The Capable Partners Learning Agenda on

Local Organization Capacity Development

New Directions in

Local Capacity Development:

Embracing a Systems Perspective

LCD Learning Agenda Root Change Findings Report

November 2013

ROOT CHANGE

PATTERN BREAKING STRATEGIES

TABLE OF CONTENTS

I. INTRODUCTION TO THE STUDY

Recent years have witnessed a considerable surge of interest in capacity development and a renewed focus on the importance of a strong civil society. This has led many to invest substantial sums in efforts to strengthen local organizational capacity. The Paris Declaration (2005), the Accra Agenda for Action (2008), the Busan Partnership for Effective Development Cooperation (2011), are all indicative of a global consensus to move local capacity development to center stage. The problem is that no one knows precisely which capacity development (CD) initiatives work best, when, and why.

Over the last half-century, financial and human investments in the development sector totaling billions of US dollars have created a massive expansion of structured citizen activity outside the boundaries of the market and the state. One result of this is that, today, small and medium-sized civil society organizations (CSOs) worldwide have extensive opportunities to network and to grow.

Will CSOs manage their growth effectively, meet rising expectations, and avail themselves of these opportunities? Or is the development sector hopelessly stuck, unable to rethink what aid agencies do and how?

Ben Ramalingam (2013) in his work *AID on the Edge of Chaos* argues that, "Among the visions that are regularly set out by the highest echelons of foreign aid, there is not nearly enough reflection on *the way we think and act."* The focus has been on technical fixes and "spin" instead of substance. A OECD 2011 assessment of development progress after the Paris Declaration reinforces this view, finding that although capacity development has been recognized as an urgent priority for decades, progress has been hampered by "quick fixes" and bureaucratically engineered solutions. Capacity development practice, our interventions, strategies and implementation models have not changed much since the mid-1990s.

Root Change's work for the USAID Learning Agenda on Local Organization Capacity Development (LA), corroborates the main finding from the LA fieldwork – foreign assistance has largely ignored the emergence of complexity-informed approaches to the aid challenge, and in particular, capacity development. Instead of acknowledging the systemic problems of our current system, much of our present-day capacity development practice is built on the assumption that we can fix things by doing "the wrong thing righter" (Ackoff , 1999). According to Ramlangan (2013), "the pronounced tendency to do the *wrong* things *right* reinforces the 'second best' nature of aid solutions."

As we demonstrate through this study, the "wrong thing" is a preoccupation with management-centered capacity development. Leslie Crutchfield and Heather McLeod Grant (2008), who surveyed thousands of nonprofit CEOs and conducted over sixty interviews, concludes "Better management practices can create only incremental, not breakthrough, social change." Their work, and the influence of a growing community of researchers, writers, and practitioners calling for "ecologically literate approaches to thinking and acting" (Schabbel, 2007) has still not penetrated into the policy and practice of today's largest bilateral and multilateral donors and international development agencies. While internal systems and management practices contribute

to an organization's "capacity," they do not, in and of themselves, represent capacity. High capacity organizations make a significant difference in the lives of the individuals and communities they serve. They *achieve* impact. How well an organization engages in the communities they serve, how much they prioritize making connections, leverage resources and knowledge within their network, and adapt to their ever-changing environment, are under-appreciated "higher order" capacities that contribute to an organization's ability to achieve impact in their work.

A review of nonprofit literature over the last 30 years gets us no closer to understanding how to move towards ecologically inspired approaches. In the 1980s, most writers and practitioners concentrated on how to build and sustain a budding nonprofit *sector*, while very little attention was paid to *organization-strengthening*. In the 1990s, attention shifted to organizational capacity as a means of delivering services more efficiently and effectively. Practitioners embraced this development and looked into ways that organizations could build *effective operations* to scale their impact. Nonprofits naturally looked to the private sector for lessons. These years coincided with a wave of democracy assistance initiatives led by the United States and many European countries, which renewed interest in fostering civil society.

Alongside this focus on internal management and effective operations of the organization, a different view, energized by systems-thinkers, was growing and argued that organizations are no longer about "four walls," but are embedded within, and change, entire systems. Capacity development, they argue, is holistic and looks at organizations in relation to the larger ecosystem in which they are embedded. Ecosystems include partner organizations, policy-makers, external stakeholders, funders, and, of course, community actors whose lives are affected by an organization's activities. This view sees individual, organizational, and network level capacity emerging *from* and experienced *through* interaction. These interactions include exchanges among people from within organizations (internal stakeholders) as well as exchanges that link internal and external stakeholders (Levinger and Bloom 2011).

Root Change, in conjunction with the USAID Learning Agenda on Local Organization Capacity Development, set out to better understand the systems view and the importance it places on intangibles, such as trusting relationships and tapping into the power of social bridging and bonding social capital. Four questions emerged from our deep engagement with the topic:
- How is capacity built at the local level, and how does foreign assistance influence the process?
- Under what local circumstances, if any, is the management-centered approach effective at creating sustainable organizational capacity?
- What capacity development practices have the greatest positive and negative effects on organizational development outcomes?
- How can weaknesses in our practices be addressed, and how can strengths be leveraged?

One of the most important ideas contributing to our understanding of organizational effectiveness is the notion that individuals and organizations are embedded in thick webs of social relations and interactions. An organization's social capital refers to a network of relationships that yield benefits to those who link within a community of peers. The benefits of organizational social capital flow from trust, reciprocity, information exchange, and the norms of

cooperation that are embedded in these relationships (Sagawa and Jospin 2009). The findings presented in this report reflect new insights into just how critical social capital creation is to a full understanding of how capacity is developed.

Organizational network analysis (ONA) techniques used in the study highlight the importance of these relationships between actors who include funding agencies, local NGOs (LNGOs), international NGOs (INGOS), government, and private sector entities. The promise of this systems-oriented approach is that it can be used to combine qualitative data about organizational capacity, with a deeper understanding of an organization's ties and linkages. Too often, problems seem pattern-less or unconnected, and therefore subject to independent and uncoordinated remedies. As the study will show, structural problems within the LCD ecosystem – such as *preferential attachment* to core actors, *insularity* of organizational cliques, and the *power* that financial transactions hold over collaborative behavior are all correlated.[1] A "treatment plan" that targets one problem, for example NGO insularity, might have a negative impact on other system-forces. As we hope to show, there is a common misconception that we can treat each individual developmental ache and pain as a separate problem unrelated to fundamental systemic forces.

II. RESEARCH METHODS

When we first began our research, our plan was to lead a systems-oriented inquiry using organizational network analysis (ONA) to better understand how the local capacity development ecosystem in Nepal and Tanzania impacted capacity development outcomes. For the study, we created an online network analysis platform, called Capacity Connect[2] to map and explore the viability of the capacity development ecosystems in both countries.

As networking is transactional, we identified "collaboration areas," or critical domains where actors are partnering, and arrayed them along a capacity development value chain. Capturing the value generated along the capacity development chain is a potentially powerful approach to understanding the development of a "value system." This allowed us to examine capacity development along a continuum of value-adding services such as program design, implementation, program evaluation, and scale-up. We found this approach particularly helpful in detecting where organizations that provide capacity building services maintain competitive positioning, and where networks can confer the greatest advantage in the capacity development value creation process.

Before we could map the capacity development ecosystem using ONA, one of our first challenges was to identify a capacity development value chain for a sector that has no agreed-on metrics or consensus value system. Defining the value system for the business world, described and popularized by Michael Porter (1985), is a lot easier. Porter's framework has made its way to the forefront of management thought as a powerful analytical tool and the concept has been extended beyond individual organizations to include industry-wide synchronized interactions of
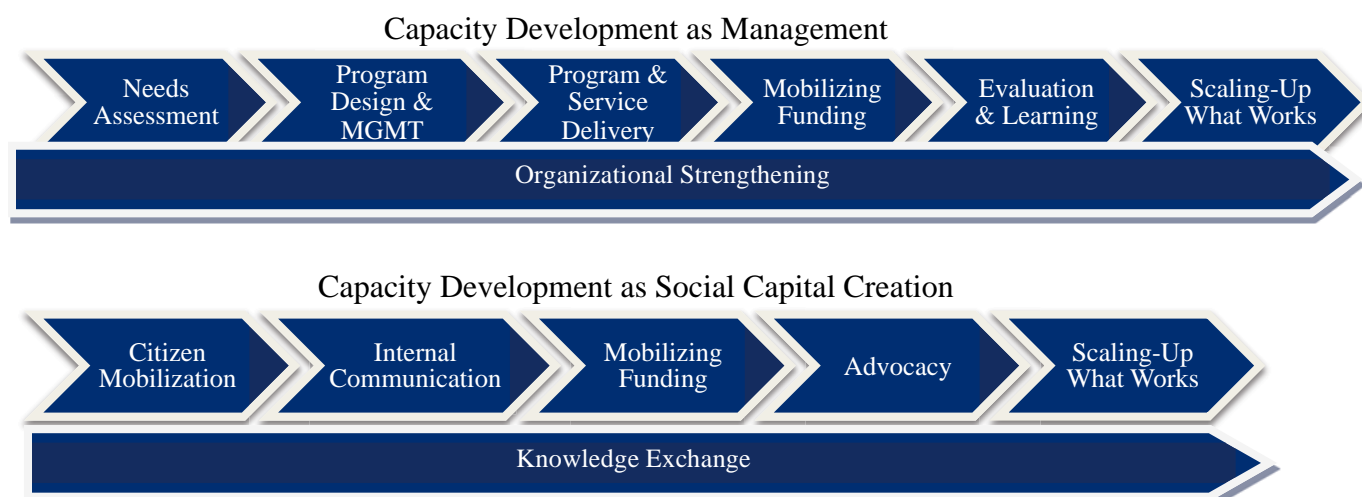
---

[1] Actors that have the most ties to other organizations we call "core."
[2] www.capacityconnect.org; Guest Login, Email: capacityconnect@rootchange.org, Password: capacityconnect

local value chains. Porter terms this larger interconnected system of value chains the "value system."

With no universal definitions of capacity development, we decided to test two very different value systems. In Nepal, we mapped a value chain for capacity development associated with traditional project management and organized around the assumption that management competence is key to achieving impact. In Tanzania, we mapped a capacity development value chain built on research presented by Leslie Crutchfield and Heather McLeod Grant in *Forces of Good* (2013), which demonstrates the positive effects of combining service delivery with advocacy, and citizen mobilization efforts. This value chain is organized around the assumption that networking behaviors and a systems perspective will assist local organizations to achieve impact. We hypothesized that these two differing value systems would best represent the two competing mindsets – management vs. networked – that shape current practice.

