



MONITORING ORGANIZATIONAL CAPACITY DEVELOPMENT EFFORTS

Introduction

This resource complements [ADS 201](#) by providing an introduction to organizational capacity development and outlining good practice for monitoring. It is intended for USAID staff and partners implementing projects and activities that focus on developing the capacity of partner organizations.

Background

Organizational capacity is the ability of an organization to perform and sustain itself over time in line with its mission and objectives. Organizational capacity development is an intentional, collaborative effort to strengthen an organization's processes, knowledge, relationships, assets, or behaviors to improve its performance. Such efforts are often an important part of USAID programming in developing countries, particularly where USAID seeks to support lasting change through strengthening key actors in a selected local system.

While capacity development efforts are prevalent across nearly all of USAID's programming, they are challenging to monitor. Some of the main challenges to monitoring organizational capacity development efforts include the following:

- Measurements of capacity are not always reflective of actual performance.
- Expected changes are not always explicitly clear from the outset.
- A lag time may exist between the provision of assistance and the realization of results; potentially extending beyond the period of implementation, when USAID's monitoring efforts have ceased.
- Capacity development assistance may produce unanticipated results that are difficult to measure or understand.
- There are many factors, in addition to the effects of USAID programming, which can affect organizational capacity and performance – from staff change to new challenges or opportunities to tackle certain issues in communities to shifts in the wider enabling environment. Some of these factors are internal, others are external, but all of them may complicate efforts to determine the size of the effects of the USAID programming.

Measuring Organizational Performance, Not Potential

In order to meaningfully monitor a capacity development activity, a critical first step is articulating the expected results in terms of changes in organizational performance. Typically, this occurs in the theories of change and logic models in relevant project and activity design documents. Generally, USAID engages in capacity development efforts when the strengthening of key organizations will allow them to help solve key development challenges. As a result of capacity development efforts, assisted groups or

MONITORING ORGANIZATIONAL CAPACITY DEVELOPMENT EFFORTS

individuals should become better at certain functions they carry out. In simpler terms, their performance should improve. While improvements to organizational procedures are important, and may be included in programming, it is the change in how organizations perform that really matters.¹

The starting point to effectively monitor organizational capacity development efforts is to focus on the changes in performance of an organization. While it is tempting to measure capacity at an earlier point in the theory of change, in practice it is nearly impossible to identify which process, knowledge, or functional changes will matter. By setting and achieving capacity-related targets, organizations may still miss the important underlying objective of addressing the performance challenges of organizations. For example, the presence of a detailed human resources manual does not necessarily result in employees being better managed, nor does having and following a fundraising plan necessarily result in raising funds.

By measuring organizational performance – that is, how well an organization achieves its stated objectives – these pitfalls can be avoided. Setting targets around what organizations accomplish creates incentives to develop capacity in ways that work for them, rather than adopting cookie-cutter best practices unsuited to their organizations.

How to Plan for Monitoring Organizational Capacity Development Efforts

This resource is organized around four main considerations when planning to monitor organizational capacity development efforts.

- Define and measure expected results, in this case expected changes in performance.
- Monitor for emergent results, or changes in performance.
- Connect activity performance outcomes to project (if applicable) outcomes.
- Consider USAID's contribution to the changes in performance.

To illustrate and reinforce these considerations, examples related to a hypothetical project designed to combat food insecurity are included in each concept. One of the project's underlying activities uses capacity development to create more effective and sustainable farmers' associations that reinforce farmer education and improve value chain linkages. The hypothesis underlying the theory of change is that strengthening farmer groups and associations will lead to more educated farmers who consider farming a business and not just a livelihood, encourage improved production practices and technologies, and build access to new finance mechanisms for farmers. The capacity development activity includes training, peer exchange, and mentoring to strengthen the farmers' groups and associations.

¹ Where USAID funds local organizations, it may require certain changes to organizational procedures based on a pre-award risk assessment. Such changes help mitigate risk to USAID rather than primarily attempting to strengthen the organization's capacity. While these changes can be helpful, they are not a useful way to set priorities for capacity development nor do they measure progress in that regard.

DEFINE AND MEASURE EXPECTED CHANGES IN PERFORMANCE

It may help to think of performance in both the short-term and long-term, each with different expectations on what performance improvements would look like. In the short term, USAID expects to see changes in the everyday actions and accomplishments of organizations – their reach, cost effectiveness, quality of services, etc. In the long term, USAID expects that the organizations it works with will be important players in tackling development challenges long after a project or activity ends. Therefore, in the long-run, their clients or constituent connections, reputation, social capital, and learning revolve around how well the organizations adapt and thrive.

Expected changes in performance should come from joint priority setting with the partner organizations. At high levels, performance change may be reflected in project and activity designs that come before conversations with local partners. However, it is critical that USAID staff revisit those expectations with the partner receiving assistance to validate and refine them. If possible, partners should participate in co-defining specific expectations around results. Once the appropriate expectations have been established, USAID and implementing partners should select the corresponding indicators and include them in Monitoring, Evaluation, and Learning (MEL) Plans. Potential performance areas to monitor may include: number of clients reached, quality of services provided, or trust in organization’s leadership by others in their network.

