

Country Systems Strengthening: Beyond Human and Organizational Capacity Development

Background Paper for the USAID Experience Summit on Strengthening Country Systems

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> If a factory is torn down, but the rationality which produced it is left standing, then that rationality will simply produce another factory. If a revolution destroys a government, but the systematic patterns of thought that produced that government are left intact, then those patterns will repeat themselves. There's so much talk about the system. And so little understanding.
>
> ■ Robert Pirsig, Zen and the Art of Motorcycle Maintenance

I. Introduction

After 60 years of evolving development theory and programmatic interventions, it is time for a more holistic and pragmatic approach to country systems strengthening. For decades, the central question of systems strengthening in international development has seldom been explicitly defined or operationalized, and is more subject to generic rhetorical assertions than to rigorous analysis based on a theory of change. This background paper explores USAID's experience in human and organizational capacity in the context of systems strengthening, exploring the following issues:

- ✓ How has human and institutional capacity building contributed to country system strengthening?
- ✓ What are the primary factors that contribute to successful country systems strengthening?
- ✓ What implementation modalities have proven effective for developing national capacity?
- ✓ How do we know that interventions are actually improving systems?
- ✓ What are the implications for donors, and USAID in particular, in the context of changing international assistance?

II. Toward a Common Understanding of Terms and Issues

A starting point for a discussion on the complex issues of capacity building and country systems is having a clear and shared understanding of these often nebulous terms.

Capacity Building

The discussion about capacity has evolved considerably in the past decades, moving from a narrow focus on the types of skills needed for results, toward being increasingly concerned with the nature of capacity and how it is enabled. However, the discussion has remained at a conceptual level because there is no underlying discipline or body of subject knowledge (Morgan, 2006). To lessen the confusion, we need a definition that is sufficiently meaningful to be operational, and that reduces ambiguity. In operational terms, capacity building is discussed in the literature in three distinct ways:

- an ***end*** in itself – the primary objective is capacity building of individuals, NGOs, government institutions, or civil society
- a ***process*** to achieve and sustain program results
- an ***activity*** within a project, that is, a means to the donor's end

The focus of capacity building programs also influences the definition: whether it is *individual* skills, knowledge, and attitudes; *organizational* ability to deliver services; *institutional* and *systemic* operations; or a combination of all of these. Among the many definitions of capacity in the literature (Ubels, Morgan, Horton, etc), it may encompass everything from a skills training course that develops individual potential to the broadest systems change. We need a more narrow definition.

We will use the straightforward definition of *"capacity [as] the ability of a human system to perform, sustain itself, and self-renew*" (Ubels, Acquaye-Baddoo, and Fowler). This definition is notable for several reasons. It reflects an active, not latent, ability to apply skills and knowledge for designated performance. It recognizes that "capacity" is not a static condition, but rather one that requires action to retain capacity. This has implications for "capacity building" in both individuals and organizations as it recognizes the importance of contextual changes.

For our purposes, capacity building will refer to individuals and organizations to distinguish it from systems strengthening. Applied to organizations, Morgan's conceptual framework is useful as it distinguishes dimensions of organizational capacity: 1) the *foundational elements* such as structure, financial resources, and procedures; 2) *individual competencies* such as skills, behaviors, motivations, and abilities; 3) *capabilities*, or the collective skills including "hard" skills (policy analysis, financial management) and "soft" management skills; and 4) *capacity*, the overall ability to create value (Morgan, 2006).

Country Systems Strengthening

As is the case with capacity building, a shared understanding of the complex idea of "systems" is necessary to explore the relationship between individual and organizational capacity and systems strengthening. As a term, it is used to mean many different things, and often casually. Within a given organization, "system" may refer to a prescribed set of procedures and rules, as in a human resource system (hiring, firing, promotion, salary, performance review). In a society or economy, the term applies to more complex relationships. In biology, it may refer to the sub-systems of the human body, or to the interrelationships of an ecological niche. The common elements of all of these examples are captured in the following definition from systems theory:

> *System: a set of elements or parts that is coherently organized and connected in a pattern or structure that produces a characteristic set of behaviors, often classified as its "function" or "purpose." (Meadows, 2008)*

This paper is not an adequate venue for explaining systems theory. There is a considerable literature on complex dynamic systems, and a basic primer, such as Meadows (2008) can provide the depth that is beyond the scope of this review. We will draw on this literature to explore a few key concepts and issues about systems that are relevant to this inquiry.

1) What are the characteristics of systems that impact capacity building endeavors?
2) What constitutes a "strengthened" system?
3) How might interventions affect systems? What actions can influence systems?

What are the characteristics of systems that impact capacity building and strengthening?

- Systems are composed of elements or parts. In country systems, this includes individuals, teams, organizations, networks, and institutions. Capacity building focused on any or all of these elements can affect the system.
- The elements are "connected." The definitive characteristic of systems is that the relationship among the elements is more important than the qualities and capacity of the elements. Systems are complex, adaptive entities. Systems are complex in that there are many overlapping relationships, and adaptive in that each element is constantly changing in relationship to others. Actors constantly modify their behavior in response to changes impinging upon them, whether from other actors or from changes in the environment.
- The world is a continuum of interrelated systems and sub-systems. The sub-systems of individuals (teachers and classrooms), units of organizations (schools), organizations (ministry), institutions (higher education), NGOs and civil society, business, and national political systems are all linked with each other, and with the global economic system and political system.

