CAPACITY AND CAPACITY DEVELOPMENT - SOME STRATEGIES

by

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1. INTRODUCTION

1.1. Capacity development has become one of the leading issues in the current development discussion. Many countries declare that they need more of it. Donors are intent in somehow supplying, or at least, inducing it. Executing agencies and Northern participants in projects and programs are being held accountable for delivering it. But despite all the commotion, capacity development remains a concept of enormous generality and vagueness. Discussions contain more advocacy than operational advice. A host of concepts are included under its general umbrella such as participation, organizational development, technical assistance, performance, institutional economics, empowerment and many others with no clear sense of their interrelationships. What are we to make of this topic called capacity development? What to do? Where to start?

1.2. This brief note tries to unbundle some of the issues to do with capacity development and capacity. It first looks at some underlying themes that need to be kept in mind when dealing with capacity development issues. The note then sets out some of the main strategies or approaches to capacity development that project designers and participants use, implicitly or explicitly, to try and achieve capacity. It is written from the point of view of outside participants, especially staff in donor agencies, who wish to understand better the nature of the capacity development issues they are facing and who wish to intervene more effectively.

1.3. The first point to clarify is the differences amongst the concepts of ‘capacity development’, ‘capacity’ and ‘impact’. These concepts have interrelated but distinct meanings. There is a tendency to mix up these terms with, for example, capacity development taking on meanings to do with an effective organizational structure or being limited to the idea of training.

- Capacity development refers to the approaches, strategies and methodologies which are used by national participants and/or outside intervenors to help organizations and/or systems to improve their performance. This is about process and the ‘how’ issues (e.g. workshops or training programs or efforts at organizational change for NGO rural health workers in Zambia). Note that this notion of process is a far more complex one than that of ‘inputs’ which is in widespread use in the donor community.

- Capacity is defined as the organizational and technical abilities, relationships and values that enable countries, organizations, groups and individuals at any level of society to carry out functions and achieve their development objectives over time. Capacity is about institutional, organizational and behavioral outcomes (e.g. the ability of NGOs in Zambia to manage networks of rural health centers). Indicators of capacity usually focus on the performance of some sort of organizational function or activity such as decision making,
leadership, service delivery, financial management, ability to learn and adapt, pride and motivation, organizational integrity and many others.

- The final category is that of impact or the developmental benefits and results. It is about impacts that come about directly, or at least, in part from the performance described above (e.g. the incidence of improved maternal health levels for young women in the rural areas of Zambia).

The beginnings of a simple matrix can thus start to emerge as follows:

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<thead>
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<th>process</th>
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<tbody>
<tr>
<td>capacity and performance</td>
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<td>developmental impact</td>
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1.4. We need to bear in mind the differences between capacity development as an indigenous process of change and evolution and capacity development as a donor-supported intervention in that process. The first has to do with societal and organizational change in another country - the struggle for power and control, the influence of culture and history, the emergence of new values and attitudes, the growth of confidence, the search for legitimacy and many other aspects. Much of this is beyond the ability of donors to influence or even understand. The second has to do with technical assistance, the management of project resources, adaptation and adjustment, results-based management, organizational learning and the pursuit and assessment of results. Clearly, the interrelationships between these two processes will be crucial to overall project effectiveness. The first, for example, can be long-term in its evolution and more political. The second can focus on the technical and the short-term. Donors and other outside groups need to maintain a sense of modesty and proportion when thinking about the interrelationships.

1.5. Efforts at capacity development need to be seen as part of the dynamics of bigger organizational and human systems. We need, for example, to remember the levels and the systemic interrelationships of a complex capacity ‘system’, an onion-like structure ranging from the ‘macro’ context or environment to the ‘micro’ individual staff member or project participant\(^1\). Participants, especially outsiders, need to understand the dynamics - political, social, organizational, institutional, cultural - of the larger systems in which the particular program is embedded. We also need to distinguish between the concepts of ‘institutions’ and

\(^1\) This systems approach is set out in the UNDP, *General Guidelines for Capacity Assessment and Development in a Systems and Strategic Management Context*, January 1998.
organizations’. Institutions are humanly devised constraints that structure human behavior. They can be both formal (e.g. rules, laws, constitutions) and informal (e.g. norms of behavior, conventions, markets and self-imposed codes of conduct). Together they define the pattern of incentives, sanctions, and pressures -the ‘rules of the game’ in a society - within which the ‘players’ i.e. the formal organizations, play their roles and do their work. Capacity development in societies where the institutional rules allow for corruption and organizational misbehavior (e.g. Nigeria) is a quite different case than one in which organizational accountability is more valued (e.g. Botswana).

