

# **HUMAN CAPACITY DEVELOPMENT ASSESSMENT**

**Prepared for:**

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## ACRONYMS

ACDI/VOCA	Agricultural Cooperatives Development International/Volunteers in Overseas Cooperative Assistance
ADA	Armenian Development Agency
ADS	Automated Directive System
AED	Academy for Educational Development
AJRA	Association of Judges of the Republic of Armenia
ARD	Associates in Rural Development
BARA	Bar Association of the Republic of Armenia
BSP	Business Service Providers
CA	Cooperative Agreement
CDI	Capacity Development Initiative
CTO	Cognizant Technical Officer
DA	Development Associates
DAI	Development Alternatives, Inc.
DOC	Department of Commerce
DOS	Department of State
DSRO	Democracy and Social Reform Office (USAID/Armenia)
EQZ	Earthquake Zone
EREO	Economic Restructuring and Energy Office (USAID/Armenia)
FSA	Freedom Support Act
FY	Fiscal Year
GEF	Global Environmental Facility
GOAM	Government of Armenia
HCD	Human Capacity Development
HIC	Human Capacity Development Intervention Concept
HICD	Human and Institutional Capacity Development
IESC	International Executive Service Corps
IQC	Indefinite Quantity Contract
IR	Intermediate Result
IT	Information Technology
NACO	National Association of Condominium Owners
NCSA	National Capacity Self-Assessment
NGO	Non-Governmental Organization
NGOC	NGO Resource and Training Center
NSP	NGO Strengthening Program
OJT	On-the-Job Training
PADCO	Planning and Development Collaborative, Inc.
PI	Performance Improvement
PNA	Performance Needs Assessment
PRIME II	Project to Train & Support Providers of Primary Healthcare
PTP	Participant Training Program
SABIT	Special American Business Internship Training
SEUA	State Engineering University of Armenia
SIE	State Institute of Economy

SME	Small and Medium Enterprises
SMU	State Medical University
SO	Strategic Objective
SOW	Scope of Work
START	Strategic Technical Assistance for Results with Training
STP	Social Transition Program
TA	Technical Assistance
TAC	Technical Assistance Contractor
TIC	Training Intervention Concept
TIRF	Training Intervention Request Form
UI	Urban Institute
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USG	United States Government
VISTAA	Volunteers in Service to Armenian Agriculture
WL	World Learning
YSU	Yerevan State University

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## EXECUTIVE SUMMARY

As USAID/Armenia proceeds with preparation of a new country strategy, it has identified the slow pace of program implementation as a significant constraint to achieving development objectives, and plans to address this broad issue in the next strategic planning period. A critical factor hindering development stems from the inability of institutions, both public and private, to successfully implement programs. Much of this can be attributed to a lack of human and institutional capacity, complicated by the nature of the former societal and economic structure.

The assessment team met with USAID staff, implementing partners, the training contractor and others to review and analyze program conditions in regard to capacity development. It is clear that institutional weaknesses are a central obstacle to program implementation. This report provides recommendations for USAID consideration in adopting a human capacity development theme in its new strategic plan and for elevating the strengthening of capacity development throughout the program portfolio.

Numerous institutional shortcomings that encumber institutional efficiency and effectiveness were identified. It also found that some USAID technical assistance contractors are addressing capacity issues with varying degrees of success, but typically on a piecemeal basis. The USAID training contractor has functioned as an effective provider of administrative and logistical training services to the country program, but with a few exceptions has not been otherwise involved in meeting substantive human capacity development needs of program activities.

The assessment team recommends that USAID adopt a human capacity cross-cutting theme in the new strategy. This does not call for a major shift or redirection of the program; rather, it is a reemphasis and building on actions underway. The proposed approach to strengthening institutional capacity is through the performance improvement methodology. This systematic approach will maximize both the impact of capacity building activities on the performance of Armenian partner institutions and on sectoral results within the new strategic framework. By examining the institution and identifying capacity-related constraints, appropriate interventions can be addressed by the USAID activity.

The team concludes that the current training contractor should continue to support training events, but it must be engaged in carrying out human capacity development activities, as already provided for in its contract with USAID. This would be the most effective manner for USAID to adopt a cross-cutting approach to human and institutional capacity development. Key recommendations include:

- Incorporate human capacity development in the new strategic plan, including the strategic objectives and framework.
- Bring performance improvement approach expertise to the mission to help inform and impart the performance improvement method in the country program.
- Charge the training contractor with a substantive human capacity development role.
- Feature capacity development in contract instruments, contractor reports, program reviews and the implementation process.
- Adopt training planning and process actions to human capacity development.

A focus on human capacity development can significantly improve USAID's program results.

## Chapter I. Introduction

The international development community is placing growing emphasis on developing capacity as the key to alleviating poverty, fostering economic growth, extending democratic principles and improving social conditions in the developing world. This shift stems from the inability of local institutions to be successful implementing partners with USAID to achieve development goals, and the fact that many development activities appear to lead to increasing dependence on aid rather than promoting sustainable development by strengthening host country institutions. Through building capacity, local organizations can design, manage and sustain their own development.

What distinguishes capacity of one organization from another is the ability of its managers and personnel to secure advantages from the resources and skills available to them, and how they use these advantages to achieve improved performance. Organizational capacity explains how two organizations may perform very differently, even if they possess similar resources and skills. While resources are the source of an organization's capacities, it is the capacities and not the resources *per se* that drive the organization's performance.

Resources (human, financial, physical) are not usually productive on their own. Consequently, organizational capacity development cannot be reduced simply to delivery or acquisition of resources. To achieve improved performance, an organization must go beyond identifying its needs and acquiring the missing resources; it must deploy and integrate these resources to create the capabilities necessary to accomplish tasks and strategic objectives.

As a country in transition, the foundation for Armenia's development progress lies in sound, progressive social, economic and democratic institutions, both in the public and private sectors. Initiating and sustaining development activities will require continued support to strengthening the capacity of these institutions. USAID should focus increased and explicit attention to capacity development efforts in each of its activities during the forthcoming strategic planning period.

All Strategic Objectives in the USAID program relate to building capacity, especially the human and institutional foundations necessary for development. Much of the macro-level legal and regulatory framework for reform in all sectors of Armenian society is in place, but organizational weaknesses remain a major obstacle to implementing them. This assessment is intended to provide recommendations for a Human Capacity Development (HCD<sup>1</sup>) cross-cutting theme in the mission's strategy for 2004-2008, and to provide a model for implementing an approach to institutional development that will have increased impact and sustainability.

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<sup>1</sup> For purposes of this report, Human Capacity Development is defined to include both human and institutional aspects of capacity development for all host country organizations involved in the development process. A more precise list of definitions can be found in Appendix B.

## Chapter II. Overview of Institutional Capacity in Armenia

### A. Current Situation

There has been significant erosion in Armenia's educated population and educational system that existed in the former Soviet Union, caused by poverty, emigration and other factors. This diminished quality in human capital combined with weak institutions has been a serious constraint to development of a market-based economy and a system of participatory democratic governance.

Armenia has made steady macroeconomic progress in its transition from a centrally planned to a market-oriented economy. This is reflected in consistently high GDP growth rates and low inflation. However, the overall standard of living remains low, with over 50 percent of Armenians living below the poverty line. Political institutions lack transparency and broad participation. The executive branch dominates government functions in a biased and imbalanced manner. Vestiges of earlier authoritarianism inhibit delegation of authority, initiative, growth of leadership and management skills, and the development of a customer service mentality. Despite this situation, the government has made considerable progress in initiating reform measures.

During the 1999-2003 strategic planning period, significant advances have been made in assisting Armenia to prepare and enact a body of laws and regulations that have created the legal environment for economic reforms, rule of law and an improved civil society. Increasingly, the government is faced with shortcomings in its ability to effectively carry out the reforms and requirements necessary to achieve its economic and social transition. A major factor in the deficiency to implement reforms is the weaknesses in human and institutional capacity. This constraint looms large on the development horizon as Armenia goes through a transitional period of development change.

Training was identified as a cross-cutting component of the mission's 1999-2003 Strategy Plan. A contractor, the Academy for Educational Development (AED), was engaged to support training requirements for all Strategic Objectives. While AED services have been primarily training oriented, its contract with USAID permits a much broader function in support of human and institutional capacity development.

