Introduction

This report comes in two volumes: the first volume sets the scene for the study and gives an overview of the principles and practices of the 10 donors who were intensively interviewed and the 23 donors who were surveyed by questionnaire, arranged according to the categories of multilateral, bilateral, and foundation donors. The second volume consists of organizational profiles of the 10 interviewed organizations in respect of capacity building of Southern NGOs together with two Illustrative Cases from each organization’s practice.

In the first volume, at appropriate places, are synopses of the Cases, which are referenced to the second volume. The material in the first volume is largely drawn and synthesised from information in the Organization Profiles. If a reader wants more detail on a certain point, he/she should consult the appropriate Organizational Profile.

Richard Holloway was responsible for interviewing the IFAD, EC, GTZ, AKF, DFID; Carmen Malena responsible for interviewing UNDP, UNICEF, CIDA, IAF, Ford Foundation; Samantha da Silva responsible for interviewing the World Bank, and Lou Stamberg responsible for interviewing USAID. Greg Perrier and Samantha da Silva were responsible for the Questionnaire Survey; and Richard Holloway responsible for the overview report.

Our thanks to John Grant, Director of the PVC Office at USAID whose idea this was and who guided the work.

The 12 interviewed donors are:
Multilateral - UNDP, UNICEF, IFAD, World Bank:
Bilateral - EC, DFID, GTZ, CIDA, USAID:
Foundation - Ford, IAF, AKF.
BUILDING THE CAPACITY OF NON GOVERNMENTAL ORGANIZATIONS IN THE SOUTH
- THE PRINCIPLES AND PRACTICE OF NORTHERN BILATERAL, MULTILATERAL AND FOUNDATION DONORS

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   1.1. Building the capacity of local CSOs in disaster situations - Operation Lifeline South Sudan
   1.2. A diagnostic model for institutional capacity

2. **UNDP**
   2.1. Democracy, Governance, and Participation Programme in Eastern Europe
   2.2. Three small grant programs (LIFE, GEF, PIDP)

3. **IFAD** (International Fund for Agricultural Development)
   3.1. Inter-donor collaboration on a womens micro-credit program
   3.2. Supporting South to South capacity building of small NGOs

4. **World Bank**
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   4.2. A New Model for Funding NGO Capacity Building - The Palestinian NGO Project

**Bilaterals**

1. **DFID** (Dept. For International Development - UK)
   1.1. Consortium of UK NGOs supporting provision of OD skills to African NGOs
   1.2. Midwiving a Malawian OD organization from a UK NGO.

2. **CIDA** (Canadian International Development Agency)
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3. **EC** (European Commission - EU)
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## Acronyms and Abbreviations

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<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AKRSP</td>
<td>Aga Khan Rural Support Project</td>
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<tr>
<td>AKF</td>
<td>Aga Khan Foundation</td>
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<tr>
<td>BOND</td>
<td>British Overseas NGOs in Development</td>
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<tr>
<td>CIDA</td>
<td>Canadian International Development Agency</td>
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<tr>
<td>CBO</td>
<td>Community Based Organisation</td>
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<td>CSO</td>
<td>Civil Society Organisation</td>
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<td>CB</td>
<td>Capacity Building</td>
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<tr>
<td>DFID</td>
<td>Department of International Development (UK)</td>
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<tr>
<td>ESARO</td>
<td>East and Southern Africa Regional Office</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<td>EC</td>
<td>European Commission</td>
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<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
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<tr>
<td>IAF</td>
<td>Inter-American Foundation</td>
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<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<tr>
<td>PO</td>
<td>Peoples Organization</td>
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<tr>
<td>OD</td>
<td>Organisational Development</td>
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<td>TM</td>
<td>Task Manager</td>
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1. Executive Summary

Some members of the NGO Group on the World Bank have proposed an Inter-Agency Working Group on Capacity Building of Southern NGOs (CB of SNGOs) citing the changes in the external environment of SNGOs and changes in the behavior of northern donors. This led to an interest in the World Bank and USAID in learning more about the subject of capacity building, and, in particular, the principles and practice of northern donors, northern NGOs, and southern NGOs.

This report contributes to the development community’s understanding of capacity building as it refers to SNGOs by looking at information on the subject from 23 northern donors who provided information for a questionnaire survey, and 10 donors from among these who consented to be interviewed by 2 consultants, Richard Holloway and Carmen Malena. This report is in two volumes - an overview of the findings, and a collection or organizational profiles and illustrative cases.

The consultants found that all northern donors claimed to be practicing CB or SNGOs, and most recognized this as a growing area of their work, once it was accepted that:

- CB was less a finite and discrete intervention by a donor, and more an ongoing process of capacity development which was more than just project implementation
- CB comprised organizational development, sectoral development (of a sector of SNGOs) and institutional development of the NGO sector as a whole
- SNGOs often meant CBOs and Pos

The title of the report should be “Developing the Capacity of Different Kinds of Southern Civil Society Development Organizations” but northern donors do not have commonly agreed definitions of these words.

Northern bilateral donors usually have different departments handling the CB of SNGOs through their own national northern NGOs (NNGOs), or through their general development program. Foundations usually concentrate solely on SNGOs and integrate the CB work into their general support: multilaterals have a varied set of organizational responsibilities both for SNGOs in general and the CB of SNGOs. Donors do not seem to have one locus for work with SNGOs, let alone the CB of SNGOs. Not surprisingly 6 of the 10 donors had no accepted organizational definition of CB, and many donors reported varied and uneven understanding of CB across departments.
Northern donors seem to engage in CB of SNGOs for three basic reasons:

• to improve the service delivery competence of a SNGO thus improving the lives of the target group
• to strengthen SNGOs so that they strengthen the civil society sector
• to improve the donors’ programs, thus achieving the donors’ objectives

There was sometimes confusion in the donors between ends and means in their involvement in CB of SNGOs.

Northern donors work at CB of individual SNGOs either directly themselves, through a NNGO, through a SNGO (often an NGO Support Organization), or by helping the SNGO carry out its own CB itself. Northern donors work at CB of the SNGO sector is often carried out by donors themselves since they consider they have a comparative advantage as a ‘neutral broker’ with southern governments, or by encouraging advocacy work though SNGOs and groupings of SNGOs. Foundations often build capacity of new organizations which they help to establish.

Most donors saw no difficulty or conflict of interest in the donor funding both the program implementation work of the SNGO, and the CB work. A few saw problems relating to the unequal power relations between donor and SNGO. Most agreed on the desirability of a partnership relationship between them and the SNGOs, but appreciated the difficulties in setting this up.

Most donors do not have a system for assessing the existing capacity of SNGOs, or identifying which of their capacities are in need of strengthening. They see common features of SNGO weakness, particularly in operational, human resource, and financial management. The diagnosis is usually left to the donor staff, particularly those in the field (note that most donors have field offices). Most donors note, however, that CB works best when the CB need is identified and ‘owned’ by the SNGO.

Donors support a great variety of CB efforts: with different emphases the three kinds of donors cover operational management, strategic planning, network and coalition building, government relations, policy advocacy and others. There is a surprising emphasis on ‘cross-sector partnerships’ which usually mean government/business/civil society relations, often at a district level - and a surprising lack of emphasis (with some exceptions, on financial sustainability.

For the most part donors have not perfected tools to monitor and evaluate changes in capacity as a result of CB efforts. There are very few evaluations of donors’ investment in CB of SNGOs. The IAF has constructed and used a Grassroots Development Framework to try and assess the results of CB interventions.

Northern donors experience of CB of SNGOs varies greatly - some claim up to 25 years of such experience, some admit that the subject is relatively new for them. All agree that the subject is now an important one, often stemming from the increase of interest in SNGOs which followed the promotion of civil society in the aftermath of the collapse of the Soviet Union. Different donors have taken different emphases in their approach to CB of
SNGOs. While some donors still conceive of CB as basically about ‘training and TA’, others have started to take a ‘systems’ approach in which a variety of different components and approaches can be used.

The future is likely to bring more investment by northern donors in CB of SNGOs, but also a good deal more analysis of the nature and purpose of CB which is likely to lead to more checklists, guidelines, and organizational structures to deal with it. There is likely to be a greater appreciation of the context in which CB can take place - the government attitude towards NGOs on the one hand, and the relations between SNGOs and a variety of other actors (local government, POs, business) on the other. Donors are interested to see whether the proposed Inter Agency Working Group on Capacity Building proves to be the forum where information and experience of the CB of SNGOs is shared.
2. Introduction

A. Context of the Study

In October 1996 southern NGOs of the NGO Working Group on the World Bank proposed the formation of an Inter-Agency Working Group on Southern NGO Capacity Building. This discussion took place in Washington DC during the annual meeting of the NGO Working Group on the World Bank and was attended by a few other invitees like UNDP, USAID, Synergos Institute. While welcoming this initiative, several participants recommended further planning activities.

The NGO Working Group on the World Bank, and the NGO Unit in the World Bank then collaborated with USAID Office of Private and Voluntary Cooperation to undertake a survey of northern donor experiences in Southern NGO Capacity Building. It was also agreed to organize a formative meeting in May 1997 at the World Bank in Washington DC.

The proposal for the formation of an inter-agency group on the capacity building of Southern NGOs provided this preface to the subject:

"While the 1980s witnessed growing significance of and an increase in resources for development oriented NGOs world-wide, the situation since early 1990s has begun to change rather rapidly. There is an increasing critique of the Southern NGOs’ ability to create sustainable development impacts. Shifts in official development assistance (ODA) and stagnating international resource flows has further compounded this scenario. The future contributions and roles of NGOs are yet to crystallize in the face of such changes.

Many NGO networks and international agencies have been actively financing capacity building initiatives to improve the functioning of NGOs in developing countries. Recent examples include agencies like GTZ, USAID, IDB, European Union, EDI, DFID, CIDA - and a host of European and North American NGOs. The primary focus of much of this capacity building has been to improve the ability of NGOs in developing countries to be able to deliver more effective development impacts in their communities. The bulk of the attention has focussed on improving their internal management and organizational effectiveness, their financial management ad reporting systems, and their efficiency in accessing and using resources for specific projects.

The challenges facing Southern NGOs have grow in scope and complexity in this period. Previously tried methods and tools of Capacity Building (CB) are not so valid any more. There is a growing requirement for ensuring the leadership of Southern NGOs in defining and managing their own agenda for their capacity building efforts. Assuming a Southern NGO point of view for their capacity building requires new roles and responsibilities on the part of the Governments, Northern NGOs, and international agencies. This initiative is situated in this context of growing need for capacity building of Southern NGOs as well as increase in interest on the part of Northern agencies to support the same".
It was agreed at the May 1997 formative meeting that there would be two other surveys of Capacity Building in SNGOs - one on principles and practice of Northern NGOs, and one on principles and practice of Southern NGOs. The results of the three surveys would be presented to a conference of all stakeholders in May 1998.

To sum up: the context for this report on the principles and practice of Northern Donors in respect of capacity building of Southern NGOs is a three part investigation into the principles and practice of Northern Donors, Northern NGOs, and Southern NGOs in this field. This in turn has been occasioned by a proposal from the NGO Working Group on the World Bank who have proposed an Inter-Agency Group on Capacity Building of Southern NGOs, and the response of members of the NGO Working Group to this response.

B. Objectives of the Study

1. To investigate the principles and practice of a selection of Northern Donor organizations in respect of capacity building of Southern NGOs.

2. To look at the differences between bilaterals, multilateral and foundation donors in respect of capacity building of Southern NGOs.

3. Based on the findings from the study, to suggest a common understanding of the meaning of capacity building in respect of Southern NGOs, how northern donors go about it, and how they measure it.

4. To present the findings of the survey and the suggestions in the form of a readable report with more detailed data as an annex in order to encourage greater informed discussion about capacity building amongst Northern donors.

C. Methodology of the Study

The complete study is formed from three components - the questionnaire survey, the organizational interviews, and the overview synthesis with its annexes.

1. The Questionnaire Survey
   Following the proposal of the NGO Working Group on the World bank, and further discussions between the interim steering group of the proposed Inter-Agency Working Group on Capacity building of Southern NGOs, USAID and the World Bank agreed to mount a postal questionnaire survey of Northern NGOs. The questionnaire was developed by USAID and the World Bank and sent out in April 97 to 34 bilateral, multilateral and foundation donors (please see Volume 2, Appendix 3 for a list of those to whom the Survey Questionnaire was sent, and a sample of the questionnaire). The results of the questionnaire were tabulated and presented by USAID and WB to the May 97 meeting. The information has also been incorporated in this report.

2. The Organizational Interviews
From the numbers of those organizations which had responded to the survey, 10 donors were selected for further research (covering bilateral, multilateral, and foundation donors), and they were visited by two consultants - Richard Holloway for European Donors, and Carmen Malena for North American Donors - who spent approximately 2-3 days with each interviewing key individuals in each organization, and reading files and internal documents. Please see Volume 2, Appendix 3 for a list of the organizations interviewed and a sample of the interview guide.

3. The Overview Synthesis and Annexes
This report provides a summing up of the experiences of the different kinds of donors together with an analysis of the subject of capacity building of Southern NGOs. It also provides, in the Second Volume, the reports of interviews with the 10 donors, and two examples of specific programs and projects which include capacity building funded by each of those donors.

3. Definitions and Concepts

Capacity Building, specifically where it is used in relation to Southern NGOs, is a phrase which has become increasing current in recent years in the development community. As many people have observed, it does not have a commonly agreed definition (particularly between Northern Donors and Southern NGOs) and has not resulted in a commonly agreed range of activities. Alan Fowler’s book ‘Striking A Balance’ suggests “like other development buzz words, capacity building is used in different ways by different part of the aid community. (...) Aid agencies are not guided in capacity building initiatives by a well thought through, and conceptually coherent story of what it is all about “. At one extreme, the accusation is made that it consists of donors setting up irrelevant and arbitrary hoops which they then train Southern NGOs to jump through: at the other extreme it consists of collaborative attention to mutually agreed organizational and institutional needs within the context of a full partnership.

As can be seen this report is titled “Building the Capacity of Southern NGOs” following the language of the proposal for an Inter-Agency Working Group on the subject. On going into the interviews with the ten selected Donors, the consultants were operating with the following working definition:

*Capacity Building: an explicit outside intervention to improve an organization’s performance in relation to its mission, context, resources and sustainability*

This working definition came from “Strengthening the Capacity of Southern NGO partners” by Rick James (INTRAC May 1994). This suggested a discrete intervention and one which would be motivated by changes in mission and context. It also suggested that capacity needed to be built i.e. it was not present already.

Without getting into the details of northern donor practice, the consultants had certain assumptions about the ways in which Northern donors supported capacity building work. We believed we would be talking about building capacity in SNGOs, we would be talking
about building organizational capacity, and we were talking about capacity building as a
discrete intervention by outsiders. We would also be talking about Northern donor
interventions actually building capacity. In fact we had to question each of these
assumptions as part of the dialogue with northern donor organizations.

We also had certain ideas about the range of approaches and components that is
encompassed by “capacity building”. These are shown in the Appendix to Volume 1, and
were sent to the donors in advance to establish a common understanding.

A. SNGO?

While donors usually used the term “SNGO”, by doing so they were using a kind of
shorthand, but not being precise. Many donors said that they particularly addressed
themselves to community based membership organizations (CBOs) and to associations,
federations, mass organizations, issue based organizations i.e. those membership
organizations with greater than community scope1. Some donors expressed their
discontent with NGOs - they were concerned with the lack of accountability NGOs had to
those whom they were trying to benefit, and they were by no means all interested in
building the capacity of the non-membership intermediary public benefit organizations
which are usually called NGOs. Their interest was in those whom the NGOs served - i.e.
the grass roots people.

1 There is no commonly accepted term for these increasingly important kinds of organizations. The
phrase common to Filipino practice “Peoples Organizations (POs) seems to be the most useful
In order to keep these ideas clear, we should borrow from the practice of UNDP (see the Organisational Profile on UNDP) and use the term CSO (Civil Society Organization) to describe the larger universe of “third sector organizations” (the usage of GTZ), while using more precise terms to describe the different kinds of organizations targeted by different donors for capacity building\(^2\). However, we find that the term “civil society organisations (and its acronym - CSO) is also problematic. Some donors use CSO to mean “civic NGO” i.e. those involved with D&G. We have therefore stuck with SNGO.

b. Capacity Development

Donors usually employed the term “capacity building” but again used it as a kind of shorthand, and were not being precise. There were a range of different phrases used by different donors (capacity development, capacity strengthening, organizational strengthening, institutional growth, institutional development - and other permutations) but most of them agreed they were not meaning an outside intervention starting from scratch (as is implied by “building”). They rather believed that capacity building was an ongoing process provided to an organization which had some capacity, but needed more. Again to keep these ideas clear we should be using the term “capacity strengthening”, rather than “capacity building”. This also has the advantage that it translates the French (renforcement des capacites) and Spanish (promoviendo capacidades) both of which have the sense of an ongoing process rather than a new and finite process.

c. Organizations/Institutions, means/ends

We also discovered donors using the words “organizations” and “institutions” interchangeably reflecting a lack of precision in these two entities as the target of capacity building, as well as a confusion about means and ends. In order for us to understand the complexities of capacity building we suggest the following clarifications:

Organizational capacity development is the means of strengthening a southern NGOs ability to perform certain functions, such as service delivery. If done well it results in the end of a viable, sustainable SNGO which has an impact consistent with its mission.

Sectoral capacity development is the means by which a SNGO sub-sector (like AIDS organizations, or provincial networks) strengthens its ability to have an effect on the topic or issue of interest to it. If done well it results in the end of SNGOs in that sector (or sub-sector) gaining knowledge and working effectively together.

See “Suggested Guidelines for ODA Practice” by the Overseas Development Institute: “The non-government sector in developing countries embraces a very broad range of organizations. These include formal intermediary development/charitable NGOs, social movements and popular organizations, trade and business associations, trade unions etc. Collectively they are organizations of civil society - that sphere of associational activity outside the state and the market.”
Institutional capacity development is the **means** by which the NGO sector as a whole positions itself better vis-a-vis other actors (particularly the State and the Market). If done well, it results in the **end** of more influence of the SNGO sector in accordance with its own interests (which are those of civil society).

One last semantic problem: many SNGOs are not involved in development, but in recreation, religion, politics, and other issues which do not immediately engage with development. The most accurate term might be Non-Governmental Development Organization (SNGDO).
d. “Everything we do is capacity building”

We discovered a tendency amongst some donors to suggest that capacity building was not unique or particular - all the work that they did with Southern NGOs built their capacity - everything from initial contact to helping them prepare a proposal, to funding them, to evaluating them - involved building the capacity of the SNGO. They did not identify a separate activity called “capacity development” or “capacity building” in their way of thinking. The idea was that simply the inter-relation between donor and SNGO would result in a growth of the capacity of the SNGO.

It is true that developing the capacity of a fledgling community group which has never yet carried out a joint activity is a far cry from helping an established NGO learn a particular set of skills it has decided it needs. Donors vary greatly in how they involve themselves with capacity building of southern NGOs, and what they hope to achieve by doing so. The consensus from Northern Donors was, however, that capacity building was something different from the usual work of the donor.

UNICEF makes a useful distinction between “implementation support” which aims simply to improve an organization’s service delivery function (i.e. aimed at assisting the NGO to better achieve the donor’s mandate) and “capacity building support” which aims to increase an organization’s capacity to achieve its own agenda (and views capacity building as an end in itself). Van Diezen of UNICEF’s East and Central Africa Office remarks “A careful analysis of UNICEF programs shows that many interventions categorized as capacity building are in fact implementation support measures”. It is likely that this comment is true of other donors as well.

To sum up - Northern donors who are involved in different kinds of capacity building have rarely explained this clearly to themselves and to others. Different kinds of capacity building processes are needed for the different levels of development action, but this is rarely clarified.

So we enter this reporting phase understanding that we are not just writing about “capacity building of SNGOs” but are examining three specific kinds of capacity development targeted at a variety of different kinds of southern CSOs. The title probably should be “Developing the Capacity of different kinds of Southern Civil Society Development Organisations”.

4. **Overview of the Three Types of Donors and their Approaches to Capacity Building for SNGOs**

   Acknowledgments to Chapter 8 of Alan Fowler's book, Striking a Balance (Earthscan 1997) for this section.
A. Introduction

We have examined three types of donors in this report (Bilaterals, Multilaterals, and Foundations) and sought information which will allow us to see if there are differences between their approaches to capacity building, the kinds of capacity building components which they commonly address, and any other aspects of their work in this field. Our hope is that there may be some elements in the nature of each of these donors which provide particular experiences or particular attributes that others may learn from.

In order to make comparisons across the three kinds of donor organizations we required a sufficient number of respondents to give us meaningful data. This data has come from the questionnaire survey, and from the interviews. The following tables suggest the range and number of organizations that we are concerned with. As can be seen the range is between 6 and 9 organizations in the questionnaire, and between 3 and 4 organizations in the interviews. We are therefore only likely to see significant variations where all or nearly all of one particular grouping are different from the other groupings.

<table>
<thead>
<tr>
<th>Questionnaire Survey</th>
<th>Organizations receiving and responding to Part A:</th>
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<tr>
<td>Type of Organization</td>
<td>Receiving</td>
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<td>Multilaterals:</td>
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<tr>
<td>Bilaterals</td>
<td>12</td>
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<tr>
<td>Foundations</td>
<td>12</td>
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</table>

<table>
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<tr>
<th>Organizations receiving and responding to Part B:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Organization</td>
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<tr>
<td>Multilaterals:</td>
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GTZ is included in this survey of northern donors. They clarified to us that GTZ is not a donor organization (this function belongs to the Ministry of Foreign Affairs - BMZ) but a technical cooperation agency whose financial resources have to be requested from the BMZ.

The European Commission considers itself to be a bilateral agency.

The term “Foundation” is not used technically here, since different legal systems interpret the word differently. We mean in this report non-government agencies with their own source of funds which they use for development purposes.
Bilaterals 12 6
Foundations 12 6

**Organizations Interviewed**

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<th>Type of Organization</th>
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<td>Bilaterals</td>
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</tr>
<tr>
<td>Foundations</td>
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B. Limitations in interpreting data

A point in the interpretation of the differences between the three kinds of donors needs to be clarified. The response to the Questionnaire Survey usually came from one individual within a donor organization, who filled it in based on his/her experience, or the experience of his/her unit within that donor organization. We found out that many donor organizations do not have an NGO section (Unit/Division/Department) which has an overview of all the work that is done with SNGOs by that organization (and thus, by implication the capacity development work that they do with SNGOs). We also found out that donor organizations have a number of different sections which each deal with a part of the collaboration with NGOs (e.g. nearly all bilateral donors have one section which deals with northern NGOs from their own country and this is often separate from the main bilateral funding - both may, however, involve themselves in capacity building work). The data from the interviews, therefore did not necessarily portray the whole organisation.

The interviews, on the other hand, were much more in depth, and attempted to get a picture of the ways that all the sections of the donor organization dealt with capacity development of Southern CSOs. But they were fewer in number, and thus less able to yield significant comparative information.

A further point which limits the quality of the information accessed is that in all cases the questionnaire and the interviews were directed at the Head Offices of these donor agencies. Nearly all donors have field offices through which their work is carried out, and a range of measures of decentralization both of policy and practice. In many donor HQs we were told that the best information was in the field.

Finally the exercise is constrained by the particular organizations that were picked for the

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Note that IFAD (Multilateral) and IAF (Foundation) do not have their own field offices, but work directly from their head office, or through local contracted organizations.
exercise. It is impossible to be completely representative. Readers must assess the principles and practice of reported donors against their experience of others donors that they may know.

C. General Points

The interviews gave us the opportunity to look at some general points about the three kinds of organizations which do not necessarily come out in the questionnaire information.

1. Working through NNGOs

Three of the four bilateral agencies support capacity development of southern NGOs through the intermediary of Northern NGOs to a significant extent. These are CIDA, DFID, and EC. GTZ interestingly does not: there are indeed German NGOs which work on capacity development of NGOs in the South, but they are funded directly by BMZ, not by GTZ. Other multilateral and bilateral donors may, from time to time, work on capacity building of Southern NGOs through northern NGOs, but they have no special requirement to do so.

2. Working with CBOs rather than NGOs

Two of the three Foundations (AKF and IAF) say that they particularly target their capacity development work to community based organizations (or membership associations at a larger level than the community), rather than intermediary NGOs. They do not eschew intermediary kinds of NGOs, but these are usually identified for them by the CBOs, and are vehicles for helping capacity development of the CBOs, not targets for capacity building themselves. The other Foundation (Ford Foundation) generally works at the level of intermediary organizations, or in many cases, helps to create intermediary (particularly national level foundations) and develops capacity there.

Amongst bilateral organizations, there are none which principally target CBOs for capacity development (although all of them are keen that the SNGOs which they work with involve themselves with CBOs). Many of them explain that they need an intermediary NGO of some sophistication to be able to handle the bureaucratic demands that dealing with them involves.

Multilateral organizations usually direct their capacity building work at NGOs, again because of the complexity of doing business with them, but occasionally involve themselves in this way with larger membership organizations - particularly issue oriented or mass organizations. The furthest along this track is IFAD, the majority of whose work is with farmers associations.

3. Also Working with Governments
The main thrust of all bilaterals' and multilaterals' work is with Governments. Their main expertise and their main experience is in such work. Their experience of capacity building, therefore, is probably in the Government sector, unless a particular unit has been set up to specialize in capacity building of the SNGO sector. In contrast, the almost exclusive thrust of foundations work is with SNGOs, and thus it is likely that they are more knowledgeable and more in tune with the capacity problems of SNGOs.

4. Diplomatic and Political Pressures

The exact relations between the bilateral donor agencies and their own governments varies, but they are usually a part of the Ministry of Foreign Affairs. Even when they are independent of direct instructions from their Government, they have to consider the diplomatic repercussions of their work with SNGOs, and particularly if they strengthen SNGOs to be more effective and more powerful. In countries where there is strong government antipathy to the SNGO sector, this limits their ability to work.

The same is true with multilaterals whose parent body is accredited to the Government of the country involved and has to be sensitive to that Government’s pleasures and displeasures. Foundations, on the other hand, are independent of their host country government, and while usually accredited (at least to the extent of being registered) with the Government of the Southern country, have considerably more freedom to work. This equation becomes more complicated when foundations use bilateral money, as is the case with IAF.

5. Pressure to Disburse

One of the features of both bilaterals and multilaterals agencies which limited their capacity building work was the pressure from their head office to disburse funds in accordance with their bureaucratic imperatives and deliver results quickly. Since most of these organizations were funders both of the implementing activity of the SNGO and of the capacity development work of the SNGO, and since the former was to some extent dependent on the latter, but usually much larger, one can see that pressure to disburse funds could damage the capacity building process.

This pressure was not reported to us from foundations, although again, if foundations are receiving bilateral funds they suffer from some of the same pressures, which they may pass on.

5. Findings from the study

A. Key organizational characteristics of donors related to SNGO CB

1. Organizational history - length of time involved in SNGO CB (Q)

2. Units in organization involved in SNGO CB (Q)
3. How Capacity Building is Handled in the Organization

Capacity building of SNGOs is not clearly separated in many organizations from their work with NGOs in general. The East and Southern Africa Regional Office of UNICEF (ESARO) has said (as mentioned before) “A careful analysis of UNICEF’s programmes shows that many interventions categorized as capacity building are in fact implementation support measures”\textsuperscript{9}. The lack of a designated unit, officer, or system for tracking capacity building in every organization except Aga Khan Foundation, suggests that UNICEF ESARO’s comments are applicable in many places.