Diagram 1. Two Competing Value Systems: Management vs. Network Mindset

Capacity Development as Management

| Needs Assessment | Program Design & MGMT | Program & Service Delivery | Mobilizing Funding | Evaluation & Learning | Scaling-Up What Works |

Organizational Strengthening

Capacity Development as Social Capital Creation

| Citizen Mobilization | Internal Communication | Mobilizing Funding | Advocacy | Scaling-Up What Works |

Knowledge Exchange

In Nepal, where we mapped the "management-centered" value chain we asked questions like: *Which organizations or institutions have you gone to in the last six months for technical support on strengthening your operations, such as your organizational strategy, human resource development, or financial management?*

In Tanzania, where we mapped the network-centered "social capital creation" value chain we asked questions like: *Who do you go to for ideas and information on how to improve your internal communication and coordination with internal stakeholders and partners? Who do you go to for advice on how to mobilize citizens and volunteers?*

Participants in both Nepal and Tanzania used Capacity Connect, an online network mapping platform created by Root Change, to respond to survey questions for the study. The Capacity Connect platform captured in real-time relationships, or connections, across local and international actors working in both countries and revealed how various actors exert their influence.

With support from FHI-360 and Pact in Tanzania and the National Institute for Develoment Studies in Nepal, as well as contacts developed through prior Learning Agenda Fiedwork, we established a list of local and international development organizations serving as CD leaders. These country-level actors were invited to participate in the study and join the Capacity Connect platform. Once invited, participants mapped their relationships with others in the ecosystem through simple network surveys. Each network survey asked which of the identified actors they go to for information, ideas, resources, or support for each of the collaboration areas. Participants were given the opportunity to identify additional local and international organizations and institutions (not on the "official" list) that they work with to strengthen their operations and programs. Each organization had the option of inviting these actors to Capacity Connect and to send them an automatic email to join and map their relationships. In this way, Capacity Connect was able to virally map relationships of actors working in the capacity development ecosystem.

Root Change organized and convened two participatory workshops for this study, which were attended by practitioners from across the civil society sector in Tanzania and Nepal, representing, NGOs, capacity development service providers, INGOs and donors. At the events, participants explored the milestones and key events impacting civil society in Tanzania and Nepal over the last 20 years at the national, NGO sector, and organizational level. This activity was used to understand and contextualize civil society "lifecycle" factors, including major successes, setbacks, and general lessons learned in local capacity development. An emphasis was placed on understanding the role INGOs and donors play in supporting the capacity development (CD) agenda in both countries. Root Change also devised a series of activities and administered surveys to determine current CD priorities and common practices.[3]

During and immediately after our fieldwork, we were struck by the significant contextual, political, and developmental differences between civil society in Nepal and Tanzania. By the time the team had finished work on two descriptive historical timelines documenting what we had heard in Nepal and Tanzania, we realized that foreign aid, like individuals and organizations, has a lifecycle of its own. Due to recent conflict and civil war, Nepal's ecosystem of donors, INGOs, LNGOs, government and private sector actors looked very different from Tanzania. Nepal was much more representative of a *nascent* foreign aid ecosystem. While we discovered dozens of Nepali NGO and CSO actors through network analysis, many of them were disconnected from funders and international agencies. Most were isolated or participating in very small clusters of collaboration with only a few connecting to central and influential actors. In Tanzania, we saw a foreign aid ecosystem greatly influenced by funders and their INGO surrogates. We called this ecosystem *aging* to indicate how hard it has become to revitalize or change the systemic factors that have taken hold and now constrain its development. In sharp

---

[3] In Tanzania, participants formed teams to determine how they would allocate resources (one million dollars) in order to design ideal capacity development programming. Participants were then introduced to new research in the education sector on effect size, discussed a list of CD practices, and then ranked them in terms of effectiveness of "what works" in Tanzania. In Nepal, this activity was modified. Four capacity development scenarios were presented and participants rotated through each scenario "station" for 10-15 minutes to discuss and refine these proposed initiatives. Participants were then asked in plenary, which of the scenarios they thought would be the most promising.

contrast to Nepal, most Tanzanian NGOs and CSOs were supported by international patrons and very few were participating in clusters of collaboration without the presence of INGOs or funders.

These observations about lifecycle helped redefine the parameters of our analysis. Using the ONA data collected in Nepal and Tanzania, we chose to explore how capacity development interventions perform along a continuum of foreign aid lifecycle stages: nascent, midlife and aging. This involved a five-phase process:

PHASE I: IDENTIFICATION OF A REPRESENTATIVE MIDLIFE COUNTRY ECOSYSTEM

Nepal and Tanzania represented two lifecycle extremes: nascent and aging. We needed a third country, one that would be representative of a midlife country ecosystem for the study. After consideration of several countries and a review of collaboration patterns from ONA data, the team chose Serbia. Since the fall of Slobodan Milosevic in 2000, Serbian civil society has received considerable support from foreign aid sources. The ONA data indicated that the role of international agencies, while significant, was not as entrenched as in Tanzania. These attributes fit our criteria of midlife perfectly.

PHASE II: IDENTIFICATION OF PERFORMANCE CRITERIA

Root Change used the following metrics in **Table 1** to analyze network data collected with Capacity Connect.

Table 1. Network Analysis Metrics

Cluster / Network Density: Density is useful as a metric to compare contact networks and to monitor changes. The higher the density, the more connected the system of actors. Density is calculated by dividing the actual number of linkages to and from actors by the total number of linkages that would exist if every actor were linked to every other member.

In-Degree / Out-Degree: Actors with high **in-degrees** scores are those actors to which a large number of others report linkages. These are network "resource hubs" and frequently serve as opinion leaders. Actors with high **out-degrees** scores are those who report having large numbers of linkages with other actors. These are the most "active networkers" and promoters.

Betweeness: A variety of metrics help determine network betweeness. These are actors who provide a unique bridge between different institutions across a network. These actors are powerful "connectors," with the potential to integrate peripheral actors and information sources into the system.

Centrality: Numerous metrics have been used to determine "central actors" in the study. Central actors often occupy important positions of prestige and visibility and may be influential in the spread of ideas and behaviors.

Clique/Small World: When a cluster of connectivity forms around a community structure, "cliques" appear. Empirical evidence indicates that actors who belong to the same clique will engage in similar behavior and will share common resources.

By applying these metrics, we were able to draw conclusions about how bonding and bridging social capital is evolving between local and international actors in Nepal, Serbia, and Tanzania. We identified intense clusters of connectivity or cliques, spotlighted key resource hubs, and identified the most active networkers. Finally, we were able to explore micro (organizational) and macro (system-wide) networking behaviors, in search of biases, "bad habits," positively deviant strategies, and triggers of change.

PHASE III: MODELING OF CAPACITY DEVELOPMENT INTERVENTIONS

Because we were interested in testing the effects of capacity development approaches drawn from both the management and systems mindsets, we created four capacity development intervention scenarios. This included assumptions about the implementation of the most prevalent capacity development template since the mid-1990s, which we and the LA refer to as the "standard package." The standard package incorporates four main components: (1) An Organizational Capacity Assessment (OCA), (2) small targeted capacity development grants, (3) technical training and assistance, and (4) a pre-award assessment and audit. Each intervention scenario was modeled as a two year program using data from each of the three life cycle stages: nascent, mid-life and aging. In this way the research team was able to determine under what stage capacity development interventions were most likely to have the highest and lowest effect.

PHASE IV: DETERMINING EFFECT SIZE

Root Change used effect size to determine which interventions had the greatest potential to catalyze a higher return or impact. John Hattie (2012), through his work on *Visible Learning*, demonstrates that effect size is an extremely useful method for comparing results on different measures including standardized assessments and facilitator-made tests. His evidence-based study is a culmination of 15 years of research on student achievement and what works in teaching.[4]

One of the most important conclusions drawn from Hattie's research on effect size in teaching held true for capacity development programming in Nepal, Serbia, and Tanzania: almost 100% of CD practices scored by local practitioners had positive effect sizes on achievement. The Root Change team borrowed from the playbook of *Visible Learning* and chose to be far more discriminating by calculating an average effect size for each intervention scenario. Any effect size larger than the average gain for an activity was considered noteworthy. This method provided a logical baseline that could be used to better determine which investments would catalyze a return that is better than average. To do less, Hattie argues, would drive us to the erroneous conclusion that "everything works."

We were determined to calculate effect size for both the underlying structural factors that influence local capacity development as well as the micro-characteristics of how organizations or consultants actually deliver capacity development services. We hypothesized that good LCD practice requires both optimal design and optimal implementation. To better understand what is

---

[4] Study involved 800+ meta-analyses of 50,000 research articles, examination of 150,000 effect sizes, and about 240 million students across multiple countries (Hattie 2012).

"optimal design" for LCD, we subjected our four intervention scenarios to a series of tests and calculated each of their effects sizes to see how they perform in nascent, midlife, and aging foreign aid ecosystems.

To better understand the effect size of capacity development implementation, the research team initially selected 16 practices from more than 180 documented teacher practices in *Visible Learning*. Selection was based on a consideration of practices that were judged to be highly relevant in organizational capacity development. Through a survey delivered at each of workshops in Nepal and Tanzania, participants were asked to rank which of these activities they perceive to have high, medium, or low impact on local organizational capacity development in their country. Participant scores were converted into an effect size, and an effect size average was calculated to determine which activities have the potential to catalyze learning and capacity development. Later, the initial 16 practices were weaned down to 10 practices that the research team observed had the highest item reliability (most widely understood by participants) and which had the most obvious cross-over to organizational capacity development.

PHASE V: PATTERN IDENTIFICATION AND TESTING

Lastly**,** we analyzed all the data collected through the three country case studies, ONA mapping with Capacity Connect, effect size surveys, focus group discussions, and historical timelines. As patterns emerged, we engaged in an iterative process of testing ideas and research questions against the data, such as: *What is the impact to the LCD ecosystem when you choose 10-15 organizations as core partners and stick with them over 2 years? What models work best in nascent LCD ecosystems? What are the most promising ways funders might try to reverse dependency on international actors?*

This iterative process helped us refine our thinking, and led us to a new hypothesis about the need to rethink the roles of international NGOs and funders. Perhaps most important, we began to see a clear picture of just how embedded we as international development actors are in the LCD ecosystem and how much we impact local choices, influence system-wide power dynamics, and control the terms of engagement.

