

Appendix: Guide for preparing terms of reference for capacity assessment

This appendix aims to assist people who are involved in developing terms of reference (TOR) for a capacity assessment (CA).

The TOR are directed at assessments of capacity at sector or subsector levels, which may be part of:

- local actors' preparation of capacity development (CD) plans,
- joint dialogue about capacity issues and development options between local and external partners,
- joint preparation of support to CD from development partners, and/or
- development partners' preparation of country strategies.

The TOR can be easily adapted to other areas, including public financial management and sector-wide or programme-based approaches in general. They should also be helpful if only one organisation is considered.

These TOR do not cover the tasks involved in designing a CD plan or a CD support programme. They do, however, highlight key issues that will also be relevant for a design phase, and the assessment should be a key input for the design phase.

The TOR and guidance for their preparation do not assume or exclude a priori that the assessment requires technical assistance (TA). Recent assessments may already exist, and the responsible sector authorities may produce the assessment with their own resources. A decision may have been reached that an assessment will best be developed as part of a CD process, and thus be extended over a longer period of time.

If TA is required, this may be national, regional or international TA, and it may be acquired by the authorities (from an ownership point of view the best option) from a single funding agency or through a joint arrangement with several agencies (in line with the harmonisation objectives of the Paris Declaration).

The TOR in this appendix are directed at suggesting what the key 'operators' of the CA should do, rather than what all actors involved will do. Thus, this guide does not specify that senior executives in the organisations under assessment will encourage their staff to collaborate actively or give advice (and information) to and supervise those doing the assessment — even if that is essential for a good CA.

A CA — no matter how it is performed — is an intervention in the life of the involved organisations. The way it is performed, and the timing and context of it, may have effects such as:

- enhancing self-mobilisation of staff and managers so that they speed up and energise their own CD efforts;
- creating fear of future downsizing, outsourcing or privatisation, with subsequent informal organisation of resistance against such moves;
- creating fear of internal restructurings and/or loss of power or loss of rent-seeking opportunities for some staff, who individually and collectively may build up strategies to work against future CD/change;
- fostering cynicism if the CA is perceived as poorly timed, poorly managed or coming on top of several previous CAs that had little impact;
- fostering complacency and biased provision of information if external funding (or increased funding) is perceived as linked to certain outcomes of the CA; and
- fostering resistance if the CA is perceived to be driven by external funding agencies and insensitive to the local context.

For several reasons, it is very difficult to perform a solid institutional CA during a short, concentrated period of time (1–2 weeks). Unless conducted by highly specialised professionals with intimate knowledge of the country and the sector, such compressed assessments will most often not be able to thoroughly analyse informal aspects of the sector set-up and the political factors that are shaping the drivers and constraints of sector performance.

The assessment team may also have to define when, how and what to assess to comply with their task. Thereby, they risk being perceived as supply driven and insensitive to the local setting. In such cases, the assessment is unlikely to provide an optimal basis for subsequent CD efforts.

The proposed structure of the TOR includes:

- (1) context of the assessment;
- (2) overall organisation of the assessment;
- (3) objectives of the assessment;
- (4) results of the assessment;
- (5) content aspects of the assessment (scope of work);
- (6) overall approach, including participation of stakeholders, clients and staff in the assessment;
- (7) roles and responsibilities in the management of the assessment process;
- (8) competencies required of people performing the CA (including TA as appropriate);
- (9) length and timing of work; and
- (10) bibliography.

Context of the assessment

All people involved in the CA should have the broad picture of events and situations that have led to the formulation of the TOR. The first chapter of the TOR can address the following issues.

- ~ The key reasons why the CA is needed at the present time (see also the subsection on objectives).
- ~ Brief background information about the sector, the key organisations and the network that are the subject of the assessment. Possible recent assessment and other key history issues can also be mentioned.
- ~ A brief description of the wider process of which the CA is part (e.g. a broader sector review in the context of a sector-wide approach or a public-sector-wide initiative to assess capacity issues).
- ~ Rationale why specific organisations have been selected for assessment, if the selection has already been made. The organisations selected for assessment should be key to delivering the services/outputs that the agreed sector policy/programme is aiming to deliver. If the scope of organisations to be assessed can be modified as the assessment process moves forward, this should be stated.
- ~ A brief description of key stakeholders whose relation to the key sector organisations should be part of the assessment. This could include, e.g. cross-cutting ministries (typically the Ministry of Finance), civil society organisations, user associations, oversight bodies and media (tool 1 serves for identifying the organisation to be considered).
- ~ A brief description of the process leading to the TOR: Who took the initiative to arrange the assessment? Who drafted the TOR, based on which type of consultations and/or joint dialogue and work? Who approved and endorsed them? Who will fund the process if it requires funding? Who will contract TA if TA is envisaged?

