, commitment, leadership and accountability become crucial. It is at this level that the search for sustainability finally rests⁶.

⁵ There are an increasing number of examples of this trend in a variety of countries. In the case of the Civil Service Improvement Programme in Ghana as of September 1998, 191 public sector organizations have formed internal capacity development teams, 177 have completed a self-appraisal of their own organization, 99 have completed a user survey and 36 have formulated performance improvement programs. Nine major organizations including those dealing with vehicle examinations, passports, and land titles had begun to define and then inform the public of their service standards and then measure their performance against those standards. In India, the State of Tamil Nadu now assesses cities in terms of the strength of their financial management, service effectiveness and economic competitiveness. In the city of Bangalore, an NGO called the Public Affairs Center surveys citizens to produce report cards on various public services.

⁶ This point has crucial implications for CDM. After reviewing USAID assistance to Romania in democratic development, Thomas Carothers concluded that much of it ...”did not fit neatly into the reductionist grids that US assistance providers increasingly utilize to evaluate their programs. As a result, there is often a significant gap between how the effects of assistance are assessed in Washington and how they are felt and appreciated in recipient countries. ,USAID and other development assistance providers should be wary of trying to impose on democracy assistance programs pressure for short-term quantifiable results. Such an optic not only misses important elements of what is actually being achieved but also tends to distort and limit the evolutionary development of these assistance

2.5. These perspectives have implications for capacity development monitoring. We end up, more than in any other area of development activity, focusing on processes, on human behavior, values, roles and relationships. CDM, in this situation, becomes a more complex and nuanced blend of judgment, intuition, mediation and encouragement. Given the unique circumstances of each situations, 'benchmarking' becomes less feasible. The effectiveness and impact of the CDM derive as much from the negotiation of the meaning and significance of monitoring information as it does from objectivity and precision.

What about donor accountability for capacity development results?

2.6. There are two points here. Donors are not and can never be responsible and accountable for delivering results as in the case of machinery installation or a turn-key project. Only country participants can or are in a position to accept responsibility for capacity as performance. Donors, of course, do have other accountabilities and these are real. They must accept the evolving design of a capacity development program. They must organize themselves to bring their accumulated knowledge to the incremental design and implementation of the program. They must assess risks and gauge their own participation accordingly. They are responsible for the quality and financial control of their own contributions. And they must ensure that basic standards of management, especially financial management, proper monitoring and evaluation, are in place. But the final ownership and accountability for results lies with the country partners. This basic principle underlies much of the approach suggested in this paper. The external role is therefore one of support and facilitation and encouragement within the limits of its own values and accountabilities. Donors should not be in the program execution or solution imposition business.

2.7. The second point is that CDM should be extended to cover the actions of all participants including donors and outside monitors; in short, all those whose actions and policies in some way shape and influence the progress of the work. Donor procedures, in particular, can have important influences on capacity development at the field level. To improve the effectiveness of their own programs, donors need the kind of performance information on their own operations that CDM can produce⁷.

programs. Faced with expectations of rapid, measurable results, persons involved in assistance at the working level will end up designing and implementing programs just to produce these sorts of results - no matter how artificial or mechanistic - instead of what is actually necessary to foster, long-term sustainable democratization." p. 128. In effect, the external evaluators were arguing that few results were achieved of the instrumental kind of capacity and that many of the *, *, USAID programs were therefore failures. The Romanians were agreeing with the lack of many of the predicted instrumental results but arguing that many of the deeper kinds of capacities had been created, an achievement of real significance in a country with Romania's past. Hence for the participants, many of the programs were judged to be successful.

⁷ The DAC group of donors has already put together a self-assessment sheet by which donors can review their own readiness to support capacity development programs.

What is the purpose of performance management techniques such as monitoring? Isn't this obvious?

2.8. No, it isn't obvious. It depends on who needs what information for what purpose. There are at least nine reasons or benefits that participants put forward for using performance management and monitoring. In many cases, participants are either unaware of all these uses or focus on one or two at the exclusion of the others or else assume the unlikely prospect of a shared understanding amongst all the participants about the purpose of performance monitoring.

2.9. So what are these nine uses?

- Project and program design ('If we achieve our objectives, what would success look like?')
- Management control ('Are we achieving our objectives? Are we meeting our accountabilities? What are we achieving')
- Organizational learning ('What seems to be working and not working and why?')
- Stakeholder management ('To whom must we demonstrate our own performance effectiveness and what evidence do we need to do that?')
- Resource allocation ('Where should we put more resources based on the results achieved to date? Where are the payoffs?')
- Capacity development ('Are we helping to improve the ability of the participants to learn and to manage? Is it increasing their capacity for learning and self-monitoring?').
- Contractual management ('Is the contractor meeting the terms of the contract? Shouldn't we pay strictly for results achieved?')
- Building a shared understanding on the project ('Do we all still agree on the what and the how of this project? Are we communicating effectively?').
- Organizational survival ('How can I get the monitoring system to protect my position and interests?')

2.10. At one end of the spectrum, CDM can be set up - explicitly or implicitly - to meet the needs of a centralized top-down approach, either for a funder or a central government agency or even the headquarters of an NGO. These needs might include project and program design, management control, resource allocation, stakeholder relations, contractual management and the monitoring of preset performance expectations. The emphasis here is on planning, control, accountability, centralized decision making and efficiency. At the other end of the spectrum, a CDM system can be designed to encourage participant control and help build their capacity for self-management. The emphasis here is on action learning and research, organizational reflection, capacity development and the nurturing of a shared understanding. In this case, performance monitoring is part of an effort to make the program work for its participants and to

enable them to act on what they are learning. In practice, most performance monitoring approaches are located between these two end points and most programs try to combine efforts to improve accountability and participation.

2.11. What have we learned in this area?

- Different program participants and audiences will usually have different needs and purposes for performance monitoring. Donor staff, central agencies, line departments, field offices, the media, community groups, poor small holders will end up on different points on the spectrum discussed above. They will have different perceptions of what outcomes are needed and different views as to what the indicators should assess and what the resulting information might mean. They have different levels of trust and different incentives for participating in any CDM. A good part of the challenge in establishing a useful monitoring system is to create a sufficient overlap of interests to allow useful work to proceed. There needs to be less emphasis on description and prediction and more on making programs work.
- Different kinds of programs lend themselves to different approaches to performance review. Those that focus on actors or groups with shared and coherent interests e.g. individuals, organizations or some community groups, lend themselves more easily to participatory approaches to performance monitoring. Those that have few collective goals for the monitoring system are likely to need a quite different approach to make the system relevant to field participants and to provide a mechanism to increase the flow of information flowing from beneficiaries to the project managers and back.
- We are also beginning to accept the stark reality that in every society, most efforts at organizational and institutional change fail to meet expectations especially in the public sector. Some limited improvements are made but many issues remain unresolved. Results, for the most part, are mixed. Most donor statistics indicate success rates on capacity development efforts of about 30-40 %⁸. Capacity monitoring is therefore continually dealing with the challenge of extracting a performance profile out of ambiguous and/or disappointing activities.