III. THE CAPACITY DEVELOPMENT STANDARD PACKAGE

The standard package, the common model for developing capacity by international donors for the last two decades, has focused on training an organization's staff and volunteers in techniques designed to strengthen internal managerial systems. This focus on optimizing management systems and practices – not the impact of their programs and services – has produced disappointing results. Since the 1990s, the management perspective has almost always taken top billing, along with the majority of the capacity development program budget. Over the years, the "standard package" has evolved into a capacity development template that is comprised of four main components: organizational capacity assessments, small, targeted capacity development grants, technical training and assistance and pre-award audits. Regardless of geography, local context, socio-economic level, or cultural traditions, this standard package has become a ubiquitous feature of INGO and donor capacity development efforts worldwide.

We, along with the Learning Agenda, describe this managerial approach to capacity development reflected in the standard package as *Capacity 1.0*. Capacity 1.0 is a highly idealized, normative theory that well managed organizations with strong administrative systems are able to respond consistently to the everyday challenges they face. In reality, very few organizations are even able to achieve this idealized level of efficiency and accountability. For the few that do, these organizations are not necessarily the most gifted at creating and maintaining a "can-do culture" of committed staff that collectively achieve sustainable social change, particularly in response to challenges arising from new contexts.

We have seen how organizations are forever addressing complex, novel challenges for which tried and true solutions are either unavailable or of questionable utility. The organization that can effectively deal with complex challenges has much more in place than sound administrative systems. *What does the Capacity 2.0 organization look like?* It might have effective systems, policies, and procedures (the core Capacity 1.0 attributes), but most importantly it must be adaptive and well prepared to function in a messy world of rapid change and complexity.

The Capacity 2.0 organization focuses outwardly and cultivates extensive stakeholder involvement. It emphasizes impact through entrepreneurship, brokering, leveraging resources, partnering, advocacy, and networking. The goal of the Capacity 2.0 organization is to generate iterative breakthroughs that respond to the priorities of poor or vulnerable populations.

Capacity 2.0 organizations understand that there is no panacea for organizational longevity. They are not immune to losing key staff or the hubris of personal ambition. Real world organizations operate in unpredictable and often messy environments. Some thrive for a while, but eventually fade away in spite of their energetic networking. What distinguishes the Capacity 2.0 organization is that it takes measures to build resiliency by investing in social capital (bonds of trust and connection) both internally and externally with other partners and actors. *Internal social capital* helps the Capacity 2.0 organization to attract and retain gifted personnel. *External social capital* allows the organization to affect change through productive alliances with supporters, policy-makers, colleague organizations and – most importantly – the people served through their programs. An organization with extensive social capital is more likely to enjoy a network of committed staff, donors, volunteers, and friends who provide access to other social networks. These networks can lead to other essential forms of capital (financial, human, and political) that allow the organization to increase its influence and impact.

INSIDE THE STANDARD PACKAGE "BLACK BOX"

Over the course of the study, the research team informally asked colleagues and leaders who work in development and are familiar with capacity development practices if they can identify the origins of the "standard package." While everyone instantly recognized the prescription, no one could fully explain how it has come to dominate as a development blueprint.

The standard package starts with an organizational capacity assessment to determine the needs of an organization. Organizational assessments come in many shapes and sizes including traditional

assessments by outside "experts," self-assessments, and customized, evidence-based self-assessment. Each differs in terms of who does the assessing and what form the process takes.

Once the organizational capacity assessment is completed, implementation shifts to the "get well plan." This often includes technical support and training opportunities for a core set of organizations that are referred to as "partners." The number of local partners selected to receive capacity development vary between 10 to 15 on average. They are sometimes identified prior to project start-up or are identified as part of an explicit start-up activity. Early in a project, all selected local partners are likely to participate in a *mock pre-award survey* (NUPAS, or Non-U.S. Organization Pre-Award Survey).[5] This is akin to a friendly internal audit, with representatives from the lead international NGO reviewing administrative and financial systems. Training and technical assistance (TA) are then often tailored to NUPAS "gaps," which might include human resource management or financial management training. Counterparts from the INGO administering the project may also meet with local partner NGO peer-colleagues to provide TA, new tools, and coaching.

Efforts to promote demand-driven capacity development come in the form of small capacity development grants. The maximum size of a grant available to core partners will vary depending on the length of the program, the number of core partners and overall program funding levels. A general range of $30,000 to $150,000 for each partner over the life of the program is relatively common. The nature and focus of the grant requests are fairly predictable and include seminars and workshops in fundraising, technical coaching from local or international consultants, study tours, and resources to purchase and implement new technology or software.

As the end of project nears, core partners are formally "audited" through pre-award surveys to assess if they are in compliance with donor regulations and are eligible for direct funding. "Graduation rates" become a badge of honor for INGO and LNGO alike. See **Table 2** for a description of the standard package components.

---

[5] Non-U.S. Organization Pre-Award Survey Guidelines and Support: Additional Help for ADS Chapter 303. USAID. 2012. PDF. See: http://www.usaid.gov/sites/default/files/documents/1868/303sam.pdf

Table 2. Standard Package 1.0: The Capacity Development Template

Activity	Capacity Development Hypothesis	Description
Organizational Capacity Assessment (OCA)	Local organization assessments of management and operational capacity will help to identify needs and will lead to better projects and programs.	LNGO leadership and staff assess their management and operational capacity through a survey. The assessment may be externally facilitated or administered or self-assessed. Indicators are derived primarily from a proscriptive of ideal practices and in some cases supplemented by customized indicators. Staff are then presented with results and engage in a discussion of the findings. This analysis helps the team to identify priority areas for improvement and create an action plan to develop their internal management and operations.
Training and Technical Assistance (TA)	Local organizations require a set of core (normative) competencies which can be effectively transferred through training and technical support.	Local and/or international consultants are contracted to train staff and provide assistance in a technical area of organizational management or operations, such as financial accounting and management, human resource management, project management, monitoring & evaluation, fundraising, constituent relations, and communications and outreach. Training and TA is usually delivered as seminars and workshops to 1-2 participants representing each of the "core partners." Occasionally, training is administered as a residential program that continues over one to two weeks.
Small Capacity Development Grants (~$150,000 USD)	Demand-driven tailored grants to local organizations allow for some level of customization and help develop ownership in the CD process.	Local organizations, after prioritizing areas for improvement, receive targeted grants to fund technical training, seminars, workshops and coaching from local or international consultants, study tours, and/or to purchase and implement new technology or software system. Grants provided for capacity development are usually contingent upon the local organization undergoing an organizational capacity assessment.
Pre-Award Assessment and Audit	A leading indicator of project impact is the number of local organizations that "graduate" and are approved for direct funding from international development donors.	Local organizations at the beginning of a program undergo a *Pre-Award Assessment*, which evaluates an organization's internal financial management capacity and determines if key financial systems, policies, and procedures are in place. In taking the pre-award assessment, organizations can identify early on priority areas they will need to improve in order to pass a *Pre-Award Audit*. The final audit occurs at the end of the capacity development program, and determines if an organization has achieved the financial management capacity needed to administer a large program from an international development donor. In successfully completing a pre-award audit, local organizations are considered to have "graduated" and are eligible to compete for direct funding.

The story of how a capacity development blueprint came to dominate appears to be a mystery to the very people who are responsible for implementing it. Steeped in the mechanics of the standard package for at least the last 20 years, development workers routinely recreate the model without asking why. One explanation for our blind faith in the standard package may be a result illusory correlation. When Root Change asked local Nepali, Serbian, and Tanzanian development practitioners to rank how effective they perceived over a dozen common CD practices, everything was ranked with at least some nominal positive effect. Just exactly what positive change is attributable to independent learning, the facilitation methods or the actual project intervention is unclear. Development practitioners see *just* enough positive effect to embrace their favorite models, even if these practices are below the average of alternatives approaches.

Another reason for our over-reliance on the standard package is our bias towards tidy, normative models. We imagine the standard package offering us a comprehensive recipe for "failure-proofing" local institutions. In a risk-averse environment, the standard package is a safe and compelling proposition even if it fails to offer a realistic appreciation for how societies and institutions develop or how external finances might truly complement local resources, systems and processes.

In the following sections we assess the appropriateness of the standard package in a variety of contexts and attempt to develop a comparative measure of its effectiveness in relation to alternative models.

IV. THE LOCAL CAPACITY DEVELOPMENT ECOSYSTEM

Local Capacity Development Ecosystems are full of surprises. They are open, dynamic and non-linear. Everything that Capacity 1.0 is not. Diverse actors learn, adapt, self-organize and co-evolve over time. Informal relationships and interactions are influenced by culture, values, beliefs, and one's peers. Seemingly small independent decisions, such as the choice of core partners, the distribution of grant money, and the selection of international implementing partners can each have macro-level impacts.

We may never acquire the full knowledge to understand and predict the behavioral complexity of local capacity development systems, but we are already seeing how important these ecosystems are in shaping capacity development outcomes. In a two-year research study involving 15 countries and over 50 peer researchers, Levinger and Bloom (2011) were interested in the extent to which socio-economic conditions present in each country might influence local NGO performance. The Human Development Index (HDI) score was used in the study to measure the level of socio-economic development. HDI combines indicators of life expectancy, educational attainment, and income into a single composite measure that serves as a proxy for both social and economic development.[6] The study found that a local NGO's country HDI score is strongly linked to its capacity to engage in effective and sustainable organizational development (OD). In

---

[6] Human Development Index (HDI). Human Development Reports. UNDP. Web. 13 Nov. 2013. See:
http://hdr.undp.org/en/statistics/hdi/

fact, regression analysis of the study countries with HDI values suggests that differences in human development alone account for over half of the variation in scores (adjusted R-square of 0.54). If we account for whether the country is free or not (Freedom House Index), the predictive validity of the model increases significantly, explaining about 75% of the variability in performance measures.[7]

Although socio-economic development characteristics in a country, like human development, are not destiny, they do present serious challenges for local organizations. *How does a local NGO outperform its HDI context?* The study found that what drives local NGO performance in developing countries is not perfect management (although this may be desirable). Rather, it is an NGO's capacity to create and then leverage social bridging and bonding capital both locally and internationally that greatly increases their ability to perform and significantly reduce the effects of low HDI status. One of the implications of this study, therefore, was that local organizations operating in low or mid-level HDI countries can *network* their way out of some potential disadvantages through engagement strategies that prioritize bridging and bonding social capital. Organizations that were active local networkers and cultivated novel or exclusive ties performed better than those that cultivate ties with the same actors as other NGOs. There appears to be a comparative performance advantage that comes from having unique perspectives and access to untapped information.