Critical issue: A sentence such as ‘These TOR have been prepared by [names/organisation], received comments from [names/organisation], consulted with [names/organisation], approved by [names/organisation], and endorsed by [names/organisation]’ should be included to clearly and transparently indicate who have had a part in the TOR preparation, the extent of the part each played, and who can therefore, to some degree, be held accountable for the content.

Short context section

Keep the context section short and to the point, but with specific references to additional information sources (reports, agreements, proposals, statistics, laws, etc.).

The overall organisation of the assessment

Unclear roles may easily undermine effective accountability, governance, and transparency of the assessment. Very often, TOR do not clearly specify who is the 'owner' or responsible authority for the CA and, therefore, to whom the implementing team will refer.

Critical issue. A clear and unambiguous statement should be included as to whether the assessment is made by the funding agency to enable their internal decision-making, by the sector authorities, or by the management and/or boards of particular sector organisations. For example, 'This assessment is conducted by the [sector authority] [funding agency(ies)] with the [support of] [participation of] [funding agency(ies)] [sector authorities] [etc.]' The assessment may well be made by and for several or all of these stakeholders, in which case it is crucial to indicate the primary owner of the assessment.

External consultants cannot 'own' the assessment process

An external consultant, if involved, can help conduct an assessment and do the practical work of creating spaces for exchanges, collecting data, assembling viewpoints, suggesting interpretations and preparing analysis. But a consultant cannot be the 'owner' of the assessment process.

Even if an 'audit type' or 'independent' assessment is agreed on, somebody has ordered that to happen. This authority of ordering may be shared, e.g. by funding agencies and national authorities. But if no party is acting as the lead, there is a risk that no one will eventually feel committed to assist the TA or to consider the implications of the assessment seriously.

Objectives of the institutional and capacity assessment

What will be done with the results of the exercise? The objective of the CA describes the decision-makers' use of the CA after it has been carried out. How will the decision-makers (for example the management and/or funding agencies) use the results of the process? Which strategic decisions and which tactical/operational decisions will the CA inform?

Objectives are often phrased as follows: 'The objective is to conduct an assessment ... etc.' This formulation is **not** describing an objective — it is simply a description of an activity.

Objectives are desired images of the future

The objective is a picture of a future, desired situation: 'Decision-makers able to make properly informed decisions about size of external funding that the sector can use effectively ...' or 'staff and managers have a shared image of capacity constraints and CD opportunities, and are able to formulate an action plan for CD.'

Description of the purpose of the assessment, or the reason why the assessment will take place, could for example be to:

- ~ enable sector authorities and/or funding agencies to decide on the feasibility, scope, and size of a sector programme and of external support to this sector programme (or a project within the programme) so that it is commensurate with the implementation capacity in the sector;
- ~ establish more firm collaboration modalities between several actors in the sector, based on a joint understanding of capacity and constraints;
- ~ create awareness among staff members and stakeholders about possible need for change;
- ~ enable funding agencies to decide whether to finance a next phase;
- ~ inform policy dialogue between sector partners, thereby achieving a better policy foundation;
- ~ enable authorities to design and prepare a CD plan, including, as relevant, support from development partners;

- ~ enable authorities to approach other important stakeholders (e.g. ministries of finance and local governance) to propose remedies for institutional constraints that cannot be solved at sector level; and
- ~ enable authorities and development partners to decide on the scope and modalities for support to CD.

Go for specific objectives

Very generally formulated objectives — such as ‘The purpose of the CA is enhanced effectiveness in the sector ...’ and the like are not informative or helpful. They may indicate that those involved have not had a results- and outcome-oriented dialogue about the CA.

The objective(s) of the assessment must have significant consequences for how the CA is approached. If not, the objectives are void or were formulated after a decision to do something for other reasons (e.g. what has been done before, or what is easiest, or what allows avoiding dealing with tensions and conflicts).

For example, if the objective is to raise awareness about future change, then a much more participatory and inclusive approach is needed than if the objective is decision-making by a funding agency about funding size and modalities in a sector. In the latter case a more desk-based and selective approach may be warranted to reduce transaction costs and avoid creating false expectations or even unrest in the target organisations.

The more a CA is an input for future CD efforts, the wider is the CA's scope: the CA is about assessing the capacity as it is, and about assessing if and how it can develop, how much, and in which direction.

