

Aid Delivery Methods Programme

Model of Terms of Reference for Institutional and Capacity Assessment

Introduction

The aim of this document is to assist those who are involved in developing Terms of Reference (ToR) for an Institutional and Capacity Assessment (ICA)¹.

The ToR are directed at assessments of institutional aspects and capacity at sector or subsector level (preparation of Sector Policy Support Programmes). However they can be easily adapted to other areas, including Public Financial Management and Programme Based Approaches in general. They should also be helpful if only one organisation is considered.

This ToR do not cover the tasks involved in designing of a capacity development plan or a CD support programme. It does, however, highlight key issues that would also be relevant for a design phase, and the assessment should be a key input for the design phase.

This guide does not assume nor exclude a priori that the assessment requires Technical Assistance (TA). Recent assessments may already exist, or the responsible sector authorities may themselves produce the assessment with own resources². It may also have been decided that an assessment will best be developed as part of a capacity development process, and thus be extended over a longer period of time. In case it is agreed that TA is required, this may be national, regional or international TA, and it may be procured by the authorities (from an ownership point of view the best option), by a single donor or through a joint arrangement with several donors (in line with the harmonisation objectives of the Paris-declaration).

The ToR below are directed at suggesting what the key “operators” of the ICA should do, rather than what all involved will do. E.g. it is not specified that senior executives in the organisations under assessment will encourage their staff to collaborate actively, give advice (and information) to and supervise those doing the assessment - even if that is essential for a good ICA.

¹). It is based on the EuropeAid Concept Paper on "Institutional Assessment and Capacity Development" (IA-CD), the "Checklist for Capacity Development Support" as well as the Guidelines on EC Support to Sector Programmes" . It is strongly recommended to consult these documents for further inspiration and guidance – the Checklist may in particular be helpful by posing specific questions to both the assessment process and the assessment content.

² In the Ministry of Education in Bolivia there was, at a point in time, a Capacity Development Unit. This unit had as a core mandate to produce an ICA, and it had staff qualified to undertake the process.

An ICA – 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 like:

- enhancing self-mobilisation of staff and managers so that they speed up and energize their own CD efforts
- creating fear of future downsizing, outsourcing or privatization, with subsequent informal organisation of resistance against such moves
- creating fear of internal restructurings, loss of power or loss of rent-seeking opportunities for some staff, who individually and collectively may build up counter-strategies to work against future CD/change
- foster cynicism if it is perceived that the ICA is poorly timed, poorly managed, or coming on top of several previous ICAs which had little impact
- foster complacency and biased provision of information if it is perceived that donor funding (or increased funding) is linked to certain outcomes of the ICA
- foster resistance if the ICA is perceived to donor-driven and insensitive to the local context

It should be noted that it is for several reasons very difficult to perform a solid institutional and capacity assessment over 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 assessments will most often not be able to thoroughly analyse informal aspects of the sector set-up and the political factors which are shaping the drivers and constraints of sector performance. They may also have to be agenda-setting – defining when and how to assess what - to comply with their task. Thereby, they risk being perceived as supply-driven and insensitive to the local setting. In such cases, the assessment should not be expected to form an optimal basis for subsequent capacity development efforts.

The proposed structure of the TOR includes the following sections:

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

1. Context of the assessment

It is useful for all involved to have the broad picture of events and situations which have led to the formulation of the ToR. In the first chapter of the ToR, the issues mentioned below can be addressed:

- The key reasons why the institutional assessment is needed at the present point in time (see also section on objectives below)
- Brief background information about the sector, the key organisations and the network which is subject of the assessment. Possible recent existing assessment and other key history issues can also be mentioned here.
- Brief description of the wider process of which the ICA is part (e.g. it could be part of a broader sector review in the context of a Sector Wide Approach, or of a public sector wide initiative to assess capacity issues).
- Rationale why specific organisations have been selected for assessment if that selection has already been made. The Concept Paper on IA-CD advises that the organisations selected for assessment should be those which are key to deliver the services/outputs that the agreed sector policy/the sector programme are aiming at delivering. If the scope of organisations to be assessed can be modified as the assessment process moves forward, this should be stated.
- Brief description of key stakeholders in the context whose relation to the key sector organisations should be part of the assessment. This could e.g. include cross-cutting ministries (typically Ministry of Finance), civil society organisations, user associations, regulatory bodies, media.
- 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 like: “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 bigger or smaller say in the preparation, and who can therefore to some degree be held accountable for the content.