Our current research with the USAID Learning Agenda builds on this previous work by modeling capacity development interventions that increase the social capital of local NGOs operating in low and mid-level HDI countries. To better understand the complex and emergent features of LCD ecosystems for this study, we captured organizational network data on interactions between local NGOs, international NGOs, funders, academic institutions, think tanks and private sector actors in Nepal, Serbia, and Tanzania. Each of the ecosystem maps were rich in details about how organizations exert influence, serve as subject matter experts (e.g.. on topics like maternal and child health, gender, evaluation practices, livelihoods), and form bonds of collaboration. From this network data, we set out to identify the behaviors that dominate in ecosystems that are negligibly, moderately and significantly influenced by foreign aid design and delivery models. We also attempted to identify examples of emergent complex behavior that arise from simple interactions between key actors. In this section, we share what we have learned about LCD ecosystems, introduce five different "players" or actor types that have significant impact on LCD, identify key attributes of a healthy LCD ecosystem, and discuss three organizational behaviors that effect their viability and health. We resolved to acknowledge the significant role that international development actors have on LCD and to explore how they both positively and negatively impact LCD goals.

---

[7] The predictive validity of the model combining HDI score and Freedom House Index explained about 75% of the variability in performance measures (adjusted R-square of 0.753). Note: correlation analyses were performed only on background variables with interval data (e.g. HDI, number of partners, natural disaster history). For all other ordinal background variables, an analysis of variance was performed.

LCD ECOSYSTEM PLAYERS

Every day we have conversations with peers whose opinions we respect and whose council we value. These networks of formal and informal relationships involve CSOs, CBOs, government, local funders, academic institutions, private sector actors and even family and friends who make up the LCD ecosystem and are conduits through which value is created. The following five actor-types represent the key LCD players, which can be both international and local entities.[8]

- **Resource Hubs** are opinion leaders and sources of subject matter expertise in the LCD ecosystem whom other actors often *reach out to* for information. These hubs are intense gatherers of information, and so are often the first to pick up on new trends.

- **Active Networkers** serve as promoters and distributors of information and often initiate collaboration across the network.

- **Brokers** are in the habit of introducing people and institutions working and living across an array of social, cultural, professional and economic circles. They often have many exclusive ties to periphery actors and smaller sub-networks or "cliques," along with ties that directly connect them to central core agencies (funders and international agencies).

- **Vulnerables** are actors most disadvantaged by a peripheral position in their clique or small world network. They are hard to reach and weakly connected to influencers and resource hubs. As a result, they often have low social capital.

- **Other Actors** are organizations that are difficult to categorize. They have mid-level scores on ONA metrics and don't fall clearly into one of the four archetypes. Although they exert a "softer influence" on the system, their actions are unpredictable and ultimately their decisions shape the future.

ATTRIBUTES OF HIGH FUNCTIONING LCD SYSTEMS

Along with these key players described above, our study suggests healthy LCD ecosystems have, at a minimum, these three core attributes:

---

[8] **International actors** are defined as donors, INGO, private companies, consultants, think tanks, or academic institutions registered in high HDI countries. **Local actors** are defined as funding agencies, CSOs, NGOs, CBOs, private companies, consultants, think-tanks, or academic institutions that are registered in the country or region of study.

1) *Bridging Social Capital:* International NGOs and established local NGOs and institutions (who are central actors and opinion leaders) leverage their "bridging social capital" in order to facilitate connections between struggling local organizations and communities and high-value resources and institutions.

2) *Bonding Social Capital*: New and emerging local organizations prioritize community outreach and partnership efforts, cultivating purposeful linkages so that they can better tell the story of their constituents. By building deep and meaningful ties with existing partners (bonding social capital), they leverage new relationships and are able to reach out to a broader network of prospective institutional champions and donors.

3) *Meritocracy*: Emerging local organizations enjoy enhanced status among their peers as they take on the roles and responsibilities of central actors and opinion leaders in the LCD ecosystem.

When these three attributes are present and working in the LCD ecosystem, local NGOs are better able to leverage a relationship with others to reach a potential partner or an influential policy maker in an ever-expanding circle of connections. The "fringe status" of local organizations is short lived as organizations connect with an actor of influence or attain knowledge through an effort of targeted linkages. Natural clusters of intense connectivity form around common challenges and issue areas, and then shift as problems are resolved. Multiple types of collaboration and transactions coexist within the larger LCD ecosystem, and clusters of organizations freely exchange resources around specialized topic areas.

COMPLEX BEHAVIORAL ROAD BLOCKS

In reality, the LCD ecosystems we studied showed attributes of both predictable and random networks. We observed how our foreign aid interventions introduce some predictable patterns. For example, the choice of core local partners, international implementation agencies, and local service providers can have system-wide ramifications for many years. A USAID Mission APS may outline a country strategy that leads us to design around certain principles, like public-private partnerships, and therefore shape local collaboration channels. But the impact of emergent, adaptive behaviors by LCD actors is almost always underestimated. We share three noteworthy examples, each described below:

1) *Preferential Attachment*: LCD ecosystems are complex and adaptive, and we can expect new organizations to enter and exit a system constantly. A common misconception is that new entrants will naturally choose to associate with local peer-institutions on common development challenges. In reality, new actors are much more likely to associate with organizations with the *most links and connections (and of course opportunities for funding)*. Preferential attachment to centralized actors reinforces the hegemony of a few key actors, with negative consequences on LCD sustainability. Rather than creating local connections to core constituents, (our second attribute of a high functioning LCD system), organizations are attracted to the centralized actors. Not surprisingly, when international agencies set up operations, they quickly become the target of preferential attachment. We will show how this
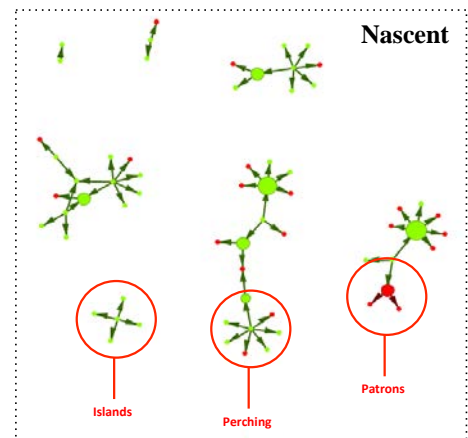
behavior may have short term benefits in nascent LCD ecosystems. However, over time, the hegemony of INGOs and their influence on LCD collaboration becomes almost impossible to disrupt.

2) *Domination*: Resource hubs can emerge as a consequence of network self-organization. When international agencies are looking for local partners to implement a new program, these local hubs make good choices. We might assume that the distribution of linkages between these chosen hubs and other actors in the LCD ecosystem follows a classic bell curve. If it did, then the distribution of links or connections with others would peak in the middle around the average. Instead, we find that these chosen partners already have proportionally more linkages than other actors and that the distribution follows a power law. The power law distribution explains why local core partners of multi-year development programs often come to dominate the LCD system. Over the life of an average development project this will intensify. Local partners turn into the "usual suspects" and donor attention on these dominant actors tends to reinforce their 'inner circle' status. Rarely are these "usual suspects" chosen on the basis of their affinity and commitment to the first attribute of a high functioning LCD system (facilitating connections), and the power law distribution makes it very hard to encourage them to embrace new brokering roles that might potentially diminish their own influence.

3) *Insularity*: One of the most common features of LCD systems is homophily: the tendency of individuals and organizations to affiliate with others like themselves. Organizations tend to restrict their relationships to friends, colleagues of the same ethnicity, socioeconomic status and in many cases the same beliefs, attitudes and behaviors. This creates a "small world" effect where clusters of collaboration are composed of organizations with common characteristics. This insularity can complicate efforts to spread new knowledge and ideas. Insularity has significant implications for each of the three attributes of highly effective LCD systems. Organizations in small world cliques may be resistant to introductions by brokers (Attribute 1: Bridging Social Capital), hesitant to form new partnership (Attribute 2: Bonding Social Capital) and ill-prepared to take on new responsibilities as opinion leaders and sector stewards (Attribute 3: Meritocracy). Core actors, including international NGOs and donors, are also susceptible to the small-world syndrome. We have observed how central actors with influence increasingly limit ties to an "inner circle," further isolating themselves from new connections and alternative viewpoints.

THE LCD ECOSYSTEM LIFECYCLE

As we have already stated, the LCD ecosystem of a country is neither orderly nor completely random system, and we can expect actors to learn, adapt, self-organize and co-evolve over time. Collaboration happens naturally and is most influenced by culture, values, beliefs, history, socioeconomic status and one's own kinship and family. In resource-constrained environments, where HDI is low, local organizations appear to be especially nimble and adaptive in overcoming the constraints of the environments where they operate. However, they tend to focus on *today's* realities more than on the unknown challenges of *tomorrow*. This can mean organizations operating in low and mid-level HDI countries are not generally focused on collective action.

In a nascent LCD ecosystem, funding and support from international donors and INGOs is still limited and may include support for pilot projects or small-scale programs in a few districts or regions of a country. In post-conflict countries or regions that have recently opened up to foreign assistance, INGOs will begin to establish (or reestablish) a local team or office, and build relationships with local partners. This is privately called "perching," a process where international agencies build their bona fides in country and wait for donor funding to flow. International donors quickly attract their own national surrogates (USAID and US-based INGOs, EU and European-based INGOs; Embassies and their national INGOs). This creates disparate islands or clusters of local organization activity. Each clique or "island" tends to have

*Local Actors are represented in green
International Actors are represented in red*

one international donor or "patron" who is providing financial resources, training, and other capacity development services to support the local CSO with their program implementation. In this nascent stage, fragmentation of the ecosystem is the biggest challenge. International development actors often operate with limited awareness of others, and their operations are concentrated around small project-specific cliques (see discussion of *insularity* on page 18). With few ties and sparse connectivity, the diffusion of knowledge and ideas is limited.

The arrival of foreign assistance can have a positive impact on information diffusion when International donors and INGOs act as conveners and when they collaborate across national boundaries. By bridging the gaps between disparate cliques and clusters of local actors working in diverse sectors and geographic areas, international agencies have an opportunity to weave a more dense and interconnected development ecosystem. This transition can be seen in the diagram below.