Each sub-system is embedded into other larger systems in a cascaded set of interlocked elements, meaning that the relationship among sub-systems is key. The health system, education system, or agricultural system is composed of multiple levels of sub-systems, and is itself only one sub-system contributing to the next level of national systems.

What is a "strengthened" country system? How do we know whether we are moving toward a "stronger" system or not? A working definition is:

> *A "strong" system is one that is robust, coherent, integrated, self-organizing, self-driven and resilient.*[1] *Strengthening a system implies improving its characteristics and increasing its ability to address challenges and solve problems.*

Whether an intervention is small and localized (i.e., in an individual school or district) or national in scope, the goal is a stronger system. An intervention that threatens the robustness of the system will not strengthen it, no matter how well intended and technically sound. Moreover, country systems strengthening is necessarily a value-laden initiative: "strengthening" change should be positive—democratic, oriented to the common good, and accountable, for example. We would not favor strengthening systems that are robust in their ineptitude or corruption.

What interventions can contribute to strengthened systems? The challenge is knowing how to operationalize the esoteric concept of system strengthening in practical, operational terms.

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[1] *Robust:* the system holds up well on its own in the day-to-day and long terms. *Coherent:* the elements of the system provide each other what they need. *Integrated:* the elements fit efficiently together with little "leakage" or space between them. *Self-organized*: the system is able to structure itself, to create new structure, to learn, to diversify. *Self-driven:* the system has its own goals and pursues them persistently and independently. *Resilient:* the system can address, absorb and overcome challenges to its resource base, its integrity, and its goals.

A starting point is to acknowledge the central characteristic of systems, which is resilience, or the ability to resist changing in response to shocks or one-time events. The many elements of a system interact with and adjust to outside forces in order to return to stability. Whether this is a human body responding to a virus or an ecosystem adapting to a new predator, the process is similar. This is why discussions about systems emphasize that effects are non-linear—there is seldom a direct cause and effect leading to a predetermined outcome. Most development interventions, on the other hand, assume not only a linear relationship, but one that occurs in a relatively short time frame.

It is tempting to think of resilience in terms of individuals—the long-serving minister or calcified, entrenched bureaucracy resisting change, or the flip side, which has such frequent changes that new initiatives do not stick. Many capacity initiatives are focused on these kinds of challenges. While these may be manifestations of the system, resilience needs to be viewed in systemic, not individual terms. The nature of Complex Adaptive Systems is to be resilient and adaptive—able to absorb changes without actually changing course. A country like Pakistan may be the classic example of system resilience, in that substantial and continuing engagement of donors with structural adjustment, direct grants, and project assistance have failed to change the underlying system dynamics.

The two primary system processes that strengthen resilience and enable modifications are 1) *stocks and flows*, and 2) *feedback loops*. A simple example of stocks and flows is a bathtub full of cold water and the flow of hot water from the faucet, resulting in gradual temperature change. In human system terms, a stock might include the total number of existing teachers and their current level of qualifications, which is changed gradually through the "flow" of new teachers entering the system and teacher training. Beyond the physical stock, however, is also the stock of attitudes, culture, expectations—about the role of teachers, how they interact with students, how girls are treated, etc. This stock of attitudes and mental models is a powerful force for resistance to change.

In addition to flows, an important system process for determining the trajectory of change is the feedback loop, which either stabilizes existing behaviors, or reinforces new ones. When particularly resilient behaviors, such as classroom instruction techniques or bureaucratic corruption in dispensing business licenses, remain the same despite decades of policies and training courses, it is evidence of powerful stabilizing feedback loops of culture, expectations, policy, and incentives. Such changes require multiple powerful feedback loops that reinforce the new behaviors. In the context of education projects, we have argued that this happens through *processes* and *structures* that enable both linkages among agents and a mechanism for continuing reinforcement of new behaviors (Gillies, 2010).

Taken together, these elements about systems may mean that sustainable, fundamental change may happen through a major destabilizing shock that affects many sub-systems and levels, and could in theory happen quickly but unpredictably. Most country systems change more slowly, through changes that are supported with multiple reinforcing feedback loops at different levels. These reinforcing loops may incorporate different types of capacities in a country—policies, committees, teacher circles, demonstration farms, associations, or other elements.

The implicit point of view of most studies—including this one— is donor-centric. The voices and perspectives of actual system stakeholders are rarely evident in the literature. Theoretically, this is relevant in the context of systems thinking—the intervention is by nature and design an outside force that the "system" will adjust to, or co-opt. The "outsider" status of donors dealing with a country system is a key factor that needs to be acknowledged. In practical terms, it is important given USAID's commitment to country leadership through its USAID Forward initiative.

III. A Review of Strategies and Modalities for Capacity Building and Country System Strengthening

USAID's 50-year track record is an impressive experience base. The underlying development theory has evolved each decade, from modernization and Rostow's stages of economic growth, through Human Capital theory and the Basic Needs approach, to the neo-liberal Washington Consensus for policy-based conditionality in the 1990s, to the more recent focus on civil society, democracy, sustainable development, and country leadership. Each development theory informed and influenced USAID capacity development programs in each period. Programs shift between an emphasis on individual leadership and technical expertise, government institutions implementing 5-year plans, empowering the poorest of the poor, strengthening private enterprise, and empowering political balance through civil society. Although this has not produced "the" answer, it provides a rich vein of experience. We will review the human and institutional capacity development (HICD) strategies with the following admittedly over-simplified rubric:

- Bet on the *Individual*
- Bet on the *Organization* (or government)
- Bet on the *System*

We use the term "bet on" to represent the driving logic behind these program investments. The individual training programs were based on the assumption that individuals, or change agents, drive change in organizations and country systems. The institution building programs are built on the working assumption that organizations are the building blocks of national capacity. Of course, these categories are not mutually exclusive. While some programs, such as the participant training programs, focused exclusively on individual skills, others sought to tie the individual objectives to institutional goals. In most cases, work with organizations necessarily involved training of individuals, and systems engagement incorporates capacity building of both individuals and organizations. Nonetheless, the focal point of the interventions is an important distinguishing characteristic.