Short-term vs. Long-term Performance

For a think tank, short-term performance improvement might be reflected in an increase in the quality or quantity of policy briefs produced. In the long-term, performance improvement may be indicated by increases in media organizations or universities looking to learn from or engage with the think tank.

For an advocacy NGO, short-term performance may be measured through the number of issue references in political campaigns or attendance levels at sponsored events. Long-term improvements may include greater influence in national or regional networks, greater trust among those they champion, or more diverse sources of funding.

Government Organization Performance

Government organizations often do not fully control their own performance areas, where they are nested in broader sets of actions and incentives. For example, a government training agency may not control its hiring process or its procurement options, and so aspects of its performance may not be under its own control.

For this reason, it is particularly important when supporting capacity development of governmental partners to validate selected indicators and ensure that expected performance change is feasible based on the interventions being undertaken.

For more on monitoring of partner government performance, see [Monitoring & Evaluation for a G2G Agreement](#).

It takes time for capacity development assistance to change actual performance. After determining the appropriate monitoring approaches, including selecting performance indicators, teams will need to take baseline measurements and set performance targets. Targets should reflect an appropriate lag time for capacity development efforts to yield change. Targets should be discussed and verified with the organizations receiving assistance, to ensure they are appropriate and realistic.

Tools for assessing or measuring overall organizational capacity are frequently structured as indexes or maturity models of qualitative or quantitative indicators across several functional areas. It’s important to adhere to instructions for using these tools, which frequently caution against aggregating the resulting scores.

In the example of capacity development for farmers’ associations, the Activity MEL Plan (AMELP) includes indicators monitoring the percentage of association costs borne by smallholder farmers’ fees (a metric related to sustainability) and the number of farmers linked with finance or marketing services by the associations (a metric related to

MONITORING ORGANIZATIONAL CAPACITY DEVELOPMENT EFFORTS

effectively serving members). These specific indicators would be complemented by the use of the Organizational Performance Index (OPI) as an annual assessment of farmers' associations. OPI is an index indicator used in multiple Missions to measure both short-term (effectiveness and efficiency) and long-term (relevance and sustainability) performance – for more, visit the [Organizational Performance Index Measurement Tool](#) on USAID's Learning Lab. Both the farmers' fees and linkages with finance or marketing indicators listed above would be reflected as part of the OPI scores for each farmer association, but are important enough to track on their own.

MONITOR FOR EMERGENT CHANGES IN PERFORMANCE

USAID staff and partners need to prepare for the unexpected. It is important for our organizational capacity development efforts to prepare our partners to achieve development results in an ever-changing world. A highly effective organization is one that contributes to development results despite shifts in the system or context in which it works. An emphasis on adjusting to dynamic context is generally what differentiates organizational capacity development from training.

But this is a real challenge for monitoring – if we are equipping partners to deal with an uncertain future, how can we plan in advance to monitor that? This requires that we ask “what organizational behaviors and related outcomes were stimulated by our programming?” rather than “did X happen?” Monitoring approaches should capture partner adaptations to changing context and emergent outcomes (positive and negative) that may have been caused or influenced by our support. Some examples of techniques for these types of questions can be found in the [Complexity-Aware Monitoring Discussion Note](#).

In our example of farmer association strengthening, the AMELP will conduct semi-annual qualitative reviews with each supported farmers' association. By exploring shifts in context identified by the associations themselves, the activity manager can better understand how supported associations made adjustments to address the unexpected. The particular questions to ask should be ones that help us to understand partner adjustments, but also offer value to the partner organizations by providing them with opportunities for reflection.

A Note on Qualitative/Quantitative Measures

Capacity development tends to lean somewhat more on qualitative than on quantitative metrics because of how broad it can be, with many numeric scores coming from indices and maturity models that translate qualitative benchmarks into numbers. That said, there are often important quantitative metrics that an organization is already tracking – the number of clients served or satisfaction rates, e.g., – that can be used as important indicators.

Having a mix of both is considered ideal: too much reliance on 1-2 key quantitative measures can distort the focus toward those at the exclusion of lots of other important performance areas, but relying only on qualitative measures can divorce improvements from tangible outcomes.

For example, the farmers assisted by associations might initially have chosen to grow more vine fruit. However, after receiving detailed feedback from members and markets, they pivoted to focus on using better fertilizer to grow higher-quality root vegetables, building linkages to that value chain. Our investment in outreach and analysis has, in part, improved associations' decision-making.