USAID has directed a substantial portion of its resources toward improving the capacity of Armenia to carry out development activities. Beyond the primary focus of its assistance on training, some support has been applied to other elements of capacity development. There is a wide variation across activities and TA (technical assistance) contractors in application of a broader HCD approach, and with few exceptions, it is employed on a piecemeal basis.

### B. Problems and Constraints to HCD

Armenia appears to be hindered more by its lack of institutional capacity than by its shortage of financial resources. Increased HCD will further the nation's absorptive capacity for more development and investment resources.

One of the basic institutional constraints in Armenia is the weakness of managers to effectively function in a market economy environment. Setting targets, assuming responsibility for work and decisions, promoting teamwork, encouraging transparency and feedback are all elements of a well-operating organization. The historical context of Armenia's economic and social system contravenes modern management in a competitive environment, and will take considerable time to overcome. Unambiguous efforts at capacity development should assist this change and help reduce the time to accept improved management.

A fundamental problem hampering HCD implementation is the relatively low priority given to HCD. The training contractor has a clear responsibility for HCD included in its SOW, but the majority of its effort is concentrated on logistics and administrative matters related to training. Activity Managers/CTOs focus on training, particularly on-the-job training (OJT) under the direction of TA contractors, as opposed to HCD. Consequently, there is little concerted effort to apply a systematic HCD approach in host country institutions, despite the fact that a number of projects carry out elements of HCD informally.

Technical assistance contractors usually are well qualified to implement projects from their technical perspective. However, they typically are not selected with the aim of building capacity in their counterpart institutions. Nor are they selected for expertise in organizational development, training, or adult learning techniques. This lack of attention to the tools of capacity development is a deficiency in most USAID technical contracts. Yet, contracts and cooperative agreements often call for results that imply strengthening institutions and helping make them sustainable. Contractor emphasis is, however, on specific deliverables, which generally do not explicitly include HCD. This matter is addressed later in this report.

Like many missions, USAID/Armenia has not adopted a structured, coherent, and institutionalized approach to dealing with the needs of human and institutional capacity development. Strategic coherence has not been identified as a core issue in responding to HCD limitations in the development process. Properly applied, an HCD approach can result in more effective activity outcomes, more efficient use of resources and enhanced opportunity for sustainable development results.

Several observations have been made about the training and capacity development portfolio:

- With input from the Activity Managers and CTOs, there are two sources of expertise brought to bear on the portfolio: the technical contractors and the training contractor. The former possesses the *technical sector* expertise and the contractual responsibility to achieve sector results. The training contractor possesses *HCD sector* expertise to add significant value to capacity building and the contractual responsibility to implement certain training programs and other HCD initiatives.
- HCD in the USAID context can be considered a technical sector in its own right, composed of diverse skills in the following areas: (1) Organizational Development (performance improvement, system design and linkages, change management, human resource allocation, knowledge management, organizational behavior, group dynamics, motivation, civil service systems), (2) Adult Learning (adragogy, instructional design, training technologies), and (3)

Training Management (programming procedures, USAID and other government regulations, procurement, logistics).

- Different views exist between the training contractor and the technical contractors over procurement issues, particularly regarding the need of the training contractor to compete training delivery that TA contractors would prefer to have their partners or home organizations implement. The perception of the TA contractors is that the training contractor is inflexible on procurement, while the training contractor believes it is necessary to seek the best trainers, for both legal and quality reasons, which takes time.
- Training is typically implemented through two separate channels: training handled by the training contractor; and that handled by technical assistance contractors embedded in technical contracts (with U.S. and third country programs and logistics handled by the training contractor), along with in-country OJT conducted by the TA contractor. The Training Plan, which should present a total picture of the capacity development portfolio of the mission, consists only of the programs implemented by the training contractor.
- The training portfolio handled by the training contractor, which comprises a major part of all training, is designed jointly by the training contractor and the TA contractors, but HCD expertise is not used to address all the factors impeding organizational capacity development. In the opinion of the technical contractors, training administered by the training contractor suffers from a lack of technical sector expertise by the training contractor. On the other hand, the training contractor believes that training implemented by TA contractors, without involvement of the training contractor (or only its logistical support) is constrained by a lack of HCD expertise. In both cases, both sets of expertise (technical and HCD) are not brought to bear on capacity problems in synergistic ways that should mutually reinforce each other. As a result, planned outcomes often are not fully achieved.

Barriers to effective use of human and institutional capacity include conditions such as weak leadership, bureaucratic procedural impediments, poor delegation of responsibility and corresponding authority, lack of support from the organization, inadequate managerial skills, lack of motivation, unclear job responsibilities, inadequate physical environment and tools, cultural obstacles, poor communications and weak feedback between staff and supervisors. By systematically assessing the capacity weaknesses and requirements of a partner organization at the outset of the assistance process, downstream problems can be avoided and more effective solutions can be applied to resolve capacity development needs.

The Participant Training Program (PTP) has established mechanisms to undertake a capacity development approach, and the starting point for improving capacity is largely a matter of following these procedures. At the same time, it should be noted that not all constraints to improving HCD can be addressed within a project's manageable interest. For example, an organization might be forced by law or regulation (such as civil service procedures) to follow a course that impedes it from functioning efficiently, and there is no near term solution to changing the law.

An observation of the assessment team is that differences exist among sectors and the type of institutions within sectors that directly affect capacity development. For example, improvements in the capacity of health sector service providers are more amenable to a performance improvement approach than, for example, actions to strengthen capacity in economic policy. This may be because tasks are clear and more easily transferable to health providers than in the case of policy development. Or it could be that political impediments are greater at the policy level. With regard to institutions, government agencies and ministries tend to be more rigid in accepting change than private entities and NGOs, which can be more flexible. Civil service employees are bound by regulations of employment and position, and government managers often have little incentive to adopt changes that make their organizations function more efficiently. But within ministries, local service providers are more willing to absorb performance changes than central ministry bureaucracies.

On occasion training events are destined for disappointment because selection of the participant is not based on priority needs of the organization, or the training, workshop or conference is inappropriate for the individual's position. The assessment found that there are few such cases, and that activity managers and technical assistance contractors are sensitive to the need for proper training events that match participant work assignments. Instances where there may be an ulterior reason for the training, such as "USG relationships," tend to be accepted as part of the landscape, but should continue to be minimized. For the most part, these cases are to attend conferences.

### Chapter III. USAID/Armenia's Capacity Development Results

It is accepted by USAID staff, partners and other stakeholders that HCD has been beneficial to the development assistance program. By many it is seen as a basic part of the development process, but often not explicitly factored into strategic planning. At the same time, HCD often is identified as an input (training) contributing to an IR (e.g. effective regulatory commission). In other words, HCD is seen as an important aspect of development, sometimes used on an *ad hoc* and unstructured basis and typically not applied in a performance-based manner.

One reason for this situation is that HCD may appear ill-defined and yet so obvious that it does not get specific attention. ("Everything we do is capacity development.") Within technical contractor activities, HCD usually is not disaggregated or separated from other elements of program activities, except insofar as training logistics are relegated to AED or additional training opportunities are available from the AED budget. Consequently, it is difficult to discern either a concerted organizational strengthening strategy or actual impact achieved by HCD initiatives. All activities contain training components that support achievement of objectives, but they generally do not address HCD in a comprehensive, holistic manner focused on host country partner organizations.

The effectiveness of training has been directly linked to the openness of institutions to capacity development. Those organizations with clear missions and goals and the determination to strive to achieve them will more effectively utilize their training. Institutions that see training as an end in itself are less likely to attain institutional objectives. Government institutions face more constraints to institution strengthening than private firms and NGOs. The appropriateness and fit of the training to the institutional requirements are key to its effectiveness. This affects the training venue, whether it should be in the U.S., in a third country or local.

#### A. Successes and Shortcomings in Institutional Strengthening

USAID's development assistance program to Armenia has been instrumental in helping to successfully create a legal framework for transition to a market economy, democratic governance and improved social service systems. During the next strategic planning period beginning in FY2004, the program will shift emphasis toward consolidation and implementation of the reform package. Carrying out reform measures has met with limited success to date. The new strategy will stress increased citizen participation and involvement in implementing the reform process. A major influence on the extent of accomplishment of individual USAID program activities has been the quality and readiness of leadership and staff in partner organizations to accept and advance reform changes.

A review of USAID program activities indicates the wide variance of institutional maturity one might expect from such a development program. Recognizing there are numerous factors affecting performance by an institution, and hence meeting planned activity results, it is clear that efforts to further strengthen institutional capacity can have a positive effect on reform change.