This review draws on a review of evaluations and reports of numerous programs that incorporate individual training programs, organizational and institutional development, capacity building, and sector specific goals. The frequency of common findings over a 30-year period was notable, so citations are limited to specific documents and meta evaluations that capture the broader trends. A partial list of major references is included at the end of this report.

Bet on the Individual

USAID investment in human capacity began with large scale scholarship programs of the 1960s and 1970s that trained thousands of people for leadership positions with undergraduate and graduate programs in agriculture, health, government, and management. These programs have used standalone scholarships, project-related training, short-term training, and third-country and in-country programs.

Although these training programs focused on individual skills, knowledge, and attitudes, the focus changed with the times and the program context. The following were areas of focus:

- Building a cadre of national leadership in technical, political, and management fields. Programs such as the Kennedy-Mboyo airlift that educated Barack Obama's father identified the *best and the brightest* and created a management elite with graduate education.
- Offering project-related training that provided both long- and short-term opportunities, but usually focused on *mid-level managers and technical experts* needed to make the project function.
- Focusing on *special populations and future leaders*. The Caribbean and Latin American Scholarship Programs (CLASP I and II) grew out of the need to combat Soviet influence in the region in the 1980s. CLASP II focused on future leaders among the *disadvantaged populations.* Also, in the post-Soviet period in the 1990s, a massive training program was launched in Central and Eastern Europe and the former Soviet Union to introduce leaders and young people to the concepts and practice of market economics, democracy, and business management.

Although participant training no longer is a standalone USAID activity, scholarships and training programs are still important program elements in both USAID and State programs.

Observations and Lessons Learned

The underlying assumptions about betting on people are that: 1) individuals can make a difference in organizations and countries through technical capacity and leadership skills; 2) the organizational problem is primarily a function of the lack of skills, knowledge, or attitude rather than an organizational or systemic problem; and 3) the technical training and skills are relevant to the organizational and country context and can be applied.

Were these assumptions valid? This is a complex question. The narrow answer is that organizational performance problems are seldom wholly related to lack of skills, and with rare exceptions, individuals with a newly minted MS in agricultural policy are seldom able to reform a ministry from within. Even by the narrow measures of transferring the knowledge to do a job, training programs often fell short. Many programs suffered from a lack of alignment between the organizational context and the training solution (World Bank, 2008). The lack of alignment between training and organizational performance has led to the increasing use of performance management tools (organizational analysis, gap analysis, performance consulting), such as the current required methodology in HICD activities.

The broader question of system impact is more difficult to answer. Many individuals returned to leadership positions with new ideas and perspectives, as well as concrete skills. The early scholarship programs in

particular created a leadership class in Africa, Asia, and Latin America that influenced policy reforms (World Bank, 1998). The CLASP and NIS/CEE programs may have had limited direct impact on organizational performance, but the long-term impact on country systems is unexplored and unknown. Anecdotally, most development professionals know of profound if largely unreported impacts on individuals, organizations, and even national policy from even short-term training. These impacts were not linear, not measured in organizational performance, and seldom an explicit program objective. This illustrates why it has been difficult to successfully apply evaluation indicators that move farther up the Kirkpatrick scale than learning skills.

Bet on the Organization

Direct support to organizations in USAID programs has taken many forms that inform the issue of capacity building and country systems strengthening. The objects of assistance have included public sector institutions, NGOs, and private sector firms, each of which has distinct dynamics. The modalities for support have included small grants, operational support, technical assistance, contracts and sub-contracts for performance, organizational capacity building, host country contracting, or all of the above. Some of the strategies have included institution building and organizational capacity development.

Creating new institutions. As a generic term, institution building applies to virtually all USAID assistance. Beyond this general category, an important historical strategy for USAID support was deliberate institution building—support for creating new institutions or substantively strengthening existing ones. These intensive programs created some institutions of enduring value that have made clear contributions to national capacity. An illustrative list would include agricultural universities and research institutes, institutes of public administration, and such influential institutions as the Central American Institute of Business Administration (INCAE) in Nicaragua and Costa Rica, the Business Foundation for Education Development (FEPADE) in El Salvador, and the EARTH University in Costa Rica, as well as the American University of Afghanistan and the American University of Bulgaria.

Organizational capacity development. The emphasis on institutional capacity development for existing organizations and government institutions is integral to all USAID programming. These programs relied on a variety of mechanisms, including embedded technical assistance, participant training, financial support and infrastructure development, pairing with U.S. universities and faculty exchange, grants and contracts to implement USAID projects through host country contracting, and the establishment of "best practice" organizational systems and sub-systems (human resource management, financial management, information systems, management training, technical expertise). Of course, the most common approach would be project-based activities working with and through an organization (Ministry of Education, Ministry of Health, Ministry of Agriculture) to implement activities.