The multilaterals in all cases treat CB as a cross-cutting issue throughout the organization with all national, regional, and global offices urged to, and able to fund capacity building interventions. However UNICEF and IFAD have noted that CB is applied unevenly between sectors and between programs. In IFADs case CB of CBOs and Farmers Associations is throughout the organization, but CB of NGOs and the NGO sector is more commonly confined to the Economic and Resource Strategy Department.

UNICEF have one rather unique experience - that of Operation Lifeline South Sudan. Here a capacity building unit has been set up in a country office (which is situated outside the country) to work specifically with NGOs involved in a disaster situation.

\textsuperscript{9} Van Diesen, A., “The Assessment of Capacity Building” paper for the ESARO M&E workshop in Nairobi, 4 Sept 1996
UNICEF’s Operation Lifeline South Sudan
Operation Lifeline South Sudan was created in 1989 as a short term relief measure, but in late 1993 UNICEF realized the importance of responding not only to immediate survival needs but long term development goals, and started to train fledgling South Sudanese NGOs (often located outside the country) in the skills they would need for viable development work inside the South.  
For more on this, please see Volume 2, UNICEF Case 1

The bilateral, with the exception of GTZ, have two main centers for CB work with SNGOs - the part of the organization which deals with support to the northern NGOs, and the rest of the bilateral program. Most emphasis and effort in CB has usually been through the NNGO program, but such emphasis is now becoming more common in the core bilateral program in DFID and CIDA, though not in EC. Bilaterals allow great freedom to their decentralized offices to decide on CB work with local NGOs if they want to, but there is an uneven take up of interest in this subject. CB of SNGOs for CIDA and GTZ is a focus of their organizational attention, and is likely to be so for DFID in the future as they are currently directing their attention to this, but at the EC it is still a specialized interest of the NGO Financing and Decentralized Cooperation department, rather than something that all parts of the organization have utilized. DFID has a Social Development Division which places Social Development Advisers in all its regional offices, and they are the particular spur for CB efforts with SNGOs.

The foundations firmly mainstream CB of SNGOs into all their programs and consider it a cross-cutting issue in all their work. The Aga Khan Foundation used to so consider it, but has now gone further and made “NGO Enhancement” into one of the four pillars of their work (along with Health, Education and Rural Development). While all parts of AKF will continue to mainstream CB, specific efforts to institutionalize capacity building are also undertaken. A good example is the NGO Resource Centre in Pakistan

AKF’s NGORC in Pakistan
In 1993 AKF set up the NGO Resource Centre in Pakistan to strengthen the NGO sector there. It was a pioneering effort that AKF were keen to replicate more widely. In its first 5 years (93-97) NGORC’s objectives were to (1) refine a model of institutional strengthening of NGOs based on training, networking and information dissemination, and (2) to promote an enabling environment in Pakistan through policy research and dialogue. NGORC soon clarified, following an analysis of civil society in Pakistan that its main target would be CBOs in both rural and urban areas.  
For more on this, please see Volume 2, AKF Case 1.

In general CB of SNGOs is promoted by the offices in each donor agency which is responsible for SNGOs. In the foundations there is no usually no separate office for NGOs since such work represents the majority of their activities. In GTZ there is no office for NGO activities, and in the other bilateral the office for NGO activities has often been (historically, and into the present) mostly concerned with NNGOs and working through them.

4. Definition of Capacity Building

In spite of the fact that nearly all donors saw CB of SNGOs as a topic of increasing
interest, and in spite of the fact that some donors said they had been practicing CB of SNGOs for a very long time, 6 out of the 10 donors did not have a definition which was either authorized or in common use throughout the organization.

Amongst the multilaterals UNICEF and IFAD had no commonly accepted definition, while UNDP used:

The process by which individuals, organizations, institutions, and societies develop abilities (individually and collectively) to perform functions, solve problems and set and achieve objectives\(^\text{10}\)

Among the Bilaterals neither the EC nor DFID had a working definition while GTZ used one that was specifically suited to their situation as a Technical Cooperation Agency (see footnote 5 on Page 7)

The provision of training and consultancies for the primary target group (the poor) i.e. self-help groups and their associations, but also for the secondary target group (state and non-governmental intermediary organizations)\(^\text{11}\)

CIDA on the other hand had three working definitions that were used by different parts of the organization, reflecting the multiple streams of thought and action which co-exist within CIDA at the current time.

\(\text{(1) A process by which individuals, groups, institutions, organizations, and societies enhance their abilities to identify and meet development challenges in a sustainable manner.}^{12}\)

\(\text{(2) The process by which individuals, institutions and societies increase their abilities to perform core functions, solve problems, define and achieve objectives and understand and deal with their development needs in a broad context and in a sustainable manner}^{13}\)

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UNDP’s Management Development and Governance Division. 1997

Managing the Implementation of German Technical Cooperation Activities. GTZ.1995

Paper from CIDA’s Policy Branch

Partnership Branch of CIDA
(3) an ongoing process by which people and systems, operating within dynamic contexts, learn to develop and implement strategies in pursuit of their objectives for increased performance in a sustainable way.

Amongst the Foundations, only the Aga Khan Foundation had an accepted definition which was:

A process whereby people and organizations improve their performance in relation to their mission, context, resources, and sustainability.

Both Ford and IAF had no definition - Ford adding that a general resistance to policies and guidelines and an emphasis on flexibility and adaptation to specific circumstances were important aspects of that organization’s institutional culture. (DFID had a similar position).

With bilaterals and multilaterals the definitions of CB that were available were usually not specific to NGOs (north or south): often they had come from experience of capacity building work with Governments, and a SNGO version of this had not yet been thought through.

5. Rationale for Capacity Building

The answers from the donors on this point were very heterogenous, and sometimes difficult to understand because they were pitched at a number of different levels of generality. Alan Fowler’s comment is pertinent, “Mechanically inspired ad hocism is probably the best way of describing how the aid system presently understands and deals with the concept of capacity building. One reason is that insufficient distinction is made between capacity building as a means, ends or process, and whether it is intended to improve things within the organization itself, within society at large, or both.” In general we can see three strands coming from the donors stated rationale for supporting capacity building:

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Institutional Assessment: a framework for strengthening organizational capacity for IDRC’s research partners. IDRC.1995


1. In order to improve the competence of an organization (or organizations) to do better development work (which usually means to improve their service delivery capability). If a donor has accepted that it wants to work with and through NGOs (and this is usually because they are thought of being better able than government to bring sustainable development to the poor), then it is clear that the more competent the NGOs are, the better for all concerned.

2. In order to improve the competence of organizations of civil society so that they can play their role of holding governments and markets accountable to the people, and encouraging responsive and responsible government. This rationale for supporting CB of SNGOs is of more recent origin and coincides with the pressure to strengthen civil society that came with the collapse of the Soviet Union, the one party states in Africa, and the rolling back of the state. UNDP has specifically focussed on CB of NGOs in the NIS, through a program called Democracy, Governance, and Participation Programme in Eastern Europe

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**UNDP's Democracy, Governance, and Participation Programme in Eastern Europe**

UNDP's Regional Bureau for Europe and the Commonwealth of Independent States (CIS) is currently engaged in the implementation of a program to Support the Strengthening of Democracy, Governance and Participation in the region. While governance programs in Europe and the CIS initially focused their attention on local governments, emphasis has now been broadened to include CBOs, NGOs and other organizations of civil society. The program utilizes a number of capacity building strategies including support for training, workshops and conferences (sometimes offered jointly to government and CSOs), promotion of CSO networking opportunities as well as the provision of seed funds to CBOs, NGOs and NGO support organizations.

*For more on this, please see Volume 2 UNDP Case 1.*

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3. In order to improve the impact of the donor’s own development program. This means the NGOs fitting into the donors agenda and being, in effect, contracted to carry out the donors work for it.

It is not possible to make very meaningful comparison between the three sets of multilaterals, bilaterals and foundations: each organization seems to have its own position.

Amongst the multilaterals UNDP’s rationale was strongly linked to the strengthening of governance and democracy, while UNICEF’s was based on the empowerment of communities, the sustainability of organizations, and the effectiveness of UNICEF programs. IFAD’s expressed rationales were more complex since they directed most of their capacity building to CBOs not NGOs. They hoped that CB would improve the standards of living of the members of the CBOs, that it would promote those valued qualities of NGOs (especially innovation), that it would improve NGOs ability to help formulate policies helpful to the rural poor, and that it would improve the effectiveness of the IFAD programme.
Among the bilaterals GTZ pragmatically pointed out that where SNGOs were the most appropriate form of organization for achieving GTZ’s objectives, then the stronger they were, the better. We can see this illustrated by GTZ’s Self-Help Fund Project in India.

GTZ’s Self Help Fund Project in India
The Self-Help Fund Project (GTZ/SHF) was initiated in India in 1994. It operates in 6 states of India with a two pronged strategy:
- to promote the self-help potential of the poor, by forming and strengthening groups among them. This is combined with development activities for improving their living conditions, provided through the local partners (NGOs).
- building capacity and organizational development of partner NGOs, and indirectly of self-help groups through them.
GTZ/SHF is directly working with 31 NGOs (which it refers to as its partners) and 2 informal networks of NGOs in Bihar. The activities that the NGOs implement with the self-help groups (SHGs) are: savings and credit, income generation, social and political change, and capacity building of the SHGs. The 31 NGOs have reached 1450 SHGs of roughly 30 members each. They have helped them to acquire skills that they need to build the strength of their groups, to improve their income and finance systems, to empower their women, and to take an active part in local governance. The project is not involved with activity funding, but in helping the self-help groups get access to the services that are, in theory, available to them - like loans from local banks.
For more on this, please see Volume 2, GTZ Case 2

The EC’s rationale included some points not mentioned by others: CB would strengthen NGOs negotiating power with local authorities, would enhance networks, increase innovation, and build the competence of civil society organizations so that they in turn could strengthen civil society. CIDA’s rationale was the strengthening of democracy and governance, and the empowerment of communities. DFID had two sets of rationales - one from the past administration (when it was still ODA) which comprised: promoting good responsive government, promoting participatory development, meeting the concerns of women and the poor, and the development of small enterprises with the poor. The other came from the present DFID which has a strong poverty focus, and had re-thought the rationale for CB to be the greater effect on poverty per unit of funding. Its rationale is so pragmatic that it is worth quoting as a counterpoint to some of the other donors claims: “At the moment the decision to fund capacity building projects involves an implicit assumption that capacity building will have a greater effect per unit of funding than directly funding projects that are more directly engaged with the poor (or at least a gamble that it may have more effect per unit of funding - otherwise there would be no justification for not concentrating funding on service delivery projects where results will be more visible. Unless capacity building was serving another goal more important than poverty reduction”.

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A Review of the BDDEA Direct Funding Initiative - developing partnerships with NGOs in Kenya, Uganda, and Tanzania. Davies, Russell, and Maxwell. 1996
The rationale for funding capacity building of SNGOs depends very much on the rationale of the organization for working with SNGOs at all. This did not seem by any means uniform through the donors. The only common feature was the recent interest in civil society occasioned by the paradigm shift of the early 90s. Many organizations had increased their interest in civil society and the variety of organizations within civil society (including SNGOs) at that time, but the differences between helping SNGOs in order to strengthen civil society, and helping SNGOs and CBOs in order to improve the lives of the poor does not seem to have been sufficiently clarified, as far as we could tell from interviews and documents.

6. **Current budget and trends targeted to NGOs and SNGOs (Q)**

7. **Funding mechanisms to support SNGO CB (Q/I)**

8. **Collaborators in Capacity Building Interventions**

Once a donor has decided that it is valid and sensible to apply its resources to the CB of SNGOs, it has to decide how this is going to be carried out. There seem to be four options:

1. For the donor to carry out the interventions itself, through one of its own specialized units, or through contracting a person or organization to help them do so. (For instance, DFID insist that all SNGO proposals to it, including those which concern CB, must have a logical framework analysis to show that the NGO understands both why and how the project is being done, and to show that this was constructed in a participatory manner, involving inputs from the intended beneficiaries. If SNGOs do not know how to do this, DFID is ready to help them).

2. For the donor to work through a Northern agency (nearly always a northern NGO) to carry out the capacity building work. An example of this is the EC’s support of one of the German political foundations to work with a trade union in Zimbabwe

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**EC’s Support to a German Foundation to work with a Trade Union in Zimbabwe**

*(EC has a policy of confidentiality about names of NGOs).* This project shows collaboration between a German political NGO (called German NGO - GNGO - for the purposes of this case) and a Zimbabwe trade union of farmers (called ZTU for the purposes of this case) to strengthen the grass roots structures of the ZTU. ZTU represents small holder farmers in Zimbabwe and has a structure at five levels (club, area/association, district, province, and national). It also has 8 commodity specific associations. ZTU was already greatly decentralizing its operations and through this project attempted to build lower level competency about changes in the agricultural environment, in research in analyzing and formulating the members needs and initiatives, in building advocacy skills, and in getting information about the circumstances of its members. The project was intended to help ZTU do that and also to get Area and District level ZTU officials to represent their members interests to the appropriate tier of government. The GNGO was funded to help the ZTU achieve these objectives.

*For more on this case see Volume 2 EC Case 1.*
3. For the donor to work through a Southern agency (again usually an NGO - often an NGO Resource Organization or Support Organization - but sometimes a private consultant or an existing training institute)

4. For the donor to assist the targeted organization to build its own capacity through helping them to analyze their own capacity weaknesses and work on these internally.

Where the capacity to be built is for the SNGO sector as a whole (e.g. building an enabling environment, seeking Government support - what we have previously called “institutional development”) bilateral and multilateral agencies often feel that they have a comparative advantage to do this themselves, while they may certainly contract local researchers or consultants to help them prepare their case.

The multilaterals have a common feature in that they all use their official position vis-a-vis the Government to hold national or sectoral fora, conferences, and meetings to which government and NGOs are invited. At such meetings options for the NGO sector or sub-sector can be opened up and policy interventions proposed by the NGOs can be advocated. They are also commonly involved in hiring southern individuals and organizations to carry out CB interventions. From time to time, particularly when there is a new initiative, they may also bring in Northern individuals or organizations to manage workshops and training courses. One of the features of UNICEF is a desire to build organizational capacity in local institutes - training, TA, or OD so that such a resource is then available for SNGOs and CBOs.

In the case of the bilaterals, CIDA has been accustomed to use the services of its Canadian NGOs for CB of SNGOs, with the assumption that with their past collaboration, and the fact that they are both NGOs, a mutually satisfactory process will be carried out. One evolution over the recent years has been an increasing recognition of the arrogance (of both CIDA and the Canadian NGOs) in assuming that they have the expertise and know how required to build the capacity of SNGOs. CIDA’s work with NGOs in the Philippines showed them how capable local NGOs and CB service providers there were and are. To illustrate this, see the Philippines-Canada Human Resources Development Programme.

CIDA’s Philippines-Canada Human Resources Development Programme
The Philippines-Canada Human Resource Development Program (PCHRD) was a seven-year program sponsored by CIDA which sought to develop the institutional capability of Philippine and Canadian NGOs and CBOs. This program was unique and significant in that it was the first NGO cooperative funding mechanism in which principal responsibility and control rested with NGO partners in the Philippines and the first large-scale program to give priority to human resource development for NGOs and CBOs.

With Can$15 million funding from CIDA, the program was managed by a joint committee of NGO partners in the Philippines and Canada. Initial consultations in 1988 identified the principal objective of the program as strengthening the capacity of NGOs and CBOs to deliver more effective programs to their communities through training, advocacy and development education and laid the foundation for a partnership between Philippine and Canadian NGOs. The PCHRD has aimed to strengthen a broad range of Philippine and Canadian NGOs through over 1000 individual projects in the areas of training, education, institution-building, communication and coordination. The program has also addressed sectoral themes
(such as gender, environment, human rights and agrarian reform) and has served as a venue for building trust and promoting dialogue and collaboration between Philippine and Canadian NGOs. 
For more on this please see Volume 2, CIDA Case 2.

DFID, apart from itself providing help with logical framework preparation, usually expects that Northern NGOs will be the providers of CB. Staff who work with the UK NGOs explained that most of them identify and employ local resource organizations, rather than attempting to do this work themselves. From time to time in places where such resource organizations are not available, attempt to build them. An illustration of the different ways that this can be done is the TRANSFORM project that ODA/DFID have been supporting.

ODA/DFID’s support of a consortium of British NGOs - the TRANSFORM project
In 1993 a consortium of British NGOs which had ongoing relations with African NGOs proposed to ODA that it funded them for 5 years to provide organization development training to these NGOs partners from throughout Africa so that “they would enhance their potential to make a valuable contribution to the development effort, and to enable them to fulfill their potential to contribute to the development of an active and organized civil society.”
By 1996 it had been underway for 3 years and was working with 29 NGOs in 9 countries in Africa ranging from national Church structures to small CBOs. It presented itself as having three linked objectives:
1. Developing the management capacity of the partner NGOs: aiming to help managers think strategically, manage change, and learn key management skills
2. Developing local support structures, materials, and models so that the programme could be replicated
3. Researching its work, and involving partners and consortium members in a debate concerning organizational strengthening of NGOs.
For more on this please see Volume 2, DFID Case 1

GTZ has certain “home grown” capacity building operations which it basically franchises to local organizations - ZOPP/GOPP (Goal oriented project planning), GATE (appropriate technology information, research, and dissemination: and CEFE (small and medium entrepreneurship and business training). GTZ has a variety of different approaches, however: it strongly recognizes the need to use local resources and works to build up such resources where they are not apparent - sometimes by strengthening local institutions, but increasingly by training individual OD consultants and putting them onto the labor market to sell their services. In this connection please see the GTZ project to train OD Consultants in Africa.

GTZ and EZE’s Training of OD Consultants in Africa
For the last two years GTZ and EZE have been training 33 people from 10 sub-Saharan African countries (Francophone and Anglophone) in OD skills with the idea that they will be able to become OD consultants to the NGO sector in the future. The course has taken 6 months of the last two years and finished in October 97: it consisted of training courses, participants own consultancy practice during the training and mutual counseling on the consultancies that they undertook.

The graduates are now free to set themselves up as OD consultants - some of them returning to the institutions that sent them (Churches, NGOs, Training Organizations): others to return to private practice as free-lance consultants. It is understood by them that OD may not be well understood by their potential clients, and so part of their job is to educate their prospective clientele about the value and importance of organizational renewal, and an OD approach to capacity building.
For more on this, please see Volume 2, Case 1.
The EC nearly always works through European NGOs for its capacity building interventions, but has recently expanded and encouraged Decentralized Cooperation Program by which SNGOs can apply for funds for capacity building in which they would buy capacity building services locally.

We have a slightly different picture with the Foundations. The Aga Khan Foundation, Ford and IAF, while they certainly encourage the use of local capacity development providers for SNGOs, also spent a substantial part of their resources helping to build up new organizations to be the capacity providers. All of them have helped to set up large NGOs, or large foundations which in turn carry out capacity building work with the constituency for which they were formed. The IAF has a program to develop Philanthropy Centers in Latin America, AKF has recently started a national NGO from scratch in Tajikistan, and Ford Foundation has a long tradition of starting (or helping others to start) national and Regional foundations in different countries around the world (Puerto Rico, West Africa, Philippines, Mozambique, Kenya).

IAF has pioneered relationships with private sector (i.e. business) organizations that can effectively contribute to capacity building of its grantees. IAF has not only found such organizations have very competitive strengths in developing management skills and financial and technical skills, but that working with them brings the possibility of new relationships and new supporters to the NGO world from the world of private business. The IAF’s Social Investment Program in Bolivia is starting many interesting new kinds of organizations which will allow this approach to flourish:

**IAF’s Social Investment Program in Bolivia**

The principal objective of this program is to create a broader and more sustainable support base for NGOs and CBOs in Latin America by engaging, US, multinational and local companies in partnership arrangements which mobilize and channel new resources for grassroots development. The IAF envisions that this work will lead, over the coming years, to the:

* establishment of philanthropy centers in many of the countries in which IAF works;
* creation of national and regional networks of local businesses engaged in the support of grassroots development programs;
* mobilization of funds from multinational corporations;
* wide dissemination and adoption of best practices in corporate philanthropy.

For more on this, please see Volume 2, IAF Case 2

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**9. Paying for Capacity Building Interventions**

A very important topic that some donors feel strongly about is the question of whether the decision on who should implement the CB should be made by them or by the organizations whose capacity is to be strengthened. A stark example was provided from CIDA where a majority of local NGOs in El Salvador which had received small grants from CIDA to work on institutional strengthening selected private sector firms as support providers rather than their long term Canadian NGO partners.
In this vein GTZ and Ford felt the general difficulty of promoting capacity building within a donor-grantee relationship. This broke down into two parts:

1. Asking a grantee organization to openly and honestly bare its weaknesses, problems and shortcomings to the very organization which has agreed to fund it (on the basis that it is a legitimate and competent organization) is not such an obvious task.

2. Expecting a grantee organization to be objective about the capacity building suggestions of its donor, when it is clear that these suggestions are a conditionality of further support, does little to strengthen a SNGO’s ability to decide what is best for itself.

As mentioned above only some donors are concerned about this issue. For most donors the fact that they are both funding the NGO’s program work and deciding on the CB work (and who will work on it), is not an issue which concerns them unduly. For Ford and GTZ (or at least one part of GTZ) this is an issue, and they have tried to separate the grant making and the capacity building function. Ford has pioneered a way of working with the Management Assistance Group for its US partners which goes farthest along this line - inasmuch as the Ford Foundation, having funded MAG to provide services are not allowed to know who is using them or how. GTZ has trained OD consultants in Africa, as mentioned before, with the intention that they go to work on projects or for organizations entirely unconnected with GTZ.

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**Ford Foundation’s experience with the Management Assistance Group**

In 1992, out of a commitment to build the organizational strength of its U.S.-based human rights and social justice grantees, the Ford Foundation provided funding to the Management Assistance Group (MAG) in Washington, D.C. to design a set of capacity building services adapted to the special needs, character and values of social justice organizations. These services were then offered free of charge to 97 Ford grantees (who were, nevertheless, expected to cover their own travel expenses). Based on a needs assessment of the target grantee group, the services offered focus on i) fund-raising, ii) board development and iii) management and supervision. Other areas covered include adjusting to change and growth, strategic planning, organizational structure, financial management, communications and computer technology. All information about participating organizations, including whether or not they participate in the programme is kept strictly confidential (not made known to Ford).

*For more on this, please see Volume 2, Ford case 2 (we appreciate that this concerns NGOs working in the north, not the field of our study, but it seemed a stimulating idea)*

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When these two organizations are pressed on the validity of their position, they allow that founding both program and capacity development need not necessarily present a problem providing the relationship between the funder and the grantee whose capacity is to be strengthened is the close one of partnership in which both sides can be open and frank with each other, and one in which both sides have something to lose as well as gain. They say, however, that this is situation is rarely found in the world of donor/grantee.

10. **SNGO requirements to receive assistance (Q)**

11. **Regional Focus of SNGO CB (Q/I)**
12. Sector Focus of SNGO CB (Interaction with region) (Q/I)

B. Strategies and Practices of Donors for Strengthening SNGOs

1. Assessment of Current Capacity and Capacity Building Needs of a SNGO

In order to decide what capacity building intervention is needed in a SNGO, it seems logical to have some form of diagnosis of what capacity is lacking and to what degree. Such a diagnosis must have some model or ideal against which it is comparing the organization (much as a doctor compares a sick person to a healthy norm). However logical this may seem, such methods of diagnosis do not seem to be common amongst donors. The donor usually decides on their own the range of capacity building interventions that are needed and what capacities need to be strengthened. Sometimes these are highly donor directed, as with donors who offer training in their methods of financial reporting and their methods of reporting, but even with other donors, decisions are made as though capacity building is generic - assuming, for example, that all NGOs require training in monitoring and evaluation. Few donors seem to employ ways of assessing the capacity building needs of SNGOs on an organization by organization basis.

UNICEF and UNDP, within the multilaterals, are particularly interested in this issue. While there is no standard instrument in use throughout the organization, many of the country offices are experimenting with or have accepted the use of capacity assessment instruments. UNICEF’s ESARO recognizes that “Any capacity building program needs to depart from a detailed analysis of an institution’s capacity, the factors that limit that capacity, and the ways in which the limiting factors are interlinked.” They have developed a diagnostic tool for Institutional Capacity which is shown in the UNICEF Illustrative Case 2. UNICEF, like UNDP, is in the process of producing Guidelines for working with SNGOs, and is likely that capacity assessment tools will be included in this. UNDP make the following observation specifically about CBOs: “In the case of CBOs it is important to assess capacities to organize, build consensus, plan, budget, implement, learn, and evaluate in a participatory manner”. UNDP, however, does not have an instrument to help it, or any organization with which it is working for the purposes of CB, to assess which CBOs have or do not have such capacities. IFAD does not use any capacity assessment tool. Its position is that capacity weaknesses, particularly in the CBOs and Farmers Associations which are the majority of their targets, can be diagnosed using common sense and experience.

None of the bilaterals were using customized methods for capacity assessment. In the case of GTZ there are such instruments for working with Government departments, but no-one has produced a SNGO specific tool. The EC neither uses such tools itself nor do the NNGOs funded by EC. DFID takes the position, similar to IFAD that the high caliber and experience of the concerned staff enable them to do the diagnostic job themselves. CIDA have tools but they are only used for assessing the capacities of the NNGOs, not the SNGOs. CIDA, however, makes some further points: it suggests that no one
approach can be used throughout an organization since the nature of NGOs is that they are all very different. It also makes the important point that capacity assessments, to be done well, require the close involvement and commitment of the SNGO. A capacity assessment should be a participatory exercise which will benefit the SNGO as much as the donor.

The Foundations put a high emphasis on the close contact between their staff and the SNGOs, and the resultant insights that are obtained about weak capacity. None of them have a standard tool that they employ for this purpose although AKF is interested in the possibility of one (the same one that interested CIDA - produced by the IDRC - see Note 14 on page 13). Ford have funded others to develop capacity assessment tools, although it does not use them itself.

2. **Current SNGO capacity building initiatives (current focus, most effective, factors that made them effective) (Q/I)**

3. **Current use and trends in SNGO CB actions (Q)**

4. **Strategies used to provide SNGO CB (Q/I)**

C. **Issues related to SNGO Capacity Building**

1. **Current opportunities for SNGO CB (Q)**

2. **Current constraints to SNGO CB (Q/I)**

Constraints have been mentioned at different places in this report, but this is the opportunity to emphasise that for both bilaterals and multilaterals two recurrent constraints are (i) the national Government’s usually unhelpful attitude towards SNGOs and (ii) the bureaucratic imperatives of their organisations which require results (which are hard to measure in CB) and quick compliance with the bureaucratic systems (proposals, disbursements, reports, evaluations)

A regular feature of all donors remarks in connection with their constraints is that the organisation as a whole does not yet understand CB as a concept, and those who are promoting it within the organisation have a problem of comprehension and acceptance. Ford identifies a particular constraint which, perhaps, is more widely true, but has not yet been perceived - that it is often difficult to get grantees to share problems honestly.

3. **Donor perceptions of SNGO strengthening needs (Q/I)**

The common denominators of donors are clearly management - management of organisations, money and people. CIDA and IAF are the only ones which have identified financial sustainability. The multilaterals have clearly said that they conscious of the SNGOs needs for CB in coalition building, networking, dialogue with Governments, research and advocacy. There is a keen interest in the needs of SNGOs to build coalitions
across sectors (i.e. with government and the private sector) which comes from all kinds of donors. GTZ and DFID consider that an important need of SNGOs is to involve their constituency in a participatory manner.