A successful example of capacity development in the NGO sector is the initiative by the Urban Institute (UI) to engage ten Armenian NGOs in the Earthquake Zone to provide support services

to program beneficiary families of the USAID-assisted housing certificate program. UI trained and mentored the NGOs and followed up with advisory support so that they could effectively assist in the program. The NGOs carried out the document verification process, contacted potential beneficiaries, assisted in locating apartments under the program and monitored activity on sites. The NGOs benefited by increased organizational capacity, revenue generation from fee for service arrangements with UI and an expanded ability to carry out community service activities. In part, a reason for their success was UI's setting out clear objectives and expectations at the beginning of their relationship with the NGOs, maintaining regular contact for feedback and problem solving and creating an incentive system to motivate NGO participation.

PADCO's efforts, as part of its pension reform program, to establish an actuarial capability in Armenia is a solid illustration of creating an indigenous institutional capacity to serve a vital part of the reform process. Since there were no actuaries or place to learn actuarial skills in the country, PADCO assisted in establishing an actuarial degree course at Yerevan State University. These skills are a basic requirement for the pension and social insurance system recently created by law. With external TA assisting, the curriculum, teaching materials, and training were put together to address Armenia's capacity for specific long-term needs in the pension system and insurance programs. This systematic approach to creating in-country capacity should provide a sustainable human resource base in this specialty area that can meet development needs.

Another example of an NGO moving toward viability and increased capacity is Volunteers In Service To Armenian Agriculture (VISTAA). This organization was created with the support of ACDI/VOCA as its strategic partner. VISTAA is a consultant service organization in the agricultural sector with about 150 persons on its roster. There are three permanent staff members. Organizational capacity is enhanced by study tours to acquire new knowledge and skills, and on-the-job mentoring and training by Farmer-to-Farmer program volunteers. VISTAA receives 60 percent of its income from profits and 40 percent from donor assistance, with a target of becoming self-sufficient next year.

The Armenian Development Agency (ADA) exemplifies an effort at capacity building in an institutional environment that has serious constraints, some of which may be difficult to resolve in the short-term. It is a public/private agency charged with export and investment promotion. The employees are under the civil service, which puts limitations on merit-based performance, salary conditions and motivation. Limited financial resources restrict overall function of the organization, but personnel are the major issue. A large portion of the staff lack initiative, do not accept responsibilities, demonstrate an absence of teamwork and are deficient in basic office operational skills. Many also lack a customer orientation, an essential ingredient for a service agency. The chief operating officer is an expatriate, who faces a major challenge in improving the capacity of ADA to turn it into a properly functioning institution. Perhaps ADA could benefit from a capacity development review to help determine how it may best serve its needs and mission as an organization.

An example of a less successful capacity building effort is in the support to the recently established Securities Commission of Armenia. Considerable training was given to Commission staff. Yet there is no functioning capital market in Armenia and the prospects for a viable system

are not high for the foreseeable future. While it was not the charge of the assessment team to evaluate the capital markets program, apparently this is a case where the creation of the institution and training for that institution are premature.

Each of the above examples has USAID interventions. Some of them may not be in USAID's manageable interest for support, because the institutions may have capacity deficiencies that cannot be corrected in the timeframe planned to achieve Strategic Objectives. Applying an HCD methodology, discussed below, to the institutions prior to committing further support could be worthwhile as the mission moves into its new strategic planning period.

## **B. Armenian HCD and Training Organizations**

### **1. Professional Associations**

The USAID program has been instrumental in creating and strengthening a range of professional and civic associations in conjunction with its various activities. Association development has resulted in unifying people and giving them the capacity for advocacy, member services and support in areas of common interest. Examples of USAID assisted professional associations include the Bar Association of the Republic of Armenia (BARA) that receives advice and training in areas such as fund raising, management and sustainability. The Association of Judges of the Republic of Armenia (AJRA), Association of Community Finance Officers, Mayor's Association, Association of Family Medicine, Armenian Broker Dealers Association, Association of Accountants and Auditors of Armenia, Small Hydro Producers Association, Association of Real Estate Brokers and Appraisers, Association of Investigative Journalists, Association of Energy Engineers and the National Association of Condominium Owners (NACO) are all further illustrations of institutions, which have had their capacity enhanced by various USAID interventions. The overall impact of USAID's support to capacity development of professional associations will have a long lasting effect on the performance and quality of Armenia's human resource base.

### **2. Universities**

The major effort of direct assistance to tertiary education has been funding of a substantial endowment to the American University of Armenia (AUA). However, USAID has augmented the capacity of higher education by introducing a number of courses supported with curriculum development, training and advisory services that impact on specific USAID development activities in achievement of Strategic Objectives. For example, the actuarial degree program at Yerevan State University (YSU) is supporting the pension and insurance systems reforms. At the YSU Law School, training of faculty resulted in introduction of trial advocacy and interactive teaching, and the curriculum was expanded to include commercial and international law in order to better relate with WTO and international commerce and to strengthen rule of law. An IT computer learning consortium was established among YSU, the State Engineering University of Armenia (SEUA) and the State Institute of Economy (SIE) to reinforce the science of IT, share physical resources and provide a coordinated IT curriculum that supports business development. An electronic law library at YSU has increased the capacity to serve students and the profession. YSU faculty is being trained in social work as the first step toward introducing academic

education to this profession. In support of the transition to primary health care, a unified curriculum for family medicine has been launched at the State Medical University (SMU), with a view ultimately to accreditation. In addition to their primary program purpose within SOs, these initiatives have resulted in strengthening the educational and training capacity of the university system, and to providing a sustainable pool of qualified human resources for national development.

### **3. Private and Non-Governmental Organizations**

USAID has strengthened the capacity of several NGO and private organizations to train and serve their clients and members. With regard to NGOs, World Learning (WL) assists with growth of the nascent NGO sector, and improving coalition building and advocacy skills by the more advanced NGOs. WL carefully monitors grant recipient NGOs with an evaluation and feedback system, advisory assistance and ongoing HCD. The NGO Center (NGOC) works with about 300 NGOs, providing training, mentoring, media outreach, technical assistance, and small grants to improve their capacity. It links to other USAID activities in the earthquake zone social programs, Eurasia Foundation library resource centers and ARD on water resource management. A number of private organizations serve the business sector by providing an entire range of services such as consultant services, management and technical training, planning and resource information. Among the most prominent, supported by USAID, are the Union of Businessmen and Producers and several Business Service Providers (BSP) including Alpha Plus, Apricot Plus and Sed-Marsed. These organizations provide targeted HCD support to customers who seek their expertise on a fee-for-service basis.

## Chapter IV. Solution: Adopting a Mission Human Capacity Development Strategy

### A. A Mission HCD Strategy

The HCD Assessment Team strongly recommends that USAID adopt as a theme in the new Strategic Plan as a matter of mission procedure a Human Capacity Development cross-cutting “sector”. This represents no radical shift in either policy or procedure because:

- it is inherent in the mission’s strategic approach at the outset of the strategic planning process.
- it is the strategic approach that runs through the existing training contract with AED, but which has not been universally implemented.

In short, what is proposed here builds on the mission’s strategic direction and examples of current practice that need to be more widely followed and institutionalized. After becoming part of the new strategy and implemented, an HCD approach grounded in Performance Improvement (PI) will maximize both the impact of capacity building activities on the performance of Armenian partner institutions and on sectoral results within the new strategic framework.

This assessment presents both the strategic basis for this recommendation and practical steps for its implementation.

### B. The Performance Improvement Approach to Institutional Strengthening

The Performance Improvement (PI) approach defines the problem of the strengthening of organizations, and the development of capacity on a broader scale, in behavioral and performance rather than knowledge/skills/attitudes (KSA) terms. It is not what individuals in an organization *know* but what they *do* with what they know that is the definition of capacity building; it is not what they *can do* but what they *actually do* that we are seeking to change when we strengthen organizations. The history of training in USAID is full of examples of programs that succeeded in transferring skills, but did not succeed in changing performance or strengthening organizations.

Clearly, there is more to changing performance than can be addressed by training. The following are obvious but not always followed:

- Barriers to performance must be analyzed and addressed in a holistic fashion.
- Worker skills are sometimes at a higher level than their performance would indicate.
- Management follow-through must be ascertained and assisted.
- Changes in one aspect of the workflow must link to changes in the previous and succeeding functions.
- Managing the change process must occur before and during the introduction of new work systems and technologies.
- Other factors impede performance, preventing skills, old or newly acquired through training, from being applied on the job.