Assessments cannot serve to define donor support to CD only

A CA cannot logically be conducted with the purpose of designing external support to CD only, unless the CA only focuses on working to strengthen enabling and weakening constraining factors in the environment of the organisations. CD is a process that must take place within organisations and cannot be imposed (teaching can be imposed, learning cannot). Therefore, to design CD support requires a CD process that can be supported. And specifying this endogenous CD process must be part of the CA process before it makes logical sense to formulate the support to the process.

Process aspects will become even more important when the purpose is in the direction of CD and change*

The CA must be conducted so that those who will afterward lead and manage change have a better chance of doing so successfully, most likely implying that they must be closely involved in leading and managing the CA.

The CA process will also aim to create enthusiasm for subsequent CD and change, and to identify ways of dealing with resistance to change.

Expected results

This section describes the tangible results that have to be delivered by people implementing the CA. The results are necessary, but unlikely to be sufficient on their own to achieve the objectives. That will most often require action by the owners of the assessment, as well as by others. Apparently simple matters such as commenting on drafts and conducting dialogue and joint decision-making based on a final report may be required to make use of a CA report and achieve the objectives.

All too often, it is thought that the result of the CA is just a report. However, often several other (and more important) tangible outputs should be considered and specified when relevant, such as:

- ~ a final workshop for core group/key stakeholders;
- ~ orientation event(s) for external stakeholders;
- ~ a debriefing event for senior executives;

- ~ debriefing event(s) for staff members;
- ~ a summary two-page overview in easily accessible form for wider circulation;
- ~ confidential papers/reports on special issues;
- ~ draft reports circulated as specified;
- ~ a final report (with specified maximum length and, as required, provision for appendixes), distributed according to a list;
- ~ compact disc (CD-ROM) versions of final reports and appendixes distributed as agreed; and
- ~ Web posting and/or publication of final reports, etc.

Agree on how the assessment shall be disseminated — beforehand

The owners of the CA should agree beforehand on the recipients and users of the results inside and outside the organisation. It is particularly important to agree whether the reports will be publicly or semi-publicly available, or whether they will be confidential (in which case those entitled to see the reports should be specified).

There are two conflicting concerns regarding disclosure policies in relation to a CA. Some organisations may by law be obliged to make public any reports they have funded or co-funded. Or they may as a policy want to disclose reports. The opposite concern pertains to a need for confidentiality: there are important issues in organisations that the individuals and the organisation — for very legitimate reasons — will not want to display publicly. If it is known that the CA report will be public, staff members are unlikely to share such important information.

The content of the assessment/scope of work

This section of the TOR should outline the organisations, the networks and the relations to be included in the assessment, as well as the contents of the assessment (what to assess in relation to the sector network and the organisations included). Following the approach outlined in this guide, key points will include:

- ~ **the organisations** to be included (see 'Context of the assessment'), as: appropriate, explaining why they are key to the success of envisaged or ongoing support to the sector;
- ~ **data collection** about past and present outputs, their relevance, quality and quantity (services, products, and regulations) from the sector/subsector/specific organisations included in the CA — if the assessment is also an input to consideration of future CD activities and CD support, then this baseline information is essential when a CD action plan will identify and specify desired future outputs, because they have to be realistically projected;
- ~ **the sector context**, including structural factors relevant to capacity (e.g. extended territory and limited public resources are likely to have an impact on the ability to fund and deliver items such as health and education services territory-wide), institutional factors (including, but not limited to, the legal framework and how this is observed and enforced; public-sector-wide factors related to civil service conditions, etc.; decentralisation; patronage/client systems affecting the public sector's performance; and effectiveness and modalities of sector governance and accountability mechanisms);
- ~ **drivers and constraints**, which are especially difficult but important to assess, explain present performance and may explain why capacity may not grow easily;
- ~ **inputs and resources available** to the sector and the organisations, including the balance between funds for different purposes and the past trends in areas such as spending on maintenance, operational costs, salaries and staff numbers;
- ~ **the internal elements** of the organisations under assessment (leadership, strategy, structures, rewards and incentives, internal relationships, and helpful mechanisms — several good ways of decomposing the internal capacity are available, and the choice may best be left to those performing the assessment and/or the organisations under assessment); and
- ~ the sector **networks** and external networks and relations, including the sector governance set-up.

The assessment should pay attention to the political aspects of organisations, e.g. the internal and external power relations that energise the sector system (or stifle it) and the balance and relation between the formal and informal aspects.