How can we adjust the conventional performance monitoring categories to make them more capacity ‘friendly’?

⁸ See, for example, The World Bank, *Assessing Aid: What Works, What Doesn't and Why*, p.92

2.12. Nobody can face yet another new and untested framework to monitor capacity development. For better or worse, the present conventional typology currently in use in many development programs - inputs, outputs, outcomes and impact -will continue in use on most programs. The challenge is therefore to adjust or supplement this existing framework in such a way as to highlight the capacity development aspects of the work. The chart below sets out and compares categories for the conventional categories and those which give more explicit attention to capacity development.

conventional categories	present development conditions	inputs	outputs	development outcomes	development impact
capacity and capacity development	present pattern and level of capacity	process	capacities	development outcomes	development impact

The categories above listed under ‘capacity and capacity development’ are intended to be supplemental to the conventional ones listed on the top line. ‘Process’ and ‘outputs’ are seen as sub-categories of the broader ‘inputs’ and ‘outputs’. ‘Development outcomes’ and ‘impact’ are seen as substantively the same for the purposes of monitoring. The balance of this update discusses the uses of these categories for capacity and capacity development.

Why should we make a determined effort to assess and understand the existing pattern and level of capacity?

2.13. Many donors and funders have tended to focus on the promotion of generic solutions - good governance, decentralization, privatization, organizational restructuring, training, democratization, strategic planning and so on. Performance management itself is a technique focused on prediction and the planning of future actions and outcomes. But too little effort is still invested in understanding the particular dynamics, deeper structure and functioning of the system or the context to be changed⁹. Capacity development programs frequently end up being clear about the future but vague about the present and the past. In the words of one external participant, efforts at organizational reform have tended to engage in surgery without knowing much about anatomy¹⁰. We need to come out of any capacity assessment with a sense of the

⁹ The experiences related in the articles set out in the second section of the bibliography appear to show that funders are much more likely to analyze the current capacity situation in rural development projects as in the Ghana case (Gariba, 1998) and much less likely to do so when it comes to intervening in large public sector organizations as in the Bosnia case (Huddleston,1999).

¹⁰ Huddleston, 1999

capacity ‘gap’ - that is the gap between ‘what is’ and ‘what could be’ even if it is a shifting or evolving concept. And it is the movement along this gap that needs monitoring¹¹.

2.14. Specifically, we need to be clearer wherever possible about the following :

- Aspects of an assessment of the current state of capacity might include the nature of the interests, incentives, structures and motivations shaping personal and organizational behavior, the distribution of power and control, the administrative heritage, the current performance levels, the capacity to absorb external assistance, the patterns of system behavior and so on¹².
- Most assessments of the present pattern and state of capacity that are now carried out are usually made up of symptomatic descriptions of weaknesses and constraints. They overstate the negative and understate the positive. We frequently end up fixated on problems to be overcome rather than opportunities to be grasped. Indeed, we know a good deal more about dysfunctional performance than we do about instances of good performance. We need better ways of analyzing *the causes* of both good and bad performance.
- The assessment phase should be a process of social learning during which the various participants try to develop a shared sense of understanding about the nature of the present state, the reasons underlying its evolution and performance and most important for monitoring, the criteria and methods by which progress would be judged. Some projects use inception workshops or similar devices to create the beginnings of that shared understanding.
- Finally, the participants need to come out of any initial design or assessment phase with a learning agenda. Some constraints and opportunities can be known in advance. Most tend to reveal themselves gradually as implementation proceeds. They need to have a better sense of what they think they know about the capacity issues in a particular situation and what issues they realize they know little about¹³. And then they need to build into the implementation of the program ways in which those knowledge gaps can be reduced. Such an agenda may shape the kind of criteria and indicators that are chosen for attention.

What are we monitoring when it comes to process?

2.15. The use of the term ‘process’ is used here interchangeably with the idea of ‘capacity

¹¹ In addition, participants need to make judgments about what might have happened without the intervention.

¹² The 1998 UNDP approach to capacity assessment has an explicit ‘where we are’ section.

¹³ In his account of his work in Bosnia, Mark Huddleston relates his growing realization and that of his team that they actually knew little about the financial system they were trying to change. One remedy was to begin collecting their knowledge in a growing file called“What We Know, Think We know and Need to Know about Budgeting in Bosnia”, p. 150

development' and refers to the activities, strategies, methodologies, interventions - the 'how' stuff or the levels of effort or the things that participants do - to help induce a growth or improvement in capacity. It is about a succession of actions and interventions leading to some kind of change in behavior. The point here is that the implicit or explicit selection and implementation of processes is a key part of the capacity puzzle¹⁴.

2.16. Different kinds of processes are intended to induce changes at different levels. Some are facilitative or having to do with some form of organizational development. Others have to do with efforts to change technical or managerial processes. Still others are aimed at stimulating institutional or contextual changes at a broader level. Some participants will also be interested in processes used within projects or programs (e.g. the design and use of technical assistance) while others will focus more broader processes being supported by the project (e.g. policy advocacy). Some specific examples of these three types of processes would be the following:

Process consultation

- The use of contextual diagnosis
- The implementation of focus groups, workshops and seminars
- Action and reflection techniques
- Organizational analysis
- Connecting, mediating, linking and facilitation
- Structured learning
- Improving perceptions and relationships
- Group formation and support
- Dialogue
- Behavior modeling
- Diffusing knowledge
- Instilling values
- Social assessments
- Capacity mapping
- Building trust
- Building shared understandings (e.g. a mission or a set of values)

Technical and managerial reforms

- Technical training
- Organizational restructuring

¹⁴ For a list of some participatory processes, see Jackson and Kassam, *Knowledge Shared*, p. 54