- Even after large investments in training, organizations often do not improve their overall performance.
- Training (KSA transfer) is therefore not a sure cure for performance ills.

In other words, it is not enough to address skill deficits without addressing the system in which people apply their skills. “In the battle between good people and a bad system, the bad system wins every time.”

Changing the “system” is a large part of what technical assistance aimed at institutional strengthening intends to accomplish. An HCD strategy requires a joint approach between the TA contractors and what we will call the “HCD contractor.”

The PI approach serves to assure that all aspects of performance are looked at in a rigorous fashion. The PI Framework has ten logical stages:

1. Consider institutional context: Mission, Goals, Strategies, Culture, Client and Community Perspectives.
2. Obtain and maintain agreement by all parties.
3. Clearly define desired performance.
4. Clearly describe actual performance.
5. Quantify and qualify the performance gap.
6. Find root causes of the performance gap: Why does it exist?
7. Select interventions: What can be done to close the performance gap? What interventions address the cause of the performance gap?
8. Implement interventions.
9. Monitor and evaluate performance and results.
10. Describe the new level of actual performance.

The framework defines six factors that ensure good performance and provide targets for interventions:

1. Clear job expectations
2. Immediate performance feedback
3. Adequate physical environment and tools
4. Motivation: The incentive to do well
5. Support from the organization
6. Appropriate skills and knowledge

Training addresses only the last factor in the above list. The others are the “system” or environment in which skills are practiced. Performance can improve only if the performance gap has been holistically examined, appropriate interventions chosen to close it, and all performance factors addressed.

There is nothing esoteric about PI; rather, it appears banal and obvious. When it is presented to USAID missions, the usual reaction is that this is in essence what is being done. However, a review of the missions’ “training” and TA portfolios shows that there are slips between theory

and practice. The purpose of the recommendation to adopt an HCD strategy grounded in PI is to increase the coordination and thus the impact of capacity-developing interventions.

In reality, USAID training, as currently carried out, is generally designed to address and focus on KSA gaps. Training commonly still has vestiges of the following characteristics:

- An activity that assumes that KSA-enhancing is central or even sufficient to solving performance problems.
- A freestanding *event* designed to impact knowledge, rather than a *process* designed to achieve articulated behavioral changes.
- An *event* not followed up to support, or even monitor, application of new skills.
- An *event* separate in design, budget, and implementation from other TA.
- An *event* usually designed by a TA contractor, but often arranged and implemented by a training contractor with minimal communication between them.
- Defined by what the participant is supposed to *learn*, not by what s/he is expected to *do* after training.
- Evaluated by participant impressions of the event, rather than by impact on individual performance or by institutional strengthening.
- Difficult to evaluate in terms of impact because the goal (level of desired change or performance) is not articulated.
- Not planned with, and therefore often not supported by, supervisors or colleagues.
- Thought of as a benefit, a reward for service, or a chance to travel by participants and supervisors alike.

USAID/Armenia's capacity development efforts have demonstrated examples of a commendable break from some of these ills. Integration between those aspects of TA that informally target performance and some formal training activities is present in several projects. Although many of the hallmarks of PI are evident, they are often implemented piecemeal without an overlay of conscious institutionalization, and therefore fall short of universal application. Also, training activities in USAID's portfolio demonstrate areas of weakness that need the institutionalization of training best practices.

The clearest example of the conscious adoption of the principles of PI is in institutional strengthening activities in the health sector. That is because PI has been mandated by the family/reproductive health office in the Global Health Bureau, which established the Performance Improvement Consultative Group ([www.picg.net](http://www.picg.net)), a consortium of cooperative agreement holders co-led by Intrah. In Armenia, PADCO/Intrah has begun applying PI in improving service delivery performance in polyclinics. The transfer, by example of PI, to other projects may be lessened by the fact that this is a central bureau rather than a bilateral mechanism. As with other areas of program design and results monitoring, the health sector presents the most appropriate context in which to apply PI: the reform of a concrete process with behavioral stages. Applying PI to other sectors may be more of a challenge.

### C. HCD as a Cross-Cutting Sector and Theme in the 2004-2008 Strategy

HCD provides a convenient conceptual framework under which to house:

- USAID/Armenia's cross-cutting strategic theme;
- The various tools and skills of the HCD sector (organizational development, adult learning, and training management);
- The wider range of programming options under the PTP contract to implement new and different kinds of capacity development innovations; and
- The body of strengthened implementation practices of the mission's capacity development activities, grounded in performance improvement.

It serves to institutionalize all three components under one conceptual approach and keeps mission, contractor, and host-country partner staff focused on the essential principles of the institutional development strategy needed to move forward with Armenia's reforms. As the mission's strategic planning moves toward completion with a central theme of capacity building, it is essential that HCD principles permeate the document and contracts that flow from it. Among these principles are:

- It should reflect the primacy of capacity development as an underlying theme of the strategy and as the operational principle for all projects. It should mandate the HCD option decided upon as a result of this assessment;
- The cross-cutting nature of HCD should become an avenue for improving synergy between sectoral activities and between actors within an activity (as in the case of bringing together the expertise of technical assistance contractors with the HCD sector expertise of the HCD contractor.); and
- The strategy should articulate indicators of organizational performance improvements of targeted institutions at the sub-IR level. "Performance indicator" as a USAID term referring to the measurement of sectoral improvements should not be confused with "organizational performance indicator." The latter should measure efficiency and output of individual organizations. Such organizational performance indicators provide an opportunity to report early in an activity on capacity development of partner institutions before they have had an opportunity to contribute to the new sectoral indicators.

Some suggested text for inclusion in the strategy can be found in Appendix E.

## Chapter V. Implementation: Designing and Managing an HCD Strategy

### A. Implementing the Change from Training to HCD

#### 1. Changing Mindsets

The mindset change needed to implement a broader cross-cutting HCD strategy is similar to other conceptual reforms introduced, or reinforced, by USAID. The shift is part of the move away from stovepiping as a mental constraint and a barrier to achieving synergy between mechanisms.

Institutionalizing this broader approach to capacity development has conceptual precedents in the current strategy, especially in the Social Transition Program (STP), where it is complementary to the "integration" and "linkages" strategies and the focus on implementation. Integration of STP programs recognized that development in both the social and health sectors involves many of the same basic elements. Integration of approach in capacity building activities in all sectors entails a similar recognition that sectors share many of the same organizational barriers to performance. Institutionalization of HCD based on PI, as is proposed here, is in keeping with the "implementation" (as opposed to study and analysis) focus of the Social Transition Program in that it is pragmatic rather than theoretical, and aimed at concrete improvement of performance. Thus, the prominence of HCD as a programmatic theme fully complements other aspects of the mission move toward a more coherent capacity development strategy.

HCD as a cross-cutting tool applies not only across sectors, but also across the usual notions of technical responsibility within projects. Without a mindset shift, the changes in established procedures and contractual roles, outlined below, will not be workable. As will be evident from the next section, this HCD approach requires that:

- The training contractor changes its role to that of an HCD contractor, as called for in the PTP contract;
- Technical contractors rethink the boundaries of their project responsibilities to allow HCD specialists to participate in a coherent approach to designing and implementing intervention strategies, both capacity-related technical and training-specific, to improve performance; and
- The USAID Program Office and SO teams manage portfolios with increased emphasis on monitoring and evaluating performance and impact of activities aimed at strengthening partner organizations.

#### 2. Changing Roles: TA Contractors and HCD Contractor

As discussed above, a holistic approach to HCD requires that the training contractor become an HCD Contractor/Consultant. This is the experience of the corporate and consulting world, where the functions of training and development have been extended to additional areas of organizational expertise and technical services. It consists of a dual role:

- Contractor: responsibilities for training as well as implementation of other capacity development initiatives in support of training application made possible under the broader sub-mechanisms of the PTP contract (discussed in V.B below).
- Consultant: participation in the analysis and design of solutions to correct the *organizational* (not *technical*) barriers to the performance of an institution. The HCD contractor would assure that training interventions are in support of, and are supported by, the technical interventions with which they should be closely coordinated. In addition to all the advantages discussed elsewhere in this assessment, this strategic approach, compared to the current more fragmented one, maximizes the leverage of USAID's intervention points to gain influence and confidence of local institutions.

The role of TA contractors will also change, in that they will need to make room in their project implementation for the HCD partner, external to their organization. They may well begin with an attitude that only their technical expertise is relevant to the task, but experience of working with a partner that brings *organizational* expertise to the table should help change that view.