4. Trends in thinking about capacity building

The multilaterals have some common features in their thinking about trends for the future in the field of capacity building of SNGOs. The first point is that all of them intend to work more with SNGOs in the future, but they will be looking at a range of civil society organizations, not just intermediary SNGOs. Within the SNGO field many of them recognize that their past involvement was very much in the line of organizational development for service delivery organizations: they would like to evolve from that into more work on empowerment, the strengthening of civil society, democracy and governance and sustainability. An example of what is possible is shown by the three small grant programs of UNDP.

**UNDP’s 3 Small Grant Programs (LIFE, GEF, PIDP)**

The Local Initiative Facility for Urban Environment (LIFE) was launched as a pilot program by UNDP at the 1992 Earth Summit. Under the LIFE program, local government, NGOs and local populations are encouraged to work together to find local solutions to urban environment problems. Strong emphasis is placed on strengthening local institutional capacity, promoting policy dialogue and disseminating lessons learned.

The Global Environment Facility (GEF) Small Grants Program - The GEF Small Grants program, launched by UNDP in 1992 was designed exclusively to grant funds for community capacity building to develop local solutions to a range of environmental concerns. Key objectives of the program include: raising public awareness, promoting cross-sectoral partnerships and encouraging public dialogue.

Partners in Development Program (Phases I through III) - The Partners in Development Program is a small grants program which was first launched in 1988 and is now in its third phase of operation. Through PDP, UNDP provides direct support to NGOs and CBOs for income-generating, capacity building and networking initiatives. Two main objectives of PDP are to strengthen the institutional capacity of local NGOs and CBOs and to promote networking and dialogue among NGOs, government and UNDP.

*For more on this, please see Volume 2, UNDP Case 2*

UNDP is particularly looking to strengthen SNGOs work in policy analysis and advocacy, whereas IFAD is looking for greater involvement in the strengthening of policy dialogue and networking. All multilaterals (and all bilaterals) talk of their intention to enter more into “partnership” relations with SNGOs, in which the work undertaken is a product of both organizations’ agendas, rather than “using” SNGOs to do the northern donors work for it.

All bilateral expect to be doing more work with SNGOs, and more work on their capacity building, but the EC, GTZ, and DFID are concerned to make sure that the most appropriate kinds of NGOs are identified for collaboration, and are prepared to look beyond SNGOs for partners from a range of different sorts of civil society organizations.

GTZ has said “The disappointment at the inefficiency of governmental institutions is swinging over to a “naive” euphoria about the efficiency on non-governmental organizations. The keenness of foreign donors to promote NGOs - particularly grass roots groups and self-help groups - places impossible demands on the self-help capabilities of
the population and means that NGOs are simply set up to meet the conditions of external assistance” 18. Most bilaterals feel that more work will be done in the future in their organization to become clearer about the practice of CB, and to operationalize it. CIDA has, for instance, recently commissioned a paper from the Policy Branch called “Capacity Development - from Concepts to Operations”.

Organizational Palaces or Organizational Tents - Institutional Arrangements in Technical Cooperation. R. Sulzer. GTZ
Since bilaterals often have a history of working with their own national NGOs, there is increasing attention to identifying the comparative advantages that NGOs have in the capacity building of SNGOs. All of the bilaterals also have an interest in making sure that the SNGOs that they deal with, have good links to their constituency, and that they ensure the constituency is involved in project design. EC has a particular interest which moves further than the rest in identifying a range of NGO partners to work with. The EC is interested in a range of what they call “decentralized actors” which not only includes professional associations, issue based groups, trade unions etc., but also includes units of local government.

6. Lessons learned

a. The Current State in Donor Supported Capacity Building of SNGOs

With one exception (IAF - see later) the donors do not have a clear idea of what lessons they have learnt from the capacity building work with NGOs that they have supported. No donor has done a specific evaluation of their CB work, and all donors are concerned about the ways that you would do such an evaluation, feeling that they do not have the tools available, and that the usual M&E tools do not fit this field very well.

The multilaterals are all in this position but both UNDP and UNICEF are actively working on the subject and UNDP has some experience of M&E of CB being done in some field offices. The feedback is that it has to be done in a participatory manner. UNICEF’s ESARO office makes the telling point “Current M&E of capacity building programs predominantly focus on activities and outputs, rather than outcomes and impact”. Most donors recognize that the whole question of learning about impact is complex and ambiguous.

IFAD has a slightly different situation, in that its main program deals specifically with capacity building of CBOs and POs. One lesson that they say they have learnt is for the CBO or PO to develop their own sources of finance so that they can continue to apply the capacities that they have learnt. IFAD also has a long history of promoting capacity in a particular kind of institution - those specialising in micro-finance (IFAD was one of the early supporters of the Grameen Bank). Micro-Finance Institutions are a kind of NGO that really has a chance to become financially self-reliant - please see IFAD’s experience in this respect in Kenya.

IFAD’s Support (with ODA/DFID) for the Kenya Women’s Finance Trust
The Kenya Women’s Finance Trust is a micro-credit operation started in 1981 by professional Kenyan women as an affiliate to Womens World Banking. Its first funding came from Ford Foundation in 1984, but all its lending ceased in 1989 with a collapse of management. A new Board and new staff took over the organization and secured grants from Ford, UNDP and IFAD in 1991. IFAD decided to fund KWFT again, but only via collaboration with DFID/ODA who had an office on the spot, supervisory possibilities, and a larger contribution. ODA/DFID had already done a detailed appraisal of KWFT in early 1996 which identified, amongst other things, the need for capacity building interventions to build the institutional
strength of KWFT.

The objective of IFAD’s program of support to KWFT was to expand KWFT’s lending operations from its existing five bases by provision of funds, to address institutional capacity weaknesses by allowing KWFT to hire appropriate short term consultants and hire highly qualified senior personnel, and to help KWFT become financially sustainable by implementing a savings scheme.

For more on this, please see Volume 2, IFAD Case 1

The bilateral reiterate previously expressed points about the complicated nature of evaluating CB work, and learning of its impact. GTZ has one observation to add from its experience - that the relations between the organization offering capacity building services (typically a more specialized southern NGO) and the organization receiving the capacity building (typically a CBO) are rarely smooth.

Amongst the Foundations, AKF, as befits an organization that has long had a defined cross cutting theme of institutional development, and now has a major program of NGO enhancement, has made sure that all its evaluations have had a section on institutional development. The major evaluations of the AKRSP in Pakistan have been very interesting from that perspective. Ford strongly promotes self-evaluation which, they say, is one very important part of capacity building in itself. They also recognize the same point as UNICEF - that evaluations of CB work tend to grasp hold of outputs rather than working on the more useful analysis of impact.

However IAF is the organization which seems to have done most in this field. The Grass Roots development Framework has been found to give a very good idea of the impact of CB not just on the organization itself, but on its various links and interdependencies.

IAF’s Grassroots Development Framework

In 1992 IAF staff began a systematic effort to address the question of what constitutes “results” in capacity building. The conceptual tool that evolved is the Grassroots development Framework. It is intended to help the Foundation answer the difficult questions: Did grants in fact strengthen civic organizations? Are the organizations achieving a measure of self-sufficiency? Have they made a difference in the quality of the lives of their beneficiaries?, and have the recipient organizations contribute to any change in policies, practices or attitudes in the surrounding community that transcend the immediate project and improve the climate for local initiative?

for more on this please see Volume 2, IAF Case 1, which has the full diagram

B. Main differences among the three donor groups in regards to SNGO CB:

One way of looking at the differences is simply to look at their experience of working with SNGOs, setting aside for a moment their capacity building work with them. In the case of all the multilaterals and bilateral (with the possible exception of CIDA) the pattern has been chronologically as follows:
1. initially working mostly with government,
2. then starting to work with Northern NGOs, but on a project basis and mostly in a service delivery mode,
3. then (following the Earth Summit) starting to work more distinctly with SNGOs,
4. then following the collapse of communism concentrating more on NGOs in the context of democracy and governance and
5. finally, when it is clear that they will have a long term set of relationships with NGOs, to start thinking more of SNGO capacity building, both for the organizational development of better service delivery, and for the institutional issues of the enabling environment, alternative policy formulation, and advocacy.

CIDA has been involved with stage 5 for longer than the other multilaterals and bilaterals.

To take each group of donors in turn:

Multilaterals: their history is one of working more with government, and where they have worked with NGOs, for this to be through a series of small grants programmes (UNDP and UNICEF) and CBO funding (IFAD). Where these have gone beyond the multilaterals typically have a history of contractual relationships with NGOs (where these have gone beyond the small grants programs). Such relations have involved the donor telling the SNGO what they are prepared to fund them to do. Now they are trying to evolve from that into a partnership relationship where the SNGO’s agenda and the donors agenda has equal weight, and this is not proving so easy. While the field offices of the multilaterals have, in some cases, pioneered work on capacity building - the best example in UNICEF seems to be the ESARO office - the experience has not yet been mainstreamed into the organization. All three multilaterals are working on new procedures and guidelines to make that mainstreaming happen. As new ideas are tried out, they can become part of the standard practice. IFAD has, for instance, experimented with supporting south to south transfer of CB skills in Guinea Bissau

________________________________________________
IFAD’s support for ENDA/GRASFundacao Amilcar Cabral - Solidarity in Development is a non-government intermediary NGO in Guinea Bissau which was created in 1991. With a core group of committed middle level professionals and technicians it has a track record of forming village groups, and working in agro-related production and processing, particularly with women’s groups. It has previously received funding from the World Bank’s Social Development Fund. FAC requested IFAD funds in 1995 for a “village development fund”. After negotiations IFAD prepared a proposal that included a village development fund, institutional strengthening assistance to FAC from a Senegalese NGO called ENDA-GRASF, equipment and materials, workshops, salaries, travel, M&E, and a socio-economic survey.
For more on this, please see Volume 2, IFAD Case 2

The different components and approaches of capacity building have all been employed at different times in the past in the multilaterals - organizational development, sectoral development, and institutional development: people have experience with, for example, training, policy making, networking, government relations. Up to the present, however,
there has not, for the most part, been a broad conceptual understanding of the whole picture of capacity building which encompasses or subsumes all these different elements.

The particular feature of the Bilaterals is their connection with their own national NGOs. For the most part they have a long history of working with them, and have only recently started to work directly with SNGOs. The dynamic of the NNGOs involvement with capacity building of the SNGOs is all bound up with their working style. Many NNGOs claim to have a “partnership” relationship with the SNGOs, but this is not always reciprocated. The different bilateral donors have different amounts of experience of capacity building of SNGOs - CIDA by far the longest, and DFID perhaps the shortest. CIDA has also been thinking analytically about capacity building as a system for a long time and encouraging wide discussion inside the organization. Another feature of the bilateral donors is that they have been most used to working with governments and doing capacity building work with government ministries and departments. The experience does not necessarily translate so easily - at least this is the experience of DFID. Finally some of the bilateral donors, including CIDA, have noted that the bureaucratic pressures of their style of work (pressure to disburse, pressure to show results) do not sit so well with the field of capacity building.

The Foundations have the longest experience of capacity building of SNGOs, because they have worked directly with SNGOs, and CBOs the longest. They often have a very long presence on the ground in a particular country and a long lasting relationship with NGOs involving long term commitments - together with a style of working in which mutual trust is perhaps more common. The Foundations seem to be more sophisticated in their understanding of all the different components of capacity building and how they fit together.

C. Factors Contributing to Effective SNGO CB

It is not easy to find (from their responses) common denominators across the three kinds of donors in relation to this issue. There is agreement that flexibility of response by the donor, and good, sympathetic relations between donor and grantee are essential, but for the others, please see the following points that were made:

**Multilaterals:**

**UNICEF:**  
- the ability of the donor to adapt its goals and strategies to the different local contexts (which may be as different as the former Soviet Union and the South Sudan)\ 
  - the need for the capacity building to be demand driven, not donor driven

**UNDP:**  
- a participatory approach  
- responsiveness to stakeholders needs  
- a consensus oriented approach to the situation (CB cannot be successfully carried out in a one sided manner)
IFAD:  
- long term involvement of the two parties with each other  
- a situation of good Government/NGO relations  
- clear understanding of what the capacity weaknesses of the organization are

Bilaterals
CIDA:  
- there needs to be strong local ownership with the request for CB being initiated by the SNGO  
- a point of view which is cross-sectoral - that can look beyond the boundaries of the individual project.

EC:  
- strong local ownership  
- sympathetic and flexible bureaucratic systems

GTZ:  
- the right choice of organization which is serious and committed to CB  
- The need for balance between the donor being responsive (i.e. responding to changes in the external environment or the organizations circumstances) and pro-active (i.e. identifying what capacities need to be developed), Both are required but the balance is an art.

DFID:  
- preparedness to be organization specific and not look for generic solutions  
- trust and local autonomy to the degree possible.

Foundations
IAF  
- Readiness to look beyond the organization to the external factors at both a societal and communal level)  
- A readiness to be concerned with the “long haul” (“long enough to ensure sustainable change without creating dependency”)

AKF  
- use of sympathetic nationals  
- long term relations  
- the singular position of the Aga Khan who can convene the business, government and NGO actors, and the Ismaeli community who are present in the countries in which they work.

D. Current Donor Innovative Practices in SNGO CB

There is no pattern that can be discerned between the different kinds of donors in respect of innovative practices except to say that the Foundations generally seem to have more innovative ideas. Here are some innovations which cut across the three types of donors:

1. Separating Funding from Choice of CB Provider:  
There are examples of where CIDA funds agreed capacity building interventions, but the choice of capacity building provider is left up to the grantee (the SNGO). This is different to the practice of most donors. (This Ford’s Illustrative Case 2)
2. **Preparedness to Reconsider Donor Demands**
The EC is considering in what ways its own bureaucratic demands on the grantee can be scaled down - particularly for SNGOs. This is in contrast to most donors who accept that their conditions are a non-negotiable “given”.

3. **Development of Organizational Assessment Tools.**
This is underway in UNICEF, UNDP and CIDA. Most other donors rely on the common sense and experience of their staff to identify capacity problems in SNGOs.

4. **Moving beyond Training and TA**
UNICEF in particular, but other donors as well are thinking of Capacity Building in a “systems” approach i.e. a situation in which a number of different components can be streamlined into one approach. This is in contrast to the “tunnel vision” of many donors who still think of capacity building as being a matter of training or TA.

5. **Bringing Business into the Picture**
IAF is working hard to involve business in the questions of the sustainability of SNGOs in different ways, but particularly through their philanthropy centers. Donors are slowly waking up to the need for SNGO financial sustainability separate from external grants.

6. **Cross-sector Partnerships**
For a variety of reasons a lot of donors are now encouraging the synergy of involving civil society organizations of all types, government, and business in joint planning, project design, project responsibility. In the cases of GTZ and EC these synergies are very definitely aimed at the local or district level.

7. **Endowed Foundations**
For those who are already doing this (and who have been doing it for some time - like Ford) these practices are not innovative - but most donors have not moved beyond the idea of serial funding. Endowed foundations offer the possibility of a regular income stream into the future. CIDA is actually prohibited from getting involved by the Treasury Board of Canada. The experience of Ford (which has carried out a evaluation of all of its work on endowing foundations) and AKF (which is just starting a foundation in Kenya) is very pertinent.

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**Ford Foundation: Evaluating its endowment grants**
An evaluation of Ford's endowment grants undertaken in 1990 revealed a number of important findings. Some lessons learned, for example, include:

* the importance of "ownership" (there seems to be a correlation between successful grants and those that were initiated by the recipient organization);
* in order to be successful and sustainable, a new endowment fund should generate some minimal amount of the organization's overall budget, ideally between 10 to 20%;
* the awarding of an endowment grant should be preceded by a number of requirements including a management review, an assessment of the organization's expertise in investing money, the formation of an investment committee of the grantee's board, and; a plan for mobilizing matching funds;
* at the time of the creation of an endowment fund, appropriate goals and targets should be agreed with the grantee and monitored on an annual basis;
given that an endowment can represent (and/or trigger) important changes for the recipient organization, it can be useful to accompany the grant with additional funding and support for organizational development.

* in some cases, flexibility which allows grantees to work with the principal can be necessary / advantageous.

For more on this, please see Volume 2, Ford Case 1

8. **Evaluating Impact**
All donors are interested in doing this, but, of those examined, only IAF with its Grassroots Development Framework, have found a way of doing this, and are actively using it.

7. **Conclusions and Future Perspectives**

   a. **Main issues in donor-supported SNGO CB**

As mentioned at the beginning of this report, not every donor organisation speaks with one voice on the subject of CB of SNGOs. As has been said before there are different departments within donor organisations (particularly in organizations which have a window for NNGOs as well as a window for SNGOs). The following seem to be the main issues that concern those who are involved in the subject from the organisations interviewed:

1. The subject of capacity building is important, the capacities of SNGOs are important since so many donors are interested in increasing their work with them, and it is important for the donor organisations to understand more about the practice of capacity building.

2. Parallel to (1) above is the growing understanding about what is and is not capacity building - what, in UNICEF’s terms is “implementation support” and what is “capacity building support”, and the differences between them. Many donors are not clear why they are supporting capacity building, and not clear of about the different things that they could be doing under the banner of capacity building. Most donors do not have a definition, and do not have a way of tracking their work in this field. Also this is changing fast. At least four organisations are, at the time of writing, commissioning position papers, strategy papers, guidelines, or other forms of organisational attention to the subject of capacity building of SNGOs.

3. Following on (2) above, is the issue that the often pioneering work that is being done by some donors in this field is not yet brought into the organisational structures and systems of the donor organisations. It is likely that CB will become institutionalised if this has not been done already.

4. In contrast to (3) above the actual practice of many donors is still prescriptive and directive in the field of capacity building, although the rhetoric of partnership, participation and “demand-driven” is common. And in spite of the many fine ideas that have been shown in these organisational profiles, many still operate as though CB means training. As (3) takes place there will be a challenge of making sure that the practice follows the
rhetoric.

5. As more donors encourage their work in CB to be “demand driven”, skills are needed in the SNGOs who are doing the “demanding” so that they demand help to develop the capacities that are most needed by their organisation. Some donors have remarked on the need to really investigate the situation of SNGOs well since there is always the possibility of developing capacities that are less than crucial to the SNGO (perhaps computer literacy) while ignoring those that are fundamental (like involvement of their constituency in planning programs and projects). Ford (and others) have remarked on the difficulty of developing the honesty in the relationship which will allow SNGOs to think about their weaknesses and thus their needs for CB.

b. Future trends - the way ahead

Given the information we received, the following are the trends for the future:

1. An increase in staff, time, funds, and work on the subject of capacity building
2. An increase in sophistication and understanding of the parameters and environment of capacity building
3. A growing interest from the side of donors in the varieties of civil society organisations and their capacity building needs - moving beyond simply SNGOs into CBOs and POs, linked to stronger demands that SNGOs show themselves to be actively involved with grass roots people.
4. An encouragement of cross-sector partnerships - particularly at the local or district level - and a development of the skills that are needed to foster such partnerships. Together with this will come a blurring of the edges of the distinctions between public, business and voluntary initiatives.
5. Although the interviews did not show this very strongly, there is a trend for northern donor organisations to pay more attention to the subject of financial sustainability of SNGOs
6. Many donors pointed out the difficulties they had in building capacity of SNGOs or the SNGO sector in a context of unhelpful or difficult government attitudes towards SNGOs. Presumably this means that northern donors will try to address this issue, but it was not a very clear trend from the interviews.

c. The Donors perceived role for the IWGCB

We did not receive any very clear suggestions for the role of the proposed IWGCB. There was a perceived pessimism about international meetings and fora whatever their subject, but many donor organisations were very interested in sharing experience and learning more about what each other were doing in the field of CB of SNGOs, and what NNGOs and SNGOs were doing in this field - which corresponds closely to the observed growth of interest in the topic and the likely institutionalization of CB in many donors in the future. Many donors spoke of the meeting in May as being a decision point at which they would decide whether they were interested in joining and on what conditions.
**Appendix: Illustrative Components and Approaches in CB**
(extract from introductory letter sent to organisations to be interviewed)

<table>
<thead>
<tr>
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<th>NGO Environment</th>
<th>Specific NGO</th>
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| **Components** | * Legal & Regulatory Context  
* The Tax Regime  
* The Donor Imperatives  
* Available Human Resources  
* National, Regional or Sectoral NGO Fora, Networks and Associations | * Organisational Values  
* Governance  
* Research & Analysis  
* Sustainability  
* Operational Management Practices  
* Financial Management Practices  
* Human Resources  
* Infrastructure  
* Financial Resources  
* Program Performance  
* External Relations |
| **Approaches**     | * Assessing Donor Requirements  
* Institutionalising the Process of Organisational Capacity Assessment  
* Promoting Financial Sustainability  
* Catalyzing Policy Dialogue  
* Encouraging inter-NGO Learning | * Facilitating access to training  
* Facilitating access to technical Assistance  
* Provision of technical resource  
* Provision of funding |
DEVELOPING THE CAPACITY OF NON GOVERNMENTAL ORGANIZATIONS IN THE SOUTH - THE PRINCIPLES AND PRACTICE OF NORTHERN BILATERAL, MULTILATERAL AND FOUNDATION DONORS

by

Richard Holloway with Carmen Malena

under contract to USAID

Volume 2: Organizational Profiles and Illustrative Cases
Volume 2:
Organizational Profiles and Illustrative Case Studies

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Introduction

This report comes in two volumes: the first volume sets the scene for the study and gives an overview of the principles and practices of the 10 donors who were intensively interviewed and the 23 donors who were surveyed by questionnaire, arranged according to the categories of multilateral, bilateral, and foundation donors. The second volume consists of organizational profiles of the 10 interviewed organizations in respect of capacity building of Southern NGOs together with two Illustrative Cases from each organization’s practice.

In the first volume, at appropriate places, are synopses of the Cases, which are referenced to the second volume. The material in the first volume is largely drawn and synthesised from information in the Organization Profiles. If a reader wants more detail on a certain point, he/she should consult the appropriate Organizational Profile.

Richard Holloway was responsible for interviewing the IFAD, EC, GTZ, AKF, DFID; Carmen Malena responsible for interviewing UNDP, UNICEF, CIDA, IAF, Ford Foundation; Samantha da Silva responsible for interviewing the World Bank, and Lou Stamberg responsible for interviewing USAID. Greg Perrier and Samantha da Silva were responsible for the Questionnaire Survey; and Richard Holloway responsible for the overview report.

Our thanks to John Grant, Director of the PVC Office at USAID whose idea this was and who guided the work.

The 12 interviewed donors are:
Multilateral - UNDP, UNICEF, IFAD, World Bank:
Bilateral - EC, DFID, GTZ, CIDA, USAID:
Foundation - Ford, IAF, AKF.
### Acronyms and Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
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<tr>
<td>AKRSP</td>
<td>Aga Khan Rural Support Project</td>
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<td>AKF</td>
<td>Aga Khan Foundation</td>
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<tr>
<td>BOND</td>
<td>British Overseas NGOs in Development</td>
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<td>CIDA</td>
<td>Canadian International Development Agency</td>
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<tr>
<td>CBO</td>
<td>Community Based Organisation</td>
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<td>CSO</td>
<td>Civil Society Organisation</td>
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<td>CB</td>
<td>Capacity Building</td>
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<td>DFI</td>
<td>Direct Funding Initiative</td>
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<tr>
<td>DFID</td>
<td>Department of International Development (UK)</td>
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<tr>
<td>ESARO</td>
<td>East and Southern Africa Regional Office</td>
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<td>EU</td>
<td>European Union</td>
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<td>EC</td>
<td>European Commission</td>
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<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
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<td>IAF</td>
<td>Inter-American Foundation</td>
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<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<td>PO</td>
<td>Peoples Organization</td>
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<td>OD</td>
<td>Organisational Development</td>
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<td>TM</td>
<td>Task Managers</td>
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Multilaterals
Capacity Building of Southern NGOs
The Experience of UNICEF

A. Understanding of Capacity Building

1. Definition of capacity building - Capacity building has always been a key strategy of UNICEF's programming and one which has received increased emphasis since the 1992 publication of a major multi-donor evaluation of UNICEF which identified capacity building as one of three main intervention strategies (along with service delivery and empowerment).[1] Despite the centrality of the capacity building to its work, UNICEF does not currently have or use a single definition of the term. (Engberg-Pedersen et. al., p. 16).

2. A working paper prepared in UNICEF's Namibia office in 1996 defines capacity building as "any support that strengthens an institution's ability to effectively and efficiently design, implement and evaluate development activities in accordance with its mission".[2] It identifies four interdependent factors that determine institutional capacity: financial and material resources, human resources, internal management capacity and external environment and argues that successful capacity building must seek to address each of these factors in an integrated way.

3. This report makes a distinction between "capacity building support" and "implementation support", arguing that the former aims to increase an institution's capacity to achieve its own agenda (and views institutional strengthening as an end in itself) while the latter aims simply to improve service delivery (and is only supported if the organization's agenda coincides with that of the supporting agency). The report further argues that "A careful analysis of UNICEF programmes shows that many interventions categorized as capacity building are in fact implementation support measures." (van Diesen, p. 3). It is important to note that these ideas are drawn from an internal document prepared within an individual country office and do not necessarily represent the views of UNICEF as a whole.

4. Rationale for supporting capacity building - Within UNICEF capacity building is seen as being closely intertwined with goals of empowerment and sustainability. It is viewed as important both for the effectiveness of UNICEF
programmes and for the development of partner organizations. An important end goal of NGO capacity building is the empowerment of communities.

5. **Trends in thinking about capacity building** - Two important trends within UNICEF have influenced its thinking and practices in the area of capacity building over recent years have been (i) a gradual evolution from simple "service delivery" to more sustainable strategies emphasizing "empowerment" and "capacity building", and; (ii) growing emphasis on working with NGOs and other civil society actors. While in the past, UNICEF adopted an "instrumental" approach to capacity building (aimed largely at improved service delivery), capacity building is now more closely tied to broader themes of community empowerment, sustainability, the overall development of civil society, democratization and governance. Traditionally, many UNICEF country offices tended to focus on strengthening governmental capacities. While this remains a goal, UNICEF has placed increased emphasis over the years on the capacity building of NGOs and CBOs.

6. UNICEF is presently in the process of reviewing and updating its overall policies and guidelines regarding collaboration with NGOs. In addition, the organization’s Evaluation, Policy and Planning (EPP) Division is currently undertaking a broad-based approach to developing a flexible range of monitoring and evaluation tools for capacity building components of UNICEF’s work with partners. The tools and guidance should serve to strengthen initial capacity assessment, the development of useful monitoring indicators and periodic evaluation. The process (which has been ongoing for six months) includes a literature review on definitions and frameworks of capacity building, initial documentation of “good examples”, development of case-studies of on-going programmes and the development and testing of M&E guidelines.

7. **How capacity building is handled in the organization** - Capacity building is treated as a cross-cutting issue within UNICEF. Capacity building components are integrated into overall programs and projects and normally funded through core program budgets. Emphasis on capacity building has been somewhat uneven across sectors, however. A recommendation of the 1992 multi-donor evaluation report of UNICEF was that the organization should
"ensure greater consistency in the capacity building approach across sectors and programmes supported by UNICEF". (Engberg-Pedersen et. al., pp. vii-viii)

8. **Trends in importance** - Staff interviewed indicate that the importance of capacity building generally, and capacity building of SNGOs in particular, has grown continually in recent years. This trend is expected to continue in future. While organization-wide statistics on capacity building are currently limited, it has been calculated that in 1994, 31.5% of overall programme funds channeled to NGOs were targeted for capacity building purposes. In 1995, this figure rose to 34%.