- Organizational systems development
- Policy advocacy and social marketing
- Promoting inter-organizational linkages
- The promotion of knowledge management and research
- Reforms to budgeting, financial management and planning
- Creating partnerships
- Staff and productivity planning
- Policy development
- Improvements to monitoring and evaluation
- Outreach to build demand

Institutional and contextual reforms

- Encouraging public outreach and dialogue
- Formulating and promoting legislation
- Reforming governance structures
- Promoting greater transparency

2.17. This emphasis on the monitoring of processes needs to be put in context. Some new approaches to performance monitoring now tend to downplay the value of inputs or processes and see them as part of an activity-focused approach or ‘input’ based approach to public management that is now discredited. And it is true that an undue concern with process has been used in the past to disguise an inability to produce much in the way of outcomes. But the international development community can make too much of this new enthusiasm. We do not want to erect a ‘process/product split’ and become disdainful of 90% of the activities that program participants actually engage in. Many capacity development programs, particularly in the early stages, have little to show except the implementation of process. What we are learning is the need to make separate judgments on ‘process’ and ‘capacity’. An example of this kind of process monitoring is the work of Robinson and Cox on the Nepal health care program. In this case, the monitors made special efforts to judge the process aspects of capacity development including mobilizing, planning, learning, diffusion and institutionalization.

2.18. The monitoring of process issues is important for another reason: that is, to test the strategy of institutional and organizational change that the program has implicitly or explicitly adopted¹⁵. All capacity development projects, programs and components have some sort of hypothesis about the nature of the organizational and institutional change underlying its actions that can be monitored and tested. How, for example, is it expected that a particular training program will lead to capacity at the organizational level?¹⁶ What approaches are being used to

¹⁵ For two clearly articulated hypotheses of capacity development and the way they were used as part of a process of structured learning, see the “spiral model of capacity building” in Robinson and Cox, 1995 and the “team or working group concept” in Watson 1998

¹⁶ We know for example, that training leads to a change in behavior when a) the person understands the

encourage innovation, replication, scaling up, institutionalization and organizational sustainability? What are we assuming about the interconnections between process and capacities? What are we assuming about the time horizons for the inducement of institutional outcomes? Is the chosen approach to technical assistance, if any, making a useful contribution? This issue - that of crafting, testing, rethinking and legitimizing the approach to change that underlies the selection of processes and capacity outcomes is, in turn, tightly connected to the monitoring issue.

2.19. This attention to processes highlights the need for less mechanical, more experimental approaches to monitoring qualitative activities. Some processes, e.g. mentoring and advising, contain few dramatic, visible events that show up in work programs or check lists. Some may be pursued for months only to be rendered unproductive by sudden staff turnover. Some may seem unproductive only to lead to dramatic results in unforeseeable places. Most cannot be scheduled or programmed with much precision. But they remain a key part of capacity development and need to be captured either in written form or in some qualitative way that can give them visibility.

2.20. A growing literature and array of techniques now exist to monitor process issues¹⁷. Process monitoring techniques have been devised to assess empowerment, learning, knowledge dissemination and many others¹⁸. One of the more promising innovations is that of process documentation in which observers record the pace and nature of interactions in the field, say with respect to organizational development, and then write it up in a form that participants and managers can study. Other techniques include participant surveys, focus groups, beneficiary assessments, oral histories, action learning and a series of approaches from the participatory rural appraisal school.

So what does the category 'capacities' then mean?

2.21. The term 'capacities' in this framework refers to the abilities, skills, understandings, attitudes, values, relationships, knowledge, conditions and behaviors - the 'what' - that enable organizations, groups and individuals in a society to generate development benefits and achieve their objectives over time. Capacity also reflects the abilities of these actors to meet the needs and demands of the stakeholders for whom they were established or to whom they are accountable. These attributes cover *both* formal, technical, organizational abilities and structures and also the more human, personal characteristics that allow people to make progress¹⁹. The

need to change b) the person has a desire to change c) the person learns what to do and how to do it d) the person works in the right climate and e) the person is rewarded or encouraged for changing.

¹⁷ See Marsden, D., Oakley, P. and Pratt, B., *Measuring the Process*, INTRAC, 1994. Kirkpatrick, D.L., *Evaluating Training Programs: The Four Levels*, 1998, UNDP, *Process Consultation*, 1995

¹⁸ For a discussion about the techniques to measure learning, confidence, see Donald Kirkpatrick, *Evaluating Training Programs*, Chapter 5, "Evaluating Learning", 1998.

¹⁹ The Inter-American Foundation conducted a participatory assessment of its NGO partners in Ecuador. Of

questions are thus the following: What has changed? What is it that the various actors - individuals, groups, organizations, networks - can do now that they could not do before participating in the program. What trends can we see? What behaviors and skills are needed and in what form to achieve the kind of development results that are needed? What caused the change? And is the change what was originally intended?

2.22. Included in any list of such capacities might be the following:

Technical and organizational

- Policy formulation and decision making
- Knowledge, technical skills and awareness that improve organizational performance
- Groups or teams that can meet or exceed their objectives given their resources
- Data, statistics, information and the ability to produce and analyze it
- Systems and structures
- Critical mass of supportive stakeholders
- Access to financial and physical resources and assets
- The ability to reach shared understandings, commitments and rules
- Level of service delivery
- Strategic planning
- Financial accountability
- Service delivery
- Communication systems
- Abilities in knowledge management
- Trained staff

Behavioral and personal

- Quality of decisions
- New ways of thinking
- Outreach
- Different awareness and perceptions
- Ability for self-awareness and critical analysis
- Courage and bravery
- Organizational renewal and ability to adapt
- Shared memory of achievements
- A systemic understanding of issues

the responses, over half (53 to 47%) highlighted the intangible aspects of capacity. p. 89. The point about intangibles is also addressed in Carothers (1996).

- Confidence, pride, self-esteem and determination²⁰
- Solidarity, identity and cohesion
- Leadership
- Social capital
- Motivation including incentives, attitudes and values
- Ability to collaborate
- Ability to manage change

2.23. As we shall see in the next section, different capacities are needed at different levels - individual, organizational, systemic and so on. Many of the abilities set out above will be relevant at one level but not another. Decision making at the organizational level will be a different kind of capacity compared to that at the systemic or network. Motivation at the individual differs from that at the organizational.