From this systems perspective, the matrix begins to look as follows. The individual boxes would be filled with suitable indicators:

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<thead>
<tr>
<th></th>
<th>broader systems and institutions</th>
<th>organizations</th>
<th>individuals</th>
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<tbody>
<tr>
<td>process</td>
<td>x</td>
<td>x</td>
<td>x</td>
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<tr>
<td>capacity and performance</td>
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<td>x</td>
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<tr>
<td>developmental impact</td>
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</table>

1.6. We need better ways to help diagnose capacity problems. Donors have been much clearer about the apparent solutions to capacity issues particularly those that they could easily supply such as technical assistance. But they have been much less convincing about the nature and origins of the capacity problems that partner organizations or countries were facing. We need to develop a better understanding of the underlying causes of the lack of capacity as well as its symptoms. And we need to better match problems and solutions. For example, is poor staff performance due to a lack of technical skills or the absence of weak incentives for performance or systemic political constraints that act upon the organization? Where is causing this capacity gap? At what level can and should this capacity issue be addressed? What, for example, is the best way to intervene in environmental issues in Indonesia? What can be done and at what level?

1.7. We need a better sense of the factors that, over time, have combined to shift a system or organization into a particular structure or condition or form of behavior. We need a sense of history or evolution when we talk about capacity and capacity development. Donors are usually intent on setting objectives for the future. But we also need a better sense of the current situation. And we also need to know how and why it got that way before we can formulate a relevant intervention. Capacity development and capacity issues change over time and require evolving solutions. The UNDP General Guidelines for Capacity Assessment and Development,
for example, look at various stages of capacity and how best to assess its achievement. The matrix could then be applied as follows:

### The consolidation phase of the rural health system in Zambia 1995-1998

<table>
<thead>
<tr>
<th></th>
<th>broader systems</th>
<th>organizational</th>
<th>individual</th>
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<tbody>
<tr>
<td>process</td>
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<td>developmental impact</td>
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1.8. Setting the broad context for capacity development is critical. But when we try to design capacity development as a process, we are really talking about the management of human interactions in the form of actors and actions. And we are talking about a dynamic stream of events throughout the various phases of a project such as initial planning and design, implementation and redesign. Some organizations, groups and individuals (e.g. ministries of finance) play a big role in the beginning and then drop out. Others (e.g. the peasant farmers and their husbands) may play a role of growing importance as the project proceeds. Donor representatives in various forms remain from beginning to end. When we speak about capacity development, we need to be aware of how these different actors define and pursue their interests and how they respond to key events such as changes in government, natural disasters, economic trends and so on. We need a greater sense of the human dynamics - the strategic decision points, the chains of events and pursuit of self-interest and the collective good. In this sense, capacity development is much more improv theater than organizational engineering.

1.9. Most efforts at capacity development bump up against the tension between control and structure on the one hand and flexibility and experimentation on the other. Many participants are concerned about clear objectives, accountability, the achievement of agreed results, transparency and predictability and the meeting of contractual requirements. Yet the process of capacity development is inherently unpredictable and unprogrammable. It depends critically on constant learning and adaptation to be effective. Detailed planning fails virtually in all cases. Managing this tension becomes one of the main challenges involved in achieving effective results.

1.10. We are still experimenting with different ways to judge the effectiveness of efforts, both internal and external, aimed at developing capacity. This deals with the topics of results-based management, monitoring and evaluation, indicators and so on. Two points seems obvious. First,
monitoring, measuring and evaluating need to be more than a control mechanism designed mainly to satisfy donor accountability requirements. They need to be designed and managed so as to encourage learning, participation and commitment. This is difficult to do given the fact that different actors - for example, donors, state agencies, executing agencies, beneficiaries - will tend to view capacity development and capacity from different perspectives. This is the ‘capacity for whom?’ question and it leads to an elaboration of the matrix as follows:

<table>
<thead>
<tr>
<th></th>
<th>donor</th>
<th>main implementing agency</th>
<th>beneficiaries</th>
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<tbody>
<tr>
<td>process</td>
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The second point refers to cause and effect. Without a theory of cause and effect, learning proves difficult. Participants need some shared map or framework in their heads about what in theory, causes what and what leads to what. Does, for example, on-the-job training by itself lead to better job performance in most cases?. Without that common framework, participants cannot agree on the significance of the information coming from indicators and cannot learn from, and test, their hypotheses.