**B. Identification of Capacity Building Needs**

9. **Capacity assessment** - While there is no organization-wide model for assessing the capacity of NGOs, UNICEF field offices use a variety of methodologies and tools drawn from numerous sources. Although institutional capacity assessments are not undertaken systematically, a UNICEF working paper recognizes that "Any capacity building program needs to depart from a detailed analysis of an institution's capacity, the factors that limit that capacity and the ways in which the limiting factors are interlinked." (van Diesen, p. 8) This same report outlines a five step process for assessing institutional capacity and implementing a capacity building plan. These steps are: (I) design of a diagnostic model; (ii) use of the model to measure the institution's capacity; (iii) setting an agenda for capacity building interventions in a participatory manner; (iv) design of a monitoring plan, and; (iv) repeat assessment of the institution's capacity following the intervention. (van Diesen, p. 10). Two diagnostic models - one "qualitative and general", the other "quantitative and specific" are proposed. These are included in UNICEF Illustrative Case 2. Again, it is important to note that these ideas are drawn from an internal working paper and do not represent an official or organization-wide model.

**C. Capacity Building of SNGOs**

10. **Approaches employed** - In the past, UNICEF's most prevalent approaches to capacity building have been (I) training, (ii) the provision of technical assistance or technical advisors and (iii) small grants. More recently, UNICEF has
placed increased emphasis on working with governments to promote enabling environments for NGOs and creating opportunities for broad-based, inter-sectoral networking and collaboration. Traditionally, UNICEF has avoided the provision of core funding to NGOs (although there are some notable exceptions, such as UNICEF’s core support - covering technical, administrative, operational and recurrent costs - to the Child Pastore in Brazil, an institution which has since become financially independent). UNICEF is currently reviewing its policies concerning NGO overheads and core-funding.

11. Priorities - In the past, UNICEF’s capacity building activities focused largely on human resource development and managerial and technical support. More recently, increased emphasis has been placed on capacity building through (i) supporting broader organizational development of NGOs; (ii) promoting dialogue and collaboration between NGOs and government; (iii) promoting networking and coordination among NGOs; (iv) reviewing and enhancing its own "partnerships" with NGOs, and; (v) providing advocacy support. Capacity building at the community level has been an important aspect of the Bamako Initiative. An additional important particularity of UNICEF has been its attempts to support the capacity building of SNGOs in the context of emergency operations.

12. Organizational development - Within the context of its programmes and projects, UNICEF employs a multitude of approaches in promoting the internal capacity of individual organizations. These have included supporting organizational assessments, providing assistance in developing and clarifying organizational values and mandates, strengthening management systems, supporting staff training (and other human resources development measures), providing financial support for computers, vehicles and other equipment, and offering seed funding to new organizations. One of the aims of EPP’s current work in the area of capacity building is to develop more effective and holistic approaches which link organizational development to broader capacity building strategies.

13. Promoting NGO-government dialogue and collaboration - UNICEF’s mandate to work with developing country governments and its
perceived role as a “neutral broker” makes it well-placed to work with governments to promote an enabling environment for NGOs and to promote opportunities for dialogue and collaboration between government and NGOs. UNICEF regularly creates national level fora for dialogue on issues of education, health, child rights, etc. which involve government, NGOs and other actors and, in numerous cases, has actively intervened to facilitate NGO-government relations and collaboration. The 1992 multi-donor evaluation of UNICEF recommends that it become more active in “advocating with national governments to allow civil society to play a role not only in UNICEF-supported programmes, but in national social development generally.” (Engberg-Pedersen et. al., p. xiii)

14. Encouraging NGO networking and coordination - Many UNICEF activities serve not only to bring NGOs and governments to the table but also to promote information sharing, networking, coordination and collaboration among NGOs themselves. In some cases this has involved bringing together NGOs (at the national or regional level) around a specific issue or subject area (for example, the Alliance for Community Action on Female Education included in Africa) or providing support for the formation of a national NGO consortia or umbrella organization. In Egypt, for example, UNICEF supported the creation of an NGO Forum (to participate in the development of new NGO legislation in that country). In the area of health, numerous workshops and regional exchanges for health workers have been supported under the Bamako Initiative.

15. Strengthening SNGOs in unstable areas and emergency operations - A relatively new area of interest and challenge for the donor community as a whole is supporting capacity building of NGOs in emergency situations and “unstable areas. UNICEF has undertaken such activities in a number of cases. For example, an Operation Life Line Sudan program document states, "While capacity building is a sine qua non for development programs, emergency operations have, until recently, eschewed serious analysis of this area of work. However, as today’s complex emergencies are usually chronic long-term, there has been a recognition of the need to reassess approaches to emergency work and the need to promote the involvement and capacity of local institutions and communities in the management of emergency interventions”. (See UNICEF
Illustrative case 1 for a description of capacity building components of the Operation Life Line Sudan program).

16. Promoting "partnership" with NGOs - UNICEF does not see itself as a "donor", but rather a development organization that seeks to work in partnership with NGOs. (The recent move of the NGO Section from the External Relations to Programme Division reflects UNICEF's evolving relations with NGOs and growing emphasis on meaningful operational collaboration). Current efforts to review and update guidelines on working with NGOs aim to promote more genuine "participations", characterized by shared responsibilities and mutual reinforcement and capacity building.

17. Advocacy support - UNICEF's efforts to promote the advocacy roles of NGOs have included both training and technical assistance as well as promoting greater political space for NGO activities in these areas. UNICEF staff interviewed pointed out that, due to the changing roles of NGOs, there is an increasing demand for skills in the areas of negotiation, leadership, advocacy and situation analysis.

18. Strengths and comparative advantages - UNICEF staff interviewed perceived the organization's comparative strengths in promoting SNGO capacity building as the following:
   * the organization's strong field presence;
   * credibility and high profile (the fact that UNICEF is a household name across the globe);
   * the organization's ability to act as a "neutral broker";
   * community development approach;
   * flexibility and ability to adapt to individual country circumstances;
   * less bureaucratic than some institutions of comparative size;
   * strong technical/sectoral expertise.

19. Perceived weaknesses and constraints - Perceived weaknesses and constraints included:
   * due to the organization's mandate to work with governments, poor government-NGO relations can sometimes be a constraint (though UNICEF has succeeded in working with governments to create space for NGOs and in providing direct support to NGOs in difficult political circumstances)
- unable to make long-term commitments to NGO partners, persistent pressure from donors for the "quick fix";
  * lack of capacity to effectively manage direct relations with individual NGOs/CBOs;
  * lack of appropriate skills mix among staff (limited expertise regarding capacity building issues and strategies);
  * not well equipped to deal with weak or nascent organizations.

D. Lessons Learned

20. Evaluating success - As mentioned above, UNICEF is currently undertaking an exercise to design and test methodologies for the M&E of its capacity building activities. This exercise is attempting to deal with a number of difficult issues such as tools to assess capacity building processes and methods for evaluating impacts as well as outputs. The working paper cited above which outlines a draft generic M&E approach points out that, "Current M&E of capacity building program predominantly focuses on activities and outputs rather than on outcomes and impact. The number of people trained, workshops held and materials provided are meticulously recorded, while there is little attention to how these activities contribute to the partner organization's capacity to plan, implement and evaluate development programmes." (van Diesen, p.2)

21. Factors contributing to successful capacity building - Experience to date has shown that capacity building needs vary enormously and that specific goals and strategies must be adapted to individual contexts. For example, emergency situations are highly unique and certain regions (such as the new republics of the FSU) may have highly specific priorities and needs. Another important lesson has been the importance of a demand-driven approach to capacity building, where the NGOs concerned play an active role in identifying needs and designing strategies. "The assessment of an institution's capacity and the resulting capacity building programme have a greater chance of success when they are participative." (van Diesen, p. 10)

Notes
1. P. Engberg-Pedersen, S.D. Faure and T. Freeman, Strategic Choices
UNICEF Illustrative Case 1: Building the capacity of local NGOs in disaster situations - Operation LifeLine Sudan

Operation LifeLine Sudan was created in 1989 as a short-term relief operation. In late 1993, recognizing the importance of responding not only to immediate survival needs but longer-term development goals, a programme of capacity building support to Sudanese institutions was introduced. At the time when the programme began, Sudanese organizations (viewed as ineffective by international agencies) had next to no involvement in humanitarian programmes and relations between local NGOs and the international community were poor. The rationale behind the programme was that strengthening the capacity of local

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organizations would improve the effectiveness and efficiency of programme delivery and promote the involvement of beneficiary communities in programme implementation. The programme supports the humanitarian wings of rebel factions active in the area as well as a larger group of intermediary Sudanese NGOs and local-level Joint Relief and Rehabilitation Committees.

Key activities have included:
* creating opportunities for dialogue among different actors;
* supporting the training of field level as well as headquarters staff (of humanitarian wings, NGOs and church-related groups) in a wide variety of areas including planning and management, organizational development and leadership skills;
* grants to carry out needs assessments;
* financial and material support to improve the operations of these organizations (including, for example, core funding and the purchase of some basic office equipment);
* technical support (through the provision of advisors);
* the production of a capacity building newsletter.

An additional activity has been to support the creation of an umbrella consortium, the Sudanese Association of Voluntary Organizations (SAVA). The programme has provided start-up funds to SAVA and will provide financial support enabling the organization to provide training to its members, undertake advocacy activities and produce an annual directory of local NGOs. NGO members of SAVA have also showed their capacity and willingness for self-regulation by working together to establish common standards.

Undertaking capacity building initiatives in difficult and conflict-ridden circumstances such as these is not without its risks. Some of the problems encountered by the program included a "briefcase NGO" phenomenon (with new organizations suddenly appearing to take advantage of available funds) as well as the creation of competition and tension among different factions of NGOs and between newly formed NGOs, some international NGOs and established civilian arms of political movements. These problems have been offset by the
program’s significant positive results which have included:
* more active and effective involvement of local organizations in programme implementation;
* improved relations between donors and local groups and better mutual understanding;
* an acceptance on the part of donors of capacity building as a relevant part of the humanitarian programme;
* numerous local NGOs are now operational and receiving funds from other donors and, in turn, are involved in the capacity building of community-level groups.
UNICEF Illustrative Case 2:
A Diagnostic Model for Institutional Capacity
A. Understanding of Capacity Building

1. Definition of Capacity Building - UNDP prefers the use of the term “capacity development” in its work in this field, suggesting that while “building” refers to starting from scratch, “development” nurtures existing capacity - which is their position. A 1997 publication from UNDP's Management Development and Governance Division defines capacity development as "the process by which individuals, organizations, institutions and societies develop abilities (individually and collectively) to perform functions, solve problems and set and achieve objectives". UNDP has also developed a capacity development framework which outlines four interrelated dimensions of sustainable capacity development. (See figure on next page). UNDP also prefers to use the term "CSO" (Civil Society Organisation) rather than “NGO” arguing that CSO is a more inclusive title denoting a range of non-state actors, whereas NGO only refers to one kind of CSO.

2. Rationale for Supporting Capacity Building - Capacity development (in place of capacity building) is one of UNDP's primary objectives and appears frequently as an overriding theme in policy and program documents. Capacity building is viewed as integral to UNDP's Sustainable Human Development approach and also closely linked to issues of governance and democracy. While UNDP had traditionally focused its capacity building efforts on government, over the past decade it has expanded this focus to include CSOs as well as other potential stakeholders and service providers. UNDP's policy on governance, for example states that in order to sustain human development, capacity building in all three domains of governance - the state, civil society and private sector - is essential. Since 1993, the key objectives of UNDP's Civil Society Organizations and Participation Program (CSOPP) have been:
* to improve policy dialogue between governments and civil society for sustainable human development;
* to meet civil society's capacity building needs for sustainable human
development and seek additional program resources, and:
* to improve UNDP’s own operational framework and institutional capacity for collaboration with CSOs.

3. Trends in thinking about capacity building - During the 1950s and 60s, UNDP spoke in terms of "institutional building" (with a primary focus on the public sector). The terminology then evolved to "institutional strengthening" in the 60s and 70s; "institutional development" in the 80s, and; a finally towards a more "holistic and cross-sectoral" approach to "capacity development" in the 90s. After the end of the Cold War, as with many other agencies, UNDP appreciated the role of civil societies in developing democracy and increased emphasis was placed on the link between civil society capacity development and democratization/governance goals (see UNDP Illustrative Case 1 for a description of CSO capacity building in the context of UNDP’s Democracy, Governance and Participation Program in Eastern Europe and the Commonwealth of Independent States). Another recent trend has been increased attention to building the policy analysis/advocacy capacities of CSOs, and examining UNDP’s own working relations with CSOs with a view to establishing "partnerships" which promote rather than impede capacity development. (An important current development in this area is the production of Guidelines on National Execution which will allow CSOs to play a more active and responsible role in project design and implementation and take charge of project/program activities, including financial accountability and monitoring/evaluation).

4. How Capacity Building is handled in the organization - Capacity building, as an operational theme, is mainstreamed throughout the organization and can take place in the context of national, regional or global level programs. At the national level, for example, UNDP’s Ghana Country Office has designated over US$ 7 million to the capacity building of grassroots organizations and, at the regional level, the South Asia Poverty Alleviation Program trained thousands of CBOs in techniques for social mobilization and the establishment of village organizations. A recent report commissioned by UNDP’s CSOPP, however, found that the majority of capacity building initiatives aimed explicitly at CSOs and NGOs were undertaken in the context
of small grants programs and that further efforts were necessary to mainstream and allocate core resources specifically for CSO capacity building. Primary responsibility for ensuring the mainstreaming of CSO capacity building within UNDP is located with the CSOPP in the Bureau for Development Policy.

B. Identification of Capacity Building Needs

5. Capacity assessment - While UNDP has no formal, organization-wide method for assessing the capacity of CSOs, a number of different tools are currently used by UNDP country offices and several efforts are underway at headquarters to assist in defining key criteria and developing appropriate capacity assessment tools. UNDP Procedures for Project Execution by an CSO (presently in draft), for example, provide guidelines for assessing the capacity of a CSO to act as an executing or implementing agent and the CSOPP office will soon be publishing a Handbook on Collaboration with CSOs which will include tools for capacity assessment as well as for monitoring and evaluating CSO capacity building initiatives. Also on the subject of capacity assessment, a recent publication of UNDP's Management Development and Governance Division states that, "Key capacity requirements to be assessed include at the organizational level: vision and mission, strategy, policies and values, competencies and functions, processes (internal and external), human resources and financial information and physical resources" and that, "In the case of CBOs it is important to assess capacities to organize, build consensus, plan, budget, implement, learn and evaluate in a participatory manner".

C. Capacity Building of SNGOs

6. Approaches employed - Some of the ways in which UNDP supports CSO capacity building include: providing training and technical assistance; financing seminars, workshops, conferences and other learning fora; supporting networking opportunities; funding organizational assessments and the definition of organizational development strategies; encouraging cross-sectoral dialogue and collaboration and funding innovative projects with potential for "learning by doing". These activities are funded both by core (IPF) funds as well as TRAC funds whose spill over is transferred to Global Program Funds (see, for
example, UNDP’s numerous small grants programs, several of which are described in UNDP Illustrative Case 2).

7. Priorities - UNDP’s CSO capacity building initiatives have focused on:

- supporting CSO networking/coalition-building;
- contributing to organizational/human resource development;
- promoting cross-sectoral dialogue and collaboration;
- encouraging an enabling environment for CSOs, and;
- developing policy analysis, research and advocacy skills.

8. CSO networking/coalition-building - UNDP regularly supports national, regional and even global level workshops and conferences which provide an opportunity for participating CSOs to share information and network. Many UNDP programs involve the creation of coalitions or working groups around specific sectoral themes (such as gender or the environment) and many others work through or provide support to existing CSO coalitions or umbrella organizations. Another way in which UNDP has contributed to CSO networking is through information technology support. UNDP’s Sustainable Development Network Program, for example, develops the capacity of developing countries to access the Internet as well as providing specific connections for CSOs to do so.

9. Organizational/human resources development - In the area of organizational and human resource development, UNDP has: funded organizational capacity assessments and the definition of organizational development plans; supported training for CSO staff in a broad array of areas including leadership, financial management, fund-raising, project design and implementation skills, M&E, participatory research methods, social mobilization and gender and development.

10. Promoting cross-sectoral dialogue/collaboration - The promotion of CSO-government dialogue within cross-sectoral dialogue is one of the key objectives of UNDP’s CSOPP and an important feature of numerous (national and regional) UNDP programs. A primary focus of Capacity 21 (a global program launched by UNDP in direct response to the 1992 Earth Summit), for example, is to create political space for CSOs and promote their participation in the design and implementation of
national development policies. In Lebanon, UNDP hosts a series of quarterly meetings which bring together CSO and government representatives to discuss a variety of sectoral development issues and explore possibilities for collaboration. A key objective of the Civil Society Empowerment for Poverty Reduction Program in Africa is to enhance the capacity of CBOs, NGOs and other CSOs to interact with policy-makers on poverty issues. Other UNDP programs have supported regional consultations involving governments and CSOs or supported the creation of CSO liaison offices within government departments.

11. Enabling environment - Closely linked to UNDP’s initiatives in the area of increased dialogue and collaboration between CSOs and governments, have been its efforts to promote an enabling legal and regulatory environment for CSOs. These have been undertaken, for example, in the context of a joint donor initiative to review the legal environment governing NGOs in Malawi; the Democracy, Governance and Participation Program in Eastern Europe (see UNDP Illustrative Case Study 1) and National Long Term Planning Perspectives Programs in Africa.

12. Policy analysis, research and advocacy - Supporting NGOs in their policy analysis and advocacy roles has been an increasingly important trend at UNDP in recent years. UNDP funded a project of the Third World Network, for example, that aimed to enhance the capacity of CSOs to monitor and analyze international economic trends so they could be better prepared for the Social Summit in Copenhagen in 1995 and better equipped to implement follow-up activities. In Asia, UNDP supports a program implemented by the InterPress Service (IPS) which aims at improving the ability of media and CSOs in Asia to contribute to debates on sustainable development at the national and regional levels, by raising their awareness and enhancing their technical capacities.

13. Strengths and comparative advantages - UNDP staff and consultants identified key strengths as being:
* a perceived neutrality and non-partisan international stature
* the application of neutrality to build trust and contribute to social capital
* a very broad sustainable human development (SHD) goal
inter-governmental coordination experience
* the ability to run innovative small scale development initiatives alongside more traditional large scale programs
* a global outreach and potential for communicating experiences and ideas between countries
* its ability to leverage funds

14. **Perceived weaknesses and constraints** - Weaknesses and constraints perceived by UNDP staff to hinder CSO capacity building include:
* UNDP's mandate to work through government (which limits its direct relations with CSOs);
* poor government-CSO relations;
* bureaucratic imperatives (UNDP's administrative procedures can sometimes be complicated and cumbersome);
* pressure to disburse funds and show concrete results;
* importance of civil society not yet accepted throughout organization;
* lack of consistency in UNDP policies;
* lack of a comprehensive strategy regarding CSO capacity building, and;
* the fact that practice does not always live up to rhetoric.

D. **Lessons Learned**

15. **Evaluating success** - As mentioned above, UNDP currently has no formal guidelines for evaluating capacity building but a Handbook on Collaboration with CSOs, soon to be published by the CSOPP office will address these issues. A number of ongoing programs have provided important lessons regarding the M&E of capacity development however. Experience of UNDP’s Capacity 21 program, for example, has shown that ”**M&E must be adjusted to take account of the special demands of capacity development. Progress as well as outcomes must be monitored...Both quantitative and qualitative assessments are needed to deal with the complexity and ambiguity of capacity issues...and more time is frequently required to come to a serious judgement on the impact of outside interventions on organizational change**”. The program has also found that, to be effective, M&E ”**cannot be a reporting and control device designed mainly to meet the accountability requirements of donors...**(but)...**must be an indigenous function by which participants and stakeholders focus on their own performance, learn from experience and adjust their**
behavior”. For this reason, Capacity 21 provides training and technical assistance as well as feedback and advice on issues raised by program monitoring reports.

16. Factors contributing to successful capacity building - The experience of UNDP shows that capacity development is most sustainable when programs are:
* responsive to stakeholder needs;
* participatory;
* transparent;
* equitable (all sorts and conditions of people have access to program benefits);
* accountable (to constituencies, donors and other stakeholders), and;
* consensus-oriented.

17. Future trends - UNDP staff interviewed expressed the view that the role of donors in the area of capacity building is changing, particularly as conventional ideas about "organizational engineering" are supplemented by attention to a broader range of issues such as empowerment, social capital and an enabling environment. A recent report states that, "Traditional donor-driven, input-oriented, cost-benefit and expert-led practices are giving away to approaches promoting indigenous control, local knowledge and participation and the dynamic inter-relationships among the various actors and level of national programs, groups and organizations. The old focus on institutional development is seen as an important component of capacity development - but not the same as capacity development."

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UNDP Illustrative Case 1
Democracy, Governance and Participation Programme in Eastern Europe

UNDP’s Regional Bureau for Europe and the Commonwealth of Independent States (CIS) is currently engaged in the implementation of a program to Support the Strengthening of Democracy, Governance and Participation in the region. While governance programs in Europe and the CIS initially focused their attention on local governments, emphasis has now been broadened to include CBOs, NGOs and other organizations of civil society.

The program utilizes a number of capacity building strategies including support for training, workshops and conferences (sometimes offered jointly to government and CSOs), promotion of CSO networking opportunities as well as the provision of seed funds to CBOs, NGOs, NGO support organizations and other forms of CSOs. A pilot project in Kyrgyzstan, for example, aims to strengthen the capacity of CBOs by providing in-service training in management and participatory methodologies (offered by two UN volunteers), as well as offering support for computer training and other workshops, an exchange program with CSOs from other countries, and efforts to promote an enabling legal environment for CSOs. Another project in the Russian Federation has: promoted networking among women’s CSOs; provided training to the same groups in the areas of management, financing, organizational development strategies and gender theory, and; facilitated links with government. The program has also funded the establishment of a CSO Resource Center in Kazakhstan which will offer information, policy analysis, training, consulting and financial services to CSOs as well as supporting networking and coalition-building activities.
UNDP Ilustrative Case 2:  
Three Small Grant Programs (LIFE, GEF, PIDP)

The Local Initiative Facility for Urban Environment (LIFE) was launched as a pilot program by UNDP at the 1992 Earth Summit. Under the LIFE program, local government, NGOs and local populations are encouraged to work together to find local solutions to urban environment problems. Strong emphasis is placed on strengthening local institutional capacity, promoting policy dialogue and disseminating lessons learned. The program considers process as important as substance. In each country where LIFE operates a multi-sectoral national selection committee (made up of public officials, NGO and CBO representatives and others) is formed and a national strategy is developed. Since its inception, LIFE has funded more than 100 small scale projects in seven countries. It has provided support to urban NGOs to develop their capacities to enter into partnerships, dialogue with government authorities, influence policies and demonstrate alternative approaches to participatory and sustainable urban development. LIFE has also responded to specific requests from NGOs, CBOs and local authorities for technical assistance in areas such as proposal writing, financial reporting, project development and management, fund-raising, negotiation and conflict resolution.

Global Environment Facility (GEF) Small Grants Program - The GEF Small Grants program, launched by UNDP in 1992 was designed exclusively to grant funds for community capacity building to develop local solutions to a range of environmental concerns. Key objectives of the program include: raising public awareness, promoting cross-sectoral partnerships and encouraging public dialogue. Program staff indicate that virtually all small grants have a capacity building component (though these target CBOs more frequently than NGOs). In Bolivia and Chile, for example, the program has made grants to CBOs to, in turn, contract NGOs to facilitate or implement capacity building activities. The Small Grants Program has funded NGO networking/cooperation initiatives in Mauritius, Pakistan, Turkey and Trinidad and Tobago and offered financial, technical and thematic training to NGOs in Belize, Kenya, Jordan, Mauritius, Pakistan and Senegal. In the Philippines it has supported NGO exchange visits, seminars and training activities and in Papua New Guinea it organized a twinning program between small, weak NGOs and larger, stronger
ones. The GEF has also sought to help organizations diversify their funding base by supporting the creation of numerous National Environmental Funds. Despite these initiatives, a recent mid-term evaluation of the program found that there was room for improvement in this area and that higher priority should be given to capacity building, particularly at the community level.

Partners in Development Program (Phases I through III) - The Partners in Development Program is a small grants program which was first launched in 1988 and is now in its third phase of operation. Through PDP, UNDP provides direct support to NGOs and CBOs for income-generating, capacity building and networking initiatives. Two main objectives of PDP are to strengthen the institutional capacity of local NGOs and CBOs and to promote networking and dialogue among NGOs, government and UNDP. Capacity building proposals may be submitted directly by CBOs and NGOs or by support/training institutes that offer capacity building services. Program documents report that capacity building strategies employed by PDP have included formal training, workshops, in-country study tours and "learning by doing" through monitored project implementation. In Burkina Faso, for example, an umbrella training program was offered to all PDP grant recipients and in Mali $100,000 were assigned to NGO management training workshops. Despite the program's stated commitment to capacity building, however, a 1994 evaluation found that only 14% of small grants were for NGO capacity building and only 7% for networking. The evaluation reported an "overwhelming emphasis on short-term income generating and social welfare activities" and recommended a "strategic shift to emphasize CSO capacity building".
Capacity Building of Southern NGOs  
- The Experience of IFAD

1. Basic Description of IFAD

IFAD’s mandate is to combat rural hunger and poverty in developing countries through the provision of concessionary loans. It is now working in 110 countries and expended (in 1996) US$5.1 billion on loans (476 loans for 461 projects), and US$ 0.3 billion in 696 grants. Roughly a third in were expended in Africa, a third in Asia and the Pacific, and a sixth in each of Latin America/Caribbean and the Near East/North Africa.

IFAD operates through its Regular Programme which is also underpinned and supplemented by Special Initiatives:

- Regular Programmes consists of the extension to member governments of loans and grants for financing a) IFAD initiated projects, and b) IFAD co-financed projects. The majority of the loans are highly concessional. Grants are a very small part of the regular program. Technical Assistance Grants (TAGs) are envisaged up to 12% of the annual lending, but presently amount to 7%. Part of TAG is the IFAD/NGO Extended Cooperation Program (ECP) which covers support specifically to NGOs.

- Special Initiatives consist of special programs and are more targeted and linked to special funding. They are the Special Program for Africa, The Belgium Survival Fund Joint Programme.

IFAD has no field offices and it’s modus operandi is based on the optimum utilization of existing cooperation in the UN and elsewhere within the context of the article 7 of the agreement establishing IFAD. However IFAD has recently been authorised by its governing council to supervise on an experimental basis some of its projects. IFAD also has a long time frame for its work - it is quite possible for IFAD to be involved in a program for 10-12 years.

A. Understanding of Capacity Building of SNGOs

2. Definition of Capacity Building and Rationale for its use - There is a variety of working definitions of the term “SNGO” within IFAD: most Project Controllers (who largely
control the use of the funds of the large Programme
Department) think of NGOs as community based membership
organizations (CBOs) of rural people (IFAD’s target group) or
federated structures of such organizations. Thus when they
refer to capacity building, they mean capacity building of
community based organizations, or their federations (like
Farmers Associations). On the other hand those working in
the Economic Policy and Resource Strategy Department
(where the NGO coordinator is situated) think of SNGOs as
encompassing both the CBOs and the intermediary
organizations which work with them - the NGOs. In 1987 IFAD
created the Expanded Programme of Cooperation (EPC) “to
enhance interaction with NGOs, especially those interested in
assisting the rural poor and other IFAD priority groups” (1)

For the Regular Program, therefore, a very important part of
their work is capacity building of CBOs - helping to build
groups, helping groups to help their members acquire
technical skills, helping groups to plan their own development,
helping groups to understand the effect of national policies,
helping groups think through alternative policies, helping
groups to mobilize around particular problems, helping
groups manage savings, credit, and marketing.