Diagram 2. Transition from Nascent to Midlife Ecosystem
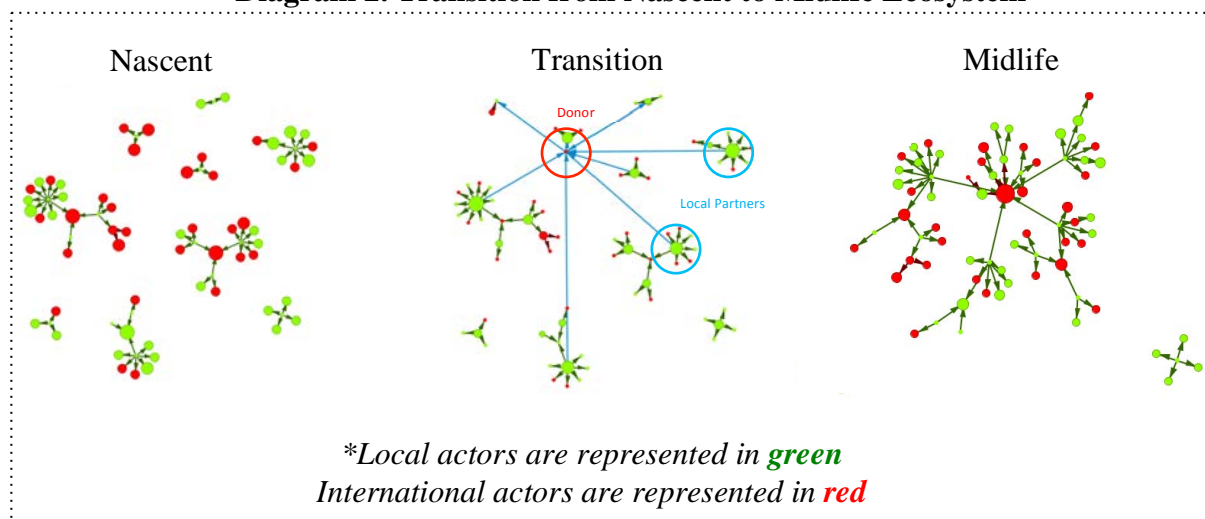
*Local actors are represented in green
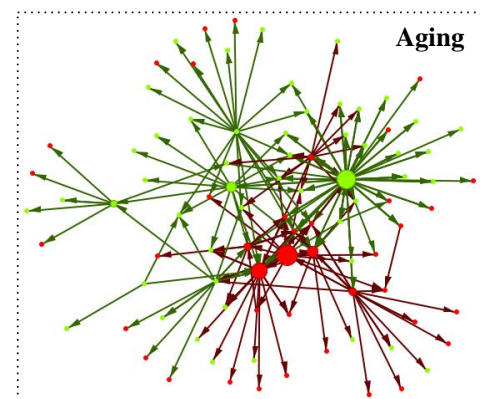International actors are represented in red*

In a mid-life stage of an LCD ecosystem, we see the presence of at least one or two large-scale development programs led by INGOs. As a result of their financial resources, and the technical assistance they offer, INGOs quickly become *resource hubs* and are sought after by local actors. In some cases, as much as 60-70% of all ties across the LCD ecosystem may involve international actors. As a program is being rolled out, the INGO will build stronger relationships and partnerships with select local CSOs, government agencies, and private companies, each of whom are relied upon to implement different components of the program. This can have the positive effect of increasing connectivity, integration, and the density of ties when compared to the nascent stage. However, at the same time, *preferential attachment* (see page 17 for a refresher) to central actors begins to constrain the participation of new or previously excluded local organizations. Lead core partners selected by the INGO begin to feel the pull towards donors at the expense of their local constituents. Simultaneously, they begin to dominate over other local actors and, in the absence of incentives to serve as local resource hubs, see more to be gained through connections with funders than from connections with local actors and their own constituents.
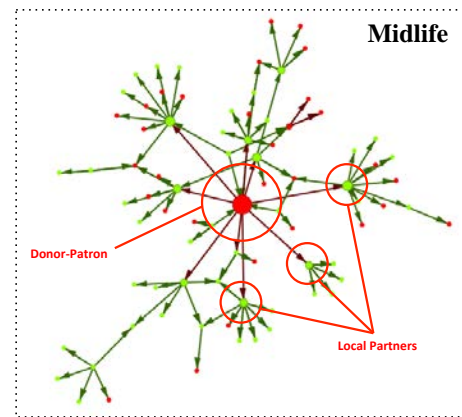
Local Actors are represented in green
International Actors are represented in red

Overtime, international donors and INGOs become more entrenched in the core of the LCD ecosystem. A limited number of local partners (referred to as "usual suspects" in the aging stage), who maintain strong relationships with international donors and INGOs, may nominally increase their influence and status as a resource hub, but they always maintain a peripheral position in the ecosystem as long as the international agency is still present. Services provided by local core partners are usually branded as "international", even when they are delivered by local consultants. Structured learning about the program and exploration of what works and doesn't work, is often limited to the INGO and an inner circle of core of partners, and the scope and frameworks which guide the analysis are the "property" of the INGO.

In the aging stage, program "relationships," the finances, and even the learning are all effectively "owned" by the INGO. Although this is never planned, the mixed effect of *domination* (see page 18) by core partners and the central position of the INGO create co-dependency. Local core partners, who have been protected from market forces for years and may have lost touch with local constituents, are hesitant to rock the boat or suggest new ideas. Meanwhile, INGOs have a hard time hitting the "restart" button without diminishing the reputation of their programs. A system that is too dense and centralized, like the aging stage, begins to negatively impact performance and decrease efficiency. As density increases, the ability for the system to improve performance and increase the

Local Actors are represented in green
International Actors are represented in red

adoption of new behavior eventually peaks, and then begins to decline (Valente 2010). These dense networks also increase homogeneity among members. Overtime, members come to reinforce the opinions and ideas of others, and eventually fail to consider the perspectives of nonmembers. In an aging ecosystem, homogeneity leads to an insular system that does not easily integrate new ideas and interventions

Across the LCD lifecycle, we observe that international donors and INGOs can play an important role initially in convening local NGOs and civil society actors and in helping to increase the density or connectivity of project-driven clusters of activity This can create more pathways for communication about new ideas and best practices to flow, and facilitate the rapid diffusion and adoption of innovations. However, as the foreign aid intensifies, in spite of good intentions often lead to negative behaviors by local and international actors that are difficult to undo.

V. LOCAL CAPACITY DEVELOPMENT IMPACT MODELING

In the last section, we identified some of the behaviors that dominate LCD ecosystems. We also identified examples of complex behavior that arise from simple interactions between key actors. Now we turn our attention to putting what we have learned into practice. *How does lifecycle, along with the behavioral complexities that each stage presents, influence our capacity development program results? What design factors have the greatest positive and negative effects?* These are the questions we set out to explore by modeling the implementation, and forecasting the ecosystem effects, of the standard package (see **Table 2**), and three alternative capacity development program scenarios.

Over the course of hundreds of interviews with local actors led by the principal investigator of the Learning Agenda, several popular alternative LCD approaches emerged. The Root Change team chose three, each of which were vetted in Nepal at a workshop event attended by 40 participants.

SCENARIO ONE: LOCAL CAPACITY DEVELOPMENT (LCD) HUBS

Within an ecosystem, *resource hubs* are organizations or individuals who act as prominent opinion leaders and subject matter experts. They are actors who are sought after by others for information, advice, technical support and resources. The presence of resource hubs is essential for an LCD system, as they provide access to critical knowledge and services. As the previous section demonstrates, in LCD ecosystems, international INGOs and donors tend to dominate the role of resource hub because of the capital, knowledge, and material resources they bring into a country. This creates dependency on international actors and inhibits the development of local resource hubs. Over time, local organizations begin to lose self-confidence and shift ownership to "expert authorities." Capacity 1.0 practices come to be seen as safe bets and Capacity 2.0 practices full of potential risks.

To counteract the strong influence that international have in an LCD ecosystem, the *Local Capacity Development (LCD) Hubs* intervention aims to elevate the position and visibility of

locally based service providers and organizations to play the role of subject matter experts. Local resource hubs may be local business management consultants, think tanks, or local NGOs. It was hypothesized that increasing their role as local capacity development hubs would serve to strengthen the sustainability of the LCD ecosystem.

In modeling the LCD Hubs scenario, we assumed that a select number of promising local service providers from the periphery of the network would be identified, vetted, and then supported to organize and lead a series of conferences, workshops and roundtable discussions on priority themes. Technical training and access to subject matter experts would be made available to these emerging hubs when requested. It was hypothesized that these events would help increase the role and visibility of these local actors as opinion leaders and resource providers. We also assumed that financial support would be offered to one new emerging hub every eight months (for a total of three local hubs by the end of the project) and we then forecasted the effects of the scenario on nascent, midlife, and aging ecosystems.

SCENARIO TWO: LEARNING & INNOVATION PARTNERSHIPS

As we have seen in the previous discussion on LCD ecosystems, nascent systems are prone to insularity, which creates a "small world" effect where clusters of collaboration are composed of organizations with common characteristics. This insularity can complicate efforts to spread new knowledge and ideas by fragmenting a system into isolated cliques. To mitigate these forces and create an enabling environment where local organizations can perform at higher levels, the *Learning & Innovation Partnerships* approach is designed to foster collaboration between local organizations with limited previous history together. In this model, groups of three local organizations come together to bid on competitive grants that fund action-research or small pilot projects aimed at testing a new idea. It is hypothesized that having a tight deadline and a product that will be vetted by peers will incentivize people to mobilize rapidly, make decisions, take action, and hold themselves accountable to each other for results. Over time, a new organizational culture emerges: one that is highly adaptive and values transforming the system around them.

To model the intervention, we assume two competitive rounds of grants over a two-year period. In the first year, 10 grants are made available. In the second year, it is assumed that only two-thirds of the grantees would be successful in meeting the deliverables and objectives of the grant and would be eligible to apply for a second round of funding. For these successful, eligible grantees, a new learning & partnership grant is available in year two on the condition that their partnership triad includes one previously unaffiliated partner organization. Return grantees could additionally apply for a maximum of two action research grants. By requiring the introduction of new partnerships in the second round of grants, local actors were incentivized to continue to cooperate and expand their trust networks with others across the LCD system.