1.11. Finally, participants need to have a capacity development frame of mind. Most project participants focus on program impact as the ultimate end. They see lower pollution levels or decreased rates of maternal mortality as the key, and in some ways the only, objective of the project or program. They see their organizations as existing to do health improvement or economic analysis. Capacity development is treated as instrumental. Organizations must be efficient, effective and relevant. This perspective is entirely understandable and is commonly held by most professionals in all countries. Indeed, it is difficult to think of organizations or capacity in some form as not being a means to a greater program end.

1.11. But this view is not supportive of capacity development. In the words of one analyst from the private sector:

“Everything about the company - its physical business, its assets, its policies and practices...was a means for living. None of these constituted the purpose of the company. Success for the company meant evolving into the best possible thing that it could and, in the process, to be good at what it happens to be doing in order to survive. Shell’s purpose is not to deliver oil, to produce energy or even to better the material wealth and capability of industrial society. It has to be good at those activities to make the profits to achieve its primary purposes: to survive and to develop new potential as necessary in an evolving society. Shell does not exist to pump oil. We pump oil in order
to exist”

1.12. We begin to see here some of the deeper dilemmas to do with the most challenging issue associated with capacity development - that of survivability or sustainability. What works and what lasts and why? A sole focus on program outcomes or developmental benefits is obviously critical. But so is the conviction that the organization or the capacity is itself the ultimate creation or objective. Policies, goods and services may change and become obsolete but living capacity can mutate and survive. Healthy and productive organizations are the scarcest of all development resources. Getting the right interrelationship between achieving developmental benefits and developing effective and sustainable capacity is crucial and not always compatible. They must both be treated as development impacts.

2. SOME CAPACITY DEVELOPMENT STRATEGIES

Set out below is a spectrum of some capacity development strategies. Other categorizations may be equally valid. Two things are noticeable about this list. First, the breadth and variety of the approaches to capacity development has increased over the last decade. We now understand that some of the more conventional methods from the 1970s and 1980s, especially training and systems improvements, are not universally applicable. Indeed, they are only relevant in certain kinds of situations. We need to use a broader range of approaches and we need to be able to combine them in ways that can respond to the escalating complexity of contemporary development. And second, we have finally admitted what we know to be true in our own societies, namely that no approach to capacity development can be imposed on skeptical participants. It must be owned locally in the sense that its costs and benefits, financial, technical and political, are acceptable to those that control the local process of capacity development. There must be a coalition of forces ready to implement who see the effort as both desirable and feasible.

2.1. SUPPLYING ADDITIONAL FINANCIAL AND PHYSICAL RESOURCES

In this approach, a simple lack of resources is seen as the real cause of the lack of capacity. With few exceptions, this problem can be found in virtually every organization in the world that

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3 “The same is true, for example, the American private sector. In an effort to analyze the reasons behind the sustainability of private firms over decades and even centuries, Collins and Porras came to the view ..” from seeing the company as a vehicle for the products to seeing the products as a vehicle for the company” quoted in *Built to Last: Successful Habits of Visionary Companies*, 1994, p. 28
deals with development cooperation. It rests on an implicit vision of an organization as a group of people that ‘want to but can’t’ or to put in other terms, as a functioning machine that simply lacks adequate supplies of fuel to reach peak efficiency. The strategy for donors is to provide ‘more’ - more equipment, more salary supplements, more buildings, trained staff, operating costs - to fill gaps that constrain the growth of capacity and the improvement of performance. Such an approach obviously works best in the case of well-managed organizations that need to grow rapidly.

The advantages of such an approach are well-known. For donors, it is relatively easy to implement. For participants, it is relatively non-intrusive. In certain instances, more resources can provide key operating support to get an organization through a critical period. But the risks are also evident. In many cases, the resource constraints may be masking deeper constraints such as a failure to exploit non-conventional revenue sources. The benefits from additional resources can be appropriated by certain groups or individuals within organizations for their own purposes. Additional resources frequently become payoffs rather than incentives or rewards. It can thus be a source of instability and conflict within organizations. By itself, the supply of resources can have little sustained impact on organizational performance and can, in many cases, leave the organization worse off than before.