Observations and Lessons Learned

Many of the core issues about program design, implementation, and capacity have remained unchanged for 30 years, mostly focused on issues of organizational performance, local ownership and leadership, overly ambitious design, and unrealistic expectations. A special evaluation of institution building completed in 1982

could just as well as have been written yesterday (USAID, 1982). Some of the lessons from that time, however, reflect the strategy of creating parallel processes—"identify and bypass government bottlenecks." Today this would be considered unacceptable, at least in theory. In practice, however, the process of overloading absorptive capacity continues and has the same result. For example, a current "compact" for education reform in Ethiopia was so management intensive that the MOE needed to establish a separate management unit—a parallel structure—rather than work through the established systems.

Although evaluations of USAID capacity building programs have reported a range of positive, neutral, or even negative impacts, the focus is most often on low level operational issues (they did this right, they did that wrong) or structures rather than looking at capacity. There is a substantial—almost exclusive—inward focus on the organization itself, rather than the organization in the context of the larger political, cultural, and institutional system. Lost in this process is an understanding of how these organizational investments may have contributed to substantive system strengthening.

An important recent work (Pritchett, Woolcock, and Andrews, 2010) makes the argument that persistent implementation failure in development programs is an indicator that the approach to capacity development is wrong. Despite the rhetoric and aphorisms accepted in modern development work (context matters, no silver bullets, one size does not fit all), the actual practice on the ground promotes "accelerated modernization via transplanted best practices" with standard responses to predetermined problems. This leads to two critical failures: "isomorphic mimicry…the adoption of the forms of other functional states which camouflages a persistent lack of function…" and "fundamental mismatch between expectations and the actual capacity of…administrative systems…" leading to "premature load bearing in which wishful thinking about the pace of progress and unrealistic expectations about the rate of improvement" actually weakens capability.

Some issues were not raised in the literature, such as the selection of partner organizations. The institutions being strengthened were often the entity that USAID determined was important to its strategy, regardless of the people, values, political will, or capacity within. These factors were problems to "fix." When the partner organization is chosen because it is one of the few clearly capable and honest organizations in the field, the choice is driven by the need for short-term results, and can result in overloading an otherwise capable partner. In other cases, the choice is an exclusionary one—for philosophical or foreign policy reasons, some organizations or institutions have been excluded from support, such as the Sandinista organizations in Nicaragua in the 1990s, or groups such as teacher unions. In some countries, for political or competence reasons, the government is deemed unfit to work with, and aid is channeled to non-state players. These can be short-term or long-term policies, or in some cases intermittent. Regardless of the underlying rationale, from the systems perspective these choices have consequences, as they impact the feedback loops in the system.

An admittedly unsystematic review of the program evaluations found a pattern of capacity building projects being criticized for not being sufficiently results-oriented and implementation projects for paying insufficient attention to capacity and sustainability. Evaluation indicators of organizational capacity development have tended to be either measures of short-term performance (deliver activities), or reflect organizational infrastructure such as operating manuals, policies, governance structures, or similar elements. Although

unevaluated, however, these institutions can reasonably be said to have made important system contributions. The example of INCAE, which has trained the business leaders of Central America for decades, is a case in point.

Bet on the System

Virtually all programs have sought to improve the system or at least its outcomes. Some programs are explicit in that they seek to change the "rules of the game"—the incentives and disincentives inherent in the system. Others have explicitly sought to foster changed dynamics through structural changes in policy or procedures, or by supporting new actors or forces—democracy, financial system, and accountability structures. The system strengthening modalities have included both direct and indirect approaches to influence system behavior.

Change the policy. Much of the policy dialogue work sought to institute the preferred policy of the donor community. Approaches to induce policy change include the hard line of structural adjustment lending with conditionality, the slightly less hard line of non-project assistance (with conditionality) and project assistance with policy change (measured by the number of new policies) as a deliverable. These strategies boil down to "buying" policy change with either a stick or a carrot.

The biggest challenge of the policy change approach is that it is a high level application of linear thinking—that forcing a change in policy would cause the desired changes in organizational or systemic behavior. In many social and economic development sectors, a policy change has little impact by itself without an inherent capacity to implement the changes. For example, many countries have mother tongue instruction policies with no capacity to implement them.

Build capacity by using the system. A number of current strategies, including USAID Forward, rely on the power of money to achieve reforms because, all things being equal, it is more helpful to country development to put the money through existing systems. The working assumption is that this will lead to more "ownership" and more capability. This assertion is unproven, and as the previous example in Ethiopia points out, certainly not assured. Moreover, through the systems lens, using the existing system may build capacity may simply strengthen the current dysfunctional system.

Establish international agreements. International agreements like the Millennium Development Goals, Education for All, Paris Declaration, or the human rights movements are important tools for system engagement. These high-level agreements are in some ways divorced from the reality of country context and require strong national reinforcement in the country system. The challenge with these goals is that the influence is expected to be linear—and the measurements are linear and focused on the outward signs of change.

Change the structure. For several decades, system reform programs have encouraged structural changes in government service delivery and governance architecture including decentralization of service delivery and increased involvement of civil society. The highly influential 2004 World Development Report promoted an accountability framework which applied economic theory to increase political accountability, resulting in

improved service delivery. These strategies of improving systems and the capacity rely on changing the power relationships and developing operational capacity at multiple levels in a society. The evidence is mixed about the systemic outcomes of these initiatives, and the impact on the quality of service delivery in health and education is highly dependent on the existing capacity base. The accountability and decentralization systems tend to favor those regions with substantial existing capacity, exacerbating the inequities in a society (EQUIP2, 2009).