2.24. Most of the categories listed above are generic, unconnected and broadly - defined. By themselves, they say little about specific capacity development needs and possibilities in a particular situation at any one time. And they say little about systemic behavior over time as groups and organizations evolve and change. The capacity needs of NGOs, for example, shift as they move from a small, leader-dominated structure to a more decentralized, multi-functional configuration. We need to know a great deal more about the changing pattern of capacities as groups, organizations and systems evolve to meet different needs and circumstances. One implication would be to think about categorizing capacities into the initial, intermediate and longer term.

Don't these terms - process and capacities - apply at different levels?

2.25. Yes. That's one of the major complexities of capacity issues. Most frameworks try to grapple with the issue of levels of capacity or 'sites of action'. The 'macro-meso-micro' typology is one of the more familiar. Another widely-used approach sets out a five level approach including human resources, the organization, the task network, the public sector institutional context and the action environment²¹. Regardless of the particular approach used, the issue of the level matters a great deal.

²⁰ The Inter-American Foundation measures growth in personal capacities by looking at self-esteem, cultural identity, creativity and critical reflection.

²¹ See M.E. Hildebrand and Merilee S. Grindle, "Building Sustainable Capacity in the Public Sector" in *Getting Good Government: Capacity Building in the Public Sectors of Developing Countries*, edited by Merilee Grindle, 1998

2.26. The one suggested in this paper is the following:

Individual

- Group or community
- Organizational
- Networks of organizations, groups and individuals
- Institutional
- Contextual (economic, political, cultural and policy environment)

2.27. The *individual* level refers to people as individual social or organizational actors - irrigation engineers, small holder farmers, accountants, policy analysts and the way in which these people develop their individual abilities to make developmental progress²². *Group or community* refers to collective actors at the field level who are either beneficiaries themselves or else who mediate between beneficiaries and other intervening actors²³. The *organizational* level deals with individual formal organizations such as an irrigation department, a planning commission, a community NGO, a policy research group. Many approaches have been devised to analyze the behavior, functioning and performance of single organizations²⁴. In the 1970s and even part of the 1980s, the main attention was on these three levels, e.g. training programs for individual engineers), the encouragement of group work at the community level and restructuring individual public sector agencies such as the Ministry of Education.

2.28. But we have learned, especially in the last couple of years, that capacity issues apply at other levels as well. We now realize that efforts at the three levels mentioned above are still necessary but not nearly sufficient. Attention is now being given to *networks of connected actors* including individuals, groups and organizations that endeavor in some way to carry out a broad function such as public security or maternal health. Such networks are complex, adaptive, dynamic and frequently chaotic. The inter relationships amongst these actors are critical.

2.29. We have also come to understand better the role of *institutions* and their influence on

²² Again, these can be complex judgments when it comes to individuals. The training of individual staff can damage the very organization they belong to by making it easier for them to leave the organization. Yet the capacity of the receiving organization can benefit greatly. In some situations, this 'flow-through' can be managed explicitly for good effect.

²³ An interesting technique called the 'Village Development Capacity Index' is set out in Gariba, 1998. Also Diana Lee-Smith, *Community-based Indicators: A guide for field workers carrying out monitoring and assessment at the community level*, Sustainability Tools and Training Series, IUCN The World Conservation Unit, May 1997. The Institutional Maturity Index (IMI) used by the Aga Khan Rural Support Programme in Pakistan started out by tracking 120 indicators to do with participatory social organization, dependence of village organizations on project funds, linkages with other organizations, and improved natural resource management. After several years, the AKRSP concluded that capacity development could not be tracked quantitatively given the costs and time required to collect the necessary data and the difficulty of capturing a moving target.

²⁴ See, for example, Lusthaus, C., Anderson, G., and Murphy, E., *Institutional Assessment: a Framework for Strengthening Organizational Capacity for IDRC's Research Partners*, IDRC, 1995. Also Michael Harrison, *Diagnosing Organizations: Methods, Models and Processes*, 1987

capacity development²⁵. Institutions are defined here as patterns of norms, customs, values and behaviors that persist over time by serving collective purposes. They are the ‘rules’ in a society, both formal (such as a constitution or a regulation) and informal (such as patterns and values to do with accountability) that shape the behavior of individuals, organizations and systems in a society. Put another way, they set the boundaries, the pressures and incentives that go towards shaping individual and collective action. And finally, *contextual* refers to other forces that act within and on a society including issues to do with politicization, literacy, particular policies, public awareness, globalization, level of economic development and many others.

2.30. So what are we learning in this area?

- We are slowly realizing the need to come to grips with the challenges and dilemmas of intervening in complex human - and open - systems²⁶. Many capacity programs have shifted up the scale from the individual and the organizational in the 1960, 1970s and ‘80s to the systems and institutional in the 1990s. We now know that, in many cases, capacity needs to be developed and monitored in a systemic, inter-level way²⁷. More and more programs require a multi-sectoral design given their need for the collaborative action from different agencies. But they also require inter-level attention to issues that cannot be resolved at the level where some of its main indication of poor capacity appears as in the cases of AIDS/HIV, law and order and environmental protection²⁸.
- As capacity programs become more multi-sectoral and comprehensive, they are evolving into complex combinations of solutions looking for problems, participants leaving and re-entering the scene, unconnected actors with conflicting agendas and incentives, incomplete information at all levels, constant staff turnovers and reorganizations and vague objectives. Few of the actors are under the control of any one decision maker. No one is in charge. The ‘program’ is, in practice, a collection of sub-projects that represent the interests of various coalitions and various interests. Ad hoc cooperation amongst groups is a more feasible objective rather than a shared consensus. This leads to the idea of monitoring as important for dialogue and mediation²⁹

²⁵ See, for example, Burki, J., and Perry, G., *Beyond the Washington Consensus: Institutions Matter*, The World Bank, 1998

²⁶ See UNDP, *Capacity Assessment and Development in a Systems and Strategic Management Context*, Technical Advisory Paper # 3, January 1998

²⁷ For example, in the evaluation of the Nepal health program by Robinson and Fox, the program tried to build capacity at four levels - community development, the district health administration, the central ministry and the training of individual physicians.

²⁸ Some are now making a distinction between ‘capacity’ i.e. the combination of the institutions, networks, policies, resources, equipment, skills and information that a society can put together as opposed to ‘capability’ which is more the human resources and skills that can be brought to bear. \

²⁹ See Part II “Measurement as Mediation” in Blauert and Zadek, *Mediating Sustainability*, 1998

- This kind of systems thinking has immediate implications for CDM. In many cases, we must now try to monitor both at the system level to get a deeper sense of the emerging capacity and at the component level as in the case of a the performance of an individual or a single organization. We are also learning that effective CDM requires action research, participatory methodologies, technical analysis, information gathering and dissemination and social marketing.