2.2. HELPING TO IMPROVE THE ORGANIZATIONAL AND TECHNICAL CAPABILITIES OF THE ORGANIZATION

This strategy is a variant on the one above. The constraint this time is more lack of technique and proper structure than resources. The goal is to improve or create the technical, personal or organizational abilities of the organization, to do better what is already being attempted. This approach remains the most widely-used approach to capacity development despite its modest record of achievement over the years. It usually includes activities such as:

- Technical assistance both short and long-term
- Training (e.g. short-term practical attachments or long-term graduate work)
- Systems improvement (e.g. better financial or personnel management).
- Better working conditions

Such a strategy represents a package of services that donors and other interested groups in developed countries have their own incentives to supply. Many participants in partner countries are also convinced of the value of training and skill improvement both in terms of their national and personal interests. And it remains true that many countries do suffer from poorly-performing organizations that lack trained staff and proper structures and systems.
The downside of this strategy lies in its lack of ‘fit’ and relevance. Many organizations are in the ‘could but don’t want to’ category. They act under a set of constraints and conditions (e.g. politicization, poor salaries, meaningless tasks) that prevent organizations and individuals from performing regardless of their skill level. It is also true that lack of skills has become much less of a constraint in many countries than was the case twenty or thirty years ago. The issue now is utilization, retention and the sustaining of capacities that exist in a dormant form.

2.3. HELPING TO SETTLE ON A CLEAR STRATEGIC DIRECTION

The problem is the lack of an effective answer to the question...”capacity to do what or for what”. Either the organization, for internal reasons, cannot define a consistent direction. Or it has overextended itself in an effort to do too many things. Or key stakeholders have imposed inappropriate objectives. Or finally, no consensus exists in the political system about the purpose of the organization. The direction of the organization oscillates between different policy approaches - e.g. environmental protection versus economic development, punishment versus rehabilitation in the criminal justice system, voucher systems versus public schools. Capacity development loses effectiveness in the face of changing short-term pressures. Organizational systems become destabilized and ineffective.

The solution is to help induce a policy or a general direction that can guide action and the development of capacity over the longer term. Policy dialogue now has a long history in development co-operation. The advantages of this strategy is its comparative simplicity. Policy decisions, assuming a reasonable level of conflict, can be taken relatively easily compared to the challenges inherent in developing the implementation capacity.

2.4. PROTECTING INNOVATION AND PROVIDING OPPORTUNITIES FOR EXPERIMENTATION AND LEARNING

The real constraint is the lack of a protected learning space within which an organization or a group of organizations can learn and slowly develop. The problem is not the lack of technical skills or policy direction. Country participants are more than capable of figuring out the details. But two things are missing. First, most organizations have the potential to perform better. But they need a real chance to do so. They need to be nurtured and protected and given the chance to experiment and learn without the fear of immediate failure, interference or retribution. Second, individual and group attitudes are key to improving organizational performance. Without, for example, the will to collaborate, no amount of training and technique will make
much difference. Much of capacity development in this instance focuses on the promotion of social capital, including trust, collaboration, reciprocity, civic engagement, solidarity, loyalty, generosity and openness. The building of social capital can thus be of key importance in creating the sense of mutually beneficial collective action that seems so important in activities such as community development, interministerial coordination and organizational development. Simply put, people and organizations learn to work together. The introduction of more complex organizational techniques can follow.

Using this approach, donors are more nurturers than heroic capacity builders. They work to protect and insulate such experiments. They intervene, for example, with governments in favor of NGO autonomy. They facilitate and insulate when necessary. They supply key resources at certain times. They do not impose pre-selected technical solutions. They participate in a joint search for solutions that emerge only gradually through a process of group social learning. They act more like investment bankers than engineers. They see their work more as capacity liberation or inducement.

2.5. HELPING TO STRENGTHEN THE BIGGER ORGANIZATIONAL SYSTEM

From this perspective, the capacity problem is systemic. The country needs a group or network of organizations to work together to carry out complex tasks such as national budgeting or maternal and child health at the state level. Either the system needs more capacity to carry out certain key functions such as increasing public awareness or data collection or auditing and evaluation. It lacks the organizations or sub-units to perform these functions. Or the interrelationships amongst the actors in the system needs reshaping in order to deliver value to citizens. Unlike the first two approaches, the systemic perspective makes two assumptions: first, that organizational performance (and constraints) are derived as much from the effects of interlocking external relationships with other individuals, groups and organizations as they are from their internal structure and functioning. And second, most important public policy issues (e.g. environmental management) cannot be resolved by the actions of a single organization. What is required is productive action amongst collaborating organizations that work to delivery the same kind of service. Hence the rise of public-private partnerships in health care, state-civil society co-operation and many others.