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

2. The Overall Organisation of the Assessment

Very often, ToR are not clear in specifying who is the “owner” or responsible authority for the ICA and who is therefore the one that the implementing team will refer to. Unclear roles may, however, easily undermine effective accountability, governance and transparency.

Critical issue: A clear and unambiguous statement should be included whether the assessment is made by the EC (and other donors) to enable their internal decision making, whether it is made by the sector authorities, or by the management and/or boards of particular sector organisations. It is of course possible that the assessment 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. “This assessment is conducted by the [sector authority][donor(s)] with the [support of][participation of] [donors][sector authorities][etc.] “

An external consultant (TA), if involved, can *assist* in conducting an assessment – and do the practical work of creating spaces for exchanges, collecting data, assemble viewpoints, suggest interpretations and prepare analysis. But a consultant cannot be the owner of the assessment process. Even if it is agreed to have an “audit type” or “independent” assessment, then somebody has ordered that to happen. This authority of ordering may be shared by e.g. donors and national authorities, but if no party is acting as the lead, then there is a risk that no one will eventually feel committed to assist the TA or to consider the implications of the assessment seriously.

3. Objectives of the Institutional and Capacity Assessment

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

Objectives are often phrased: “The objective is to conduct an assessment...etc.”. This formulation is NOT describing an objective – it is simply a description of an activity! The objective is a picture of a future, desired situation: “Decision-makers able to make properly informed decisions about size of donor funding which the sector can use effectively...” or “staff and managers have shared image of capacity constraints and capacity development opportunities, and are able to formulate an action plan for capacity development”.

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

- to enable sector authorities and/or donors to decide on feasibility, scope and size of a sector programme and of donor support to this sector programme so that it is commensurate with the implementation capacity in the sector
- to establish more firm collaboration modalities between several actors in the sector, based on a joint understanding of capacity and capacity constraints
- to create awareness among staff and stakeholders about possible need for change
- to enable donors to decide whether to finance a next phase
- to inform policy dialogue between sector partners, thereby achieving a better policy foundation

- to enable authorities to prepare a capacity development plan
- to enable authorities to approach other important stakeholders (e.g. Ministry of Finance, Min of Local Governance) to propose remedies of institutional constraints which cannot be solved at sector level.

Very generally formulated objectives – “The purpose of the ICA is enhanced effectiveness in the sector..” and the like – are not informative nor helpful. They may indicate that those involved have not had a results- and outcome-oriented dialogue about the ICA.

The objective(s) of the assessment must have *significant* consequences for *how* the ICA is approached. If that is not the case, then the objectives are void, or afterthoughts after it has been decided to do something for other reasons (like e.g. what has been done before, or what is most easy, or what allows avoiding dealing with tensions and conflicts). For example, if the objective is awareness raising in relation to future change, then a much more participatory and inclusive approach is needed than if the objective is decision-making by a donor – in which case a more desk-based and selective approach may be warranted to reduce transaction costs for the partners and avoid creating false expectation or even unrest in the organisations.

ICA for decision making about funding levels and modalities, and/or as input for capacity development design and support?

The more an ICA is an input for future capacity development efforts, the wider is the scope of the assessment: it is not only about assessing the capacity as it is, but also about assessing if and how it can develop, how much and in which direction.

Process aspects will also become even more important: The ICA must be conducted in such a manner that those who shall afterwards 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 ICA. The ICA process would also aim at creating enthusiasm for subsequent capacity development and change, and to identify ways of dealing with resistance to change. See more in section 5 below

4. Expected Results

This chapter describes the tangible results that have to be delivered by those implementing the ICA. They 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 like commenting on drafts, and conduct dialogue and joint decision making based on a final report, may be required to make use of a ICA report and achieve the objectives.

All too often, it is thought that the result of the ICA is a report only. There may, however, be other (and more important) tangible outputs, and it may be convenient to detail

intermediate outputs:

- Final workshop for core group/key stakeholders
- Orientation event(s) for external stakeholders
- Debriefing event for senior level executives
- Debriefing event(s) for staff
- Summary 2-page overview in easily accessible form for wider circulation
- Confidential papers/reports on special issues
- Draft reports circulated as specified
- Final report (with specified max. length and as required provision for annexes) distributed according to a list of distribution
- CD version of final reports and annexes distributed as agreed
- Web-posting and/or publication of final reports etc.