If the CA has an objective to allow decision-making or prepare plans for future CD and CD support, then the scope of work should include assessing readiness for change, potential prime movers (influential actors) of change, resistance to change, and change strategy and change management aspects. The history of previous change, reform and CD efforts should be factored into the assessment.

Methodology and approach

The overall methodology and approach will address: how participation of stakeholders, clients and staff is foreseen; data collection methods and sources to be used; and the overall sequencing of the process.

Crucially, the TOR should describe the degree of participation envisaged in the CA and the roles of stakeholders. The balance between self-reflection by staff and stakeholders and reflection and analysis by the assessment team should also be indicated. The former is likely to generate more ownership of conclusions but may also bypass important conflict issues. Obviously, the authorities governing the CA (national authorities and/or funding agencies or other stakeholders) have to commit time to participate to give the process a chance of success.

Don't prescribe specific participatory methodologies

There are many different specific methods for participatory self-assessment processes: focus groups; strengths, weaknesses, opportunities and threats (SWOT) analysis; appreciative inquiry; reflective teams, etc. Rather than prescribing a specific approach it is often best if the people conducting the CA adopt an approach with which they are familiar and which allows the desired level of participation commensurate with the objectives of the CA.

The stakeholders around and staff members in the organisations to be involved in the CA will also have to be delimited according to the objectives and CA's scope and the resources invested in it. The long list could include:

- ~ citizens/users/clients, e.g. people using the services from the sector or who should adapt their behaviour according to sector regulations;
- ~ people exercising formal or informal sector or organisation governance (parliament, ministers, senior civil servants in key ministries, including Ministry of Finance and Planning), supervisory bodies (e.g. superintendence agencies and supreme audit institutions) and influential lobbyist and interest groups;
- ~ key staff involved in cross-sectoral reform initiatives shaping drivers of and constraints on sector capacity (civil service reform, public financial management reform and governance reforms);
- ~ management;
- ~ professional staff;
- ~ support staff;
- ~ outside experts (sector researchers from think tanks and universities);
- ~ media representatives (who may be able to furnish good descriptions of power issues in the sector); and
- ~ funding agency staff with special sector knowledge or knowledge of cross-cutting issues.

Less is more

Using too many interviews or participatory assessment processes may hamper depth and quality and undermine commitment and understanding among people involved.

The law of diminishing returns or the '80/20 principle' applies: 20 % of the effort is likely to provide 80 % of the information, while the remaining 80 % will only yield the finer nuances.

The methods and tools of data collection and self-assessment should be roughly indicated, such as:

- ~ documents and Web sources; 'data mining' — finding underused information — often yields significant results (both in terms of information and analysis of why the information was buried), but it is also a very time consuming process;
- ~ broader surveys (e.g. self- or externally administered questionnaires and open and/or multiple choice approaches);
- ~ focus group interviews;
- ~ individual interviews;
- ~ observation of work processes and meetings;
- ~ facilitated self-assessment processes;
- ~ self-assessment processes organised by those assessing themselves;
- ~ flowcharts of key business processes central to the value-addition chain; and
- ~ the sequence in which the activities should take place, with stocktaking exercises along the way.

Process aspects are critical

If the CA is seen as a critical input to a forthcoming CD process, then attention to the process aspects of the CA is critical. In the extreme, a CA that primarily aims to prepare for change may have to avoid certain themes and suppress certain information because 'the truth' — even if undeniable — may bring conflicts into the open in a manner that could jeopardise any hope of CD for years to come.

If the CA prepares for change, then participation and buy-in to the conclusions of important power holders (staff unions, managers, key staff and key external stakeholders) may also be essential for a subsequent successful CD process, and full attention to these process aspects will be crucial.

• Roles and responsibilities in the management of the assessment process

This section should describe the operational managerial framework for the assessment process, giving the implementing team a clear framework within which to operate as well as detailing the essential tasks that others have to perform to enable the CA to take place. This could include:

- ~ defining how the essential pre-assignment dialogue between the CA team and the CA owners is to be conducted (with whom and through which media);
- ~ defining who will be responsible for supplying documents to the team (and to others around the CA who might need them);
- ~ defining to whom the team relates for all substance and approach aspects of the work, e.g. to whom the team reports while on site (who is the 'manager' of the team?);
- ~ to whom and how the team would have recourse for particularly important questions (a steering group, which might have predefined meetings with the team and/or a call in authority for both steering group members and the team);
- ~ defining how and by whom appointments for the team will be set up, and how and by whom participatory events will be organised; and
- ~ defining if and how logistic support will be provided to the team.