SCENARIO THREE: SHARED WORK CENTERS

Shared work centers, the third alternative capacity development intervention, was inspired by the Tides Foundation and their model of using donor funds to provide growing non-profits and social change organizations in the U.S. a shared workspace and support services to help them focus on

their mission, programming, and community engagement.[9] This model has been in practice for many years through association management companies (AMCs). These are for-profit firms that offer their clients – associations of specialized non-profit organizations – administrative and operational support services so that they can focus on their programmatic activities and mission critical tasks.[10] Some of the support services they provide include email and website hosting, membership planning and development, conference planning, lobbying and advocacy, research and representation, marketing, financial management and accounting, environmental scanning, benefits management, and staff development.[11] It was hypothesized that the model frees non-profits to focus on what they do best, and what is most consistent with their mission – outreach to constituents and the design, implementation, and assessment of their core programming.

For the Shared Work Centers intervention, we assumed that CSOs with a common change agenda are vetted and then invited by an international donor to share subsidized workspace and support services, including human resources management, financial management, and communications services for a two-year period. Support is extended to three work centers, each housing between 6-8 organizations over the life of the project. We hypothesized that with administrative costs greatly lowered, CSOs would be free to focus more energy on their programming and engagement with the communities they serve. CSOs working on complimentary program agendas and advocacy challenges would have greater opportunities to collaborate and share information, knowledge, and best practices among colleagues in their shared work centers. Each work center is assumed to be staffed by one full time community manager, whose primary responsibility is to facilitate collaboration across participating organizations and who oversees the transfer of skills to by the end of the two-year program.

UNDERSTANDING IMPACT MODELING RESULTS

To determine the impact of the standard package and the three alternative scenarios across the LCD lifecycle, we removed actor names from the representative data sets, but maintained the generic identity of international and local actors. This allowed us to see how roles and levels of influence for local and international actors changed overtime in relation to each scenario. Our focus was on how each intervention scenario impacted the interplay between local actors. Did local actors, for example, increase their integration in the system, were they more attractive to others, and were they better positioned to broker and facilitate connections?[12]

Modeling required creating a detailed set of relationship assumptions for the standard package and three alternative capacity development interventions. For each of the three lifecycle stages (nascent, mid-life and aging) we ran network analysis metrics to determine baseline measures.

---

[9] Tides Foundation. Develop Shared Non-profit Space and Services. Web. 28 Oct. 2013.
See: http://www.tides.org/i-want-to/develop-shared-nonprofit-space-services/
[10] AMC Institute. What is the AMC Model. Web. 28 Oct. 2013.
See: http://www.amcinstitute.org/?page=TheAMCModel
[11] AMC Institute. Range of AMC Services. Web. 28 Oct. 2013.
See: http://www.amcinstitute.org/?page=RangeofAMCService
[12] In order to determine the direct impact on local actors, we removed all international actors from the system at the baseline (pre-intervention) and from end line (post-intervention). This was repeated for each intervention scenario.

(See The LCD Ecosystem Lifecycle page 18). We then observed how each of the four scenarios impacted each lifecycle stage over the two-year hypothetical implementation period.

For the modeling, Root Change used ORA, a dynamic meta-network assessment and analysis software tool developed by CASO at Carnegie Mellon.[13] The results generated through ORA allowed us to forecast the impact of the intervention scenarios on each organization in the system. After some experimentation, we chose two key measures to determine effect: in-degree centrality and betweeness. These two metrics measure the degree to which an actor plays a prominent role in the ecosystem as a resource hub and broker, respectively. The presence of local resource hubs and brokers is critical to the sustainability of an LCD ecosystem, as it demonstrates that local organizations have gained visibility by others in the system as opinion leaders and knowledge hubs, and that they have the connections to help facilitate and broker relationships between other local actors, even in the absence of international funding and support.

We attributed positive capacity development changes to a variety of factors. We hypothesize that these factors include: (1) natural developmental factors, which we call *Unguided Capacity Development*, (2) pedagogical approaches for transferring learning, which we call *Facilitation Methods*, and (3) the actual delivery of a capacity development strategy, which we call *Guided Capacity Development Approaches*.

Unguided Capacity Development is the natural developmental process experienced by an individual or an organization as they learn, through trial and error, ways to organize for broader impact. It should not be confused to mean capacity development efforts that are self-organized or deliberate in any way. Rather, unguided capacity development is about accidental and independent discoveries.

Facilitation Methods can have a significant impact on effect size. Effective facilitation helps project participants to explicitly identify and reflect on capacity development lessons and to apply these lessons to new challenges.[14] Root Change selected 16 facilitative practices that are commonly used in organizational capacity development to test with local practitioners in Nepal, Serbia and Tanzania.[15] Through a perception-based survey delivered during workshops in each country, participants ranked which of these activities they believe to have high, medium, or low impact on capacity development. Participant scores were converted into an effect size, and an effect size average was calculated to determine which activities have the most potential to

---

[13] *ORA. CASOS. Carnegie Mellon University. Web. 7 Nov. 2013. See: http://www.casos.cs.cmu.edu/projects/ora/ CASOS is a University Center housed in the academic department Institute for Software Research in the School of Computer Science at Carnegie Mellow University.

[14] This higher order thinking is referred to as *metacognition*, which involves active control over the cognitive processes of learning. Activities such as planning how to approach a given learning task, monitoring comprehension, and evaluating progress toward the completion of a task are metacognitive in nature.

[15] 13 out of 16 of the practices selected from the VL study were assessed in Nepal, Serbia and Tanzania. An additional four practices commonly used in organizational capacity development, not assessed in the VL Studied, were assessed by participants in Nepal.

catalyze organizational capacity development. The top scoring facilitated practices were 1) cooperative or group learning, 2) active or action learning, and 3) providing direct feedback.[16]

The third factor, *Guided Capacity Development Approaches*, involves the presence of a facilitator and/or leader who helps to make tacit knowledge, gained through unguided capacity development, explicit, and who aims to introduce new ideas and practices. These capacity development approaches can take the form of internal management training (the core Capacity 1.0 attributes) or investments in social capital creation with both internal and external constituents (the core Capacity 2.0 attributes). Guided capacity development approaches are most successful when they are homegrown and cooperatively led by local project participants. When this happens we might best refer to these activities as capacity development "capacity development opportunities." More often than not, however, these guided capacity development approaches are led by international agencies through structured programs. As we have discussed in Section III, the Capacity Development Standard Package is far and away the most common guided approach delivered today. *The choice of capacity development approach is the largest source of variance in effect size scores that we have control over.*

Which capacity development approaches have the greatest positive effects on local capacity development and under what circumstances? That was the question that prompted us to test the performance of the Standard Package and three alternative approaches using our modeling methods. To complete the scenario modeling, we calculated the effect size for each intervention. Taking an average of the effect size scores for all modeled interventions gave us a benchmark for comparison. We considered any effect size *larger than the average gain* as noteworthy.[17] This method provided a logical baseline that could be used to better determine which investments catalyze a return that is better than average. Based on our analysis, we determined that the

---

[16] **Cooperative or group learning** is the use of small groups or teams over a designated time period so that participants maximize their own learning. Positive interdependence is structured into the task activities and participants are responsible for each other's success. Communication skills are taught (not assumed) and are expected to be used by all participants. Each participant has a designated role and shared leadership assigned within the group. The group regularly processes how they are working together and adjusts personal and group behaviors accordingly. Research suggests that participant to participant collaboration conducted in a manner consistent with cooperative learning principles produces superior results on a host of variables, including achievement, thinking skills, interethnic relations, and confidence/self-esteem.
**Active or action learning** is an educational process for working on important organizational problems or opportunities in diverse teams, and can help develop both the participants and improve the organization. Participants work and learn together by tackling real issues and reflecting on their actions. Learners acquire knowledge through actual practice rather than through traditional instruction. Passive learning methods, common in classroom settings and involving informational lectures or trainings, often have little clear connection to the pressing issues facing participants and their organization. By contrast, action learning closes the gap between theory and practice providing participants the opportunity to immediately apply what they are learning to relevant problems or opportunities.
Providing direct feedback is a process that helps participants to track how they are doing, and provides them with tips on what to do in the future to improve performance throughout the life of an activity. The giving of feedback is specific, objectively descriptive, well-timed, and based on trust, honesty, and the desire to see participants succeed. It allows for two-way communication and considers the receiver's input. It is part of a regular process, not an exception to the norm. It extends the opportunity to teach in that it allows the instructor/facilitator to explain his or her thinking. When used according to established principles, feedback can have an immediate impact on performance. It provides a vision of excellence and raises participant aspirations.
[17] In Section II, which describes our research methods, we highlight the risks of declaring *any effect above zero an achievement.*

average effect size for the four interventions was 0.40. In other words, a score above the .40 tipping point represented an effective, deliberate systems-oriented intervention.
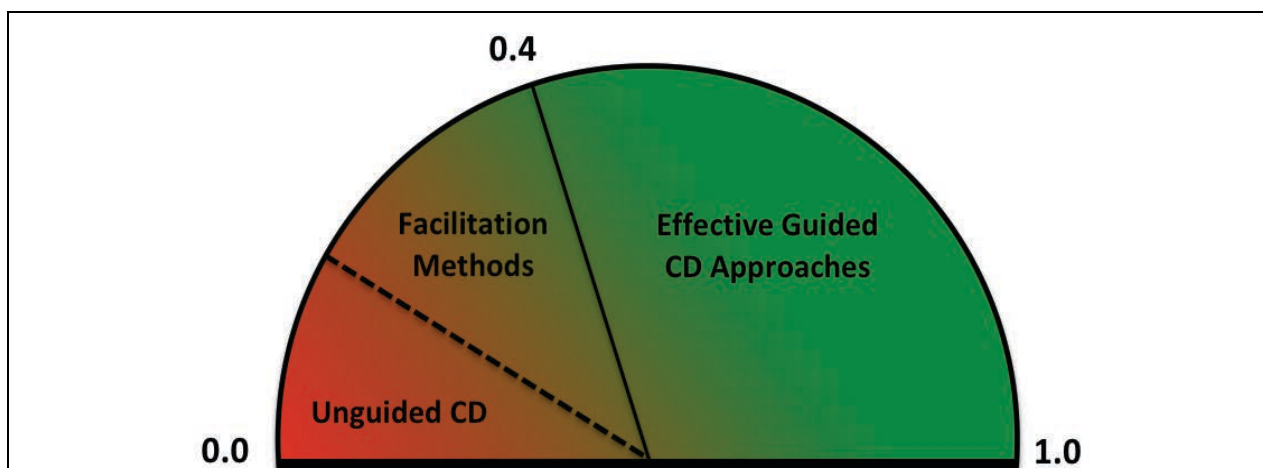
Diagram 3. Effect Size Barometer

Three factors, *Unguided Capacity Development, Facilitation Methods* and the choice of *Guided Capacity Development Approaches*, all contribute to the total effect size of a capacity development program. Capacity development approaches scoring under .40 are no better than average and are unlikely to contribute to local capacity development.