As the demand for this service expands, it may be necessary for the HCD contractor to reshape its staff. This could be handled in various ways: by taking on new staff with the requisite skills or by building the broader HCD capacity of current staff. This process could lead to an HCD office now led by an expatriate, becoming a viable HCD and management consulting group run by qualified locals.

### 3. Changing Procedures: From Training to HCD

Building on the mindset changes that are embodied in the concept of HCD rather than training contractor, a series of procedural changes are required to move from a training to an HCD approach based on PI. The main areas of procedural change are in the initial assessment and intervention design stages. Many of the operational steps can remain the same as currently done by the training contractor, but with a broader programmatic scope and wider stakeholder participation.

Implementing changes is not a task begun from a standing start. Aside from the problem of mindsets, the mission is off to a good start in two main areas:

First, as discussed above, technical assistance contractors in some areas are already doing, in a piecemeal fashion, the gist of what is required.

Second, the training contractor has the procedural and substantive structure in place. The PTP contract has HCD and PI directives throughout and forms currently used contain most of the required information (strategic context, performance problem to be addressed, performance improvement goals). Implementation has been lacking, but the structure is in place to move forward with a minimum of procedural changes.

The stages needed to employ an HCD strategy follow. Please refer to the description of the PI model in Section IV. B above.

- Stakeholder Acceptance: Each of the parties involved in the process needs to have a common understanding of the goal being sought in strengthening the institution. This includes the institution's leadership, Activity Manager/CTO, TA contractor, and HCD contractor. Their concurrence should be worked out mutually at the beginning of the process prior to initiating the Performance Needs Assessment and preparing an institutional Action Plan. Without a shared recognition of the intent and goal by all stakeholders, this process will not succeed.
- Performance Needs Assessment (PNA): What used to be Training Needs Assessments done less formally by SO teams (core and contractor staff) should become a more prescribed, but not necessarily intensive Performance Needs Assessment (PNA), of a partner institution done by the SO team in consultation with the HCD contractor. The purpose of a PNA is to initiate a concerted set of strategic steps by doing a summary scan of the institution to look at the whole array of performance issues, without any prejudgment of the appropriate interventions. The assessors will identify summary notions of actual versus ideal performance of the institution, as well as the interventions needed to address the gaps. It is possible that something akin to this was done earlier in the project design (or is embedded in earlier project activities) or may be already incorporated in the technical contractor's SOW and workplan. If so, these materials should be reviewed and summarized, with an eye to incorporating them into the new role of the HCD contractor. Without necessarily having technical expertise in the sector, the HCD contractor brings to the table HCD expertise in the areas of organizational development, adult learning, and training management. If a more labor-intensive PNA is needed, a separate request can be made of the HCD contractor. The current PTP contract has direct access to PI expertise.
- HCD Intervention Concept (HIC) Form: The initial training idea, the Training Intervention Concept (TIC), done by the training contractor in consultation with the SO team should be changed to the HCD Intervention Concept (HIC) form, completed jointly by the SO team and the HCD contractor. The HIC would present the technical and training interventions designed to address performance problems. The emphasis is on coordination of interventions, both substantively and with regard to timing of programs. The compiled HICs become the HCD Annual Plan, replacing the current Training Plan.

HICs may be compiled periodically, but this should not be made into a massive annual project; the present mission Training Plan (TICs) is of limited usefulness and the pressure to produce it lowers the quality of the TICs. They quickly become out of date and are not amended. A typical planned training activity changes several times before the training event. The Training Plan is of little utility, even as a planning tool, not to mention as an implementation document. Quarterly or semi-annual HCD Plans, done according to the timeline requirements of the various intervention mechanisms, would serve the mission much better. With the HIC approved by the Activity Manager, technical and HCD staff, interventions performed by the technical contractor can proceed, with periodic consultations among the implementers on progress and coordination. Further guidance needs to involve the participation of the PTP CTO in initiating changes.

- Training Intervention Request Form (TIRF): This stage and form can be retained, with minor changes in the form to reinforce the HCD context. The form should be completed with text drawn from results of the collaborative process, not with general sector boilerplate pasted in. Each training program should have its own set of performance issues and objectives.
- Action Plan: An Action Plan is required from all training participants, who must state at the beginning and end of their programs how they intend to apply their training. It should focus on the broader context of institutional barriers to application of the training.
- Training Follow-On: In keeping with capacity development as a process rather than an event, follow-on should be considered part of the training program, not an optional annex to it. This is more of an issue in programs conducted by the training contractor than in those conducted by technical assistance contractors. In the former case, contact with returned participants is not part of the ongoing work of the training contractor. Some participants keep in touch with AED regarding application of training and implementation of their Action Plans, but this is the exception. Participants trained by technical assistance contractors tend to have an ongoing relationship with the contractors, and in the best examples their training programs are only part of a longer process of capacity building. Follow-on in these instances is simply the continuation of technical assistance and is more likely to provide for continued support to the participant and to integrate application of training with other performance interventions.

In the case of technical contractors, follow-on can more fully take on a performance dimension, in which the performance impact of technical and training interventions can be monitored and supported. In the case of the training contractor, follow-on should consist of performance monitoring by means of consultation with the technical contractor to assure facilitation of training application and maximization of impact.

- Monitoring and Evaluation: These elements should be linked to training follow-on and the ongoing relationship that TA contractors should maintain with their targeted institutions. Monitoring of improved performance should be continually factored into programmatic decisions and be based on the performance goals articulated in the HIC and the organizational performance indicators in the strategy. Training evaluations should be conducted according to ADS 253, at the conclusion of training events and six to twelve months afterwards in order to measure learning and application of training. The evaluation should be considered necessary, particularly when the strategic objectives and indicators are not being met and the reason is not clear.

## **B. Utilizing New Programming Options under PTP**

The PTP contract (under the START, Strategic Technical Assistance for Results with Training, IQC) contains opportunities for the HCD contractor to implement innovative programming in capacity development. The PTP contract expands the range of capacity development options in support of training beyond the core functions in the predecessor contract. These are in the areas of:

- Distance learning feasibility studies and pilots.
- Training-related small grants to provide in-country follow-on for participants to support the application of training, facilitate reintegration into the organization, support continuing education, enable professional networking, and disseminate new information to colleagues. This type of grant enables participants to further their training goals through their own activities such as organizing a conference or creating their own materials for dissemination. Such grants should be designed in close consultation with the technical assistance contractor, as appropriate.
- Training-related technical assistance to provide outside help in addressing constraints to the application of training. This provides an alternative to reliance on the technical assistance contractor for such follow-on activity. Another possible use would be to obtain a faculty member from a U.S. university to assist in areas such as curriculum and materials development, and teacher supervision.
- Training-related partnerships between U.S. and local institutions for changing institutional behavior and strengthening organizational development.

These activities offer many possibilities to supplement training with the kind of post-training interventions that could make the training program a success and enhance capacity of the organization. Without close working relationships between the technical assistance contractors and the HCD contractor, the Activity Manager will not effectively use these training support activities.

### **C. Management Implications of the HCD Approach**

There are three management considerations for USAID and its implementing partners related to the adoption of an HCD approach: (1) process change, (2) measurement of change, and (3) workload level.

Process change: USAID implementers (CTOs/Activity Managers) and TA contractors will need to accept a different way of project implementation. It involves a joint up front assessment of the host country institution to determine which gaps need to be addressed and how. This means looking beyond knowledge and skills to other institutional constraints. It also means assessing the organization strategically to determine what it takes to effectively operate, successfully perform its functions and become sustainable. The activity should then address shortcomings that are identified. It involves adoption of the PI process described earlier. The HCD contractor must participate substantively in this process. USAID management will need to actively instill these process changes into the system.

Measurement of change: The changes and overall impact of a program activity on the institution's improved capacity needs to be monitored. The TA contractor would do this. Strategic indicators that measure capacity change will need to be included in the Performance Monitoring Plan, and serve as a basis for adjustments in the program.

Workload level: Orienting programs toward HCD will mean some additional work for technical contractors and Activity Managers/CTOs as well as the PTP Activity Manager, but there also will be some tradeoffs. If a succinct assessment of an institution is conducted at the outset of the activity, and performance barriers and training needs accurately identified, there should be fewer downstream problems arising in the participant selection and content aspects of training as well as the application of training. Also, it is recommended that the preparation of TICs (or HICs) and an HCD plan be done on a quarterly basis, as a rolling plan exercise, instead of an annual exercise that suffers in quality and must go through numerous informal adjustments resulting in redundant work.