What about the usual categories of development ‘outcomes’ and ‘impact’? How do they connect to ‘process’ and ‘capacities’?

2.31. In using these terms or categories, we are back to the conventional monitoring framework. Development ‘outcomes’ and ‘impact’ refer to the developmental changes, both intended and unintended, that arise in some way out of the new capacities. Such changes are intended to be positive, long-term and sustainable. Can we, for example, attribute program outcomes - better sanitation, improved agricultural production, more educational achievement, reduced industrial waste, more livable cities - to the growth of capacity?³⁰ Who benefited from the new capacity and performance? Can we make judgments on its relevance? A whole host of methodological and logistical issues arise at the outcome and impact stages but will not be addressed in this paper³¹. But we are likely to be dealing with two interconnected streams of indicators - one that focus on process and capacities and one that tracks development outcomes and impact.

So what would a framework look like if it were to focus on process and capacity issues? How would it work?

2.32. The framework below combines the categories and levels discussed earlier. It can be used both for capacity assessment and monitoring. It should supplement rather than replace the log frame. Its main purpose is to help participants to think through the issues to do with capacity development and capacity.

	process	capacities
individual		
group and community		
organizational		
networks and systems		
institutional		

³⁰ See for example, Vincent Greaney and Thomas Kellagahn, *Monitoring the Learning Outcomes of Education Systems*, The World Bank, 1996

³¹ See, for example, Oakley, Pratt and Clayton, *Outcomes and Impact: Evaluating Change in Social Development*, INTRAC, 1998

2.33. We know that actions and activities at any of the levels can influence those at other levels. Individual actions can have an positive impact at the network. Institutional constraints, for example, can strengthen or diminish the impact of structural reforms at the organizational level³². Training failures at the individual level can damage performance at the organizational. Interorganizational collaboration can induce results at the systemic or network. These levels are thus not separate and distinct. Cause and effect are interconnected across the levels both horizontally and vertically as might be expected in a systems perspective. We are therefore not dealing with results ‘chains’ that link inputs-outputs-outcomes-impact tightly together. Rather we are frequently faced with a results ‘web’ or ‘maze’ whose outlines begin to come into clearer focus once implementation begins.

What are the implications for the use of indicators?

2.34. There is a huge and growing literature on the technical design of indicators including weighting, qualitative versus quantitative, design, time scale and many others. Its main outlines need not be repeated in this paper. The following points apply more directly to capacity issues. Most indicator issues revolve around answers to the following questions: Who needs and wants to know what and for what purpose? How is the knowledge to be produced and when and in what form? Who decides on the meaning of the information produced?

2.35. So what are we learning with respect to indicators for capacity development and capacity itself?

- We know that virtually any human activity can be assessed and given some kind of qualitative or quantitative measure. Workshop participants around the world do this on a regular basis. The real challenge with indicators is twofold: first, using them carefully as part of a combination of ways to capture information and insight into human activities and second, resolving the deeper debate about their meaning, value and significance among the varied range of stakeholders participating on the program³³. It is not the information

³² For a statement of this point, see Alan Schick, *Why Most Developing Countries Should Not try New Zealand Reforms*, unpublished mimeo, November 1997

³³ Norman Uphoff describes an example in which Sri Lankan farmers put forward the view that the declining number of field-channel group meetings indicated better organizational performance rather than worse as the outsiders evaluators claimed. see Norman Uphoff, ‘Measuring Participation: Whose Indicators Count: A Sri ;Lankan example’, in *Participatory Development and the World Bank*, Discussion Paper # 183, 1992 . Similarly, the ability of certain Government of Kenya agencies to retain professional staff was seen by outside evaluators as an achievement. But to the staff in question, it was evidence of failure in that the lack of internal performance standards with government allowed staff to pursue multiple careers outside the agencies while still retaining the benefits of a permanent position. cited in John M. Cohen and John R. Wheeler, “Training and Retention in African Public Sectors: Capacity-Building Lessons from Kenya” in Grindle, *Getting Good Government*, 1998

generated by indicators that is critical but rather the interpretation put on it in response to the ‘so what?’ question. And indicators do not answer questions to do with ‘why’. Truth, in this sense, is a negotiated consensus. Indicators are a supplement to an open-ended, interactive dialogue with and amongst field participants. Or put another way, indicators of process or capacity are usually helpful but rarely sufficient to make serious judgments about capacity issues.

- Too many programs appear to spend a good deal of time debating the suitability of various indicators without being first clear on what is being assessed and why. Programs can end up with little connection between the information coming out of indicators and the actual strategic choices that face them. In most cases, indicators lose relevance when they provide information on activities that participants do not find useful or whose strategic significance is not clear. Programs must try to find measures or indicators that have resonance and genuine interest for participants and that can be used by participants to help manage their work.
- The normal logistical and cost questions apply in the case of capacity development indicators as they do in other fields. What kind of information is readily available? What will it cost to collect new information? Who will collect it? How can the quality of the information be improved? How many indicators is enough to help provide a balanced judgment? How can qualitative information be best stored and retrieved?
- Efforts to judge results through the use of indicators need to have a wide as well as a narrow focus. The log frame tends to push participants toward a constricted view of the potential outputs and outcomes, particularly those in the category of ‘expected and predicted results arising from the original goals. The matrix below puts this in a simplified form³⁴:

types of results	desired	undesired
expected	results achieved	undesired results achieved
unexpected	unexpected benefits	unexpected harm

- Given the unpredictable nature and course of capacity work, CDM must do more than focus on the results in the top left-hand and middle quadrants. The implication here is that CDM must be both goal-oriented and activity-oriented in its focus and must search for results, both intended and unintended, at all levels and in all areas.
- We know that indicators focused on one capacity measure, say the ability of an organization to recruit staff, tell us only a part of a complex story. Indeed, organizations judged on the basis of a sole indicator will usually tend to maximize their capacity and performance in terms of that measure in ways that do unexpected harm. We thus need packages or combinations of indicators that, together, can give us a composite sense of a situation and that can set the right set of incentives. This is particularly the case when looking at processes

³⁴ Gasper, p.11

and capacities from a systems perspective.

- In some situations, we may wish to rethink the utility of conventional indicators which are pre-selected in some fashion, preferably “objectifiably measurable” and then monitored over a certain time period. When working in contexts of rapid change or minimal knowledge, it may be useful to devise more open-ended questions that do not circumscribe the attention or response of the participants.