KEY FINDINGS

The choices we make about which capacity development approach (1.0 vs. 2.0) to deliver have major ramifications. Based on our modeling results, the standard package had the lowest overall effect size of the four approaches we tested and is the least suited to local capacity development. We found it interesting that the standard package demonstrated its greatest positive impact in nascent ecosystems. When local organizations operate in isolated and fragmented networks, structured programs can help to weave new connections and speed the transmission of information or anything else being passed along a network. However, as the LCD ecosystem shifts to mid-life, the standard package loses much of its positive effect and scores well below the average acceptable level (see **Diagram 4**).

The fact that the standard package has its best showing in nascent LCD ecosystems may explain in part why so many senior CD practitioners have been reluctant to give it up. Many of these development professionals worked the frontlines in the 1990's and witnessed the "explosion" of new local organizations. Their practices were shaped by a time when local (nascent) NGOs were just emerging. For these reasons, and because the idealized view of local capacity development remains disconnected from the complex realities of local systems, the foreign aid establishment has not made much real headway on capacity development for nearly 20 years. In fact, it may be as much a hindrance as a solution, because it has become such an integral part of the LCD ecosystem. The influence of standard package has carried over to such an extreme that it is almost universally accepted even by local organizations who conform to it without question, though it does not seem to be correlated with effectiveness.

Diagram 4: The Declining Effect Size of the Standard Package

**Effect Size of Standard Package on
Nascent and Mid-Aging Ecosystems**
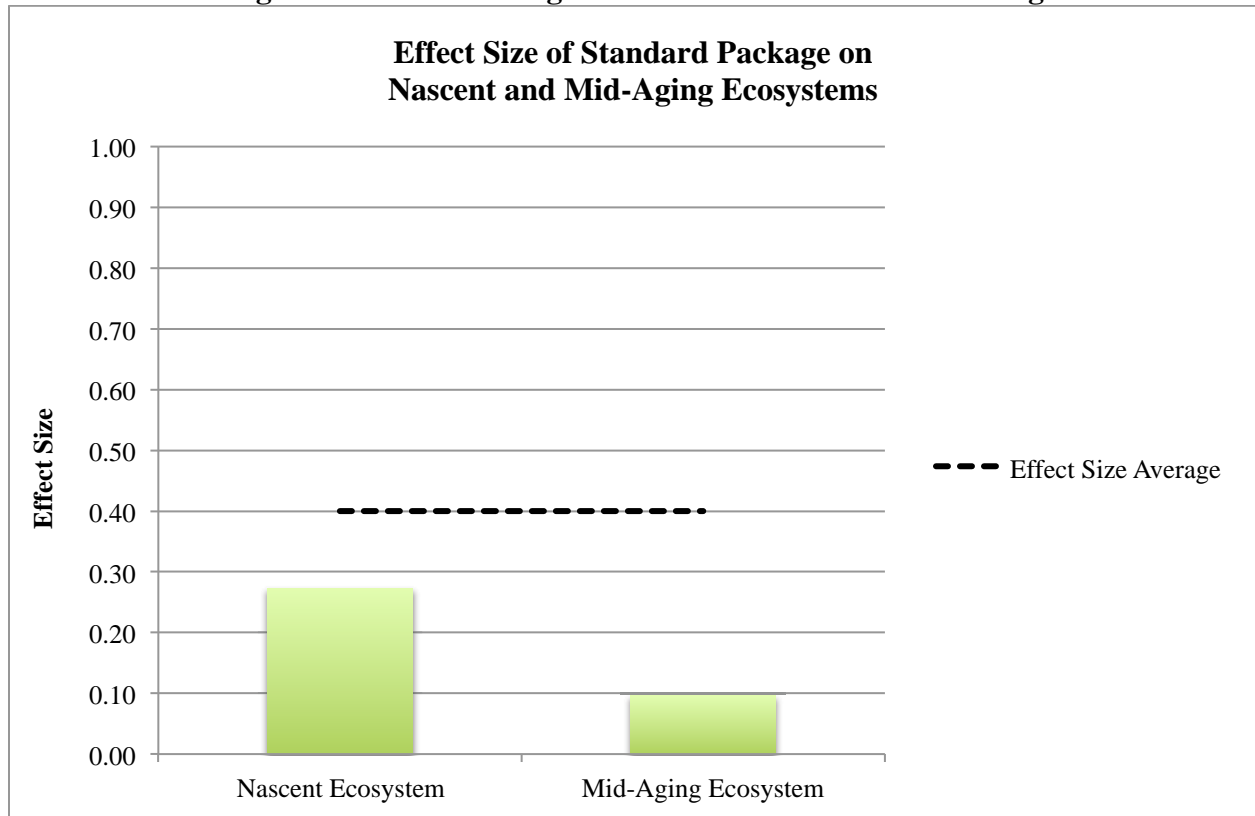
Diagram 5: Balancing Brokering Strategies with Resource Hub Creation
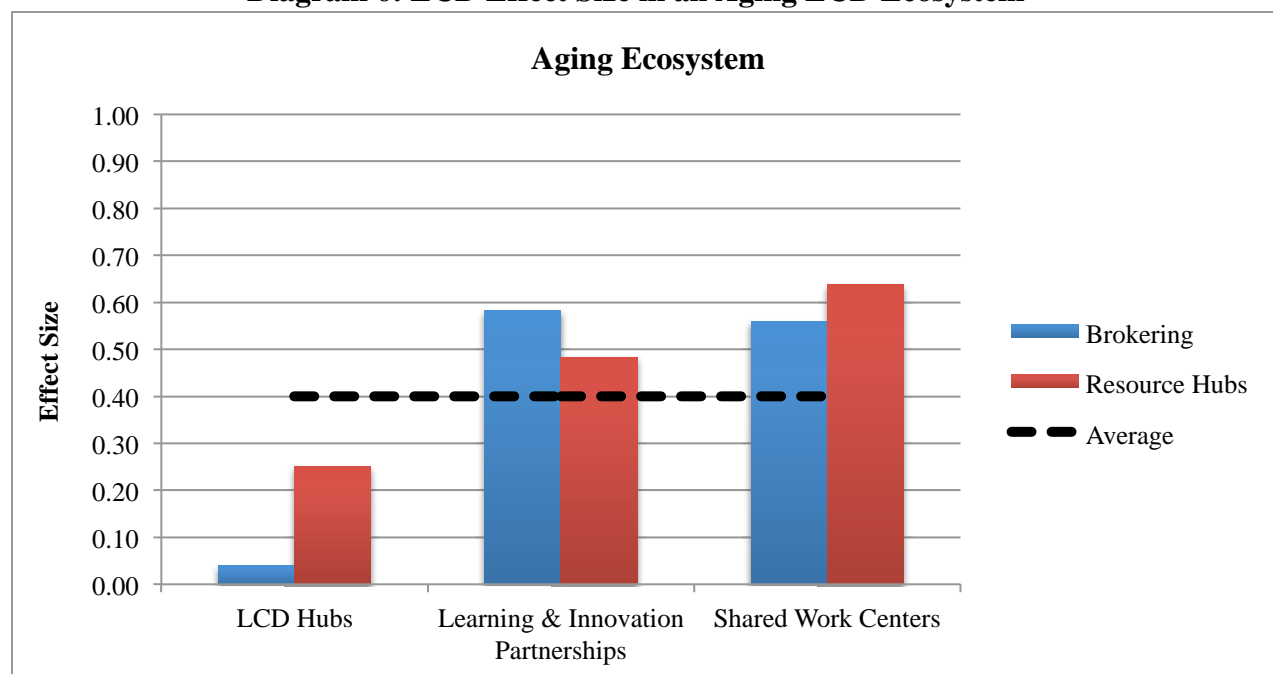