Most Project Controllers are thus very interested in building
the capacities of grass roots organizations and farmers
associations, but are only interested in SNGOs if they can
help them to reach the rural poor and improve their situation.
They expect SNGO to already have capacity which they can
use - and this must be demonstrated against other possible
competing kinds of organizations, like NNGOs, commercial
consultancy organizations, universities, and Government
departments. They have no use in NGOs per se, but only as
sub-contractors where they have some comparative
advantage - and they therefore have little interest in spending
IFAD funds in building their capacities. On the other hand
“There are as many IFAD’s as there are Project Controllers”
(2) and there is quite a variation between Project Controllers
in practice. Some have tried, for instance, to improve the
working environment for NGOs vis-à-vis Governments.

The Economic Policy and Resource Strategy Department
(whose resources are very much less than the Regular
Programme) has, on the other hand, a specific mandate to
interact with NGOs, which it does through the forementioned
EPC, annual IFAD/NGO Consultations, and the 1995
Conference on Poverty and Hunger which produced an ongoing Popular Coalition to Eradicate Hunger and Poverty on which many NGOs sit. This Department is interested in building the capacity of both CBOs and intermediary NGOs. The guidelines for the EPC emphasize that “the ECP instrument aims at promoting pilot activities that could lay the groundwork for future IFAD investment or offer support to ongoing projects. Project proposals submitted by NGOs should, therefore, always be linked to an ongoing IFAD project of a project in the pipeline”. (3) An example of this can be seen in Case 2: “The Fundacao Amilcar Cabral” in Guinea-Bissau.

A specific instrument was introduced into the Popular Coalition’s strategic plan for 1996-7. In order to operationalize the strategy “Support the capacity building of civil society organizations” the Coalition devised an instrument called the “Civil Society Empowerment Facility” (CSEF). The CSEF is “conceived as a catalytic financing facility which will assist the capacity and institution building of civil society organizations and promote and support their innovative approaches and initiatives, thereby laying the groundwork for their replication or up-scaling and possible follow-up investment interventions with potential for improving the productivity and incomes of the poor” (4). Up to the time of writing this fund has not yet become operational, although IFAD has committed funds to it.

3. Trends in thinking about Capacity Building of NGOs - The Popular Coalition to end Hunger and Poverty has the clearly enunciated goal of “the enhancing of the interaction between diverse development agencies in order to build a strategic coalition with and for civil society to combat hunger and poverty. The Coalition initiates and supports practical, community based activities whose central thrust is the empowerment of civil society organizations through policy dialogue, upscaling, and networking arrangements, and direct support for grass roots programmes” (5). While this thinking has not yet been comprehensively operationalized, there are many examples within the EPC where IFAD has been trying such ideas out in order to prepare for increased attention to them in the future in the main program.

B. Identification of Capacity Building Needs

4. Capacity Assessment - IFAD has no instruments or tools that it employs to gage or assess the capacity either of rural
peoples organizations, or of SNGOs. Most staff consider that the capacity weaknesses can be diagnosed based upon common sense, and the great deal of experience that they have of such organizations. Common features noted in the “Partnership with Non-Government Organizations” are: “the small scale of NGO interventions, their limited financial and management expertise, their limited institutional capacity, and their dependance on external funding”.(7) No measures have, however, been put into place to for systematic attention to these weaknesses. Where NGOs are involved ibn the Regular Program, It is left to the discretion of each Project Controller, and, as we have seen, many of them do not consider capacity building of NGOs to be their business.

5. Capacity Building Needs - The 7th annual IFAD/NGO Consultation (1996) which was specifically on the theme of “Capacity Building at the local level” gave the recommendation: “NGOs and Basic Community Organizations (BCOs) would be able to better contribute to local development if they were given the means of improving their skills and capacities in relation to:
- understanding economic and social policies
- institutional legal analysis
- developing activity programmes
- financial management
- human resource management
- project formulation, implementation and evaluation
- participatory methodologies in training, research and consultation
- the use of computers and communication tools.”(8)

C. Capacity Building of SNGOs

6. Approaches employed - IFAD generally understands “capacity building of SNGOs” as building the capacity of rural peoples organizations, and it has a great deal of experience of doing this, in some cases working with and through SNGOs. The idea of building capacity of the SNGOs themselves so that they are better able to serve the rural peoples organizations, has not yet been operationalised, although it has been heavily discussed, particularly in the ECP. There are thus two paths in IFAD - one which is happy to work with SNGOs as and when they can help IFAD implement its mandate, but which has no inclination to spend IFAD resources on building their institutional strength, and one which is interested to build up the competence of a variety
of civil society organizations (including SNGOs) to carry out innovative projects which the rest of IFAD can subsequently follow, and to build awareness of policy issues where civil society organizations can be effective.

7. Priority Areas of Intervention - The most frequent area of intervention is the building of group formation, group mobilization, strengthening of indigenous organizations. Also important are the establishment of good working relations between NGOs and Government. In the Seventh Annual IFAD/NGO Consultation, IFAD pointed out that the importance of workable relations between Governments and NGOs, and reflected that it had been of great service to NGOs by putting into effect, through the ECP, a system whereby Governments accept IFAD’s funding to NGOs through a simple “no objection” process.

One specific priority area responds to IFAD’s strong emphasis on credit and savings. One of IFAD’s earliest projects was support to the Small Farmer Agricultural Credit Project in Bangladesh - which subsequently grew to become the internationally famous Grameen Bank. IFAD pays particular attention to setting up savings and credit institutions which, when managed properly, are able to cover their costs and be financially sustainable. Please see Case 1: the Kenyan Women's Finance Trust.

8. Donor Conditionalities - IFAD does not feel that its procedures and conditions are onerous to NGOs and rural peoples organizations. It has admitted such problems in the past and has “significantly streamlined these procedures”(9). Because IFAD works with Governments, the Regular Programme requires Government consent to an NGO as a cooperating institution for IFAD: the ECP, on the other hand, merely requires a “no objection” from Government. IFAD has said, however, neither of these conditionalities are a burden: on the contrary “many NGOs have pointed out that obtaining governmental consent was ultimately beneficial to the success of projects and that IFAD could frequently play a positive role as a catalyst in strengthening Government/NGO relations”(9).

9. Financial Sustainability - IFAD’s work with rural peoples organizations (CBOs) is frequently intended to help such organizations become financially viable with subscriptions or membership fees, and part of their objectives of increasing
poor peoples incomes is so that such people can support their own representative organizations. Much of their support is for increasing agricultural production or for off-farm income generation which, when allied to group membership, can lead to organizational financial sustainability.

Up to now, however, IFAD has not concentrated on the topic of local resource mobilization for SNGOs, although it has flagged it as an important subject for the future.

10. Catalyzing Policy Dialogue - IFAD particularly works on the policy issue of getting SNGOs accepted (and hopefully respected) as development partners by Southern Governments. Because of its unique position and because of its regular working relations with Governments, inter-Governmental organizations, bilateral and multilateral organizations, IFAD plays a valuable role in getting NGOs and other organizations of civil society access to the tables where policies are discussed. It has specifically built on this by organizing the 1995 Conference on Hunger and Poverty, and nurturing the Popular Coalition to Eradicate Hunger and Poverty as the ongoing adventures of this conference. It also involves NGOs in the particular Convention against Desertification.

11. Encouraging Inter-NGO Learning - The annual IFAD/NGO Consultations offer opportunities for inter-NGO learning and the five-pronged Programme of Action from the Conference offers the opportunity for NGOs to get into coalitions to support issues that they identified as important. These opportunities are still however, at the planning stage and have not yet been operationalised.

12. Strengths and Comparative Advantages of IFAD in Capacity Building of SNGOs

- The mandate given to IFAD by the Popular Coalition to end Hunger and Poverty (1996)
- the ongoing work of that Conference through the Popular Coalition to end Hunger and Poverty
- the annual IFAD/NGO consultations

13. Perceived weaknesses and Constraints - The part of IFAD which deals with NGOs and their capacity building is a very small part of the organization, with comparatively few resources to bring to this task. The ECP, only uses 2.1% of the Technical Assistance Grants, which are in turn limited to 7.5% of the resources IFAD commits in any one year. The
majority of the money is available as loans to government through the Regular programme, and most Project Controllers are no interested in the capacity development of NGOs. Governments have to agree to IFAD’s work with NGOs, and this is not always so easy.

D. Lessons Learned

14. Evaluating Success - There is no organization wide evaluation of the benefits or problems involved in using SNGOs. If there was there might be some recommendations as to whether IFAD should use them more, on what conditions and in what circumstances, should spend more resources on building their capacity, or should use them less. The only pertinent evaluation is that of the Ghana portfolio, described earlier, which advised caution when using them. At the same time, however, there is a high profile initiative in IFAD to involve IFAD more in civil society organizations through the Conference and the Popular Coalition. A final quotation from the “Partnership with Non-Governmental Organizations” makes the useful suggestion, “IFAD is considering the possibility of providing institutional support to NGOs to strengthen their capacity in project design and implementation. (...) a greater degree of evaluation of IFAD/NGO joint activities would provide insights useful to further collaboration”.(10)

15. Factors Contributing to successful capacity building - Long term involvement with an organization, good relations between the government of a country and the NGOs in that country, a clear understanding of the capacity weaknesses of an organization were all factors that staff referred to as being important in capacity building interventions

Notes
1. IFAD Annual Report 1996
5. IFAD Annual Report 1996
7. Chairman’s Summary, 7th Annual IFAD/NGO Consultation. 1996
10. Ibid

List of Those Interviewed

**Economic Policy and Resource Strategy Department**
- Bahman Mansuri, Program Director
- Maria Theresa Rubin de Cervin, NGO Coordinator

**Programme Management Department**
- Brian Baldwin, Project Controller, Asia and Pacific Division
- Hadi Shams, Senior Project Controller, Africa 1 Division
- Colin Dickerson, Project Controller, Africa 2 Division
- Edward Heinemann, Project Controller, Africa 2 Division
- Mr. Murguia, Project Controller, Latin American/Caribbean Division

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IFAD Illustrative Case 1
Inter-Donor Collaboration on a Womens Micro-Credit Program - IFAD, ODA, and KWFT in Kenya

The Kenya Womens Finance Trust is a micro-credit operation started in 1981 by professional Kenyan women as an affiliate to Womens World Banking. Its first funding came from Ford Foundation in 1984, but all its lending ceased in 1989 with a collapse of management. A new Board and new staff took over the organization and secured grants from Ford, UNDP and IFAD in 1991. The IFAD funding was a combination of the Belgian Special Fund (BSF) and the Extended Program of Cooperation (ECP). ECP is intended to pilot ideas with NGOs, which, if successful, can subsequently be scaled up into IFAD’s main programme. By 1995 KWFT was operating successfully. In October 1995 KWFT submitted a proposal to IFAD for US$ 700,000 to expand its lending operations in two of its five existing areas. It also submitted proposals to other donors (CGAP, DFID/ODA), all of which had been agreed by the Government of Kenya.

IFAD decided to fund KWFT again, but only via collaboration with DFID/ODA who had an office on the spot, supervisory possibilities, and a larger contribution. ODA/DFID had already done a detailed appraisal of KWFT in early 1996 which identified, amongst other things, the need for capacity building interventions to build the institutional strength of KWFT.

The objective of IFAD’s program of support to KWFT was to expand KWFT’s lending operations from its existing five bases by provision of funds, to address institutional capacity weaknesses by allowing KWFT to hire appropriate short term consultants and hire highly qualified senior personnel, and to help KWFT become financially sustainable by implementing a savings scheme. In respect of the consultants and staff, these would be chosen by KWFT. In respect of the savings scheme, IFAD recognized that there needed to be a change in the regulations of the Central Bank of Kenya to allow KWFT (and other organizations like it) to operate a voluntary savings scheme, and was prepared to advocate for this alongside KWFT and the other donors, though having no guarantee of success.

IFAD put up $750,000 from BSF as a contribution to the costs
of the project and did not insist on linking this to specific activities. IFAD agreed with the other donors to form a donor consortium to simplify KWFT’s procedures with donors. IFAD also agreed to KWFT’s quarterly performance review by the Institute of Development Studies at Nairobi and a common sharing of all documents on the project with other donors.

According to project controllers there was no difference of emphasis between the management of KWFT and the donors about the need for the capacity building measures, and the quarterly performance review. KWFT had agreed to the findings of the DFID/ODA appraisal, and welcomed the donors help in assisting KWFT to manage its lending program.

While IFAD does not yet have an evaluation of the effects of the capacity building aspects of its support, this will certainly form part of the regular performance review. KWFT is performing well at the present. The factors contributing to the success of this program are:

- IFAD’s readiness to allow KWFT to access appropriate local resources for capacity building
- IFAD’s readiness to collaborate with other donors in a way that minimized work for KWFT
- IFAD’s readiness to join forces with other donors to maximize impact
- IFAD’s use of limited NGO specific pilot funds as a precursor to scaling up its contribution from its main program
- IFAD’s readiness to work with KWFT (and other donors) to try and influence the regulatory environment re voluntary savings schemes.
- KWFT’s close collaboration with the donors on appraisals and performance monitoring.
Fundacao Amilcar Cabral - Solidarity in Development is a non-government intermediary NGO in Guinea Bissau which was created in 1991. With a core group of committed middle level professionals and technicians it has a track record of forming village groups, and working in agro-related production and processing, particularly with women’s groups. It has previously received funding from the World Bank’s Social Development Fund. FAC requested IFAD funds in 1995 for a “village development fund”. After negotiations IFAD prepared a proposal that included a village development fund, institutional strengthening assistance to FAC from a Senegalese NGO called ENDA-GRAF, equipment and materials, workshops, salaries, travel, M&E, and a socio-economic survey.

The background to IFAD’s support of FAC’s proposal is that Guinea Bissau is in arrears of its loan repayments to IFAD, and as a result has not had any further projects with IFAD’s main programme. In order to avoid losing touch with the country, IFAD is keen to use the window of the Extended Cooperation Programme to make a grant of $60,000 to a local FAC. This grant not only keeps them involved with Guinea Bissau, but also involves a continuation of the same kind of work from a previous IFAD project (support to village level womens groups in horticulture and credit unions). This small project with FAC may lead to further larger projects in the future, if Guinea-Bissau’s repayment problems are resolved.

The institutional strengthening is directed at both the level of the community based organization to help them to protect, appropriate, and develop the natural resources of their territory (croplands, forests, and water); and to help FAC develop and implement participatory development methods for village based natural resource management. ENDA-GRAF in Senegal is considered to have significant experience in the execution of land management projects and rural financial operations. The project involves personnel from ENDA-GRAF coming to FAC, and FAC personnel going on a study tour to ENDA-GRAF in Senegal.

An additional objective in IFAD’s support of this project is the
development of village level animators for other NGOs in Guinee-Bissau based on a model which FAC will develop. FAC and ENDA-GRAF are intending to use a training module that IFAD has developed called Village Based Resource Management which includes an explicit socio-economic dimension, rather than just taking a technical perspective.

This project has not been evaluated as yet. Factors tending towards success would seem to be the FAC’s request for institutional strengthening, and IFAD’s willingness to fund FAC’s access to a resource organization in a neighboring country. Moreover IFAD is motivated to make a success of this project because of its strategic importance in IFAD’s future relations with Guinea-Bissau, and its use of an IFAD developed training module. IFAD’s development of a flexible grant mechanism for NGOs where there is the intention of capacity development for subsequent scaling up, seems to find a valid application here
Capacity Building of Southern NGOs
The Experience of the World Bank

Survey of Bank Projects

At present, there is no systematic monitoring or evaluation of Southern NGO capacity strengthening within Bank-financed projects. There is also no definition of capacity strengthening that is used Bank-wide. It is, therefore, very difficult to conduct a comprehensive review of all Bank sponsored projects that include a NGO capacity strengthening component. What is presented, therefore, is a situational analysis of the types of capacity strengthening initiatives that are being financed by the Bank, with highlights of a sample of projects that have used more innovative methods to strengthen the capacity of their NGO partners. In addition, the survey captures a variety of efforts underway to support policy dialogue and/or enhance the policy environment for SNGOs.

The information is based on interviews with several Task Managers (TMs) of projects, Managers of EDI capacity strengthening projects, and others working on NGO issues throughout the Bank. Projects were identified through discussions with regional social development Unit staff, and through TMs working on projects with NGO involvement.

Bank-NGO Operational Collaboration

The number of projects approved each fiscal year that involve NGOs has increased steadily in the 1990s. The figure for such involvement was 47% in FY97, up from 42% in FY94 and 22% in FY90. The breadth and depth of operational partnership with NGOs is also growing. As greater numbers of projects with NGO involvement are approved each fiscal year, the proportion of such projects in the total portfolio has risen. At the end of FY97, 38% of current projects involved NGOs, up from 35% at the end of FY96.

There is growing evidence that this involvement of NGOs and other civil society organizations correlates to enhanced development effectiveness and sustainability. For the second year, the review of Annual Report on Portfolio Performance (ARPP) figures indicates that involvement of NGOs is linked to project effectiveness and reduced project risks leading to greater sustainability of Bank operations in
It is important to note that this partnership with civil society is increasingly with local and community based organizations. Among FY96 projects with NGO involvement, 53% involved existing CBOs, 16% involved newly created CBOs, 74% involved national in country NGOs, and 15% involved international NGOs. 

An important trend to note is the increase in upstream involvement of NGOs in operations. In FY97, 60% of the projects with NGO involvement benefited from inputs during the design stage, up from 42% in FY96 and 22% in FY90. Finally, the range of projects approved reflect the clear advantages NGOs provide in representing the concerns of project beneficiaries.

Thus, as the Bank and its borrowers increasingly seek to develop partnerships with civil society actors, the relevance of understanding and improving the effectiveness of the NGO sector becomes obvious. Key determinants of a healthy NGO sector are the policy environment and the capacity of the NGOs themselves. As such, the Bank is placing greater focus now on strengthening civil society organizations not only at different stages during the project cycle but through parallel efforts of the Economic Development Institute (EDI).

**Types of Capacity Strengthening Efforts Supported within the Project Cycle**

NGO involvement in Bank projects has been most significant during project implementation and maintenance when NGOs are hired as contractors to carry out a particular project related activity. The term "NGO" in this context most often refers to operational NGOs or NGOs engaged primarily in design, facilitation and implementation of developmental sub projects, as opposed to advocacy NGOs whose main purpose is to defend or promote a specific cause and who seek to influence the policies and practices of the Bank. Bank projects also involve many types of community-based membership associations including grass roots organizations or cooperatives, water users associations, women's groups, savings and loan associations, peasant unions etc., particularly in projects that require broad participation.

What follows is a brief discussion of capacity strengthening activities for operational NGOs and CBOs that are included in
Financial and Management Training: Many NGOs selected by the Bank to work as intermediary organizations are chosen for their expertise in community mobilization. However, they often have limited financial and management expertise and institutional capabilities. For these intermediary organizations, capacity strengthening offered through Bank projects usually includes specialized training in sectoral methods and technologies, as well as training in general aspects of administration, accounting, and management. The Indian National Cooperative Development Project, for example, initiated a review of rural, agricultural, and agribusiness cooperatives. The review included composition of cooperative boards, type and tenure of management, current and projected financial status, staffing levels and other aspects affecting the operation of cooperatives. Based on the findings of the review, one of the project priorities was to focus on institution building necessary for long-term managerial and financial sustainability of the cooperatives.

Participatory Techniques: NGOs, it is believed, given their proximity to local and affected populations, are able to foster more participatory development. It is one of the primary reasons that the Bank has chosen to work with NGOs. This requires that NGOs have the necessary links to a community to facilitate communication between project beneficiaries and government; give voice to community needs; build the capacity of community groups; and to channel resources to the community. To ensure that NGOs effectively engage local communities in Bank-funded Poverty Targeted Investments (PTIs), training in participatory methodologies is often provided to participating NGOs. Some examples are:

- In the Nepal Rural Water Supply and Sanitation Project, NGOs selected to work with communities followed a seven day training course on participatory research techniques, gender sensitivity and group dynamics. This initiative is judged to have made an important contribution to the success of the project while also developing the skills of the NGO staff.

- EDI's Women's Enterprise Training Outreach Program (WEMTOP) in India provides training in management, techniques for group formation, and fulfilling government and donor requirements to intermediary NGOs.
EDI and NGOs have developed a monitoring system with self-assessment and participatory techniques to find out whether NGO training is having the intended impact. EDI also supports participatory capacity strengthening programs in conjunction with regional networks; in Africa, the partner institution is Innovations et Reseaux pour le Developpement (IRED); in Latin America, EDI works through an urban development network called Programs de Fortalecimiento Institucional y Capacitacion de Organizaciones Non Gubernamentales (FICONG).

**Training in Bank Policies and Guidelines:** Training is also provided for intermediary organizations in Bank policies and guidelines. It is strongly believed by TMs that such training assists NGOs not only in carrying out the Bank's work but also in their relationship with other CBOs and smaller NGOs that they in turn support. For example, during project preparation, training is provided to NGOs in the Bank's environmental, and social assessment guidelines. Often, intermediary NGOs use the same guidelines to not only monitor impact of Bank projects but also the impact of their own projects. They also use the same techniques to train NGOs and CBOs that they work with - for example The Bangladesh Second Road Rehabilitation and Maintenance Project provided training for intermediary NGOs in the Bank's resettlement guidelines as well as valuation and compensation.

**Scaling Up Pilot Projects**

It has been noted that highly participatory NGOs tend to work on a very small scale. Often, however, these pilot initiatives have proved to be replicable by the Bank/government on a larger scale. Many methods have been used to expand successful NGO programs. One method, is to build the capacity of the NGO to scale up in order to collaborate with official programs, without losing their essential participatory nature. For example The Balochistan Primary Education Project in Pakistan began in 1992 with a pilot project by a small local NGO. The government is now funding the program on a large scale basis using IDA credit. The NGO has succeeded in mobilising community members and the program is moving on to become a province-wide initiative.
Encouraging NGO Partnerships

International NGOs and some national NGOs often enjoy greater access to human and capital resources than smaller community based organizations. Twinning with a stronger NGO to improve capacity and offer support is one way of transferring much needed skills and capacity to a weaker NGO. Three examples illustrate how this works in practice:

• In the Benin Food Security Project, in order to contribute to the long-term development of the local NGO sector, it was decided that international NGOs would not undertake project activities independently but would work in partnership with a newer local NGO, providing informational, technical and logistical support and facilitating technology transfer. (For more information on this, please see World Bank Illustrative Case 1: Benin Food Security Project)

• In the Bank financed Improved Environmental Management and Advocacy Project in Indonesia, an international NGO teamed up with 12 Indonesian NGOs to strengthen the capacity of local intermediaries to address the environmental consequences of pesticides.

• The Uttar Pradesh Land Reclamation Project in India has the goal to reclaim salt-affected lands using participatory management techniques that could serve as a model to be replicated more broadly in the future. Farmer's water management groups were organized and community volunteers were trained in technology transfer by small local NGOs. The staff of these grassroots NGOs will be trained in turn by larger intermediary NGOs.

Reorientation of NGOs to Match Project Objectives

According to TMs, when the Bank finds that a particular sector is weak and attempts to implement a specific program concerning that sector in an area or province of a country, they often find that there are very few or no NGOs working in that sector. In the past, this situation has called for an NGO working in a different sector to be "used" to carry out activities relevant to the project that is being implemented. This is often true of credit components that are added to existing programs of social welfare NGOs. Social welfare NGOs are then
provided with financial management and other skills required to administer a credit program which are quite different from those required to manage a social welfare program.

While in the past, this was considered capacity strengthening, now TMs do recognize that this technique has often resulted in weakening the NGO's capacity. Alternate ways to deal with this problem have been discussed, and the Bank now actively promotes NGO partnerships which encourages NGOs working in different sectors to link up to manage a project component together.

**Social Funds**

Social Funds are one mechanism whereby a significant percentage of Bank funds are channeled to NGO sub-projects. A social fund is a demand-driven multi-sectoral fund that finances small, grassroots development sub-projects aimed at improving poor people's access to social services, employment opportunities and income-generating assets. Within the Bank, social funds represent a major modification of the project cycle and provide a more flexible approach to funding NGOs. Not only are a large number of sub-projects funded by social funds designed and implemented by NGOs, but often NGOs are also involved in the design and administration of the Fund itself.

Social funds were first designed as emergency funds and were measured by their ability to rapidly disburse project funds to affected populations. Although such pressure would usually deter investing time in promoting participatory approaches as well as capacity strengthening, social funds are now mostly implemented in conjunction with structural adjustment programs and have become one of the most flexible vehicles to facilitate both participatory development as well as capacity strengthening of NGOs and CBOs. A lot of projects now being designed include a "social fund-type" component.

Social Funds are being implemented in as many countries such as Bolivia, Ecuador, Guatemala, Haiti, Honduras, Nicaragua, Peru, Venezuela, Burundi, Egypt, Guinea, Mali, Sao Tome and Principe, Senegal, Somalia, Malawi, and Zambia.
Palestinian NGO Project

No discussion of Bank supported capacity strengthening efforts for NGOs would be complete without a mention of the Palestinian NGO Project. This $10 million project is one of the most innovative NGO involved projects within the Bank. It states as its objectives: 1) to deliver services to the poor and marginalized in Palestinian society, using NGOs as the delivery mechanism; 2) to improve the institutional capacities of NGOs receiving grants under the project and; 3) to support efforts by the Palestinian Authority and the Palestinian NGO sector to strengthen their working relationship including support for the development of a positive legal framework for the sector.

It has selected an NGO consortium, (the Welfare Association of Geneva, the British Council, and the Charities Aid Foundation, UK) to manage the project. This consortium acting as the Project Management Organization would in turn be responsible for drafting an Operational Manual. It will also be responsible for project management and coordination including managing the project’s grant cycle (announcing and advertising grants; selecting grant recipients; disbursing grants; and supervising the use of grants by recipient NGOs.) It will also provide continuous hands-on training and technical assistance to selected NGOs.

The Project is still in its start up phase and its success and effectiveness cannot be judged as yet, however, it provides for the Bank a new and innovative model for involving NGOs as partners in development. The Palestinian NGO project which was designed to suit the unique challenges of a particular situation is now being used as a model for similar situations elsewhere. For example, there is discussion of implementing a similar project in Bosnia (see more on this in World Bank: Illustrative Case 2)

Improving the Enabling Environment for NGOs

The major focus of capacity strengthening efforts outside of the project cycle has been on enhancing the policy environment for NGOs, a powerful determinant influencing the contribution and growth of the NGO sector.

Policy Dialogue: In addition to collaborating with the Bank in
operations and research, NGOs play an important role as advocates for policy change and institutional reform. The Bank increasingly exchanges information, ideas and experiences with NGOs and consults with NGOs on key issues of mutual concern. Important recent trends in policy dialogue have been 1) increased emphasis on consultations with NGOs in developing countries through Resident Missions; and 2) structures for more systematic policy consultations with NGOs on key themes. For example, NGO advisory groups have been created on gender and sustainable agriculture.