Management Options: To mainstream HCD into the USAID program, the assessment team has considered three options, which are discussed below:

Option 1: Eliminate the HCD contractor and make USAID directly responsible for all HCD, including training support.

Pro:

- Coordination would be simplified with one less “player” in the HCD process.
- There should be some cost savings.

Con:

- A significant additional workload will be placed on USAID, probably necessitating hiring of two (or more) FSNs.
- In the short run, the mission will lack HCD expertise.

Option 2: Maintain a training contractor for logistical and administrative support to training, and have USAID be directly responsible for all HCD.

Pro:

- A core of expertise on ADS 253, visa processing, logistics and administrative support for training will be maintained outside USAID.
- USAID institutional competence on HCD will increase.

Con:

- In the short run, USAID will lack HCD expertise.
- More staff time will need to be devoted to HCD.

Option 3: Have the current training contractor continue to support training events and require the contractor to carry out HCD responsibilities.

Pro:

- The training contractor is organized and more proficient than USAID in handling the training support function.
- The training contractor is already charged with support to the HCD function in its Task Order, and it should have the ability to carry it out.
- The current training contractor has HCD expertise available through its sub-contractor.
- HCD support from the contractor should allow time for USAID to develop and institutionalize HCD into the country program.
- Budgetary impact will be minimal.

Con:

- The contractor has not been involved in systematically providing support to HCD.
- HCD coordination, especially between TA contractors and the HCD contractor, will require mindset changes that could be complicated.

Based on this assessment, Option 3 is recommended. It provides a structure for effectively and methodically introducing HCD into the USAID country program in the least burdensome manner, and with access to necessary outside expertise through an existing mechanism.

To initiate the process of systemically infusing HCD into the USAID program, the following actions should be considered:

1. Incorporate a discussion of HCD in the new Strategic Plan, both in the overview and in each SO. (Some suggested text can be found in Appendix E.)
2. Include HCD indicators, as feasible, in the new strategic framework and Performance Monitoring Plan.
3. Hold a workshop for all mission program and SO team staff, TA contractors and the HCD contractor on the principles and application of HCD. An HCD consultant should be engaged to conduct the workshop, which may best be divided up by SOs.
4. Set in process a routine HCD examination of each host country institution receiving USAID support. This should be a joint review by CTOs/Activity Managers, TA contractors, the HCD contractor and representative(s) of the institution. An HCD expert consultant should be brought to the mission for about two months to work with teams and the HCD contractor conducting the HCD assessments and to give on-the-job training. This should be the same person doing the workshop.
5. Include HCD requirements in USAID contracts, task orders, cooperative agreements and grants. (Some suggested text can be found in Appendix F.)
6. Require contractors, cooperative agreement and grantee partners to report on HCD progress/problems in their regular reports to USAID.
7. Recast the FSN Development Program Specialist position description to include HCD Coordinator and have the incumbent work closely with all SO teams and each CTO/Activity Manager in implementing HCD actions. This function should occupy three-fourths of the officer's time. The incumbent should be the primary counterpart to the HCD consultant and receive on-the-job training from the consultant.
8. Amend the Mission Order on training to include the HCD approach and to provide relevant HCD guidance.
9. Revise training documentation: convert the Training Intervention Concept Form (TIC) to a Human Capacity Development Intervention Concept Form (HIC) to be completed after the institutional performance review; revise the Training Intervention Request Form (TIRF) to reflect HCD objectives. This should be done in consultation with the PTP CTO in USAID/Washington.
10. Examine the status of meeting HCD performance improvements in the course of mission portfolio reviews.
11. Include HCD and capacity development progress in the mission's Annual Report.
12. In 2004, conduct a thorough review of the HCD procedures, system, effectiveness and results. Make a decision on the requirements for ongoing HCD contractor support.

## Chapter VI. Programmatic Considerations

### A. Approaches to Government and NGOs

#### 1. Different Strategies

Government Institutions: Clearly there need to have different strategies to improve the capacity of government units compared with NGOs. In the discussion above, the point was made that NGOs had a greater success rate in applying training due to their inherent flexibility. The potential for changing the impediments to performance in government bureaucracies is obviously less. However, attempts should be made to find governmental partners willing to take a comprehensive look at their capacity constraints and make changes in the way they operate. This has fundamental implications for programmatic choices in the new strategy. Cooperation in resolving operational problems through interventions broader than training could be a criterion for selection of partners under the new strategy. A stronger multi-dimensional approach to performance through HCD should appeal to all institutions desiring to strengthen their capacity.

NGOs: Targeting NGOs has been a successful strategy and should be continued. Their receptivity to assistance is one of the strongest arguments for continuation of assistance. However, analogous to bureaucratic lines of resistance in government, the nature of some NGOs as an extension of the personality of their founder and leader present obstacles to organizational change. This appears to be a key factor in current screening of NGOs for possible support. Strengthening NGOs is a long-term process; it cannot be done with a quick infusion of training and targeted TA.

#### 2. Sustainability: Performance and Institutional

The issue of sustainability has two elements: sustaining performance improvements and sustaining the institutions themselves. The former involves assuring that changes brought by the mix of interventions become so engrained that they remain the organization's *modus operandi*. The choice of performance interventions must be made with this goal in mind. Performance sustainability is a function of the quality of the HCD assistance and the receptivity of the target institution. With governmental institutions, the sustainability of performance changes is affected by changes in leadership due to political changes.

Institutional sustainability is a function of the quality of the capacity development assistance and market demand for the institution's services after the lengthy period it takes to bring them to a sufficiently high level of capacity. Demand needs to be a prime criterion for selection of NGOs for assistance.

### B. Areas for HCD Focus

#### 1. Generic Skills: Management and Leadership

This assessment reinforces mission thinking on the lack of management and leadership as the crucial capacity problem in Armenian institutions. This skill gap can be met by training in

coordination with organizational reforms. Management training is more effective if it is in the context of other institutional improvements.

## **2. Cross-Cutting Themes: Corruption, Gender, Role of Diaspora**

Corruption undermines both economic growth and the strengthening of institutions. It is a reason to steer clear of institutions as development partners or capacity building targets.

HCD requires a conscious effort to maintain gender balance. This refers not just to numbers trained, but also to their positions and responsibilities in the workplace and to content, relevance and importance of their jobs in the organization. Armenia has the advantage of a well-trained female population, which is competent, creative and flexible in terms of work opportunities. Women tend to be underutilized in terms of their potential value to Armenian society, particularly in social and economic development activities related to the transition process. It is important that women be specifically included as an integral part of USAID's capacity development efforts.

The diaspora has been a source of support in capacity building, through potential training opportunities with Armenian firms in the U.S. and in visits to Armenia by Armenian-American business leaders. With USAID plans to more closely link its program to the diaspora, opportunities should be sought to channel their energy and resources into support to HCD of institutions that are USAID partners. The diaspora brings an external attitude and viewpoint to capacity development that can significantly enhance institutional performance, especially of NGOs and private enterprises.

## **C. Synergy and Coordination with Other Donor Capacity Building Programs**

### **1. Other USG Programs in Armenia**

A significant amount of the FSA budget is allocated to ECA, DOC, USDA and DOS programs that encompass HCD initiatives. Examples are SABIT, Cochran Program, Business Facilitation Incentive Fund, Community Connections Program, Contemporary Fellowships, International Visitors Program, University Partnerships Program and several academic activities (Hubert Humphrey Fellowships, Fulbright Scholar Program, Muskie Fellowships). Each of these initiatives provides training or knowledge transfer for individuals and institutions that could impact on the USAID development program. The assessment found rather weak linkages between most of these programs and the USAID program, even though they may share common objectives. The mission should make efforts to better coordinate these valuable country programs, so as to obtain maximum development benefit from the synergies that would result from the complementarities. For example, the selection of candidates for degree, non-degree and study tour programs should routinely include USAID, and representatives of other agencies should regularly participate or be informed of USAID's HCD activities.

## **2. UNDP/GEF Capacity Development Initiative (CDI)**

Armenia will participate in the CDI by undertaking a National Capacity Self-Assessment (NCSA) in 2003 with Global Environmental Facility (GEF) funding. Although the NCSA will look at climate, biodiversity and land degradation, it is focused explicitly on capacity development and has broader implications for strategic planning in other sectors. The conceptual approach is similar to the PI approach discussed earlier in this report. It involves a review of systemic and institutional capacity synergies, complementarities, challenges, gaps and constraints in a sectoral cross-cutting manner. The CDI in Armenia reflects the shift toward HCD in the development process, and should be a valuable learning exercise. USAID should liaise with implementers of the NSCA to follow both the process and its results.