Nascent Ecosystem
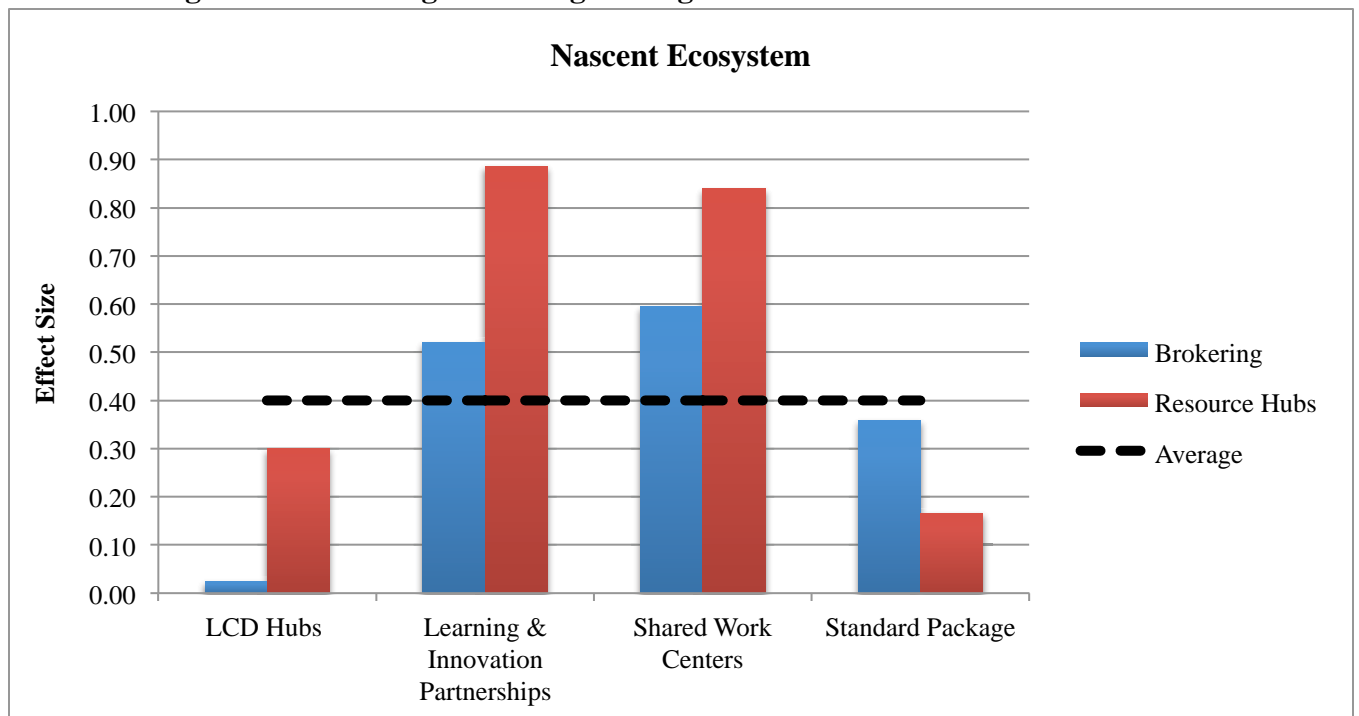
At the same time, our scenario modeling results for the Local Capacity Development Hubs intervention show us that getting LCD right will take more than explicitly targeting local institutions to take over the role of information hubs from international actors. This approach, which was endorsed by local organizations as a "promising practice", had the lowest effect size of all four strategies when applied to nascent ecosystems (See **Diagram 5**). The effectiveness of this strategy did not improve even as the test ecosystem was changed from nascent to mid-life and aging.
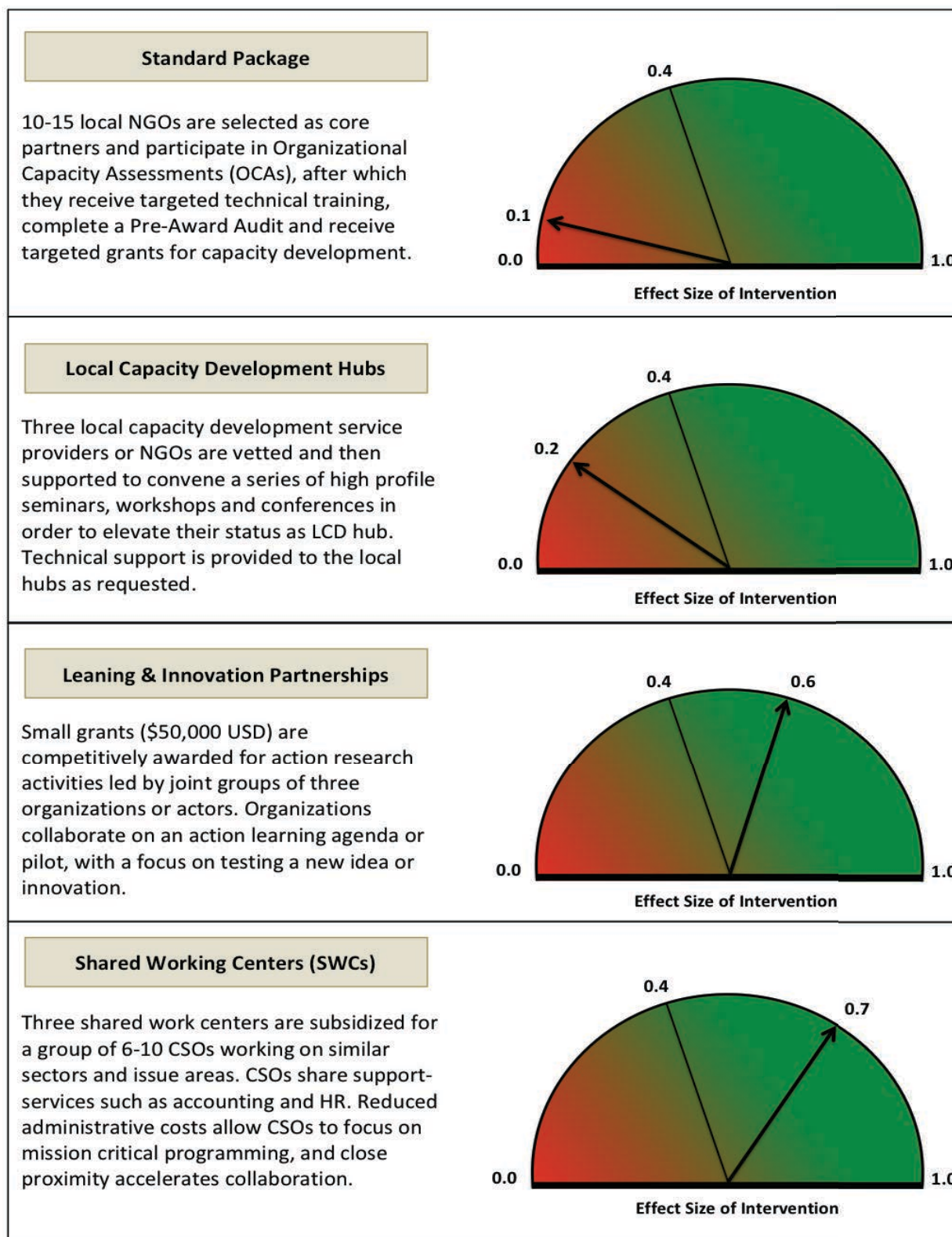
The reasons for the disappointing performance appear to be related to the fact that the Local LCD Hubs strategy does very little to create local brokers. Instead, its emphasis on three "hand-picked" local institutions does little to weave new ties and connections in nascent ecosystems and barely disrupts the dominance of core local actors in mid and aging ecosystems. These results suggest that donor-engineered hubs may thwart healthy social capital formation. Our research shows clearly how critical it is to understand the nature of the informal networks that exist in each country before implementing LCD strategies.

The results from the Learning and Innovation Partnerships and the Shared Work Centers strategies suggest that social capital creation can flourish when donors move away from center stage. Both strategies had the highest effect size across each LCD ecosystem stage. Even when powerful, homogenous cliques take hold in aging ecosystems, these strategies demonstrated above average effect (**Diagram 6**). **Diagram 7** illustrates the comparative effect size of all four intervention strategies. The results are reported as a combined score for nascent, mid-life and aging ecosystems.

Diagram 6: LCD Effect Size in an Aging LCD Ecosystem

Diagram 7. Effect Size Results of Four Capacity Development Approaches

Standard Package

10-15 local NGOs are selected as core partners and participate in Organizational Capacity Assessments (OCAs), after which they receive targeted technical training, complete a Pre-Award Audit and receive targeted grants for capacity development.

Effect Size of Intervention

Local Capacity Development Hubs

Three local capacity development service providers or NGOs are vetted and then supported to convene a series of high profile seminars, workshops and conferences in order to elevate their status as LCD hub. Technical support is provided to the local hubs as requested.

Effect Size of Intervention

Leaning & Innovation Partnerships

Small grants ($50,000 USD) are competitively awarded for action research activities led by joint groups of three organizations or actors. Organizations collaborate on an action learning agenda or pilot, with a focus on testing a new idea or innovation.

Effect Size of Intervention

Shared Working Centers (SWCs)

Three shared work centers are subsidized for a group of 6-10 CSOs working on similar sectors and issue areas. CSOs share support-services such as accounting and HR. Reduced administrative costs allow CSOs to focus on mission critical programming, and close proximity accelerates collaboration.

Effect Size of Intervention

VI. CONCLUSION

Our research makes no claim that investing in social capital creation (bonds of trust and connection) is the only way to address LCD. Nor do we claim to have identified the best strategies for addressing intractable capacity development challenges. However, our study does suggest that the standard package is actually undermining our ability to pursue breakthrough social change because it emphasizes an internal focus on Capacity 1.0 attributes and because it spares local institutions and their constituents from the essential trial and error of learning. Our 20-year preoccupation with management-centered capacity development has obviously produced disappointing results. New ways of thinking can come from the process of asking difficult questions about the appropriateness of the standard package.

In keeping with the Paris Declaration, the Accra Agenda for Action, and the Busan Partnership for Effective Development, forward-looking donors and international development agencies need to move from the center stage as providers of Capacity 1.0, to back-stage supporters of Capacity 2.0 practices. These practices include funding exchanges and experimenting with promising strategies such as the Learning and Innovation Partnerships and the Shared Work Centers modeled in the study.

The most effective LCD practices are intimately tied to a thorough understanding of local country systems, inter-organizational linkages, and a keen awareness of how deeply international agencies impact LCD ecosystems. High-effect practices engage every actor in the capacity development value chain rather than viewing individuals or organizations in isolation.

At the same time, we must not ignore that there are indigenous obstacles to a strong civil society and to local social capital formation, such as small-world cliques, domination by core local actors, and preferential attachment to international donors and implementing agencies. Local organizations are capable of leveraging their own collective intelligence to respond to local, sector-specific or global challenges. International agencies should encourage local leaders to rely on local assets – knowledge, personnel and organizational infrastructure – and to define their own capacity needs along with their preferences for how these needs should be met.

VII. WORKS CITED

Ackhoff, R. *A Lifetime of Systems Thinking*, Leverage Points 115, 1999

Crutchfield, Leslie R., Grant McLeod, Healther. *Forces for Good: The Six Practices of High-Impact Nonprofits*. San Francisco: Jossey-Bass, 2008. Print.

Hattie, John. *Visible Learning For Teachers: Maximizing Impact on Learning*. New York: Routledge, 2012. Print.

Levinger, Beryl and Bloom, Evan. *Fulfilling the Promise: How National Societies Achieve Sustainable Organizational Development, a Multi-Country Study*. 2011.

OCED. *AID Effectiveness 2005-10: Progress in Implementing the Paris Declaration. OECD Publishing*, 2011. ISBN 9789264125490 (PDF)

Porter, Michael. *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: The Free Press, 1985. Print.

Ramalingam, Ben. *Aid on the Edge of Chaos*. New York: Oxford University Press, 2013. Print.

Sagawa, Shirley and Jospin, Deborah. *The Charismatic Organization: Eight Ways to Grow a Nonprofit that Builds Buzz, Delights Donors, and Energizes Employees*. San Francisco: Jossey-Bass, 2009. Print.

Schabbel, C. *The Value Chain of Foreign Aid: Development, Poverty Reduction, and Regional Contributions,* Physica, 2007.

Thomas W. Valente. *Social Networks and Health: Models, Methods, and Applications*. New York: Oxford, 2010. Print.