**Are we dealing here with different approaches to the monitoring of capacity programs?
If so, what are they?**

2.36. Probably. Certainly, the ‘one monitoring size fits all situations’ strategy needs rethinking. Different programs with different structures and different purposes and at different stages of their evolution lend themselves to different approaches to CDM³⁵. The case studies set out in the bibliography seem to describe three different approaches.

- The first is what might be called the conventional approach which is basically external, extractive and non-participatory. Many possible reasons can account for this approach. The funder, for example, needs an immediate report. Or the main monitoring interest is on compliance, management control, accountability and objectivity. Or no preparatory work has been undertaken to involve the participants in CDM. Or the Ministry of Home Affairs is not in favor of program participants going around rural areas investigating the degree of satisfaction with the delivery of government services. Or the program is in its earliest stages and there is as yet no shared agreement on the purpose, design and implementation of CDM. In these circumstances, the funders, in cooperation with program managers, select the monitors and objectives to be monitored, the work plan and the most appropriate indicators. Outside staff are engaged to collect the data and carry out the analysis. Field participants attend meetings with the outside monitors and supply information but little else. Few participants get a chance to review the recommendations in any detail.
- The second approach to CDM is at the other end of the spectrum. The funder plays a supporting and facilitating role only. It encourages the program staff to design and implement an approach to CDM that meets the particular needs of the program and the various stakeholders. Staff are, in effect, asked to mainstream CDM into their regular operations. The program staff and the clients or beneficiaries of the program are relatively small in number and can be easily identified and involved in the process. The program takes over the task of self-monitoring with support from the funder and uses the results for self-reflection and management. CDM becomes an embedded regular activity led and sustained by

³⁵ For a case study of an evaluation team trying to find the right approach to fit the needs of a particular program, see “Participatory Evaluation in Human Resource Development: A Case Study From South East Asia” in Jackson and Kassam, *Knowledge Shared*, 1998

program participants and stakeholders. The main objective of this approach is to build self-awareness and to make the connection between that awareness and the collective ability to address capacity issues.

- The third approach is a hybrid of both the conventional and the participatory approaches to performance review. The program to be reviewed is a complex blend of organizational actors with a range of attitudes toward CDM ranging from some interest to virtually no involvement. Central direction and energy including from the funder, is still necessary to drive the process. But a number of sub-projects within the larger program are interested in determining and communicating the results of their own work. The degree of participation varies from sub-unit to sub-unit. There are a range of views as to what capacities need to be reviewed and the particular methodologies. Program managers spend a good deal of their time either helping to install CDM techniques, marketing the idea amongst the skeptical, reconciling bureaucratic interests, demarcating the roles of the various groups and encouraging more collective social learning. Program managers aggregate the results at the sub-unit level to give outside observers a sense of the whole.

2.37. The design and purpose of CDM clearly varies according to the nature of the program, the degree of stakeholder cohesion and collaboration, cost and time factors, the value placed on outside objectivity and other factors. In most cases, capacity development programs should be trying to shift towards the participatory end of the spectrum.

What about the management of CDM?

2.38. We have learned that the establishment of an effective approach to CDM is complex, nuanced activity that in the early stages, presents projects and programs with a series of managerial issues such as the following.

- Programs have to pay attention to the organizational design, management and costs of CDM. Most approaches to CDM have common components - overall structure and approach, methods and procedures, indicators, information storage and retrieval and analysis and interpretation. Larger programs can afford to build an internal capacity for CDM, a condition that is more conducive to developing mutual confidence and trust between monitoring staff and field staff. Such a connection can provide for quicker and more continuous feedback compared with that of outside interventions. The goal here is to encourage interconnections between those who carry out the work and those who monitor them. Smaller projects and programs, however, will not likely be able to afford these kind of investments in monitoring and may wish to either have program managers carry out CDM or set up joint arrangements with other projects and programs in a particular country.
- Another reason for starting CDM as soon as possible is that it takes a long time to make any monitoring approach legitimate and operational particularly if it is participatory. Such

exercises are complex technical, social, logistical and, at times, even political activities that require sustained effort for up to 3-4 years before they can produce credible information³⁶. In many cases, dedicated units must be set up within programs. Staff must be trained in techniques such as interviewing, statistical analysis and facilitation. Definitions, meanings, assumptions, strategies have to be negotiated. Information collection systems and techniques have to be designed and tested and redesigned. Unhelpful indicators have to be junked and others put in their place. A sufficient time has to elapse to engender trust in the data and in the process and to begin to see significant trends. Monitoring capacity has to be built to take on the load.

- As programs try to shift to more participatory forms of monitoring, the structure and behavior of the programs themselves have to change and adapt. Front-line project operational staff must be given a greater role in selecting objectives and reviewing progress. A two-way flow of information and insight between the operational levels and program management is key. Horizontal linkages also matter. And staff must be given the authority and the training to work with beneficiaries and other participants to set objectives. Decentralization and delegation of authority *within programs* becomes a key ingredient in the effort to introduce better CDM³⁷.

What other factors have to be taken into consideration to help achieve an effective approach to the monitoring?

2.39. We are learning a good deal in terms of the ‘what else has to happen’ to make CDM effective.

- Learning, especially amongst groups, is mainly a social process and must be designed and managed as such. What is learned from CDM? How is it learned? Who learns and from whom? What do people do with their learning? Who decides? The resolution of all these questions involve issues to do with participatory management, stakeholder inclusion and communication, organizational and social power, negotiation, conflict resolution and the negotiation of meaning. The ‘rules of the game’ need to be sorted out in advance by the participants to avoid misunderstanding. An enabling agenda for CDM needs to be created. The effectiveness of CDM depends to a large degree on helping to build a learning culture

³⁶ The monitoring system of the Aga Khan Health Services Pakistan (AKHSP) took over five years to install. Two of the key challenges were first, getting the collected data to be sufficiently reliable so as to enable participants to trust it in making serious decisions and second, finding the right incentives that would encourage field staff to make the sustained efforts over a period of years to collect the information. The need for these incentives, in turn, had implications for the management, culture and structure of the organization.

³⁷ For an excellent example of a programme restructuring itself to adapt to performance management and monitoring, see Cliff Trowell, “Results-based management: a Practical Experience” *Canadian Journal of Development Studies*, Special Issue, 1997

within a temporary program, an issue we know comparatively little about in terms of the implications for interpersonal relationships, communication patterns, efforts at structured learning, leadership styles, team coherence, overhead costs, incentives and so on.