**NGO Law Reform:** The Bank, through its NGO Unit has played an important role providing best practice advice on NGO law. The Unit has worked with the International Center for Not-for-Profit Law (ICNL) since 1995 to review existing NGO laws in over 100 countries. The result is the draft Handbook on Good Practices for Laws Relating to Non-governmental Organizations which is designed to assist government as well as other parties to analyze the strengths and weaknesses of existing laws, or draft more appropriate laws. The Handbook has been translated into Spanish, and work is currently underway to have it translated into Arabic, Russian, and Chinese. About 20 countries have requested the Unit either to provide technical assistance for NGO law reform and to organize fora for discussion of the subject at the national or regional level.

**Grants for NGO Capacity Strengthening**

Outside of the Project cycle, a number of special programs exist whereby the Bank channels relatively small amounts of money to NGOs for specific purposes, including capacity strengthening. For example:

The Population NGOs Special Grant Program seeks to identify and strengthen the capacities of small, grassroots indigenous NGOs working in population-related fields in developing countries.

The Small Grants Program was created in 1983 to promote communication on international development issues of particular concern. The program supports conferences, seminars, publications, networking activities, and other information related activities for which small organizations, including SNGOs, frequently lack resources.
Conclusion and Recommendations

There are many complexities involved in Bank-funded capacity strengthening initiatives: based on the material covered, however, it is possible to raise some relevant questions and to provide some insight into the types of issues involved in implementing capacity strengthening through Bank-financed initiatives.

As more and more NGOs become involved in Bank-financed projects, particularly in the design stage, and sustainability of the project depends to a large extent on the viability of the NGOs and CBOs involved, the number of projects that include NGO/CBO capacity strengthening as an explicit objective of the project has also increased.

One of the major constraints for including a capacity strengthening component for NGOs/CBOs within a project is Bank/government pressure to disburse and deliver services quickly. Unless both the Bank and partner government are seriously committed to participatory development methods and their focus shifts from the project cycle to the process and the impact, attempting capacity strengthening for participating civil society organizations is an elusive goal.

There is no Bank-wide definition or guidelines regarding capacity strengthening. Neither is there a significant discussion of capacity strengthening in Operational Directive 14.70, "Involving NGOs in Bank Supported Activities". This, combined with the fact that there is no clear conceptual framework for capacity strengthening, sustains a tendency to consider a wide range of activities that are included in projects as capacity strengthening activities which may or may not actually constitute capacity strengthening.

Although the involvement of NGOs in projects is tracked through the annual review of Staff Appraisal Reports, there is no component included in this process which systematically captures efforts at NGO capacity strengthening. It is, therefore, impossible to estimate Bank-wide, the proportion of funds allocated to NGO capacity strengthening.

Even within individual projects, few TMs can accurately estimate the amount of funds utilized specifically for SNGO capacity strengthening. While there are several projects that
include an institutional and/or capacity strengthening component, very few include a separate budget line for NGOs/CBOs. The component is usually designed to strengthen implementing organizations which includes both local government institutions as well as NGOs/CBOs. (Usually, distinction is not made between budget allocated for NNGOs and for SNGOs.)

Very few projects specifically mention capacity strengthening of NGOs as a project objective. These initiatives are, therefore, not monitored during the mid-term review nor during the final evaluation of the project. As such, it is impossible to find evidence of final outcomes or estimate to what degree project quality can be attributed to the capacity strengthening activities included in the project.

In general, TMs seem to be convinced of the importance of including within the project a capacity strengthening component for the implementing agency, whether it be a governmental or non-governmental organization. However, since there is no systematic monitoring and evaluation and no quantifiable data available on the actual impact of NGO capacity strengthening on projects, convincing partner governments of its relevance often becomes a difficult process.

Since there is no specific line item in project budgets, the extent to which capacity strengthening is done within the project often seems to depend on the individual TM and his/her commitment to the task (e.g. TMs often have to identify other sources of funding within the Bank -- FIAHS funds, trust funds etc. -- to fund pilot projects and/or innovative capacity strengthening initiatives).

NGOs are often chosen for their technical capacity in specific sectors that match project needs. Rarely is there a systematic assessment conducted to evaluate their institutional capacity. As such, capacity strengthening activities are often limited to promoting project related activities.

Although including a capacity strengthening component for NGOs is still not a general practice within Bank-financed projects, this survey was able to identify a range of new and innovative approaches to capacity strengthening of SNGOs. While it is too early to assess the impact of these projects, it is obvious, even from this basic review, that a definition and
broader conceptual framework are needed in order to systematically monitor and analyze the impact of capacity strengthening on project outcomes. Such a framework will also allow managers to have a more realistic understanding of and strategic approach to capacity strengthening and participatory development.

In order to involve Task Managers and country teams in an in-depth discussion of NGO-Bank partnerships, it is necessary, as a first step, to raise awareness Bank-wide on what it means and what it entails to build effective partnerships. This would include a discussion of the capacity of all partners involved -- Bank, government, civil society organizations -- to engage in effective partnerships. The NGO Unit has started a process that would include organizing a series of workshops, the purpose of which would be to raise awareness within the Bank and also to develop some form of generic guidelines on building effective partnerships. This process, it is hoped, would significantly move forward the dialogue on capacity building of southern NGO partners, within the Bank.

A database that is being developed will capture levels of stakeholder participation (from no participation to stakeholder involvement and empowerment) in projects - called the ESSD Core Database. This mechanism should be designed so that it also specifically captures levels of NGO and CBO involvement in the project from design through implementation and monitoring and evaluation. This will provide a means of systematically tracking civil society participation through out the life of the project.

The Project Concept and the Project Appraisal Documents (PAD) include components that summarizes the major social issues faced by the project, both during preparation and implementation. The PAD specifically assesses the borrower’s commitment and capacity to carry out actions required to mitigate social risks and any negative social impacts. It also indicates needs for technical assistance and training. These documents if modified to include a discussion on NGO/CBO involvement, capacity strengthening interventions, and funding allocated for this purpose would provide valuable data on the extent and depth of NGO involvement in projects. It would also provide a mechanism through which these activities will be monitored and tracked during mid-term review and the final evaluation of the project.
As such, it will be possible to estimate to what degree project quality can be attributed to NGO involvement and the capacity strengthening activities included in the project.

Notes
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Nepal Rural Water and Sanitation Project

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World Bank Illustrative Case 1
Partnering Local NGOs with International NGOs
to Build Capacity -
The Benin Food Security Project

The project costing US$ 9.7 million is designed to help the Government of Benin improve the food security and nutrition standards of the most vulnerable populations of the country. It was established during the pilot project that NGOs have a clear comparative advantage compared to government structures in targeting assistance to local communities and facilitating their participation. As such, it was decided that selected international and national NGOs would help vulnerable groups design and implement micro-projects. While there were only 6 NGOs involved during the pilot phase of the project, today there are some 26 NGOs implementing project activities.

According to the Task Manager of the Project, capacity building is being done to "strengthen the ability of NGOs to carry out project related tasks". Selected NGOs (based on track record and ties to the community) are trained in project identification and design, implementation of micro-projects, and financial management. The project, through its Management and Monitoring Unit (MMU), sponsors a two week seminar annually which brings together all participating NGOs to review constraints and organize specific training sessions on micro-project management, financial management, administrative procedures etc.

In addition, qualified NGO field staff are trained at the National University of Benin in community nutrition interventions -- assessment techniques on the impact of poor nutrition and poor health on work productivity, comparative impact of alternate strategies to reduce malnutrition, cost effectiveness in the reduction of mineral and vitamin deficiencies, use of nutrition surveillance for intervention design and nutrition planning. The training is decentralized and includes practical field experience, visits to project areas by professors and invited academics from neighboring countries as well as discussions and observations of village groups.

One of the most unique features of this project in terms of capacity building for NGOs is its approach to NGO partnering.
After the two year pilot study, NGOs were brought together with government and donors at a workshop to design the new project. At this workshop, it was decided that in order to facilitate technology transfer and exchange of information, international NGOs would be required to join joint ventures with national NGOs to promote the emergence of experienced local NGOs. Furthermore, considerable efforts would be devoted by each NGO to strengthen the capacity of rural CBOs in managing the technical and financial aspects of the operations to be promoted. In the eligibility criteria described in the implementation manual, it states that only international NGOs that “accept to enter into ‘joint ventures’ with national NGOs or Development Associations to ensure continuity and sustainability” would participate in the project. In addition to sustainability of the project, partnering of NGOs strengthens both the national and international NGO. For example, it was found during the pilot phase, while local NGOs have more intimate knowledge of communities, they do not necessarily engage communities in a participatory way; some lacked human or financial resources to elaborate sound proposals. On the other hand, more participatory and financially secure international NGOs did not necessarily have intimate knowledge of target communities.
World Bank Illustrative Case 2
A New Model for Funding NGO Capacity Building
- The Palestinian NGO Project

NGOs have played an essential part in delivering economic and social services in the West Bank and Gaza, and in developing democratic institutions in Palestinian society. Over the past six years, however, funding for Palestinian NGOs has deteriorated dramatically, partly as a result of the Gulf War, and partly as donors have shifted their support to the emergent problems of the Palestinian Authority. So steep is the decline, in fact, that many NGOs are unable to continue vital services to the poor and marginalized, or to play their full part in enriching the quality of Palestinian civil society. With the poorer Palestinians facing increasing hardship over the past three years as a result of successive border closures and record levels of unemployment, there is an urgent need to revive NGO capacity to provide a social safety net and to help create economic opportunity.

The Palestinian NGO Project became effective on July 12, 1997. The project, the first of its kind, is being funded through a US$10 million grant from the Bank West Bank and Gaza department and through co-financing from Saudi Arabia ($2.5 million) and Italy ($2 million). The project will provide grants to deliver services to the poor and marginalized in Palestinian society, using NGOs as the delivery mechanism; improve the institutional capacities of NGOs receiving grants under the project; and support efforts by the Palestinian Authority and the Palestinian NGO sector to strengthen their working relationship, including support for the development of a positive legal framework.

The project is being implemented by a Project Management Unit (PMO) selected by the Bank through an international competitive bidding process. The Welfare Association Consortium (the Welfare Association -- a Palestinian NGO based in Geneva, the British Council and Charities Aid Foundation) was selected as the PMO. As a first step, the PMO will prepare an Operational Manual in close consultation with the NGO community and the PA.

Approximately $10 million is earmarked for NGO development grants which will form the core of the
Palestinian NGO project. Most of the development grants will be given for direct project implementation. They will also be the principle vehicle for strengthening the professional and technical capacities of the NGO sector. Transparent and competitive grant application procedures have been established, and hands-on assistance will be provided to grant recipient NGOs by the PMO throughout the grant cycle. It is expected that this process will help grant recipients improve their ability to attract other sources of funds. In addition, specific capacity building grants would be used to equip NGOs with improved managerial and community interaction skills. The types of interventions used will be determined by the PMO in consultation with NGOs and the PA, and based on its own assessment of needs.

An interesting approach to NGO capacity building adopted by the project is the NGO block grant, a number of which are expected to be awarded. Block grants would be made to experienced and professional NGOs, specifically for on-granting to smaller or newer organizations. It is hoped that a small NGO which would initially be part of a block grant would over time and with targeted capacity strengthening interventions "graduate" to an implementation grant and then to manager of a block grant.

The project will also serve as a vehicle for helping NGOs and PA to improve their working relationship. A key aspect of this relationship is the legislative framework governing NGO operations. The Bank has retained the service of the International Center for Not-for-Profit Law (INCA) to provide advice on the NGO law. In 1996, ICNL provided support to a workshop financed by the Bank in which PA and NGO representatives discussed NGO legal issues. Under the project, the Bank will continue to work with the PA and NGOs to facilitate drafting of a law which would eventually be sent to the Palestinian Council for ratification. A sum of up to $0.2 million has been set aside for work on legal issues.

The Palestinian NGO project was designed to specifically suit the unique challenges of the political and social situation of West Bank and Gaza. The Project is still in its start up phase and its success and effectiveness cannot be judged as yet, however, it provides for the Bank a new and innovative model for involving NGOs as partners in development.
Bilaterals
Capacity Building of Southern NGOs 
- The Experience of DFID  
(Department for International Development) of the UK

Background

Until the April 1997 elections, the UK foreign aid program was carried out by the Overseas Development Administration (ODA) which was a part of the Foreign and Commonwealth Office. Since the new Government was formed, DFID has become an independent organization under a Secretary of State for International Development. Its offices (based in London and East Kilbride) have certain functions, but its main work is carried out through decentralized Development Divisions (of which there are six throughout the world). These are regional divisions of DFID which have a complement of specialized advisers responding to the development agenda of DFID - balanced by a local knowledge of and interest in that region of the world. There is no Development Division in Latin America, or in the ex Soviet Union. DFID’s principal aim “is to contribute to the elimination of poverty in poorer countries, and, working with development partners, to enable poor people to realize their rights to human development and achieve sustained improvement in their living standards” (I)

A. Understanding of Capacity Building of SNGOs

1. DFID’s Work with NGOs - Until the early 90s ODA collaboration with NGOs was largely based on supporting British NGOs which, in turn, worked with Southern NGOs. This work was and is administered by the NGO Unit and comprises the Joint Funding Scheme, the support of British Volunteer sending organizations, and a variety of smaller specialized operations of British NGOs. Increasingly the various Development Divisions are also funding both NNGOs and SNGOs directly in the countries and regions where they are situated, but this way of working is still in a formative stage. Within the Development Divisions it is usually the Social Development Advisers who take the lead role in contacts with southern NGOs, although other parts of DFID (e.g. BASE - British Aid to Small Enterprises) as well as other specialist advisers (e.g. in health, good governance, gender) also play a role. The terminology of DFID is usually “NGOs"
(and this has to be then disaggregated into British and Southern NGOs) and “CBOs”. Civil Society Organizations (CSOs) is usually reserved for NGOs particularly working in fields of good governance and in contrast to “service delivery NGOs”. The NGO Unit says “providing support to NGOs is one means of achieving (DFID’s) aim because they have direct access to poor communities through networks outside the more conventional government to government channels”.

2. Definition of Capacity Building - DFID has no formal definition of capacity building nor any specific guidelines about its promotion or implementation. The terms “capacity building”, “institutional strengthening”, “capacity support” and “capacity strengthening” are used in different documents. At the present (January 1997) DFID Social Development Division has commissioned a position paper on “capacity building” from the University of Edinburgh Social Development Resource Center. It is anticipated that this paper will lead to Guidelines and a clearer understanding within DFID about capacity building of SNGOs. All documents and staff interviewed point out that DFID is “funding an increasing number of activities concerned to support capacity building of NGOs and CBOs in partner countries and regions” (2). The Edinburgh paper uses the following working definition of “capacity building” which it takes from the World Bank: “capacity building is investment in human capital, institutions and practice”.

3. Rationale for Supporting Capacity Building - ODA (the precursor to DFID) commissioned the UK research organization the Overseas Development Institute (ODI) in 1995 to review the experiences of donors in collaborating with SNGOs and to produce guidelines for ODA on working with SNGOs. The study suggested that ODA and SNGOs are “concerned to represent before the state the concerns of the poor, women, the environment, and other interests consistent with ODA objectives: concerned to promote participatory socio-economic development among these groups: concerned to develop small enterprises and economic activities among the poor” (3) It goes on to say that “ODA can therefore work with and seek to strengthen these organizations as part of its broader objectives to promote good responsive government, to promote participatory development, to meet the concerns of the poor and women, and to develop the small enterprise sector” (3) The new White Paper “Eliminating World Poverty” produced by the new
Government, does not contradict this, although it puts it within the context of British agencies - “We have agreed to discuss with them (the Joint Funding Scheme and the Volunteer Programme) how to re-orient these arrangements in the light of our new policies, in particular with the objective of strengthening capacity within developing country non-governmental organizations” (4). One of DFID’s own papers, reviewing actual practice in East Africa, clarifies things further: “At the moment the decision to fund capacity building projects involves an implicit assumption that capacity building will have a greater effect per unit of funding than directly funding projects that are more directly engaged with the poor. (Or at least a gamble that it may have more effect per unit of funding. Otherwise there would be no justification for not concentrating funding on service delivery projects where results will be more visible. Unless capacity building was serving another goal more important than poverty reduction.” (5)

4. Trends in thinking about Capacity Building - in its work through British NGOs the Joint Funding Scheme has received many proposals for funding activities of S NGOs which involves CB completely or partly (examples are in the attached Illustrative Cases). The Joint Funding Scheme says not only that the incidence of such proposals is increasing, but that they also assess all proposals coming to them to make sure that the proposers have assessed S NGO capacity as part of the proposal preparation process (and if they have not, send it back to them for such preparatory work to be done). The 1996 annual meeting between DFID and BOND (British Overseas NGOs in Development - the “chamber of commerce” of British NGOs working in development) moreover, was called “Institutional Strengthening of Southern NGOs - what roles for Northern NGOs”.

5. In its work with NGOs through direct funding from the regional Development Divisions, DFID has funded an increasing number of capacity building activities, pioneering this work in Nepal, Malawi (see DFID Illustrative Case 2), and, most importantly, East Africa. The British Development Division East Africa Direct Funding Initiative (BDDEA-DFI) has pioneered and written up a great deal on this subject. A lot of thinking is going on to work out whether CB should be an end in itself (better civil society organizations) or a means to an end (better delivery of development benefits to the poor). Some staff interviewed felt that the interest in CB was born
from the re-orientation of the work of ODA (and many other agencies) towards good governance and the promotion of civil society in the aftermath of the fall of communism - although they feel it has now also embraced service delivery organizations.

6. If we take BDDEA-DFI as the innovator and perhaps precursor of many of the ways in which DFID handles/will handle capacity building of SNGOs, it is useful to read the statement in their Guidelines for NGOs which says “BDDEA makes no distinction between local/indigenous and international NGOs, both of which have a role to play in the delivery of ODA’s aid programmes in East Africa. However, it is the intention that as knowledge of and relationships with indigenous NGOs develop, funding allocations will increasingly focus on them.”

7. How Capacity Building is handled within the organization - On the one hand the Joint Funding Scheme (JFS) is sympathetic to well designed proposals from British NGOs for capacity building of SNGOs, particularly if it is clear that this proposal heavily involves the input of the SNGO concerned. The NGO Unit also responds sympathetically to capacity building work by other British CSOs (e.g. trade unions). There are no guidelines, however, for administrators or applicants to the JFS on capacity building of SNGOs, and what the JFS is prepared to fund, apart from saying that it is not prepared to fund “core costs”. The Guidelines for JFS are admitted as being out of date and are about to be revised: staff suggested that much would change soon. When capacity building is funded through the JFS, the CB activities are usually carried out by the NNGO, by local Support Organizations, or by local consultants - depending on the case put forward by the NNGO.

8. The other big funding source for capacity building is the set of Development Divisions, using bilateral funds. Organizationally there are as yet no guidelines regarding capacity building interventions, and each Development Division decides on support to such work based on their own analysis. The BDDEA is the only one which has brought out guidelines for itself, and for the NGOs who apply (6). The ODI study of 1995 emphasized the need for an individual approach: “Any programme to support SNGOs must be based on a clear sense of why SNGOs are to be supported in the country in questions, a detailed understanding of the
nature, capacities and needs of the NGO sector in that country, and a local capacity to identify, support, administer and monitor programmes.” In East Africa, the BDDEA-DFI has produced a new cadre of local staff, the NGO Liaison Officer, in order to help it handle this kind of work. The funding which comes from the Bilateral commitment to the country can be passed directly to a local NGO or can be handled through a British NGO - the choice is often dependent on the attitude of the national government to NGOs. Working through British NGOs seems the preferred way of working with small local NGOs - a good example is the grant to Action Aid, Kenya for their capacity building work with 30 local NGOs. One of the recommendations of the review of the BDDEA’s work is that “Developing capacity of indigenous NGOs as stand alone institutional development projects is an essential component of the programme, but all direct poverty projects should also have a capacity building element”.

9. Finally there are a number of other units within DFID which have funds that they can use for capacity building if they so decide to use them - Gender, BASE British Assistance to Small Enterprises, Environment, Government and Institutional Development, Disasters, etc.

10. DFID uses a Policy Information Marker System (called PIMS) as a management information and operational tool. There are PIMS markers covering the most important policy areas for which information is required both internally within ODA and for external reporting. There is, for instance, a marker for projects concerned with “Good Government” but no marker for those concerned with “Capacity Building”, and thus there is no easy way for DFID to ascertain, organization wide, how the subject of capacity building is handled.

B. Identification of Capacity Building Needs

11. Capacity Assessment - There is no one tool to allow DFID, through the work of any of its different units, to assess the capacity of a particular organization, and thus identify what particular elements of capacity in that organization need to be strengthened. A lot of emphasis is placed on the competence of the staff of DFID (or its contracted consulting organizations) to ask the right questions, and ascertain the capacity problems of an organization. In the case of the Joint Funding Scheme, this is done by the University of Edinburgh Social Development Resource Center who vet proposals: and
in the case of the Development Divisions, this is done by the Social Development Advisers stationed there. DFID recognizes that some of its grantees have been developing experience in this field (e.g. INTRAC, working with Concern International in Malawi to build capacity in Malawian NGOs - see DFID Illustrative Case 2, and ActionAid working with NGO in Kenya), but these working practices have not been accepted into DFID as yet.

12. Capacity building needs - the needs that seem to be regularly identified for capacity building projects funded by DFID seem to be planning, monitoring, and evaluation skills, skills in involving the NGO's constituency in its work, skills in financial and organizational management, and skills in advocacy. The need for organizations to for develop visions and missions do not seem to be identified as a priority, nor the need to improve the environment within which NGOs work, or the need to build links between the NGOs and other sectors of society.

C. Capacity Building of SNGOs:

13. Approaches Employed - DFID works through the provision of technical assistance (via British NGOs and volunteers), through funding to both NNGOs and SNGOs (which can be used for the SNGO to “buy” expertise from Southern Support organizations, for the SNGO to buy expertise from the NNGO, or for the NNGOs own capacity building work), and through training, usually at Southern training centers, or through customized training courses designed and implemented in the South.

14. Priority areas of intervention - DFID insists that all SNGO projects that it funds, including those wholly or in part concerned with capacity building, think through and present a Logical Framework Analysis (logframe) which has been constructed in collaboration with the main stakeholders (usually the final beneficiaries of the project). This is in keeping with DFID’s emphasis on good participatory practices, and good planning (which, through the logframe, will also lead to good monitoring and evaluation of impact). The survey of the Direct Funding Initiative in East Africa found that most NGOs interviewed did not find this an imposition, but welcomed its disciplined structure, and DFID generally believes that participatory planning is a fundamentally important feature of NGO capacity building. DFID is quite prepared to help NGOs learn how to go through the log
framing process as a first step in building capacity.

15. There is a lot of emphasis in DFID in dealing with each organization's needs separately, and a corresponding lack of emphasis on common features or themes for DFID as a whole. Even Development Divisions (which deal with regions) emphasize that NGOs in each country's needs are different, and each NGO will need different areas of intervention.

16. CBOs or NGOs - there is a certain amount of scepticism within DFID about the claims that SNGOs make for themselves in their work which cannot always be verified. Based upon past research carried out by the ODI in 1995, DFID is aware that few NGOs can demonstrate the impact that their work has had in reducing poverty or improving the situation of the poor sustainably. This has led them to emphasize the need for SNGOs to have close and clear relations with their constituencies or beneficiaries (and to make this one of the capacities that needs to be strengthened if it is not there). This has also led them to seek possibilities of working directly with CBOs or other kinds of membership organizations (e.g. workplace associations) where they can be sure of greater beneficiary involvement in the project.

17. Activities to promote alternative/innovative fund-raising - while the ODI Study and Suggested Guidelines have identified support to enhance NGOs' financial independence as one of five broadly important types of support, DFID has not, to date, supported many NGOs in this way.

18. Organizational capacity - As mentioned before DFID feels that helping NGOs at the project identification and planning stage is one of the most useful things that it can do, since several evaluations and studies of ODA have isolated this as one of the key weaknesses of NGOs. Further the ODI study suggests that strategic planning - particularly planning and managing growth so that it does not undermine NGOs’ cohesion and values is important. Further priority aspects of organizational capacity are improving SNGOs’ relations with popular and grass roots organizations and human capacity building support even before projects with them are funded. The language of DFID rarely, however, emphasizes the organization - it is much more geared to a project, and capacity building is usually argued as being required for the success of project rather than the institutional growth of the
19. Advocacy support - in the DFID literature advocacy work is identified frequently as one of the strengths of the Northern NGOs, rather than those in the South - although it is sometimes referred to as a key requirement for civic organizations which are working in the field of democracy and governance. To date it does not seem to be an activity that DFID to which DFID has given much support.

20. NGO coordination - cautious support is provided by DFID to capacity building work which results in NGO networks, particularly those which are sector specific. The onus is on the project to prove that the network has actually led to the strengthening of the NGO sector, or the strengthening of members of the network. Networks as an end in themselves, or as a means of strengthening civil society, do not seem to be supported.

21. Enabling environment - DFID is aware of the problems that programming through NGOs raises when the Government is not supportive of NGOs in general, and the ODI study talks of ways in ODA would be able to use its constructive relationship with a government as a means for nurturing policy reforms that favor NGO operations. In the past, however, this has not often been the case. While ODA was subordinate to the Foreign and Commonwealth Office, there was no great pressure from the diplomats to lobby on behalf of the NGO sector. On the contrary NGOs were (and are) seen by them as potential trouble makers in Britain’s bilateral relations. Now that DFID is independent of the Foreign Office it is more likely that it will pay more attention to using its good offices to encourage a better environment for NGO growth. The White Paper also talks of working through NGOs and other organizations of civil society “where Government to Government partnership is impossible”. It is important to note, however, that the White Paper has elevated the importance of working through and with Governments, and lowered the importance of the civil society sector in development.

22. Strengths and comparative advantages - DFID is not constrained by rigid guidelines or criteria - its guidelines are flexible and its staff have a menu of choices that they can make. DFID also has a huge amount of pertinent experience from its involvement with NNGOs through 20 years of the organization.
Joint Funding Scheme on the one hand, and from its expertise in comparable fields with Government on the other (e.g. there is a Government and Institutional Development Dept. In DFID which should be helpful in institutional development work: it has, however, had little involvement with NGOs to date). The Development Divisions have the help of an increasing number of Social Development Advisers who have a great deal of experience in NGO work (often coming from an NGO background) and are pushing for more work on SNGO capacity building. Furthermore the new white paper has given a clear push towards the building of mutually satisfactory “partnership” relations in which relationships of trust with NGOs will be built up.

23. Perceived weaknesses and constraints - In the past the heavy hand of the political arm of the government has been a constraint on ODA’s ability to work with NGOs, and build their capacity. That is now over. A limiting factor has been that DFID’s understanding of SNGOs has been formed through the “lens” of Northern NGOs, and there has not been a long history or experience of working directly with them. What capacity building programs exist are for the most part new and experimental (in the sense that they have rarely been going on long enough to be thoroughly evaluated) and there has not been clear organization wide signals about how DFID funding can be best used with NGOs for capacity building or how existing practice might be mainstreamed into the organization. DFID is said to be in a “learning mode” as regards capacity building with many important policy issues being discussed at present.

A particular constraint on DFID’s ability to work with CBOs is that such organizations would be unlikely to be able to participate in a log framing exercise - particularly if they were illiterate.

D. Lessons Learned

24. Evaluating success - DFID is very engaged in thinking about how capacity building can be evaluated and its impact assessed. There are no guidelines on this yet but considerable thought is being given to the difference between ends and means in SNGO capacity building, and to the mutual advantages of service delivery and civil society promotion activities both for SNGOs and for DFID.
25. **Factors contributing to successful capacity building** - DFID is keen for its officers to be clear what the NGO is seeking to deliver and then ascertaining what capacities it needs to do that. DFID strongly emphasizes that capacity building is organization (and project) specific, and not anything that lends itself to generic activities, or DFID wide applications. DFID also emphasizes the necessity of trust and local autonomy for capacity building programs. It contrasts the old rhetoric which some in ODA were guilty of - that of “using” an NGO for an ODA project, with the new rhetoric of “partnership”.