## **3. Other Donors**

The USAID program does an effective job of coordinating with other donors where common capacity building objectives occur. Other donors participate in joint meetings and there appears to be minimal overlap across training programs. While the training contractor participates in some of these sessions, there appears to be room for increased consultation among TA contractors and the training contractor in capacity development activities.

### Chapter VII. Summary of Specific Recommendations

The recommendations listed below are based on a mission decision to follow Option 3 in Section V. C above, which is to have the current training contractor continue to support training events, and require the contractor to carry out HCD responsibilities. It is recommended that:

- A. USAID adopt as a theme in the new Strategic Plan and institutionalize as a matter of mission procedure a Human Capacity Development cross-cutting “sector”.
- B. USAID management strongly support systematic adoption by SO Teams of HCD analysis and practices in strengthening partner institutions.
- C. HCD indicators, as feasible, be included in the new strategic framework.
- D. Contractors and cooperative agreement partners be required to report on HCD progress/problems in their regular reports to USAID.
- E. The stages of training planning, and the forms associated with them, be conceptually expanded to the HCD level. Thus, the Training Needs Assessment stage, wherever it exists, would become an HCD or Performance Needs Assessment (PNA) and the Training Intervention Concept (TIC) would become the HCD Intervention Concept (HIC). In both cases the PNA and HIC would address the larger organizational context for application of KSAs and the other performance related interventions.
- F. The strategic and institutional context portions of the PNA and HIC forms be the responsibility of the Activity Manager and the HCD contractor.
- G. The annual HCD Plan (formerly Training Plan) requirement be changed to cover, at a minimum, the first quarter of the year, and thereafter on a rolling basis. In certain cases a longer lead time may be necessary because of expanded USG visa-related requirements or where a training implementer has to be contracted.
- H. New TA contracts/task orders, as well as amendments to existing contracts, incorporate in the SOW the partnership with the HCD contractor, and related HCD roles and responsibilities of TA contractors be clearly defined in the SOW.
- I. The FSN Development Program Specialist position description be recast to include HICD Coordinator and to have the incumbent work closely with all SO teams and each CTO/Activity Manager in implementing HCD actions. This function should occupy three-fourths of the officer’s time.
- J. USAID should further efforts to coordinate its programs with other USG entities having HCD programs that complement those of USAID.

- K. USAID issue a revised USAID Mission Order that echoes the recommended modifications in the HCD process.
- L. USAID observe and examine the capacity assessment (NCSA) being undertaken by Armenia with the assistance of GEF and UNDP to determine relevancy of examples or lessons for potential application to USAID's program.

## Appendix A

### SCOPE OF WORK

#### Armenia Human Capacity Development (HCD) Sector Assessment

### BACKGROUND

USAID/Armenia is currently developing its next five-year Mission Strategic Plan. Part of this process involves undertaking a series of assessments in key technical sectors identified by the Mission as supportive of its country priorities. These include:

- SO 1.3—Commercial Law, Micro-finance, Agriculture, and Finance;
- SO 1.5—Energy;
- SO 1.6—Water;
- SO 2.1—Democracy, Rule of Law, Conflict Prevention Strategies and Anti-Corruption; and
- SO 3.4—Health and Social Transition.

The HCD sector assessment will take place in February 2003. The assessment will focus on critical questions that will provide the Mission with information necessary to make strategic decisions for its future strategy. Specifically, it will address areas of focus for future HCD which would best complement and support implementation of the Mission's new five-year strategy. Further, it will highlight which local institutions or training modalities the Mission should support as the vehicle for its HCD strategy.

### OBJECTIVES

The objectives of this assessment are to:

1. Evaluate to what extent the Mission's past HCD efforts have supported the achievement of the Mission's strategic objectives;
2. Evaluate how effectively USAID has used its HCD resources in terms of improved performance of the partner organizations/individuals to which those resources have been provided;
3. Identify conditions under which training has been most effective, e.g., training in public institutions versus NGOs, institution building versus training individuals;
4. Identify a management arrangement that will take into consideration the need to manage HCD as a crosscutting intervention, rather than a stand-alone activity; and
5. Develop a set of conclusions and recommendations to enhance the effectiveness of HCD interventions as part of USAID/Armenia's next five-year strategic plan.

## ISSUES TO BE INVESTIGATED

The HCD sector assessment will, at a minimum, address the following elements.

- The effectiveness of the Mission’s use of its HCD resources in the past, as well as the long-term development impact its efforts have had. The circumstances under which training/HCD has been most effective in Armenia.
- Should HCD efforts directed to NGOs be considered distinct, requiring approaches and expectations that are different from, say, those directed towards GOA bodies?
- Collaboration with other donors working on HCD in Armenia – could the Mission further capitalize on potential synergies and linkages with other donor programs?
- Which areas of focus for future HCD would best complement and support implementation of the Mission’s new five-year strategy? Which local institutions or mechanisms should the Mission support as part of its HCD strategy?
- How might the Mission make more effective use of existing Armenian training organizations? Such organizations include:
  - ✓ professional associations;
  - ✓ universities; and
  - ✓ private organizations.
- Is there a way to enhance training capacity in Armenia by encouraging sharing of information and training among local organizations?
- Two areas of human capacity that have consistently been identified as being weak in Armenia are management and leadership skills. How might USAID better address these dimensions through its existing activities and training mechanisms?
- Develop an implementation *process*—including a management arrangement for implementing the performance implementation plan identified in the HCD sector assessment. Such a process will take into consideration the need to view HCD as a crosscutting intervention, not a stand-alone activity.
- In developing the HCD sector assessment, ensure that monitoring, evaluation and performance measurement are well integrated into Mission strategic plan, results framework and annual performance report.

## METHODOLOGY

- Review Mission results framework, including strategic objectives, intermediate results and performance indicators.
- Review key Mission strategic documentation, as well as recently completed technical sector assessments and historical/operational training documentation.
- Conduct thorough interviews with relevant Mission personnel, training implementation contractor and other implementing partners—including technical assistance contractors, cooperative agreement holders and grantees. Thorough interviews should also be conducted with representatives of organizations and GOAM counterparts to which USAID has provided assistance.
- The HCD sector assessment will apply the performance improvement framework, focusing on its major implementation stages, including:
  - ✓ Obtaining and maintaining stakeholder agreement
  - ✓ Conducting performance needs assessment
  - ✓ Selecting and designing interventions
  - ✓ Implementing those interventions
  - ✓ Monitoring and evaluating performance
- In developing the HCD sector assessment, a participatory approach will be used to ensure stakeholder ownership of results and findings, and their commitment to follow-up actions.

## DELIVERABLES

**Report outline.** A detailed outline of the draft report should be submitted to the Mission no later than one week after arrival in Armenia.

**Progress report.** A mid-term progress report in the form of a debriefing will be made to the Mission by the end of the second week.

**Draft report.** Prior to leaving Yerevan, a draft HCD sector assessment report will be submitted to USAID/Armenia for review.

**Presentation of results.** A presentation of the analysis and main conclusions contained in the draft report will also be made to relevant Mission personnel and other stakeholders.

**Final report.** Comments on the draft report and recommendations made during the presentation will be incorporated in the final report. The final report will be forwarded to USAID/Armenia no later than three weeks after departure from Yerevan.

## **PERSONNEL AND LEVEL OF EFFORT**

Given the number and complexity of the issues to be investigated and the number of stakeholders involved, a three-person team will be needed to carry out the assessment. The assessment team will consist of a team leader with strong background in strategic planning and performance monitoring; an HCD sector specialist with training, institutional development, and program design, evaluation, assessment and management experience; and a participant training specialist with knowledge of the performance improvement framework.

For each team member, the level of effort will be distributed as follows:

Preparation before departure to Yerevan: 2 days

Travel: 3 days

Fieldwork in Armenia: 24 days

Follow-up in the U.S.: 3 days

Note: Three extra days will be allocated to the team leader to finalize the report.

Level of effort summary:

Team leader: 35 days

HCD sector specialist: 32

Participant training and performance specialist: 32 days

Total level of effort: 99 days

## **TECHNICAL DIRECTION AND REPORTING**

While in Yerevan, the HCD assessment team will be working under the direct supervision of Tracy Thoman, Supervisory Program Officer, USAID/Armenia. Mr. Jeffrey Shahan, Senior Training Advisor to E&E Missions (EGAT/ED/PT) will provide overall coordination of the HCD sector assessment.