The owners of the ICA should on beforehand agree on the recipients/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 an ICA: For some organisations, they may by law be obliged to make reports they have funded or co-funded public. Or they may as a policy want to disclose reports.

The opposite concern is similar to the concern a patient would have if his/her records held by a doctor or therapist were public: 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 ICA report will be public, it is unlikely that staff will want to share such important information with the TA.

5. 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 of the Institutional Assessment and Capacity Development Concept Paper and the Checklist (please refer for details to these documents), key points would include:

1. The organizations to be included (see the comments already made above under “Context of the Assessment”), as appropriate explaining why these are key to the success of an envisaged or ongoing Sector Programme (or SPSP).
2. Collecting data about past and present outputs, their relevance, quality and quantity (services, products and regulations) from the sector/subsector and/or the specific organizations included in the ICA. If the assessment is also an input to consideration of future CD activities and CD support, then this “baseline”

- information is essential when a capacity development action plan will identify and specify desired future outputs, because they have to be realistically projected.
3. The "sector" context. This would include capacity relevant structural factors (e.g. extended territory and limited public resources is likely to impact the ability to fund and deliver e.g. health and education services territory-wide), institutional factors (including, but not limited to legal framework and how this is observed and enforced; public sector wide factors related to e.g. civil service conditions; decentralization; patronage/client systems affecting the public sector's performance; as well as effectiveness and modalities of sector governance and accountability mechanisms).
 4. An especially difficult but important task is the assessment of the drivers and constraints which explains present performance and therefore also may explain why capacity may not grow easily.
 5. Inputs and resources available to the sector and the organizations, including the balance between funds for different purposes and the past trends in e.g. spending on maintenance, operational costs, salaries and staff numbers.
 6. The internal elements of the organizations 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 organizations under assessment).
 7. The sector networks and external networks and relations.

As recommended in the IACD paper, the assessment should pay attention to the "political" aspects of organisations, e.g. the internal and external power relations that energizes the sector system (or stifles it), as well as the balance and relation between the formal and informal aspects.

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

6. Methodology and approach

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

- Crucially, the ToR needs a description on the degree of participation envisaged in the ICA, and the roles of different 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 conflict issues which external observers may find of importance. Obviously, the authorities governing the ICA (national authorities and/or donors or

other stakeholders) have to make (time) commitments to participate for the ICA to have a chance of success.

There are many different specific methods for participatory self-assessment processes (focus groups, SWOT-analysis, appreciative inquiry, reflective teams etc). Rather than prescribing a specific approach it is often best to leave it to those conducting the ICA to adopt an approach with which they are familiar and which allows the desired level of participation, commensurate with the objectives of the ICA.

- The stakeholders around and staff in the organisations to be involved in the assessment would also have to be delimited according to the objectives and scope of the assessment, as well as the resources invested in it. The long list could include:
 - Citizens/users/clients, e.g. those using the services from the sector or those who should adapt their behaviour according to sector regulations
 - Those exercising formal or informal sector or organisation governance (parliament, ministers, senior civil servants in key ministries (including Ministry of Finance (and Planning if such exist)), supervisory bodies (superintendence agencies, supreme audit institutions), influential lobbyist and interest groups.
 - Key staff involved in cross-sectoral reform initiatives shaping drivers and constraints on sector capacity (civil service reform, PFM reform, governance reforms)
 - Management
 - Professional staff
 - Support Staff
 - Outside experts (sector researchers from think-tanks, universities)
 - Media representatives (who may be able to furnish good descriptions of power issues in the sector)
 - Donor staff with special sector knowledge or knowledge of cross-cutting issues

Tip: Less is more. Putting too many interviews or participatory assessment processes on the plate may go at the expense of depth and quality, and it may undermine commitment and understanding among those involved. The law of diminishing returns or the “80/20 principle” apply: 20% of the effort is likely to provide 80% of the information, while the remaining 80% will only yield the finer nuances of the 20%.

- The methods and tools of data collection and self-assessment can be roughly indicated, like:
 - existing documents and web-sources (“data-mining” – finding existing, but underutilised information – is often yielding significant results (both in terms of information and in terms of analysis of why this information was buried) – but it is also very time consuming).
 - broader surveys (self- or externally administered questionnaires, open and/or multiple choice approaches)
 - focus group interviews
 - individual interviews,

- observation of work processes, meetings
 - facilitated self-assessment processes
 - self-organised self-assessment processes.
- Sequence in which the activities should take place, with which stock taking exercises along the way

If the ICA is seen as a critical input to a forthcoming CD process, then attention to the process aspects of the ICA is absolutely critical. In the extreme, a ICA which *primarily* aims to prepare for change may have to avoid certain themes and suppress certain information because “the truth” – even if undeniable true – may bring conflicts into the open in a manner that could jeopardize any hope of CD for years to come.