The range of possible strategies becomes a complex one. Donors can focus on one element or organization in the belief that it represents a key leverage or ‘entry’ point for system improvement. Or assistance can be directed to the system as a whole (e.g. efforts to improve the supply of housing in Zimbabwe) in an effort to achieve more effective systemic outcomes. This approach, in turn, implies greater donor coordination and joint action. The downside of this approach lies in its complexity and difficulty of implementation. It is hard for donors, particularly small ones, to master the intricacies of complex organizational systems in partner countries. The increase in the number of stakeholders and other interested
parties makes it difficult to ensure coordinated action.

2.6. HELPING TO SHAPE AN ENABLING ENVIRONMENT

We know now that the broader context in which capacity development takes place can be a determining factor. Yet in many countries, it is precisely this lack of an enabling environment that eventually dooms most efforts to develop legitimate, sustainable productive capacity. In such circumstances, donors can either help to create protected pockets of capacity development (See Section 2.4. above) or they can try to help countries improve the institutions and broader social and political patterns that shape capacity development. Legal rights and provisions can be made more secure. Constitutions can be reformulated and improved. Provisions to put markets on a sounder footing can be implemented. Information and knowledge of various kinds can be communicated and managed. Much of the current donor efforts in the field of good governance are directly aimed at improving the political aspects of the broader context.

2.7. CREATING MORE PERFORMANCE INCENTIVES AND PRESSURES

Capacity development from an economics perspective is now paying much more attention to the structural incentives that lead to poor performance. Many countries have ended up with organizations governed by a dysfunctional set of pressures, sanctions and incentives that induce staff to behave in nonproductive ways. Either staff are not paid. Or certain groups - labor unions, employers, public officials, particular commercial lobbies, ethnic interests - capture organizations and appropriate their benefits. They limit transparency, competition, monitoring and oversight. In such a situation, conventional approaches to capacity development such as restructuring and systemic improvements are irrelevant. The provision of more funding merely serves to consolidate bad practice. In areas such as primary and secondary education, citizens do not buy the services. Rather, they are bought by the national government and then distributed by a political process controlled by certain vested interests. Citizens become indifferent or hostile to public services. Their sense of ownership evaporates. The connection is lost between supply and demand. Trust and legitimacy disappears. This ‘passive demand’ constraint to capacity development develops.

An alternate approach to capacity development in these cases is to put in place a different pattern of incentives. A major organizational redesign is usually needed. We are talking here about breaking up public sector monopolies, introducing more competition, changing the incentive structure, making performance information more available to citizens and increasing

their countervailing power or ‘voice’. In many cases, this involves a process of capacity destruction or getting rid of the ‘wrong’ organizations that block the emergence of new capacity. Many of the current reform efforts such as privatization, deregulation and deconcentration are aimed in this direction. At a deeper level, the problem is recognized as one of governance. The answer lies either in building up external organizations that can ‘demand’ performance from public institutions and hold them to task\(^5\). Or in helping countries to improve their overall approach to governance and democratization.

### 3. SO WHAT?

3.1. So we return to one of our original questions ...What are we to make of this activity called capacity development? We can begin to see some of the challenges involved in formulating capacity development strategies. Virtually every capacity issue turns out to be a complex situation involving individual, group, organizational and institutional behavior at a variety of different levels over both the short and long-term. In trying to sort it out, we need to keep certain points in mind:

3.2. Efforts at capacity development have to work at the strategic level.

- What is the nature and source of the problem to which this is felt to be a solution?
- What is the capacity development strategy that has been selected?
- Are we matching the right strategy to the right problem?
- What preconditions should exist for this strategy to have a better chance of being effective?
- Do we understand the interrelationship between our selected intervention and the broader system of which it is a part?
- What combinations of strategies work best under what circumstances?
- What strategies can be most easily combined? least easily combined? What do we know about sequencing these strategies?

\(^5\) The UNDP, for example, opted to build up an advocacy capacity within civil society in India as part of a deliberate strategy to improve the capacity of the central Ministry of Health of the Government of India to deal with the AIDS crisis.
3.3. But it must also succeed at the tactical level.

- What specific interventions are being suggested?

- What method of, or approach to organizational change is likely to work best?

- Do we have the skills to make our contribution effective? What exactly is that contribution?

- What is the relationship between the project management strategy and the capacity development strategy? Do they fit together?

- What are the various organizational relationships amongst the various actors? Are these likely to be supportive of capacity development?