## Appendix B

### DEFINITIONS

*Capacity Development:* The ability of the institutions within a country to function effectively in both their role as partners of USAID and in broadening their larger role independent of donors through offering services for which there is a sustainable market and diversified client base.

*Human Capacity Development:* The process of change through improvement of capacity of individuals in a system and organization to implement identified changes, and the ability to maintain, manage and evolve the interventions throughout the course of development. [For purposes of this assessment, human capacity development is used synonymously and interchangeably with institutional or organizational capacity development.] In the USAID context, Human Capacity Development is a technical sector in its own right, made up of diverse skills in the following areas: **Organizational Development** (performance improvement, system design and linkages, change management, human resource allocation, knowledge management, organizational behavior, group dynamics, motivation, civil service systems), **Adult Learning** (adragogy, instructional design, training technologies), and **Training Management** (programming procedures, USAID and other government regulations, procurement, logistics).

*Organizational Capacity Development:* The systematic process of planned organizational change that enhances efficiency, effectiveness and sustainability with which an organization pursues its strategy, achieves its goals and delivers added value to its stakeholders. [For purposes of this assessment, the term organizational capacity development is used synonymously and interchangeably with institutional or human capacity development.]

*Performance Improvement:* A method for analyzing performance problems and setting up systems to ensure improved performance. It is a process that considers the institutional context, defines desired performance and its indicators, identifies gaps between actual and desired performance, finds root causes, selects interventions and measures changes in performance.

*Training:* An intervention to fill knowledge, skill and attitude (KSA) gaps impeding performance. Training should only be used if a Performance Needs Assessment reveals that KSA deficits are among the causes of poor performance and if the other causes are being addressed in a coordinated fashion. Training programs can range from short-term study visits, conferences and seminars, and short technical courses to longer-term on-the-job training and academic degree programs, in the U.S., third countries, or in country.

Appendix C

**TRAINING-FOR-RESULTS CHAIN**

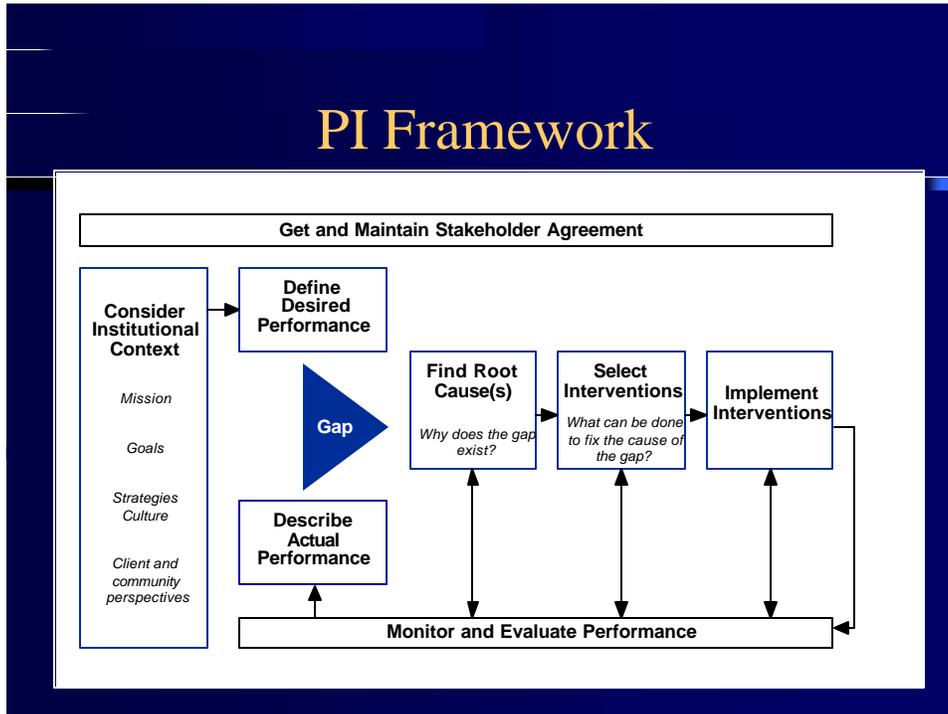
The Training-for-Results Chain represents the model for all capacity improvement activities implemented through training interventions. The link between the Training-for-Results Chain and the Performance Improvement Framework in Appendix D is in the connection between “Work Groups” and “Training Applications” in the Chain. The question, “Which key parts of the organization need to function differently?” is answered by the PI Framework through a Performance Needs Assessment (Define Desired Performance, Describe Actual Performance, Identify Gap, Find Root Causes.) The selection of interventions to close the performance gap leads to training as an option, the next link in the Chain.



**USAID PARTICIPANT TRAINING**  
<http://www.usaidtraining.net>

Appendix D

**PERFORMANCE IMPROVEMENT FRAMEWORK**



## Appendix E

### **HCD AS A THEME IN THE 2004-2008 STRATEGY: RECOMMENDED TEXT**

Human Capacity Development as a cross-cutting sector will be the foundation of USAID/Armenia's capacity development strategy. Capacity building will also increase the synergistic impact of sectoral interventions, for example in the ability of a wide variety of civil society organizations, coalitions and strengthened media outlets to advocate for change in all sectors. By operating primarily from below but also working with targets of opportunity within the government, the capacity building effort will also maximize leverage exerted by all potential agents of change, including those advocating for women. Capacity building activities will heighten the impact on the mission's other cross-cutting themes. Stronger NGOs will play more prominent roles in every aspect of USAID's programs.

Emphasis on Performance. USAID/Armenia's Strategic Plan has a strong focus on the development of the *performance* capacity of individuals and groups critical to the achievement of the mission's strategic objectives. Without a major improvement in their performance, there is little likelihood of successful implementation of government reforms. To improve performance, enhancements in knowledge, skills, and attitudes (KSAs) through training are necessary but not sufficient. The mission will therefore use a performance gap analysis approach (rather than simply focusing on filling knowledge gaps) and will stress coordination of KSA enhancements through training with other technical assistance interventions designed to ameliorate non-KSA performance barriers.

This approach - the essence of capacity building best practices - requires more attention to the interaction between the desired enhanced performance of individual(s) and groups and the context in which they are operating, conditions that often totally block the application of newly acquired skills. If other performance barriers are not fully analyzed and addressed, training investments will have limited or no impact.

In short, the steps needed to address barriers to improved performance are: identify the human resources constraints to be addressed through training; identify the non-KSA constraints to be addressed through other modes of technical assistance; devise institutional mechanisms for addressing these constraints in tandem; and put in place a monitoring system to manage the process and track progress.

To institutionalize performance improvement approaches utilizing best practices among our partners and at the same time to minimize management burden, the mission will include them as requirements in RFPs. We believe that even in more hands-off grant mechanisms, partners will welcome this approach. Some have stated what has been shown by innumerable USAID training evaluations over the decades - that a more coordinated approach integrating training with technical assistance in the form of post-training follow-on help in the application of new skills, will yield superior and more sustainable impact. Targeting fewer individuals and groups for more thorough performance interventions is more effective than providing lower level training to larger numbers. We will also encourage bidders to strive toward more "critical mass" training,

to insure that there are sufficient numbers of change agents working toward improved performance of targeted groups.

In addition, as the monitoring of outcomes below the IR and sub-IR levels is required in ADS 203, our mechanisms will include simple performance capacity measures to track progress. These should be a part of the periodic reporting of partners and will form a logical impact chain from implementation outcomes through higher level results.

These best practices also will be institutionalized in a Mission Training Order, which will be developed after the Strategic Plan is approved and implementation decisions are made.

**Appendix F****HCD IN NEW CONTRACTS, CAs AND GRANTS: RECOMMENDED TEXT**

USAID/Armenia's programs stress institutional capacity building as the key to successful implementation of government reforms. All activities implemented by this contract/CA/grant will pursue capacity development through a partnership between technical assistance and human capacity development. The contractor/grantee will collaborate with the mission HCD contractor to strengthen the performance of targeted institutions through application of the Performance Improvement Model. Bidders will be judged on their plans and ability to work together as a team with HCD organizations to bring to bear their technical sector expertise jointly with the mission HCD contractor's expertise in training, organizational development, and adult learning.

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