26. **Future trends** - the future of projects and programs in capacity building of SNGOs at DFID is that there will be more of them, and that the whole subject will be more closely examined, considered, assessed and encouraged to try and find ways of working that fit both DFID’s and the local NGOs’ agendas.

**Notes:**
1. NGO Unit
2. Terms of Reference for Position paper, Social Development Division, 1997
3. Developing Country NGOs and Donor Governments - Suggested Guidelines for ODA Practice - Riddell and Bebbington, ODI.1995
5. A review of the BDDEA Direct Funding Initiative - developing partnerships with NGOs in Kenya, Uganda and Tanzania - Davies, Russell,& Maxwell, 1996.
6. ODA/BDDEA: Guidelines on NGO Project Monitoring, Reporting and Reviews, Jan 97
   ODA/BDDEA: Guidelines on NGO Project Submissions
   ODA/BDDEA: Direct Funding Initiative - Guidelines for NGOs
7. The Direct Funding of NGOs: the BDDEA Experience. Sept 96

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DFID Illustrative Case 1: 
A consortium of UK NGOs providing organizational development skills for African NGOs.

In 1993 a consortium of British NGOs which had ongoing relations with African NGOs proposed to ODA that it funded them for 5 years to provide organization development training to these NGOs partners from throughout Africa so that “they would enhance their potential to make a valuable contribution to the development effort, and to enable them to fulfil their potential to contribute to the development of an active and organized civil society.” The consortium, operating through a lead British NGO agency, budgeted the project at UKP 2.5m of which they received half from ODA.

The project had six main outputs:
1. Enhanced capacity of 300-400 NGO staff per year from 40-50 local NGOs in management & administration through participation in training courses with emphasis on reaching and attracting women managers. The capacity needs were to be identified through a capacity assessment instrument, and courses so tailored.
2. The development and establishment in country of an effective strategic management training course
3. The development and deployment of an effective questionnaire which will measure the link between organizational development and training
4. The enhanced capacity of the Consortium and partner NGOs to identify training needs in the context of organizational development needs
5. The publication of an inventory of training options giving information on quality, appropriateness and availability
6. The objective measurement of the degree to which
By 1996 it had been underway for 3 years and was presenting itself as having three linked objectives:

1. Developing the management capacity of the partner NGOs: aiming to help managers think strategically, manage change, and learn key management skills
2. Developing local support structures, materials, and models so that the programme could be replicated
3. Researching its work, and involving partners and consortium members in a debate concerning organizational strengthening of NGOs.

Partner NGOs on the programmes receive support in developing plans for organizational strengthening, grants to carry out the plans, and also additional support in implementing plans. The program works with local training organizations to support the programme and with researchers to look at impact.

A mid term evaluation was undertaken in 1996 which was generally supportive of the work, noted that it was working with 29 NGOs in 9 countries in Africa ranging from national Church structures to small CBOs, but noted the following flaws:

1. The inputs to the program are not linked to the enhancement of an NGO’s performance
2. NGOs organizational strengthening plans looked inward rather than outward
3. Locally available training is variable - sometimes too weak.
4. The NGOs are too diverse in size and too geographically scattered.
5. ODA has not fostered interaction with other similar programmes.

The program developed ways of measuring 3 levels of impact of its organizational strengthening and this process is ongoing and is being refined.
DFID Illustrative Case 2: Midwiving a Malawian OD Organization from a UK NGO

The Development Division for Central Africa, based in Harare, provided UKP 1.7 million over 5 years to a British NGO, Concern Universal for a project which involved that organization opening up an OD Consultancy service called CABUNGO (with the aim of that unit finally becoming a separate NGO), a British consultancy organization skilled in capacity building (INTRAC) helping to design materials and train trainers, a Malawian apex organization, CONGOMA, and the setting up of a training fund for OD service providers.

The Development Division initiated this project when, in response to a request by the Minister of Finance of Malawi to help Malawian NGOs, ODA contracted INTRAC, a British NGO, to identify appropriate areas for ODA intervention in support of Malawi NGOs. The research of INTRAC revealed the lack of capacity of local NGOs and the need for training in the areas of Governance, operations and management, human and financial resource management, and service delivery. A second study by INTRAC indicated that there was a dearth of OD raining and consultancy organizations geared to the NGO sector, so that such resources needed to be established, trained and then employed. It was difficult to identify the most appropriate host organization for such a grant and for such a function, but the decision was made to decouple these two activities, so that one Northern NGO handled the grant and midwived an OD training and consultancy unit within it, with the intention that it would become an independent capacity building support organization to the Malawian NGOs after 2 years of the project.

The project underwent a long and thorough consultation process with key stakeholders who also helped to prepare the draft project logical framework. Not all issues were clarified before the project was agreed, and some were left to be resolved during the one year inception phase e.g.

- Making sure that mechanisms for accessing project benefits were transparent and acceptable to CONGOMA members
- Making sure that NGOs with no track record but with potential to be effective organizations could access project benefits
- Making sure that resources were not concentrated on a few organizations which might already be getting OD support from
elsewhere.

The project started in January 1997 and has not yet received any evaluation, but the following risks were noted:

- Malawi is talking about an NGO law which may affect the freedom of NGOs.
- The Ministry of Women, Children, and Community Services is enrolled on the Project Selection committee, but has no other function.

- Malawian NGOs may not be interested in the services offered by the project because it does not fund activities. The value of OD will have to be “sold” to prospective NGOs.

One of the lessons that is being learnt in this project is the difficulty of employing highly priced expatriates alongside locally paid Malawian workers on a project of building capacity. This has caused some tension.
A. Understanding of Capacity Building

1. Definition of capacity building - While terms such as human resource development, institutional development and organizational strengthening are still used at CIDA, the most commonly employed term is capacity development, which is broadly understood to subsume these other themes. There is no one official definition of capacity development at CIDA but several working definitions which have been developed or adopted by different divisions within the organization. A paper commissioned by CIDA’s Policy Branch, for example, defines capacity development as “a process by which individuals, groups, institutions, organizations and societies enhance their abilities to identify and meet development challenges in a sustainable manner”. [1] The Partnership Branch of CIDA has adopted a definition which describes capacity development as “the process by which individuals, institutions and societies increase their abilities to perform core functions, solve problems, define and achieve objectives and understand and deal with their development needs in a broad context and in a sustainable manner”. [2] In addition, several CIDA staff members referred to IDRC’s 1995 publication, Institutional Assessment: A Framework for Strengthening Organizational Capacity for IDRC’s Research Partners, which defines capacity strengthening as, “an ongoing process by which people and systems, operating within dynamic contexts, learn to develop and implement strategies in pursuit of their objectives for increased performance in a sustainable way.” [3] These various definitions reflect the multiple streams of thought and action which co-exist within CIDA at the current time.

2. Rationale for supporting capacity building - Long-time staff members confirmed that capacity building (or capacity development) is not a new concept at CIDA where, in one form or another, it has been emphasized for over 25 years. In current vocabulary, capacity development is viewed as an inherent and essential aspect of sustainable development. The more recent emphasis on capacity development of SNGOs, is seen as being closely linked to goals of community empowerment, democratization and good governance. Examples of civil society capacity building programs directly
linked to democracy/governance-related objectives include the Democratic Development Fund for Nigeria, Sierra Leone and the Gambia (which aims to contribute to the promotion of democracy in these countries by providing small grants for information dissemination, workshops, networking activities, etc. to advocacy NGOs and human rights groups) and the Support to Civil Society Program in Ivory Coast (which provided training and capacity building support to a womens' rights association, journalists' union, democratic studies institute and groups of political observers and polling officers leading up to the elections of 1996).

3. Trends in thinking about capacity building - While CIDA still focuses most of its capacity development efforts on government, growing attention to the capacity building needs of civil society has been an important trend over the past decade. While CIDA continues to concentrate on organization-level, performance and management-related aspects of capacity development, more emphasis is slowly being placed on broader "systems-level" aspects of capacity development and a wider array of organizational-level issues such as legitimacy and constituency links. One staff member indicated that an additional evolution over recent years has been an increasing recognition of the arrogance (of both CIDA and Canadian NGOs) in assuming that they have the expertise and know-how required to build the capacity of SNGOs. He noted that cases such as the Philippines (where, in the context of a capacity development program, many local NGOs proved to be stronger and better organized than their Canadian counterparts) or the more recent example of El Salvador (where a majority of local NGOs that received small grants to work on institutional strengthening selected private sector firms as support providers rather than their long-term NGO partners) serve to remind us that we need to take a humble and "mutual learning" approach to capacity development.

4. How capacity building is handled in the organization - CIDA views capacity development as a "way of working" rather than a "program". In this sense, it is a theme which cuts across the organization as a whole. While the capacity development of SNGOs can take place within any CIDA program, staff estimate that a majority of SNGO development capacity initiatives are undertaken in the context of projects and programs implemented by Canadian NGO
partners. A primary objective of the NGO Division of CIDA's Partnership Branch is “to support NGO programming that contributes to the reduction of poverty in a sustainable manner, giving priority to programs which also strengthen developing country organizations and civil society”.[4] Approximately two years ago, an internal Capacity Development Network was established by CIDA staff. This network (made up of approximately 20 staff from the Policy Branch, Partnership Branch and operational departments) meets once or twice a month to discuss a wide variety of issues related to capacity development, some of which are subsequently written up as brief technical notes.

5. Funding for capacity building activities - Sources of funding for capacity development initiatives include: bilateral programs, "IPF" funds channeled through Canadian NGOs, in-country counterpart parts (such as the Peru-Canada fund) and the Canada Fund (a relatively small amount of money which is managed by field offices and disbursed in the form of small grants to local organizations which could not otherwise be reached through core CIDA programs).

6. Trends in importance - Because capacity development activities are not necessarily outlined in project documentation, it is difficult to judge what percentage of CIDA projects/programs have capacity development components and whether or not emphasis on such activities is on the increase. Despite this lack of data, all staff members interviewed confirmed that growing importance and attention have been (and continue to be) attributed to the theme of SNGO capacity development and that actions to further enhance initiatives in this area are ongoing. One example of current efforts to promote the mainstreaming of capacity development into CIDA's core programmes is a paper recently commissioned by the Policy Branch, entitled Capacity Development from Concepts to Operations, which aims to act an analytical guide for designing projects from a capacity development perspective and suggests questions that CIDA project officers may wish to consider when assessing cooperation project/program designs (Taschereau, 1997, pp. 2-5).

B. Identification of Capacity Building Needs

7. Capacity assessment - In a paper commissioned by CIDA's Policy Branch, capacity assessment is defined as “the
ongoing analysis, both formal and informal, of the performance levels and potential abilities of development actors as they carry out their functions”. (Morgan, P. and S. Taschereau, 1996, p. 2) This paper goes on to outline a generic framework for capacity and institutional assessment which includes an analysis of: (I) external factors (at the international, national and community levels) which impact capacity development, and; (ii) the existing level of capacity and performance within an individual organization. Another approach for assessing organizational capacity, referred to in CIDA documents and by staff, is that proposed in IDRC's 1995 publication on institutional assessment which identifies four major areas of assessment including: the organization's environment, motivation, capacity and performance. (See Figure on next page). Additional materials (including Terms of Reference for Institutional Assessment and a Guide for Conducting Institutional Assessments) have been produced by CIDA's Partnership Branch as a methodology for the institutional assessments of Canadian NGO partners which are undertaken once every three years. (CIDA does not require, however, institutional assessments of Southern partners.)

8. CIDA makes use of a number of different tools and methodologies for capacity assessment and recommends against the "across the board" use of any one approach. A technical note disseminated by the Partnership Branch emphasizes that, "since organizations are guided by norms and values that are often unique to the institution...the identification of variables and diagnostic tools to assess organizational performance must reflect the specific context and characteristics of the selected organization".[5] The importance of the S organizations own commitment to and ownership over the capacity assessment and development process is also emphasized.

C. Capacity Building of SNGOs

9. Approaches employed - A mentioned above, a majority of SNGO capacity development activities are implemented by CIDA's Canadian NGO partners, through, for example: technical assistance (including a large number of NGO-managed volunteer sending programmes), support for (formal and informal) organizational assessments, staff training and support for innovative projects which promote "leaning by doing". CIDA believes that, "The quality of
partnership between outsiders and insiders is a critical element of the capacity development process" and seeks to promote "partnerships based on mutuality of interest, respect, sensitivity, flexibility and other sound operating principles" between Canadian NGOs and their Southern counterparts.

10. Approaches to capacity development employed by CIDA itself include, among others: informal institutional development advice/support by field advisors, support for training and networking activities, and funding for programs which promote inter-sectoral collaboration. CIDA does not normally provide core funding, though there are some exceptions to this general rule.

11. Priorities - Many of CIDA’s capacity development initiatives continue to focus on organization-level, performance-related aspects, with specific emphasis in the areas of: (i) management of financial and human resources; (ii) results based project management; (iii) financial sustainability (resource mobilization, fund-raising and income generation), and; (iv) technical/sectoral skills (in particular in areas such as gender, environment and human rights).

12. NGO management - Traditionally, many of CIDA’s capacity development initiatives has focused on enhancing the capability of individual NGOs to manage financial and human resources (with an emphasis on issues of accountability and reporting skills). More recently, CIDA has placed increased emphasis on project management skills, in particular promoting a results based management (RBM) approach. CIDA itself adopted a RBM approach in 1993 and believes that it can be an effective tool for capacity development (due to more clearly defined beneficiaries, improved needs assessment, more realistic time frames and improved M&E). Since 1994, CIDA’s Partnership Branch has requested that program submissions and reports from its Canadian NGO partners be "results-oriented". In turn, many Canadian NGOs have encouraged and assisted their Southern partners in employing results based approaches (through workshops, the development of materials, one-on-one advice at the field level, etc.)

13. Resource mobilization - CIDA recognizes resource mobilization as one of the principal preoccupations of SNGOs
and, to this end, has supported the creation of numerous in-country funds which make small grants to local NGOs for project and capacity development activities (for example, the Canada Fund and numerous "counterpart funds" mentioned above). In a smaller number of cases, CIDA has supported efforts on the part of individual Southern organizations to enhance their financial sustainability through income-generation activities or other alternative financing schemes. One particularly successful example of such a case is CIDA's support to PRODEM/BancoSol in Bolivia, through the Calmefadow Foundation (See CIDA Illustrative Case 1)).

14. Promoting cross-sectoral dialogue and collaboration - In the Middle East, CIDA supports a Dialogue Fund which, as its name implies, focuses on bringing together different actors (in particular, representatives from government and civil society) to discuss (through conferences, workshops and consultations) issues of mutual concern and, in some cases, to explore opportunities for collaboration. CIDA continues to place increased emphasis on the benefits of cross-sectoral collaboration and, in a number of its bilateral and other programs, supports such initiatives.

15. NGO networking/cooperation - The Programme de Renforcement de la Societe Civile au Sahel (funded by CIDA and managed by Solidarite Canada-Sahel) works through national umbrella organizations in Mali, Burkina Faso and Niger to twin Canadian NGOs with local NGOs interested in pursuing capacity development programs. In addition to supporting the organizational development of twelve local NGOs in this way (through a process involving a full organizational diagnostic and the use of a variety of techniques to respond to specific needs), the program also provided core support to the umbrella organizations in each country, created a small grant fund to promote "learning by doing", supported the formation of cross-sectoral working groups (around themes such as desertification, democracy and gender) and supported networking at the regional and international levels (by organizing workshops and conferences and supporting the participation of Sahelian NGOs in the RIOD - Resseau International d'ONG sur la Desertification). Another large-scale initiative (funded by CIDA and implemented by a consortia of Canadian NGOs) which contributed to networking and coordination among
NGOs was the Philippines-Canada Human Resource Development Program (see CIDA Illustrative Case 2).

16. Promoting an enabling environment - While CIDA’s efforts to work with governments in supporting an enabling environment for NGOs have been limited, some individual programs have had considerable success in this field and several staff members expressed the hope that CIDA would enhance its activities in the area in future. In Zimbabwe, for example, a Cooperative Housing Program (financed by CIDA and implemented by two Canadian NGOs - the Canadian Cooperative Association and Rooftops Canada) has sought to strengthen primary housing cooperatives by working with all major actors in the housing sector to enhance recognition of the benefits of a cooperative approach and to promote a legal and policy environment favourable to the creation of housing coops. In addition to providing targeted capacity building support to Housing People of Zimbabwe (a national cooperative housing resource organization) the program successfully advocated for legal acceptance of higher density housing, block land allocations to housing cooperative initiatives and new national and municipal policies facilitating cooperative registration and introducing more appropriate zoning regulations and building standards.

17. Strengths and comparative advantages - CIDA’s comparative strengths in the area of NGO capacity development were identified as:
* its strong working relations with Canadian NGOs (and efforts to encourage N-S NGO partnerships), and;
* its extensive experience in funding volunteer-sending (technical assistance) programs.

18. Perceived weaknesses and constraints - Weaknesses and constraints identified by CIDA staff include:
* continued pressure to produce and show results quickly;
* the fact that CIDA's mandate does not allow it to work easily directly with NGOs;
* despite ongoing work in this area, CIDA lacks a clear conceptual framework of capacity development;
* emphasis on deliverables and products results in an inherent bias against inputs and processes which may be critical to institutional and capacity development;
* the "softer" aspects of capacity development (values,
identity, fear, 
initiative, changing attitudes) are difficult to manage and measure, and; 
* CIDA is somewhat restricted in the financial mechanisms it can employ in promoting capacity development (for example, it is unable to make endowment grants due to Treasury Board restrictions).

D. Lessons Learned

19. Evaluating success - CIDA emphasizes the importance of participatory approaches in evaluating capacity development programs. A paper commissioned by CIDA’s Policy Branch, for example, maintains that "participatory evaluation not only enhances the quality of evaluation findings but also increases the capacity of project stakeholders". By directly involving participants’ in the analysis of their own progress, strengths and shortcomings, participatory evaluation is also believed to increase the likelihood that recommendations resulting from evaluations will be acted upon.

20. Capacity development is not systematically evaluated and, while CIDA programs have used a variety of evaluation techniques over the years, the institution continues to seek appropriate indicators for measuring the impact of capacity development activities. A recent paper on capacity development indicators states that, "To be useful, indicators for institutional and capacity development should be simple, provide "information for management action", be tied to incentives and information systems, be appropriate to the context and focus on both the short and long-term". The paper goes on to warn that, "Indicators must reflect the fact that some of the most important results of institutional and capacity development are process outcomes (e.g. strategies adopted, degree of participation by key stakeholders) rather than substantive. Simply focusing on substantive results can diminish the effectiveness of these types of programs". [8]

21. Factors contributing to successful capacity building - Factors identified by staff as contributing to successful capacity development include: 
* strong local ownership (organizations must be fully committed to, and ideally initiate, capacity development initiatives);
participatory approaches to design, implementation and evaluation, and;
* cross-sectoral approaches (which look beyond the individual organization level).

21. **Future trends** - In future, staff anticipated:
* a more active role for CIDA in working with governments to create an enabling environment for NGOs (in particular, based on its own experience of supporting Canadian NGOs while tolerating - and welcoming - continued policy dialogue and critical feedback);
* increased emphasis on a multi-sectoral, "systems" approach (which acknowledges the complex, multi-faceted nature of development problems and involves the participation of various actors and organizations to address issues at the macro, meso and micro levels), and;
* the development of a clearer conceptual framework and improved tools for designing and implementing capacity development initiatives.

**Notes**
9. Morgan, Peter, Institutional Development in Peru: A
Case Study of the Peru-Canada Fund, November 1994.

10. PCHRD Accountability Exposition: Executive Summary, p. 15-16.

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CIDA Illustrative Case 1: Helping create a sustainable bank for micro-credit - PRODEM and BancoSol in El Salvador

PRODEM (Fundacion para la Promocion y Desarrollo de la Microempresa) is a Bolivian NGO that was created with the mandate of finding ways to provide access to credit for Bolivia’s poor. In the early 1990s, members of PRODEM (including Accion International, a U.S.-based NGO and Calmeadow Foundation in Toronto) had the idea of creating a commercial bank aimed at the micro-credit market using the solidarity technology developed by PRODEM. By 1992, BancoSol was operational and is now among the most profitable banks in the country.

In 1989, CIDA provided a Can$ 4 million grant to the Calmeadow Foundation to assist PRODEM to diversify its services, develop new financial products, expand its clientele (to include micro-entrepreneurs from smaller urban centers and rural areas) and strengthen its own internal management and administration capacities. Specific project components included: support for the introduction of new systems within PRODEM and related staff training; the identification of new project sites; the design and implementation of new lending instruments, and; research/analysis on the impact of PRODEM's current lending programs. The project also included support to enhance BancoSol's information management, administrative and loan processing services (including the purchase of computers and staff training). Program activities related to institutional transition, new product sites and financial services development were implemented by PRODEM itself. Calmeadow's specific roles included technical advisory support, the organization of study visits (to learn from other micro-credit programs) and responsibility for implementation of the impact research component. A less formal role of Calmeadow was to transfer learning from this project to micro-lending schemes among disadvantaged populations in Canada.

This diversification of PRODEM's financial portfolio is seen as key to achieving financial and institutional sustainability. Once PRODEM has developed and tested new financial services and technologies it will sell them to BancoSol (and possibly other commercial banks), using the proceeds to reinvest in shares of BancoSol (of which it is already a major
shareholder). This strategy has served the long term viability and sustainability of both institutions - providing PRODEM with a stable source of income with which to undertake continued research and development and helping BancoSol to diversify its services and extend its client base.
CIDA Illustrative Case 2: 
Helping to set up NGO Coalitions in Philippines - 
The Philippines-Canada Human Resources Development Program

The Philippines-Canada Human Resource Development Program (PCHRD) was a seven-year program sponsored by CIDA which sought to develop the institutional capability of Philippine and Canadian NGOs and CBOs. This program was unique and significant in that it was the first NGO cooperative funding mechanism in which principal responsibility and control rested with NGO partners in the Philippines and the first large-scale program to give priority to human resource development for NGOs and CBOs.

With Can$15 million funding from CIDA, the program was managed by a joint committee of NGO partners in the Philippines and Canada. Initial consultations in 1988 identified the principal objective of the program as strengthening the capacity of NGOs and CBOs to deliver more effective programs to their communities through training, advocacy and development education and laid the foundation for a partnership between Philippine and Canadian NGOs. The PCHRD has aimed to strengthen a broad range of Philippine and Canadian NGOs through over 1000 individual projects in the areas of training, education, institution-building, communication and coordination. The program has also addressed sectoral themes (such as gender, environment, human rights and agrarian reform) and has served as a venue for building trust and promoting dialogue and collaboration between Philippine and Canadian NGOs.

At the end of the project two "Accountability Expositions" were organized (in the Philippines and in Canada) to share results and lessons learned over the seven years of the program and to report back to donors in an original, dynamic and participatory way. The expositions, which adopted a festival atmosphere, included assembly presentations, a series of mini-conferences on specific themes and a public "accountability session". They also put on display the large array of resource materials, training manuals, research and case studies, video productions and publications (including two anthologies of capacity building and training strategies and resources) realized during the life of the program. In addition
to the large number of individual training and capacity development activities funded by the program, "the formation of NGO coalitions at the national, regional and provincial levels as a result of funding assistance from PCHRD was considered as one of the major accomplishments of the program". [10]

Capacity Building of Southern NGOs - The Experience of the European Commission (EC)

Basic Description of EC

"European Community Aid" i.e. the pooled resources of the member of the European Union in addition to existing programs of member states, has now developed to a point its aid (both to developing countries and transitional economies) is itself among the five leading donor countries. The growth in EC aid has not been a process without controversy, however. "It has been characterized by frequent changes, largely associated with the acquisition of new regional commitments, the establishment of new aid instruments, and the need to re-organize Commission services in response to shifts in priorities. In the view of its detractors, EC aid has become too desegregated and too uncoordinated to have the impact on development that it should. To those more sympathetic to EC aid, its growth and diversification are a reflection of the vitality and adaptability of the European Union itself."(1)

Where the EC uses the term "NGO" it is nearly always referring to a Northern NGO. The main pillar of its work with NGOs is the co-financing scheme which funds European NGOs to work with NGOs in the South, and also to mobilize public opinion in favor of development and fairer international relations between North and South. The Department of the EC which deals with NGOs (and by implication deals with capacity building of NGOs) is DG VIII/B/2. Other parts of EC deal with NGOs, but merely as service providers, not in terms of building their institutional or organizational strength. More recently the term "civil society", "civil society organizations", 
and “decentralized partners” has become common in the EC, and this places NGOs as only one of many actors outside the state. The EC comments that NGOs have largely had a monopoly on the funds available to non-state actors previously, but that this should not be the case in the future.

A. Understanding of Capacity Building

a. Definition - There does not seem to be an accepted common definition of capacity building in the EC, although COTA, a consultancy firm used by DGVIII/B/2, has tried: “Capacity building is a complex overall strategy, and not simply a sectoral program. (...) It is:

- a method for working more effectively (capacity building of the intermediary organization) and truly collaborating with the target population (capacity building of the grass roots organization)
- an end in itself insofar as it contributes to the re-enforcement of civil society (reinforcement of organizations at different levels) and its structuring.”(2)

2. Rationale - For a long time EC aid has only looked at SNGOs as the collaborators of NNGOs which deliver services to the target groups in the South. As the thinking has evolved, the importance of civil society organizations in the South has been perceived as of importance per se, since they provide an opportunity for civil society actors to contribute their creativity to the nation. As the EC looks for alternatives to its funding of the State, it appreciates that SNGOs capacity needs to be strengthened if they are going to bear the weight of the EC’s attention.

3. Trends in capacity building - From documents and conversations with EC staff it is clear that the EC has wanted the NNGOs which are its immediate partners to build capacities of the SNGOs, but has often found that the NNGOs are more interested in simply funding SNGO activities, (and of course, funding themselves by doing so). The EC has introduced a range of pertinent instruments to encourage capacity building, and is slowly encouraging their use. It is held back by the fact that it is a responsive organization which responds to proposals from NNGOs (and more recently SNGOs) and does itself not have a proactive role which allows it to directly work in this field.

4. How Capacity Building of SNGOs is handled by EC - In
order to understand the options for the EC to use for capacity building of SNGOs, it is necessary to understand the variety of ways in which EC money can be used by NGOs:

**Classic Co-financing**: a European NGO receives from the EC 50% of the funding that it requires for a project with a SNGO (15% must come from the NNGO, and 35% from other sources). This can involve capacity building of the SNGO, but usually does not. Co-financing moved 174,000,000 ECU in 1996.

**Block Grant Co-financing**: A second, more specialized kind of co-financing is block grants by which a European NGO which has been handling co-financing grants for at least three years may apply for a block grant which it then administers as smaller sub-grants to Southern NGOs.

**Chapter 12 Co-financing**: so-called Chapter 12 co-financing was started in 1988. It was intended for more flexible funding that could be used inter-alia for capacity building of a southern NGO. An evaluation of this Chapter 12 "program-type funding" was made in 1993 and revealed that most Northern NGOs were not using the funds for their intended purpose, but were simply paying for the core costs of the Southern NGO. The evaluation also found the bureaucratic processes burdensome and unhelpful. See Box 1: Results of COTA Evaluation of the Uses of Chapter 12 Cofinancing.