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

7. 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 to operate as well as detailing the essential tasks that others have to perform to enable the ICA to take place. This could include:

- Defining how the essential pre-assignment dialogue between the Team and the ICA owners is to be conducted (with whom, through which media)
- Defining who will be responsible for supplying documents to the team (and to others around the ICA 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 in situ?).
- To whom and how the team would have recourse for particularly important questions (a steering group which might have pre-defined 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. See the box on practices below)
- Defining if and how logistic support will be provided to the team.

For busy staff in government or donor agencies, it may be tempting to request that a study team (particularly if only composed of external consultants) organise their own meeting and activity schedule. This, however, may have drawbacks: The team may simply not have the requisite knowledge to “get behind the reception” in the organisations involved or to identify the informants in the wider context. It should also be considered that those asked to meet the team are likely to react differently if they are

requested to do this by their own hierarchy, by a donor staff, or by a consultant.

Finally, as all will know who have been close to practical scheduling of meeting programmes for shorter-term assignments – making and updating appointment schedules takes an awful lot of time, even after the invention of cell-phones!

8. Required Team Competencies

The content of this section depends on the purpose and scope of the ICA, as discussed above. It contains a description of the necessary qualifications of the ICA team. Details on the team would include number of team members, and functions as e.g. team leader, HR specialist etc..

If the ICA team is internal to the organisation(s) under assessment, then this section would list those appointed to be part of the team (“project team”, “task force”), and detail their particular function (e.g. teamleader, 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 various contractors, then the qualifications required for the consultants which are mentioned here should also be applied in the bid evaluation process.

- Profile of qualities and characteristics of the contractor (company):
 - Track record in IA by sector, type of organisation and country
 - Characteristics of the contractor, like experience with participatory assessment processes, knowledge of OD processes, core business (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. Specialisation areas could be leadership and change management expertise, public financial management expertise, HR management expertise. General qualifications could include knowledge and understanding of OD processes, skills in communication and facilitation, attitude of respect and diligence with regard to client-organisations.
- Regions, cultures and or sectors in which the contractor should have experience.

How much is ICA as professional specialisation area, and can it substitute for comprehensive sector knowledge? Conversely, can sector specialist perform ICA if they have supplemented their professional profile through training? HR specialist and management consultants would often argue that ICA is a particular discipline, while sector specialist would, unsurprisingly, often argue for the opposite. It is clear, however, that work in relation to CD and ICA 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 mayor ICA exercises, it is probably often advantageous to combine ICA/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.

Tip: 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 (else experience often show that the international consultant take the lead and end use the local consultants as handyman and fixer of access and logistics)

9. Length and Timing of Work

The section indicates the time assigned (workdays, -weeks or –months) for different stages of the work and provides information which the Team needs to be able to make a proper planning. Issues that can be of importance:

- A time table, indicating sufficient time for:
 - preparation: selection and availability of team members, field work,
 - 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, 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 (draft) report, procedures for commenting on draft version(s);

In OECD countries, when an organisation engages consultants to diagnose capacity and capacity development needs, these consultants would seldom work full time on the assignment over a very short time, but rather work part-time over a more extended time period. This latter approach allows for time to digest intermediate results, and to produce and organise feedback in an orderly manner. With an extended period, the consultants can much easier accommodate their work schedule to the organisations (instead of the other way around!). Domestic consultants have the same opportunity, and may *ceteris paribus* 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, and this may make it more difficult for them to adopt a more detached helicopter-perspective on the sector and the organisations.

International consultants may on the other hand be commercially closely attached to donors and tend to see the world through the particular lenses of donors.

A combination – if the objective and scope of the ICA so warrants – may be preferable if the domestic consultant market is small. In such a case the domestically based consultant

can add length to the assignment, but it should also be carefully considered whether the international TA should have one in-country work period only. 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.

- 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 the logistics that can influence the timing of visiting the necessary stakeholders like: road conditions, weather conditions, local festivals, elections, seasons.

10. Bibliography

In the last section of the ToR, information can be given on the key documents the team will need to study (like previous assessments, annual reports, organisational charts, publications of the organisations to be assessed, relevant information on the sector, and about the context).