CONNECT ORGANIZATIONAL PERFORMANCE OUTCOMES TO PROJECT OUTCOMES

It is important to connect the organizational performance results articulated in the AMELP to a key result in the Performance Management Plan (PMP). Without a clear connection, even if investments in organizational capacity improve an organization's performance, the Mission may struggle to answer the question “so what?” and struggle to define the broader significance and value of those investments. The

MONITORING ORGANIZATIONAL CAPACITY DEVELOPMENT EFFORTS

PMP includes plans to monitor key outcomes at the project level (if applicable) and intermediate results with a lens wider than any single activity, in this case, smallholder farmer income. It is important to link the expected performance changes we monitor at the activity level to the ultimate development outcomes we hope to achieve with our partners. Even if the project logic is quite clear on this, it is still useful to incorporate expected changes into monitoring efforts so that as we learn at the activity level we can validate or adjust the programming for the overall project. To establish these linkages, it is necessary to: 1) measure that organizational performance is improving, 2) measure appropriate project outcomes, and 3) measure change in the system (i.e., the context) of which the organization is a part to show how the organizational performance change is linked to the project outcomes. Similarly, for the partner, it's important to link the performance changes to their strategic goals and objectives.

Deliberately connecting the measurements from organizational capacity development achieved through activities to the project purpose and its key outcomes allows us to accurately reflect findings at each level (rather than just assume them) and practice more adaptive management. It helps us revisit and update our theory of change that ties organizational performance improvement to the wider project purpose.² Opportunities to examine these connections in the project logic can be incorporated into the PMP and AMELPS as part of pause and reflect moments.

In our hypothetical example with farmers' associations, the key project purpose is to increase smallholder farmer income for both men and women, and small and large farm size. If we are seeing performance change in farmers' associations, but smallholder farmer income for female-headed households remains static, it may indicate either a challenge in the original project logic (farmers' associations may exclude women in practice) or a challenge in the activity design (more mentoring and coaching may be needed to specifically address outreach to female farmers).

CONSIDER USAID'S CONTRIBUTION TO CHANGE

In capacity development, as in most USAID interventions, there is always the question of whether the changes we see are because of our interventions. This is both in the performance change of organizations, and the relationship of that performance change to project outcomes. Usually, answering the first part of the question (at the organizational performance level) requires that we plan to ask the organizations we are assisting about the changes that the capacity development is leading to. Missions are advised to consider carefully the extent to which plausible claims can be made about causal linkages from USAID interventions, to organizational change, to project outcomes, and sustainable systemic change.

In the farmers' associations example, regarding the first question about the relationship of USAID interventions to organizational performance, we might plan to survey a sample of farmers' associations every six months to see how their operations are changing. We can also ask the associations which of the capacity development activities they think are working, how they know, and which ones they see as most important and why. This simple information can be used both as feedback on the service providers – i.e., the mentors and trainers – and to get a sense of how the capacity development activities are working. The information can also point to other factors you might be monitoring with context indicators (such as changes in market prices or rainfall) that may explain the farmers' associations' shifts.

Regarding the second question about the relationship of organizational performance to project outcomes, surveys and qualitative data gathering from farmers, traders, seed sellers, exporters, and

² For more on the link between specific activities and project purpose in a logic model and theory of change, see the How-To Note on [Developing a Project Logic Model \(and its Associated Theory of Change\)](#) on Learning Lab.

MONITORING ORGANIZATIONAL CAPACITY DEVELOPMENT EFFORTS

others in the value chain can provide rich data on how the market is changing. With that data, USAID and its partners can analyze which market changes seem related to the performance of farmers' associations. This helps USAID understand the contribution of the capacity development work to the broader change in the market system. In this example, we would try to triangulate to what extent changes in what farmers grow, their growing practices, or their income from selling those goods is related to the outreach, linkages, and demonstrations that we know the farmers' associations are doing. Note: evidence of contribution based on monitoring data is rarely definitive – if 20% of exporters point to farmers polishing fruit differently as an important change, and the associations worked on that skill, is that significant? What if only 5% give that answer? What if seven other changes in farmer practice were considered to be more important by more exporters? Even if the evidence is not definitive, systematically exploring and analyzing evidence of contributions can help us to make judgments about whether the capacity development activity is “working” with more precision.

Conclusion

By following these four considerations, you can better monitor organizational capacity development. Monitoring capacity development properly entails more techniques than output counting, but it can be cost efficient to collect and invaluable for managing the activity adaptively. Your monitoring data will become more useful for reflecting and adjusting programming in partnership with those you are supporting. Your monitoring will help pinpoint whether and how this activity is contributing to the project outcomes and sustainable change, and will contribute to broader organizational learning about how we can best strengthen local capacity.

HOW CAN I LEARN MORE?

- › [Measuring Organizational Capacity](#) (including an annotated biography)
- › [Capacity 2.0](#) - Comprehensive material on the latest USAID approaches to capacity development. ([Resource for internal audiences](#)).

Find the full Monitoring Toolkit on [Learning Lab](#) (for external audiences) and [ProgramNet](#) (for internal audiences).

For more information, please email us at mande@usaid.gov