Work the system. This less explicit strategy might be termed to "accompany" local actors in solving problems. This strategy or approach is more generic, and usually reflects the particular philosophy of the donor project manager that places as much importance on the process of building a development partnership as on the short-term results. Although both results and process are important, the effort to build up credibility and trust creates opportunities for productive engagement in difficult policy matters.

Observations and Lessons Learned

The strategies for systems strengthening and reform are distinct in that they are ambitious and seek to address large-scale system behavior change. They are similar to the other levels of capacity building in that 1) they seldom genuinely draw on systems thinking to develop a theory of change that can be implemented, and 2) they primarily work at the individual and organizational levels.

System strengthening is difficult to evaluate and to plan. The many evaluations of the system approaches—structural adjustment, non-project assistance, Fast Track Initiative/Global Partnership for Education, Global Fund, decentralization—are beyond the scope of this paper. Perhaps the one common characteristic is that these approaches work at a high level, setting targets, requiring compliance, or identifying specific policy changes rather than engage in the complex dynamics of national systems.

IV. Illustrative Cases

Rather than a comprehensive review, we have chosen to discuss a program in more detail to illustrate the challenges and practice of addressing systems issues: 1) the underlying thinking about a theory of change, 2) learning about the process as the programs develop, and 3) the operational issue of what it takes to be successful in the USAID structure. The purpose of this section is not to present a model or example of success, but rather to encourage reflection about the complexities and nuances of program implementation with a systems focus that combines human and institutional capacity development. The Guatemala example is a process of engagement with multiple stakeholders at the national level, with interventions that address both institutional capacity and relationships. The textbox description of SCALE illustrates a structured methodology using a systems approach for mobilizing coalitions. They are certainly not the only, or necessarily the best, examples of such initiatives, but they represent direct experience for which we have detailed understanding of the challenges.

The Guatemala Dialogue for Social Investment Project: An experiment in adaptive international assistance in education and health

The Guatemala Dialogue for Social Investment Project was a succession of four distinct projects, funded by USAID in Guatemala and implemented by AED (acquired by FHI 360 in the last project), seeking to stimulate increased investment in education and later expanded to investment in health as well. These projects took a more explicit systems approach than is found in most projects, and the depth of understanding of what this means evolved over time and with experience.

The movement over the course of four projects highlights both the opportunities and challenges of engaging in complex systems. Key factors included 1) improving understanding about the relationships in the system; 2) creative and opportunistic use of tools and activities that stimulate positive interactions and collaborative action; 3) the flexibility within the implementation mechanism and its administration; 4) a shared understanding between the Ministry, USAID, and implementing partner about the nature of the program; and 5) bridging organizational divides across health and education.

The first activity was a cooperative agreement lasting 11 months to support dialogue between the MOE and civil society organizations about a shared vision for education. The project provided facilitation for a dialogue and technical assistance to analyze the costs and benefits of investing in education. It also highlighted programs in which communities, NGOs, and the private sector were helping to increase and improve funding for education. Although focused on facilitating interaction among players—a key systemic variable—the program was challenged by an initial lack of trust among participants, the evolving Ministry leadership role, and a project timeline for specified deliverables that was inconsistent with the Ministry's timetable and process. Key lessons learned were to prioritize trust-building between the Ministry and civil society over specific deadlines; flexible project administration to accommodate changes easily; and a project timeline that allows sufficient to value process over products.

The next three initiatives were 2-year projects, the last two being contracts rather than agreements. This is relevant when contracts are managed as more restrictive instruments that impose operational burdens and constrain program flexibility. The second project took an ambitious two-pronged approach to policy dialogue: 1) to strengthen the capacity in the MOE to track its finances and account for income, expenditures, and performance with greater transparency and efficiency, and 2) to strengthen civil society's capacity to oversee government responsibilities in education and engage actively in education policy dialogue. The rationale was to strengthen MOE credibility as a responsible manager so that society would support increased funding to education and to build confidence with civil society through active engagement. In the highly politicized environment of Guatemala, this mandate placed the project on the fault line of education policies and politics, making it an important player, but also putting it at increased risk as each stakeholder viewed the other with suspicion. The MOE valued the technical assistance but was wary of the project helping NGOs considered political enemies, and the civil society groups valued independence from, not interdependence with, government influence.

The third project expanded the policy dialogue approach to include the health sector. The establishment of a single, unified project team working in two policy sectors enabled specialists in health and in education to work across the whole of the project's implementation, providing valuable insight, contrast, and flexibility. An important insight was that the goal of increased social investment could not be met in the same way in each sector. For education, it meant increased funding in terms of absolute student per capita expenditures. For health, it meant acknowledging that increased funding would not help without substantive changes in the organization of the health services to address the inequities that created "differentiated health citizenship." The cross-sector collaboration and flexible management allowed for opportunities to apply unconventional ideas. One such initiative led the MOE to adopt the ISO 9000 quality assurance certification process, which led staff and managers to see their work as part of a system rather than through the narrow institutional unit needs and mandate and enhanced the MOE's credibility for responsible management through public recognition from the President and international community. Another led to the development of innovative information management systems integrating data across sectors, leading to much more powerful and flexible policy analyses with users throughout the system drawing on open and transparent data.