For busy staff members in government or funding agencies, it may be tempting to request that a study team (particularly if only composed of external consultants) organise its own meeting and activity schedule. This, however, may have drawbacks: the team may not have the requisite knowledge to 'get behind the reception desk' in the organisations involved or to identify the informants in the wider context. Also, people who are asked to meet the team are likely to react differently if they are requested to do this by their own hierarchy, by a staff member of a funding agency or by a consultant.

Finally, making and updating appointment schedules takes a lot of time.

• required team competencies

The content of this section depends on the purpose and scope of the CA. The section describes the necessary qualifications of the CA team. Details on the team will include number of team members and their functions (team leader, human resources (HR) specialist, etc.).

If the CA team is internal to the organisation(s) being assessed, this section will list the people appointed to the team and detail their particular functions (team leader, financial specialist, HR specialist, etc.).

If the team also (or only) includes TA, and if the TOR are to be used as a basis for competitive bidding from contractors, then the qualifications required for the consultants should also be applied in the bid evaluation process.

Profile of qualities and characteristics of the consultant (company):

- ~ track record in TA by sector, type of organisation, and country;
- ~ characteristics, e.g. experience with participatory assessment processes, knowledge of CD processes and core business (which should be in advisory work);
- ~ description of the required expertise of assessment team members — if several consultants will be employed, the special areas they should cover should be indicated (e.g. expertise in leadership and change management, public financial management and HR management); and general qualifications could include knowledge and understanding of CD processes, skills in communication and facilitation, and attitude of respect and diligence with regard to client-organisations; and
- ~ regions, cultures and/or sectors in which the contractor should have had experience.

How much is CA a professional specialisation area, and can it substitute for comprehensive sector knowledge? Or, can sector specialists perform a CA if they have supplemented their professional profile through training?

Human resources specialists and management consultants often argue that CA is a particular discipline, while sector specialists will, unsurprisingly, often argue for the opposite. However, **work in CD and CA does require specialised knowledge** about organisations and institutions, and **well-honed and specialised skills in communication and facilitation**. These can be acquired in many ways and by many people from a variety of professional disciplines, but they are essential.

In major CA exercises, it is probably often advantageous to combine CA/CD and sector expertise, but the latter has to be policy-level or sector-holistic expertise. Narrow technical specialisation within the sector is normally of little relevance.

Balance different resources carefully

Create consistency and continuity between different longer- and shorter-term inputs. A mixture of local and international consultants may have added value, but only if enough time is planned for them to collaborate (otherwise experience often shows that the international consultant takes the lead and ends up using the local consultants as fixers of access and logistics).

Length and timing of work

This section indicates the time assigned (days, weeks or months) for different stages of the work and provides information the team needs to be able to plan properly.

Issues that can be important, and a timetable indicating sufficient time for the activities, are as follows:

- ~ **preparation:** selection and availability of team members and field work required;
- ~ **execution:** time needed to achieve results and purpose of the assessment, correct distribution (including debriefing) of time in relation to the involved organisations and stakeholders, and field visits outside capitals to assess local-level capacities or special regions with particular capacity problems;
- ~ **reporting:** deadlines for draft and final versions of the report, a list of all stakeholders who will receive a each report and procedures for commenting on the draft(s);
- ~ **visits** to be made (relevant authorities, institutions and beneficiary groups);
- ~ **availability** of the important resource persons (also, and particularly, inside the host organisation)

- **practicalities** on logistics that can influence the timing of visiting the necessary stakeholders, e.g. road conditions, weather, local festivals, elections and seasons.

In developed countries, when an organisation engages consultants to diagnose capacity and CD needs, the consultants will seldom work full-time on the assignment over a very short time, but rather will work part-time over an extended time period. This approach allows time to digest intermediate results and produce and organise feedback in an orderly manner. With an extended period, the consultants can more easily accommodate their work schedule to the organisations (instead of the other way around).

Local consultants have the same opportunity and may, all else being equal, be preferable for that reason. The drawback can be that they may also be entangled in the often relatively small web of service providers and purchasers in the country, which may make it more difficult for them to adopt a detached perspective on the sector and the organisations.

International consultants may be commercially closely attached to funding agencies and tend to see the world through their particular lenses.

A combination — if the objective and scope of the CA so warrants — may be preferable if the local consultant market is small. In such a case, the locally based consultant can add length to the assignment, but whether the international consultant should have only one in-country work period should also be considered carefully. Two one-week visits with some weeks in between add to travel costs but may enable a process much more responsive to local conditions and capacities.