- CDM derives its strength and relevance from its connection to the deeper structures and patterns of behavior of a particular program - its organizational structure, its culture of learning and assessment, its leadership. We now know that the monitoring function cannot simply be bolted on to the side of capacity development programs if it is expected to be effective. Any approach to CDM that hopes to be effective must be built into the strategic management of the program from the outset. It must be part of a broader process of diagnosis, negotiation, strategy crafting, action and reflection. It must be part of an effort to embed and encourage an organizational culture oriented to performance, learning and self-reflection. Programs that get around to CDM a couple of years after starting operations do not usually end up with much information and insight.
- Programs face a balancing act with respect to their purposes and objectives. They must be able to put forward a consistent set of objectives and strategies (the ‘what’ and the ‘how’ of the program) that remains reasonably clear and stable over time. This set of ideas or vision needs to be in place for two reasons: first to help frame the discussion amongst widely different actors and second, to allow performance information to be collected systematically over a reasonable length of time to show patterns and trends. Yet at the same time, programs need to retain a certain flexibility and experimentation that can allow them to react to unforeseen changes and events as they slowly reveal themselves during implementation. The criteria by which both process and capacity are to be monitored must change over time given the evolving nature of the activity.
- CDM, indeed monitoring in general, does not always lead to answers to ‘why’ questions. Why, for example, are the incentives in a particular governmental system having the effect they are? Why has the performance of a particular organization improved so dramatically over the past year? CDM on many projects and programs can benefit from separate investments in research and evaluation that can supplement its insights.

When should we carry out performance monitoring and evaluation? When can we safely make a judgment about the effectiveness of capacity interventions?

2.40. One of the oldest questions. Donors will have their own procedural rhythms in terms of financial disbursements, extensions, domestic questioning and the rest. But CDM also needs to be carried out in support of the phased evolution of the particular program. CDM should be used, for example, to capture the short-term process results and initial outcomes that are needed to sustain early progress. Other reviews can take place at times when the results can be fed into strategic decision making at critical times. Other programs may devise some type of

‘just-in-time’ monitoring and reflection that can bring forward information on a regular and continuous basis.

**What have emerged as the risks and negative tendencies associated with CDM?
Where are we going wrong? What do we have to guard against?**

2.41. Too little of the general discussion about CDM is devoted to dealing with the risks and downsides that appear once the participants bump up against the murky world of organizational and institutional change. What are these and how can we get around them?

- *The practice (as opposed to the principle) of capacity development still fits uneasily into the conventional incentive structure and procedural patterns of many participants both in international funding agencies and host governments and organizations.* There remains a built-in technocratic bias in some development agencies against capacity and institutional issues which are seen as messy, mushy, intangible and intractable. This bias deepens if such a focus on capacity issues appears to be coming at the expense of more immediate and tangible developmental benefits. In partner countries, politicians and senior bureaucrats want faster resource flows and less intrusive administrative interventions. Capacity development can lead to a good deal of political and organizational pain as reform programs create new winners and losers. Much like their counterparts in funding agencies, many participants at the field level do not have the inclination for, or the luxury of, a long-term perspective. In the end, participants can simply lack the will to invest in capacity development and in CDM.
- *CDM becomes an end rather than a means.* Much of the discussion centers around methodological and logistical obsessions to do with monitoring. Attention starts to shift toward the quick, the tangible, the easily manageable and the quantifiable, or put another way, capacity objectives that count but don’t matter. Program objectives begin to be shaped on the basis of their ability to fit in with the monitoring system. Or projects, once selected, are slowly reconfigured to meet the needs of the system which begins to be managed to ensure the production of reassuring results. The system responds to its built-in incentives to overstate results. As a result, some CDM approaches tend to become biased against many of the key aspects of capacity building including low-profile, incremental processes that appear to show few dramatic outcomes, intangible gains from altered behavior and objectives that take long-term efforts to achieve. Project participants begin to live in two worlds: one of confident reporting to ensure institutional survival and the other trying to come to grips with genuine organizational dilemmas.
- *CDM bumps up against the problem of vague or poorly understood objectives.* It usually proves difficult, if not impossible, to create a shared understanding of the capacity issues, particularly amongst those secondary stakeholders whose influence is important but who are only marginally involved with the program. Such programs typically lack even a

common vocabulary to frame the discussion. Objectives tend to be publicly stated in a vague way in order to get a basic consensus which complicates CDM. Many governments and field participants tend to see capacity programs as attempts to resolve technical constraints or a mechanism to transfer financial resources or to provide new services. Different cultural, organizational and social perceptions, say between donors and field staff, intervene. To make matters worse, such projects usually have a complex and ever-changing cast of skeptical stakeholders whose diverse interests in capacity issues are hard to reconcile. Capacity programs have notoriously poor 'learning loops' and are usually held back by battles over turf, values, identity, power, control, resources and blame-shifting. CDM struggles to be useful in such an environment.

- *Some of the participants try to dominate CDM in an effort to get it to meet their own organizational needs.* Funders, for example, want better reporting and more accountability. Central agencies want more compliance from field units. Field units control and censor the flow of information in order to protect themselves. A shared understanding about capacity monitoring and evaluation proves impossible given the varied and vested interests. Performance monitoring becomes an inherently political process.
- *CDM on particular projects simply runs out of energy as the overall program continues.* Great attention is paid at the design stage to setting up the monitoring system. Interest begins to run down as participants run into problems with indicators and data generation. The system plays less and less of a role in decision making as participants lose trust in its usefulness.
- *Capacity development programs are pressured to move beyond cheap and simple monitoring systems.* They try to design ever more complex and comprehensive approaches in order to satisfy external stakeholders who are not conscious of the costs. The CDM system is then loaded on top of conventional activity and input control systems in an effort to exert more management control. More and more indicators are requested. Information overload follows. The monitoring and control overheads of the project begin to eat away at program investments. It proves difficult to extract insight out of all the disconnected information.
- *External funders overestimate the enthusiasm and underestimate the complexity when it comes to promoting learning and experimentation particularly in larger public sector bureaucracies, including their own.* Many country participants see learning and action research as a recipe for self-incrimination and see little benefit in opting in³⁸. Few are interested in discussions about improved processes or organizational learning. Most players lose interest in contributing and the system calcifies and degenerates into a

³⁸ For a fascinating but sobering case study about the pitfalls of establishing a monitoring system in Indonesia, see Ferrazzi and Beier, "Technical Cooperation in M&E System Development: the District Autonomy Pilot Program in Indonesia" *Canadian Journal of Development Studies*, Special Issue, 1997

information-extraction and box-filling exercise designed to keep up appearances. In more situations than is admitted, participants have little, if any, incentive to implement an objective, effective learning system that goes beyond the extractive and the top-down.