The fourth project was a straightforward extension of the third, incorporating lessons learned into the design, but failed to sustain innovation as understanding about and commitment to its systemic goals broke down among USAID and implementing partner staff. Staffing changes within the USAID education and health offices, and in the leadership of the implementing partner team, replaced an operating vision of interactive and opportunistic engagement with an engineering mentality focused on service delivery. This was exacerbated by an increasingly rigid reading of the project mandate and deliverables. Continuity of vision in this kind of non-traditional program requires an explicit plan to ensure that new staff share the vision. This is a significant challenge in the USAID environment.

The project illustrates several of system and program dynamics.

- Systemic goal and rolling design: Project implementation benefited from visionary USAID mission staff who set their sights on system-level goals and flexibly

SCALE: System-wide Collaborative Action for Livelihoods and Environment

A five-step communications-based systems methodology in USAID environment programs to build social capital and local collaborative action, treating capacity as a multi-layered element, from individual skills to system dynamics.

The five steps are:

1. **Mapping the context** in a stakeholder map with a cross-sector advisory committee to understand the systems (environmental, economic, governance, and societal) within which the program works, and relationships among stakeholders.

2. **Catalyze coalitions** a "whole-system-in-a-room" relationship and network building to define a common vision and goals.

3. **Create collaborative solutions** to build trust among actors.

4. **Act** using social change methodologies to minimize "system friction" that blocks collaboration and strengthens the ability to carry out commitments. Maintain a balance between task and process to strengthen capacity.

5. Stakeholders **monitor and evaluate** both progress and collaboration. Social network analysis identifies leverage points.

SCALE uses system dynamics to focus on interaction among stakeholders and the development of multiple reinforcing processes for common goals. SCALE also uses social change methodologies such as civil society mobilization, advocacy, social marketing, capacity building, and mass communication. It does not start with a set technical solution or preferred local organization. It empowers stakeholders to understand the problem and develop solutions through collaboration.

linked each successive project with its predecessors, adjusting interventions as demanded by the changing national context.

- **Continuity of vision**: The continuity between USAID, contractor staff, and national stakeholders allowed for developing a cohesive team with a common vision over the first three projects, despite staff changes on all sides. The level of experience and vision of the USAID AOTR, AO, and contractor was key to managing the bureaucratic constraints. With personnel changes, this common vision of working in a dynamic political context was lost.
- **Flexibility in operational interventions**: The project team undertook, and USAID allowed, a variety of experiments in finding the best ways to respond to the project's mandate. The project design emphasized global and partial outcomes and milestones rather than specific activities, giving the team flexibility in choosing what specific activities to undertake. Activities were taken up at the initiative of local partners, enabling demand rather than expert-driven outcomes.
- **Linking across outcomes**: The project team had specialists in a range of fields (education policy and services, health policy and services, ICTs, data analysis and interpretation, training, logistics), but all were engaged with outcomes across project components. This enabled achievement of outcomes through a variety of means, rather than linking types of intervention and types of outcome in an insular, and linear, one-to-one relationship.
- **Networking**: The project had a strong bias in favor of networking, both among its partners and other USAID projects. Of these, the networking efforts among partners tended to be more successful, as they were more willing to adapt to each other than were USAID projects which are restricted by less flexible work plans.
- **Measurement based on flexible rubrics**: In the case of policy tracking, the project developed monitoring tools that focused on the state of progress in policy formation and acknowledged that policy processes could regress at any point. This made the tracking tool useful for management, not just for reporting.
- **Challenge of system indicators**: The difficulty in defining a clear baseline for the whole of the program and tracking its impact across projects and components was a limitation. Clearly identified local results in each sector were difficult to aggregate so as to attribute higher-level outcomes (increase in the national investment in education) to the projects. This program challenge is to find relevant ways to identify, operationalize, and track aggregate outcomes. Perhaps one option is to seek to measure trust, or social capital, using network analysis, moving the predominant focus from project achievements to sustainable relationships.

V. Towards a Framework for USAID Programming for Country Systems Strengthening

The history of USAID engagement in human and institutional capacity building indicates that interventions at each level—individual, organizational, and system—have had some success and some failure as measured against the established project indicators. It is likely—even probable—that some of these interventions have had profound effects on country systems, but for the most part USAID has not been looking for such effects. Effective engagement with systems must work at all levels—individual skills, organizational performance, and system dynamics. The challenge of systems strengthening is to understand how to define success—and

failure—in such complex endeavors, and most importantly how to incorporate these issues in the institutional and political structure of USAID.

A few highlights include:

- The lack of a framework of definitions and indicators for country system strengthening make it impossible to assess the impact of USAID human and institutional capacity building projects on country systems. This kind of attribution is difficult under the best of circumstances.
- The significant investments in individuals, in organizations and institutions, and on developing systems have unquestionably influenced performance, capacity, and systems in some way. Many of these programs have been successful on their own terms—individual knowledge and skills and organizational capacity. At the sub-organizational level, such as an HR department or financial management, improvements may be visible and impressive.
- Whether these programs have genuinely influenced the trajectory of the system, and affected the underlying capacity, or simply have been absorbed into an existing, resilient system is an unanswerable question at this point.
- Many different modalities have been used, from technical assistance to discrete projects to direct funding and host country contracting. There is not one solution that is superior in all contexts, and particularly not a solution that reflects a funding modality, whether it is SWAp, IPR, non-project assistance, or project support. The modalilty question should be addressed separately, once the issue of how systems can be strengthened is clarified.
- The real issue is that the development community has neither defined nor tracked potential indicators of the operation and "strength" of country systems. Indicators of achievement are often defined at the lowest levels of inputs or outputs, seldom at the outcome level. Indicators at the level of system performance or outcomes, often called "development objectives," lack an explicit relationship to project activities through a clear theory of change. At this point, we are not in a position to recognize impact even when it exists.

The difficult questions of developing operational definitions and indicators for what constitutes a "stronger" system, how to intervene with concrete actions to "strengthen" systems, and how to measure progress at this level and between it and program- and project-level interventions go beyond the scope of this review. This is an important area for follow-up work to the Experience Summit.

Assumptions Underlying USAID's Support

The question of how to better support country system strengthening in USAID programs requires some additional unpacking. The discussion thus far has been based on a series of assumptions about both aid in general, and USAID in particular. These assumptions need to be made explicit because, if they are correct, they set the limits for success and operational parameters for engagement. If they are erroneous, they identify barriers that must be overcome to find better approaches. The key assumptions include:

- **External aid is positive.** The assumption most taken for granted is that external assistance can effect change in a positive manner. The debates between Jeffrey Sachs, David Easterly, and Dambisa Moyo

show that this assumption is by no means universally accepted, but bilateral and multilateral aid agencies and implementing partners obviously have a built-in bias in favor.

- **"They" need improvement.** The second assumption is that there is an "object" to be improved. Donors and implementing partners act by supposing that there is an objective "something" to which they apply more or less successful tools and practices for systems' strengthening. The "otherness" of the object is rarely questioned.
- **The donor is outside of the system and is objective.** Together with the otherness of the subjects of improvement, donors usually assume their objectives, procedures, planning tools, and incentive structures are outside the system needing change, despite their vast influence on the nature of development interactions and outcomes.
- **The intervention works to improve the system.** The third assumption takes for granted the rational efficacy of the interventions. This supposes that we can: 1) correctly identify problems in development, 2) devise interventions that address these problems, 3) implement them from the "outside," and 4) obtain predicable results that solve these problems in an efficient and effective manner. USAID's HICD methodology codifies these assumptions into process instructions.
- **Impact of interventions is linear and predictable, can be achieved in a project timeframe, and allows for accountability.** While this assumption may work at the activity level (i.e., training teachers, building schools), the relation between activities and higher level outcomes in the system is much less certain.

The USAID operating environment has been largely dependent on these assumptions, but all of them are problematic from a systems perspective. The field of systems analysis (Senge, 1994) has shown that little change is exogenous and seldom linear. Institutional and organizational systems are surprisingly resilient when faced with outside pressures to change. Achieving impact at a system level is challenging within the time and resource constraints of donor programs. Increasing evidence from the fields of complexity and emergence, applied to issues as diverse as road traffic, political networks, finance, and war, show that there is seldom a linear relationship between inputs and outcomes in large, complex systems. The current emphasis on hard evaluation of interventions seeks to address the question of whether the solution "works" on a short-term basis, but may miss the larger question of whether the intervention leads to system strengthening. Both levels are needed.

Elements Needed to Support Country Systems Strengthening

Define success and failure, and attribute them correctly. Defining success is the first problem in improving systems. Whether the modality is through training individuals, supporting organizations with performance consulting, or addressing system constraints, one needs to be able to recognize success. As noted above, historically measures of program success have settled on the lowest common denominator that is easily measured (i.e., number of teachers trained) rather than on measures of success that reflects systemic integration and system strength. The fact that we have failed to define success at the system level means that, at least in some cases, we fail to recognize successful outcomes.

Equally important is recognizing failure as part of systems strengthening initiatives. Success is not a given with interventions in complex systems in a political environment, and particularly not within set time frames. Not acknowledging failure as part of "success" sets incentives for people to fudge the data, spin the results, and self-delude about their contributions. Indeed, failure is at the heart of randomized controlled trials (RCTs): if something is to prove better, something else must prove worse.

Attribution is particularly difficult for long-term improvements in a system. Under most circumstances, the best we can hope for is plausible association. Even with this, however, the perverse tension between available resources, level of engagement, and the political need for impact means that the primary link between activities and system-level impact is at best an educated guess, and at worst a dose of magical thinking. If we believe systems strengthening is a component of assistance to development, we need to start by framing success in a way that is meaningful at a system level. This could require that programs build complex models as conjectures to be tested, perhaps using newer technologies of complexity such as social network analysis.

Bet on the system every time. All capacity building, whether of individuals, organizations, or systems, will involve people with multiple links to their environment. A systems approach acknowledges and seeks to leverage these links. Even localized interventions need to be considered in the context of system-level dynamics and how the intervention might contribute to robust, coherent, integrated, self-driven, and resilient systems.

Defining the relevant system does not mean taking for granted the formal organizational limits. For example, the relevant system for a course on planning and budgeting for mid-level district education officers might include district officers, central secretariat, IT specialists, local politicians, and mayors. Meanwhile the relevant system for a training on budgeting could include school principals, the Ministry of Education budget office, and the Ministry of Finance. The same activity—training—for the same people—district education managers—involves two very different definitions of the system and its actors. In this framework, an adroit program manager should figure out what the relevant system is and consider both the intervention and the dynamics to strengthen the system.