- *Participants misuse the information coming out of the measurement system.* Either they manage it in such a way as to disconnect it from the real planning and decision systems that drive the program or else they go to the other extreme and allow it to replace informed judgment and intuition. A balanced and positive role for CDM is never achieved.
- *Participants lose track of the ethical issues involved in CDM.* The system begins to concentrate on extracting information from beneficiaries without any shared agreement about the division of efforts and benefits or the end use of such information. Little effort is made to come to a shared agreement on the values underlying the system. False expectations are raised amongst those who, in the end, receive few rewards for their participation. Donors may not always be able to set a proper balance between extraction and empowerment but they do need to pay more attention to the dilemma.
- *The initial capacity assessment and diagnosis is faulty and the program begins to focus intently on the wrong measures,* e.g. the effectiveness of training programs on a program in which the lack of technical skills is not the main constraint. The system loses a sense of learning and experimentation. Participants cease to ask if they are measuring the right things and they come to quick conclusions about the significance of the information that is produced. A related dysfunction is the sole focus on short-term results in an effort to generate external support in a ‘prove it’ environment.
- *Capacity development programs struggle to turn the ‘project’ format into a useful tool for capacity development.* Most of the conventional practices associated with projects - the log frame, the project ‘cycle’, the feasibility study, the work breakdown structure, the foreign firm as ‘executing agency’ - impose a variety of constraints that are now well-known. Some donors are either shifting to a program or ‘strategic objectives’ approach, altering the mechanical nature of conventional project procedures or else trying to inject more flexibility into these procedures³⁹. In particular, three of the key advantages of the project format - prediction, identification and control - and the associated pre-specified objectives, work programs and indicators need to be supplemented by much greater attention to process consultation, piloting, phasing, incremental planning, learning, reflection, experimentation and adaptation⁴⁰. This, in turn, implies different kinds of monitoring of

³⁹ For an analysis of the ‘new’ project cycle, see Robert Picciotto and Rachel Weaving, “The New Project Cycle” in *Finance and Development*, December 1997. Also Des Gasper, *Evaluating the Logical Framework Approach: towards learning-oriented evaluation*, paper presented to the CAPAM Jubilee Conference, April 1999

⁴⁰ The log frame, for example, works best in conditions of strong central control, clear goals and objectives that are mutually supportive, a shared internal and external understanding about purposes and strategies and a ready supply of reliable information. Its main contribution is to impose order and clarity on programs that already have an implicit internal cohesion and that lend themselves to programming

different kinds of activities.

2.45. No magic solution exists to get around these problems but three approaches seem helpful. First, the effectiveness of the assessment or diagnosis phase and the attention paid to monitoring issues during that phase seems to matter a great deal. Participants need to be persuaded at the assessment stage that monitoring is a useful exercise that can benefit their own work and that of the overall program. The social learning that underpins CDM needs to start at the design stage. Second, capacity development monitoring is clearly not a simple activity that can be introduced into a program with a minimum of effort and planning. In many cases, it is itself an innovation and an organizational change that needs careful design and management to be effective. Different CDM strategies need to be followed at different times to be effective. Third, effective participatory monitoring requires a change in the institutional culture and incentives of most donor agencies. Constraints at the field level frequently have to be addressed at the headquarters level.

What do we need to learn more about when it comes to CDM? What should be the priorities?

2.46. Hopefully, an emerging sense of the issues we need to learn more about will have come out of this paper. In brief, we can summarize the road ahead as follows:

- We are staggering a bit under the complexity of different change strategies, different levels, different entry points. We need more robust and useful frameworks to deal with the systems complexities that now pervade capacity issues. To help in this process, we still need to develop better ways to assess complex organizational and institutional systems. This might include, for example, improved techniques for capacity mapping which are still rudimentary. The DAC work on sector-level approaches will also be helpful.
- We need to know much more about effective operational strategies to encourage both program and societal learning, processes which remain at the heart of capacity development. For example, if programs are to be set up to encourage learning, how should they be designed? How can concerns about accountability and control be combined with those that focus on experimentation and learning? How can the learning process be sustained after the termination of external support? How can information from monitoring be useful to the broader process of learning? This issue - that of the sustainability of the process of learning - is a pervasive one in most countries and one to which the international

and prediction. It is best at highlighting short-term objectives to be achieved by expected ways. And it appears to be of most operational use at the formal design stage of program development. But it tends to break down quickly in the face of complex environments, stakeholder conflicts, unforeseen events and the need for experimental action. Not surprisingly, the log frame reflects many of the private sector assumptions of the 1960s about strategic planning, most of which have been questioned or discarded in the four decades since.

development community should make more of a contribution than it has to date⁴¹.

- We need a much better supply of empirical and case study material that can give us a better operational understanding of the approaches to CDM that have made a real difference at the field level. Most of the discussion about CDM is still at the level of general strategy. More insights into the implementation of CDM's impact on program decision making, team learning, stakeholder support and other facets are still in short supply. We also need more tested techniques in areas such as program and project information storage and retrieval systems that can fit with the needs of more qualitative types of CDM.
- Finally, we need to return to the overworked subject of indicators. In the past, we have spent too much time making endless lists of unconnected indicators whose relevance and use was not clear. But we are getting to a stage at which we can put together examples of indicators that have worked well in particular circumstances, e.g. structural change in new NGOs or improved service delivery in older public sector agencies. Provided they are connected to broader strategies, such indicators can contribute to the discussion at the field level.

3. SUMMARY

3.1. We are entering a new stage in the use of performance-based techniques for monitoring capacity development programs. We are taking approaches designed for use in the public and private sectors in North America and slowly adapting them for use in less structured and in many ways, more turbulent contexts. We are also moving beyond the rigorous, externally-driven approach to monitoring and shifting to a more participant-driven, learning-based model that is designed to encourage self-monitoring. The DAC Informal Network has a key role to play in encouraging these trends.

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⁴¹ For example, a recent publication in the North American learning industry is Peter Senge, *The Dance of Change: The Challenge of Sustaining Momentum in Learning Organizations*, 1999

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