Locate the donor within the system. The international consensus documented in the Paris Declaration, the Accra Agenda, and the Busan Forum clearly acknowledges the critical importance of local leadership for aid effectiveness. This supports a central tenet in systems theory—that change must be driven from within. A radical implication is that donors also acknowledge that they are part of the system and not just talking from the outside. This also implies that the donor accepts the need to be part of the change and to relinquish control. Both of these elements are part of the rhetorical commitment to the Paris Declaration; neither is clearly evident in practice. The political-institutional context for USAID, and its impact on decision-making is a factor that must be taken into account in understanding how these issues might be made operational (Hoben, 1980).

When the system is defined in the context of the local institutions and systems rather than in narrow project terms, the relative volume of donor resources (funds and technical assistance) is miniscule. ODA financial resources are a small part of the capital represented by a public bureaucracy, such as teachers in an education

system or civil society. However, this is what systems change is really about: donor resources, as a fraction inside a national system, catalyzing change needed and desired by that system.

Develop programs for partners, not partners for programs. When the donor is part of the system, developing genuine partnerships requires a different programmatic relationship. Criticisms of aid often point out that "wily officials" misdirect funds from program purposes to their own ends, or that commitments are unmet or conditions ignored. From a systems perspective, this represents the endless resilience of systems to externally imposed change, and the limits of linear thinking. From a practical standpoint, it also represents the view from an external player who defined the objectives, strategy, and benchmarks, administered the funds, and measured results—only to find them wanting. However, the local agents applied their own "rules of the game" to accomplish their own goals!

There is no avoiding the need to define goals, acknowledge management, address responsibility, conduct implementation, and measure results, but systems are strengthened by doing so with the local counterparts' standards, with their means and on their time scale. Interventions should be about developing a program that serves partners, not about finding partners to implement the program.

Most importantly, systems strengthening involves spending as much effort as needed to *understand the problem*.[2] The "problem" is not a mole to be snipped off the surface of the system with a pair of scissors. The problem is an inherent feature of a system, and will only change if that system acknowledges it, and wants a change catalyzed with the donor's support.

Acknowledge emergent processes. Institutional systems are large and complex, with multiple interactions within and between organizations. This implies a large proportion of uncertainty in outcomes, and a non-linear relationship between interventions and results. For example, increasing transparency in one organization may lead corruption to seek other outlets, and effects ripple through a system. Staff trained, who then leave a ministry, may end up working for organizations overseeing it and causing unexpected improvements.

Dealing with such protean outcomes requires program and project managers to be flexible in choosing interventions, interpreting results and deciding about program direction. Even with set outcomes, goals, and indicators, project design and oversight need to make adjustments along the way, rather than commit narrowly to a single type of intervention against a single type of outcome.

Address democracy in national systems strengthening. The efforts described are focused on improving the operation of the system, in terms of performance, how it guarantees its survival, and procures its self-reproduction. However, this is not enough for systems strengthening for development and public institutions. A fundamental aspect of these systems is providing, sustaining, and renewing the substantive functions of a democratic state. It is not enough to procure improvement in organizational and sector functions if this does not guarantee conditions such as justice, representation, and openness.

[2] We use *problem* here in a broad sense, akin to its meaning in science: something that needs to be understood, explained and, in this case, addressed.

Measure systems strengthening. An important aspect of improvement in systems strengthening will be developing a better conceptual and operational approach to measurement that allows donors to measure both concrete activities and less tangible trends. This will require moving beyond the linear impact assumptions that inform of the current evidence-based approaches. The evidence-based approach acknowledges we have not been collecting enough or the right information, or acting on it, and that with it, we would have chosen better interventions with more predictable results. However, outcomes are related in a non-linear fashion to inputs and interventions. Before deciding on the kind of data to collect, and whether methods such as RCT are adequate for a given situation (and they *are* adequate in more cases than they are used), we need to devise the theoretical relations that these trials are supposed to test. Specifically, we need to develop measures of non-linear relations.

Moving Forward

However challenging it may be to program for country systems strengthening, it is clearly consistent with at least the philosophical framework of the current development thinking embodied in the Paris Declaration. Therefore, it is worthwhile working on ways to incorporate it in practical ways in the political–institutional environment of USAID.

Any and all tools developed so far, from participant training to organizational development, to policy dialogue and beyond, should be considered systems strengthening options, as long as it is clear what they are good for. The next development frontier to focus on innovations in systems strengthening may require moving beyond deciding which tools to use when and focus on understanding complexity and how to address it. The thinking and tools of social network analysis and theories of complexity may offer valuable insights for this challenge.

USAID has been very effective at developing systems, procedures, and tools for planning and budgeting at the activity and project levels. These will continue to be a necessary part of any development enterprise. At this level, the mechanisms are inherently and unavoidably linear—inputs, outputs, outcomes and impacts. Planning is largely a linear activity. Management, however, may need to incorporate a greater degree of flexibility to accommodate emergent elements in the system—what could be referred to as opportunistic management. Most importantly, however, goal setting and evaluation and reporting need to progress sufficiently to capture both the immediate concrete accomplishments while not undermining the longer-term system strengths. The challenge for USAID will be to ensure that the incentives and procedures, built into contracting mechanisms, funding modalities, performance reviews, and programmatic structures such as CDSS and project designs, allow for a reasonable balance between accountable project management and achievement of larger system goals. This may require multi-level management and evaluation with at least equal weighting, and a concerted effort to guard against magical thinking.

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