In practice, it has been observed that the majority of Chapter 12 co-financings have served only to cover running costs for a given period. (...) None was used for the development or organizational reinforcement of the organization.

This is probably because there are no conditions in Chapter 12 relating to results demonstrating the improved efficiency of the organization itself. It is vital that hereafter this overall funding should be designed as an investment in the organization (material or human) rather than as simply a way of meeting the organizations running costs.

**Revised Conditions and Intended Fourth Structure**: following the evaluation, it was decided that the General Conditions for Co-Financing needed revising, and this process has been going on since 1994. The latest discussion paper on this suggests the improving of the administrative requirements of the first three structures, and the creation of a fourth structure "consisting of pluri-annual "programme-contracts", mainly aimed at coherent support programmes of European NGOs or the programmes and institutional support of their Southern partners (...) The system would be reserved for a relatively limited number of (European)NGOs who had proved their capacity regarding administrative and financial management and their orientation towards such an approach.
Sectoral Co-Financing
Outside of the EC body which deals specifically with NGOs (DGVIII/B/2)) there are then a whole range of other areas of cooperation whereby a European NGO can access funds to work with a Southern NGO or a Southern NGO can access funds directly. These are divided according to the sectors or the countries for which they have been devised and are very complex. The EU Liaison Committee (EU-LC - the “chamber of commerce” of European NGOs) brings out a thick volume every year to guide its members.

Micro-Projects
When we look to see how Southern NGOs can be funded directly, the most commonly used are: the Micro Projects Program, and the Decentralized Cooperation. The Micro-Projects Program is usually a fund managed by a Government Unit in the Southern country to fund self-help activities at village level. These self help activities are nearly always bricks and mortar - building schools, clinics, roads etc. In theory the Micro Project Funds could be used to create local NGOs, or to work through local NGOs, but nearly always they work through local project committees which only last as long as the project. Capacity building is rarely considered.

Decentralized Cooperation
Finally there is the most imaginative of the NGO funding mechanisms, and one which can be accessed both by a Northern NGO and a Southern NGO - the “Decentralized Cooperation Programme”. It can also be accessed by other actors - like professional associations or local government. This is a pilot project which tries to instil a different approach to development aid - one which is managed by “decentralized actors” rather than the government and which is intended as a model of how much larger funds could be used in the future. (See EC Ilustrative Case 1). The innovation here is, however, that Southern NGOs are only one amongst a variety of decentralized actors of civil society - a common list of which is: “decentralized public authorities, rural and village groups, trade unions, teaching and research institutions, non-governmental organizations, other associations, groups and agents which are able and wish to contribute to the development of the ACP states on their own initiative, provided that the agents and/or the operations are non-profit-making”(4)

DCP’s aims are:
- “to foster awareness raising campaigns that foster decentralized cooperation initiatives
- to support institutional re-enforcement with regard to decentralized actors with the aim of, for instance, facilitating their ability to have access to existing financial sources and strengthening their negotiating powers with local authorities
- to set up networks among these agents or to enhance existing networks
- to finance pilot projects” (5)

DCP is the instrument by which the EC can most encourage capacity building of SNGOs
- because it so designed, and because it is directly available to SNGOs without going through a NNGO. The EC has some doubts, however, about how it can be fitted into the existing systems:

“It has to be recognized that, very often, the development of decentralized cooperation is hampered by the institutionalized frameworks of cooperation (and Lome IV in particular), cumbersome rules and procedures, and even a degree of defensiveness or mistrust.” (6)

B. Identification of Capacity Building Needs

5. Capacity Assessment - The subject of capacity assessment i.e. tools with which to assess capacity in order to diagnose capacity weaknesses and focus capacity building efforts, does not seem to feature very much in any of the EC’s instruments. There are references to the need for “institutional maps” in order to find what decentralized actors exist, and need for “identifying capacity gaps”, but little to suggest how this could be done.

6. Capacity Building Needs - The EC has very clear ideas of the capacity building requirements of northern NGOs and has stated them often. It has also been keenly aware of the capacity building needs of Southern NGOs since 1988 when it set up the Chapter 12 Co-financing scheme - which was in part intended to allow Northern NGOs deal with capacity building requirements of Southern NGOs. It identified the following weaknesses of Southern NGOs (see Box )

Box 2: Weaknesses of Southern NGOs

- lack of a social base
- financial dependence
- more or less democratic way of operating
- absence of legitimacy vis-a-vis the people concerned
- structures that are more vulnerable and less permanent tutelage that often weighs heavily on grass-roots associations.” (7)

Unfortunately all of its schemes are constructed within the complexities and bureaucratic regulations of the EU, and this has a deadening effect on what were intended to be imaginative and exciting opportunities.

C. Capacity Building of SNGOs

7. The Enabling Environment - In respect of the Decentralized Cooperation the EC strongly recognizes that the approach is a new and radical one, and will be one that needs a re-orientation of the state to allow for greater power to be granted to decentralized actors. The EC is willing to put its strength behind such an effort, but has seen that this is not an easy proposition. It makes a distinction between those countries where the decentralized actors have already got the respect of the state, and those where the state is ignorant of the range and latent potential of the decentralized actors.
8. Assessing Donor Requirements - As has been seen already, the EC is very conscious that its systems get in the way of capacity building with southern NGOs. The Northern and Southern NGOs who use “Liaison South” the EC Liaison Committee’s magazine, frequently cry along these lines: “The EU should simplify procedures relating to project proposals (for decentralized cooperation) and rationalize access to development resources by NGOs, womens organizations, and the indigenous private sector, using a more user friendly approach”(8). Many NGOs suggest that EC will only become truly operational when decision making powers are decentralized within the EC - from Brussels to the local Delegate’s office.

9. Promoting Financial Sustainability - While there are a number of references to financial dependency and lack of financial autonomy as being one of the weaknesses of NGOs in particular and decentralized actors in general in the documents about decentralized cooperation, there are few suggestions about how this can be rectified. The few references talk about empowered decentralized actors being able to make legitimate demands on the state for their share of state resources.

The EC has, from the very beginning, had a strong interest in development education and lobbying of the EU and the EU member governments on topics concerned with development in the South. Thus SNGOs are encouraged to partner with NNGOs to lobby in the North. There is less attention to lobbying in the south or to building up skills and analytical competencies to bring SNGOs into policy dialogue with the state.

11. Supporting Support Organizations
In many cases the analysis of the EC that the decentralized actors need to have their capacity strengthened leads them to realize that intermediary organizations in the South may well be needed to supply such services. It allows for EC funds to be spent on such support organizations, but does not mention much about what kinds of organizations they might be, and whether in turn will need to have their capacities strengthened.

12. Networks and Fora
The EC has many references in its literature to the need for funding to be spent in building up networks in the South so that SNGOs can learn from each other, develop more strength through their representative bodies, and plan better and more effective projects. This is specifically encouraged in Chapter 12 Co-Financing projects, and in Decentralized Cooperation. It is also encouraged in the Evaluation of the Micro Projects operations.

13. Strengths and Comparative Advantages
There are many people within the EC, particularly within DG8, who are very enthusiastic to build the competence of civil society organizations in the South through the use of EC funding. They have conceptualized civil society in the South as a varied array of non-government, non-profit actors, within which NGOs are apparent. They have spent and are spending a lot of creative energy trying to get the design right. They feel that decentralization of the States authority, and the growth of decentralized actors is the wave of the future, and are eager to move the dinosaur EC in that direction. The EC, if it
can attract enough attention to this way of working, has substantial resources to put into this field of capacity building.

14. Perceived Weaknesses and Constraints
The constraints are clear - the EC is difficult to move, both at the center, and at the country offices or delegations. There are repeated references to the Delegates in the field not understanding the ECP, and certainly not putting his or her weight behind it. There is also the self-interest of the Northern NGOs to consider. European NGOs live largely from the support that they get from the EC, particularly through such schemes as co-financing. A scheme like the Expanded Cooperation Program is not in their immediate interests, although they may accept the developmental logic. The EC is, in general, very concerned to get the involvement of its European NGOs, both because they have always done it that way, and because such organizations are responsible for encouraging public opinion in favor of aid in general. Southern NGOs are still not aware enough of the opportunities this new scheme offers them. They are also, as far as can be seen from their statements to the EC Liaison Committee, still under the impression that EC is going to benefit them, without giving enough thought to the fact that the scheme may well benefit, for instance, associations of town planners, or local government authorities, more than themselves.

D. Lessons Learned

15. Evaluations of Success
There was an evaluation of the Chapter 12 kind of co-financing which was not encouraging. As has been said earlier, it showed that NNGOs were not responding as hoped - they were not using the funds as they were intended. There has been a report on the implementation of decentralized cooperation in 1996, and there has been a methodological study on Decentralized Cooperation and what it could mean - but up to this time it seems that, outside of DGVII/B/2, the EC has not generally understood the possibilities and the value of capacity building of SNGOs, and for the most part look no further than the NNGOs which are their immediate collaborators. DGVIII do not seem to have been able to clearly communicate the value of what they would like to support, and how this could be done. In respect of NGOs the EC has seen itself, and been seen, as a project based funding agency, rather than one concerned with the institutional strengthening of the NGO sector.

Notes
2. Decentralized Cooperation - a new European Approach at the service of participatory development - methodological study by Francis Douxchamps. COTA. 1996
4. 4th Lome Convention, Third part, Title III, Chapter 2, Section 4a
8. Liaison South. Sept 1997

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EC Illustrative Case 1: Decentralized Cooperation in Zimbabwe

Decentralized Cooperation is a funding mechanism for projects having demonstration, pilot, or innovation attributes - it is also the only EC funding that is directly available to Southern NGOs. This project, however, shows collaboration between a German political NGO (called German NGO - GNGO - for this purposes of this case\(^9\)) and a Zimbabwe trade union of farmers (called ZTU for the purposes of this case) to strengthen the grass roots structures of the ZTU. The project was for 18 months and cost ECU 300,000 of which the EC put in 50% and GNGO/ZTU put in 50%.

The GNGO claims that it has worked with the ZTU since its inception in 1990 and with its precursor farmers associations since the early 80s. GNGO made the proposal to the EC on behalf of both the organizations, just like a co-financing proposal.

ZTU represents small holder farmers in Zimbabwe and has a structure at five levels (club, area/association, district, province, and national). It also has 8 commodity specific associations. ZTU was already greatly decentralizing its operations and through this project attempted to build lower level competency about changes in the agricultural environment, in research in analyzing and formulating the members needs and initiatives, in building advocacy skills, and in getting information about the circumstances of its members. The project was intended to help ZTU do that and also to get Area and District level ZTU officials to represent their members interests to the appropriate tier of government.

The four key objectives of the programme were:

- to improve the level of awareness among the ZTU members of developments within the agricultural industry, on the ZTU constitution, policies and procedures
- to strengthen ZTU club and area leadership in their role in farmer organizing and interest representation
- to increase the level of knowledge about the socio-economic situation of the ZTU membership and the activities of the ZTU clubs.
- to strengthen district leaders in their role of advocacy and interest representation.

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The EC has a policy of confidentiality about the names of NGOs with which it works.
The end of project report claimed great success. 1763 District leaders were trained, systematic contact established to 59,000 members who were provided with an organizational manual, a membership register set up which identifies possible candidates for commodity specific activities, a nation wide radio program established to inform farmers about current developments in the agricultural sector, and a comprehensive study of the effects of the Economic Structural Adjustment Program carried out which showed a worsening in the situation of rural households.

The capacity strengthening was carried out by a huge quality of training courses, the provision of manuals and courses in their use, an information dissemination program through radio, and research. The report claims success but notes that 18 months is too short for such a comprehensive change in approach. It notes that advocacy training does not seem to have increased District officials advocacy activities, and it notes that the contact with members has raised a lot of new issues that ZTU has to deal with. It notes, however, that the radio programme continues with ZTU's own funding.

The project was carried out through staff of GNGO and ZTU and the hire of local Zimbabwean consultants and trainers. GNGO claimed very good and collaborative working relations with ZTU, but the ECP program does not require counterpart attestation. The whole programme was based on the ZTU's appreciation that it needed to follow Governments example of decentralization which required revitalizing its members at the lower levels. The key obstacles to the programme were that many nominal members of ZTU saw no value in the organization except that membership entitled them to exemption from sales tax. The programme had to persuade people that ZTU had other services to offer them. A further obstacle is that a re-invigorated membership may over-tax the existing structure with its demands. ZTU are unlikely to be able to go back now, however, the changes are mainstreamed in the organization.
A Philippine NGO active in family planning and reproductive health care services (called (for the purposes of this case, PNGO\textsuperscript{20}) started life by one name and reregistered under its present name in 1990. Its main base is a busy clinic in Pasay City which was originally funded by the EU until 1991, but now generates 95\% of its costs by charging affordable, locally set fees. PNGO has subsequently expanded into 3 more clinics on Luzon island (with EU co-financing), HIV/AIDS education projects, a mobile voluntary surgical contraception project, and two urban clinics on outlying islands (Eastern Visayas and Central Mindanao). The last project introduced the opportunities and problems of managing sub-stations at a distance. PNGO intends to make all its clinics financially self-reliant. It is at the point of transition from a small/medium sized NGO to one operating at a national level.

A British NGO specialising in reproductive health care (called, for the purposes of this case, BNGO) has been involved with PNGO from its inception and concentrates on helping PNGO become technically and financially sustainable. The EC’s co-financing program requires a partnership between a European NGO and a southern NGO. Chapter 12 of the Co-financing program prioritizes capacity building efforts of the European NGO with the Southern NGO. In this project BNGO is requesting the EC for funds to enable it to deliver the following outputs:

- Enhancement of PNGO’s management, supervisory, and technical capacity in order to develop a management structure that can support programme expansion
- Strengthening of PNGO’s model of distance management, to facilitate program expansion into broader geographical areas
- Development and implementation of an appropriate and successful marketing strategy, in order to generate increased utilization of PNGO’s service delivery network, increase cost-recovery, and improve long term programme sustainability.

The CB interventions will be mainstreamed into PNGO so that it becomes technically and financially sustainable.

\[\text{The EC has a policy of confidentiality about the names of the NGOs with which it works}\]
The EC agreed the funds which amount to half of the costs of the proposal: PNGO has contributed 35% and BNGO, 15%. BNGO personnel will provide training for middle and clinic managers, BNGO will find training personnel for senior management training from other BNGO partners in the region, and IT training will be identified within the Philippines, or from more experienced staff of PNGO. Part of the funding is for supporting the operating costs and overhead expenses of three clinics which are not yet cost covering, in the expectation that they will be so within 16 months as a result of the CB inputs from BNGO. The clinics are, on average 64% cost recovering at the present.

BNGO is building the organizational strength of PNGO through training, technical assistance, and limited duration funding for the core program - leading to PNGO’s ability to implement a successful, sustainable reproductive health care programme. PNGO’s capacity building partner, BNGO, is both funding and delivering CB services, but this does not seem to be an issue since they have worked together for a long time to each others mutual satisfaction. It is noticeable, however, that EC does not require PNGO’s written agreement to the proposal made on their behalf by BNGO. The CB proposal derived from a SWOT exercise conducted at a Strategic Planning workshop in July 1995. BNGO proposes an organizational evaluation at the beginning and end of this two year program, but these are not yet available. The factors which seem to encourage the success of this project are the competence and experience of BNGO in doing this kind of work, and its long relationship with PNGO. The factor which may be an obstacle is the extent to which PNGO has over-reached its capacity before putting into place these capacity building activities. The EC delegation in the Philippines has endorsed the proposal, but the decision to fund was taken at EC, Brussels.
Capacity Building of Southern NGOs - The Experience of German Technical Cooperation (GTZ)

Basic Description of GTZ

GTZ is a corporation owned by the German Federal Government with the mandate to improve the standard of living and future prospects of people in partner countries worldwide, and to stabilize the natural resource base on which life depends. GTZ was started in 1975 and operates through a general agreement with the BMZ (German Ministry for Economic Cooperation and Development) which gives it the responsibility to conduct Technical Cooperation activities in the service of development, to complement the political and economic activities of other German actors. BMZ is also the funder of a variety of other organizations involved in overseas development - a development bank (the KFW), the four political foundations (Konrad Adenauer Stiftung, Friedrich Neuman Stiftung, Hans Seid Stiftung, Friedrich Ebert Stiftung), the German Development Service (DED) and others. GTZ has the specific responsibility to provide Technical Cooperation in support of BMZ activities. GTZ also undertakes such work for other German Government ministries, international organisations, and other countries’ governments.

GTZ is thus in the business of supplying and building personal and organizational capacity (except at time of emergency when it becomes more operational): it does this through supplying German expertise, and (increasingly) through building the capacity of local expertise. As it says in its 1996 Annual Report “GTZ’s task is to enhance the capability of organisations and people to solve their own problems. It does so by effectively transferring expertise, and, on a smaller scale, materials and equipment”. 1996 was marked by intensive debate on the related themes of “capacity development” and “promotion of local expertise” which has had an influence on the way they work with NGOs (1).

GTZ’s headquarters are in Eschborn (near Frankfurt) in Germany and it works in 135 countries, in many of which it has field offices, which are being given increasingly more powers in a move towards decentralization. Its turnover in 1996 was 1,709,000,000 DM. It has 1294 people in its head office and 1586 people in the field.

A. Understanding of Capacity Building

1. There is increased promotion within GTZ of projects geared to the structural reform of the State - to democratization of its legal and institutional foundations, to the decentralization of government functions, and to the rationalization and raising of efficiency in administrations. GTZ feels that the private sector has a role to play in this, and NGOs fit in at this point as part of the variety of private sector organizations. GTZ thinking is not that NGOs are an alternative to the State, however, so much as part of a network of institutions in the public, private and voluntary sectors that are complementary to each other and each of which have a particular comparative advantage.
2. GTZ is usually looking, therefore, for these comparative advantages of NGOs, and then looking for the organizational features of NGOs that need to be developed - a suitable subject for Technical Cooperation. NGOs are not supported because they are evidence of the strength of civil society which is needed for better democracy and development: they are supported pragmatically because they may well be the most appropriate institutional form for the variety of tasks that need to be accomplished in the kind of development work promoted by GTZ. As GTZ says, “The ultimate aim of Technical Cooperation is to raise the efficiency of human resources and organizations in developing countries” (2). NGOs are one of a variety of organizations.

3. For GTZ, NGOs are thus seen in the context of their diversification approach: “One of the most important prerequisites for successful development projects is to cooperate with the right implementing agencies. Different agencies are required for different tasks and projects need to be tied in with current initiatives, drawing as much as possible on existing resources. GTZ has been advocating this “diversification approach” for many years, seeking to involve as much as possible suitable non-governmental organizations in the implementation of development projects” (3).

5. Definition - Once GTZ has redirected its institutional gaze to the non-government sector it has considered the different ways that it can interact with the sector that fit with its experience and development philosophy. Its definition of capacity building then becomes “the provision of training and consultancies for the primary target group (the poor) i.e. self-help groups and their associations, but also for the secondary target group (state and non-governmental intermediary organizations)” (4).

6. Rationale - For GTZ, NGOs are seen in the context of their diversification approach: “One of the most important prerequisites for successful development projects is to cooperate with the right implementing agencies. Different agencies are required for different tasks and projects need to be tied in with current initiatives, drawing as much as possible on existing resources. GTZ has been advocating this “diversification approach” for many years, seeking to involve as much as possible suitable non-governmental organizations in the implementation of development projects” (5). Organizationally, GTZ has no locus for its relations with NGOs. There is no “NGO Unit” which collates information and policy discussions about GTZ’s work with NGOs. Each Department is free to identify the “right” implementing agencies, and is encouraged to look at NGOs to see if they fit the local requirements. Guidance is provided on relations with NGOs, particularly by the Organization, Communication, and Management Consultancy Unit. Its publications deal with the ways in which GTZ may interact with NGOs, and the subject is part of regular, cross-sectoral, round table discussions within GTZ.

7. Trends - It is difficult to talk about trends in capacity building at GTZ because there is no one locus from where one can get an overview of GTZ’s involvement with the NGO sector, and involvement with capacity building of that sector. Two trends seem to be apparent, however: (a) that the field offices of GTZ are increasingly becoming dissatisfied with the development opportunities offered to them through working with increasingly dysfunctional governments in the South, and (b) that GTZ field offices are well aware of
the problems associated in working with NGOs. It has said, "The disappointment at the inefficiency of government institutions is swinging over to a ‘naive’ euphoria about the efficiency of non-governmental organizations. The keenness of foreign donors to promote NGOs - particularly grass roots groups and self-help groups - places impossible demands on the self-help capabilities of the population and means that NGOs are simply set up to meet the conditions of external assistance".(6)

8. How Capability Building is handled. In the GTZ literature it is clear that GTZ recognizes a wide array of non-government organizations - networks, intermediary NGOs working with grass roots organizations, mass member organizations like farmers associations, federations of CBOs, and CBOs themselves. Non-Governmental Organizations of all kinds are referred to as being part of the private sector, and as an alternative to centrally planned economies. Because of GTZ’s interest in organizations and enhancing the capability of organizations, it urges its field offices to identify and analyze the existing range of organizations in a country which could be effectively supported as development implementers with the help of institution building measures. This is called in GTZ the “analysis of a country’s organizational landscape”.(see example in Box 1).

<table>
<thead>
<tr>
<th>Box 1: Types of Third Sector Organizations in Developing Countries</th>
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<tbody>
<tr>
<td>• grass roots organizations (often informally organized self-help groups working locally)</td>
</tr>
<tr>
<td>• classical charitable welfare organizations (e.g. Red Cross, church organizations)</td>
</tr>
<tr>
<td>• Consulting organizations (consultancy and services against payment)</td>
</tr>
<tr>
<td>• development or promotion NGOs to form and promote self-help networks</td>
</tr>
<tr>
<td>• Cooperatives, where there is a membership structure, where they are not subject to government “decree” and not primarily profit oriented</td>
</tr>
<tr>
<td>• organizations with a political bias that mobilize at national or regional level, either mass support organizations for the government or (usually regionally or ethnically restricted) or as a counterpole</td>
</tr>
<tr>
<td>• Interest groups with different motives (such as economic, social or political concerns (e.g. chambers of industry and commerce or womens representatives)</td>
</tr>
<tr>
<td>• organizations on the margins of the state sector that are heavily influenced formally or materially by government (e.g. independent public institutions or NGOs supported by the Government)</td>
</tr>
</tbody>
</table>

9. GTZ looks for ways that Technical Cooperation can help raise the efficiency of human resources and organizations within the NGO sector. GTZ deals with NGOs is similar ways that it deals with other institutional forms - it tries to influence the “country frame” within which NGOs can operate (i.e. the enabling environment) so that it is more decentralized; and then it tries to direct human resources to the problem of building up competent institutions and organizations that can work effectively within this decentralized opportunity. For the most part GTZ has noticed that the people to provide the capacity development required by NGOs are not in evidence, and so it has directed its attention to building up a reservoir of such people who can provide these services. For an example of this, please see GTZ Illustrative Case 2..

B. Identification of CB Needs
10. **Capacity Assessment** - GTZ have, in various publications, clear statements about capacity requirements of organizations. It has been common in the past for project appraisers from GTZ to use a variety of “project executing agency analyses - checklists, sets of criteria, and groups of indicators” in order to find the “right” agency with which to work. There does not seem to have been an attempt to adjust such tools so that they can be used with NGOs.

At the same time, there has been a move from finding the “best” agency with which to work to a greater emphasis on finding the “right mix” of agencies with which to work. NGO capacity, therefore, is seen as part of a capacity mix with a number of agencies.

12. **Capacity Building Needs**
GTZ’s identification of the capacity building needs arises from their analysis of NGO weaknesses:

- pronounced dependence on foreign funding
- danger of being co-opted by elites (conferring privileges on themselves, corruption)
- preserving or underpinning paternalism
- danger of losing the social esteem and authority acquired if they receive government support
- in some cases limited technical and administrative professionalism: on the other had also a trend to increased bureaucracy and professionalism of NGOs that can quite offset the original strengths
- activities of limited durability and sustainability
- prone to implement small projects (with resultant restricted spread effect)”(7)

C. **Capacity Building of NGOs**

13. **Approaches employed** - GTZ is enthusiastic to get NGOs accepted as one of a range of development partner organizations, and will negotiate with governments on that point. It is also interested in NGOs reflecting on their own capacities, weaknesses and strengths so that they can enhance their potential and adapt to new circumstances. One of the most regular approaches of GTZ is to build the number of people who can service the capacity building needs of SNGOs - usually consultants. The following are areas of note

14. **The Enabling Environment** - In this field, GTZ considers the task of bilateral Technical Cooperation should be to create the political leeway needed for the promotion of the self-help ability of the poor through organizations set up by the poor themselves, or through intermediary organizations (promoters of development processes) which are committed to the poor. Such work is usually done at the time of the annual Country Reviews in which officials of the German Foreign Ministry and BMZ discuss country
policies with the officials of the host government. Such officials will receive technical advice from the GTZ staff, but will negotiate the elements of the enabling environment directly with partner government officials.

15. Assessing Donor Requirements - Technical Cooperation i.e. the provision of people, does not present GTZ with the same problems of conditionalities and regulations as it would have if it moved money. In the past their conditionality has been the use of German experts. GTZ has, however, recently re-assessed its use of German people in the field. It has conceptualized the “subsidiarity” principle which in TC terms means that experts should only be assigned to partner countries if and when no local experts are available. Moreover GTZ does not stop at assessing what local expertise is available - and its subsequent use: GTZ has also been strongly involved in the promotion of local expertise as one of its greatest contributions to capacity development.

16. Promoting Financial Sustainability - While the subject of financial sustainability (or its absence) is a regular part of GTZ’s analysis of the NGO sector, there is not much specific attention to its solution. GTZ seems to believe that proper attention to a reform of the “country frame”, together with an encouragement of the Government to decentralize and work together with the private sector, will create a situation in which NGOs can be sustained - mostly by collaboration between NGOs, the private sector and Government (e.g. through contracting with government to provide services, or by getting bank guarantees for their work). There is not much attention to the variety of difficulties that both grass roots groups and intermediary NGOs have in producing an income stream outside of external grants.

17. Catalyzing Policy Dialogue - The GTZ concept of networks of complementary organizations (within which are included organizations of the Third Sector) means that the members of the network will not simply have an implementing function, but will also be involved in policy discussions about the best way in which development objectives are to be realized. Apart from this, however, GTZ has not suggested ways in which it can build the capacity of NGOs to provide alternative policy suggestions, or bring their experience and local knowledge to the policy arena.

18. Supporting Support Organizations, Networks and Fora - GTZ frequently recognizes the validity and importance of inter-NGO umbrella organizations, networks and associations which help to build the strength of the NGO sector, and sees them as a legitimate partner for GTZ technical cooperation. An example of this from Chad can be seen in Box 1.

<table>
<thead>
<tr>
<th>Box 1: Promoting Farmers Organizations in Chad</th>
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<tbody>
<tr>
<td>Since 1990, the GTZ Micro project has been supporting more than 270 grass-roots organizations in the Mayo Kebbi region, over half of which are organizations in which women farmers have joined forces. By supporting only existing organizations, the project supports a strict strategy of help towards self-help which is geared to demand.</td>
</tr>
<tr>
<td>Although farmers organizations are already playing an eminently significant role in the development of the region, their inadequate organizational and management expertise is constraining their further</td>
</tr>
</tbody>
</table>
GTZ is equally interested, however, in the importance of cross-sectoral networks - between Government, the Private Sector and NGOs, which reflect its objectives of finding the right mix of organizations to undertake quality development work.

19. Organizational Development Consultants - Just as GTZ itself uses many consultants for its work, and acts as a consultant to other organizations, it has identified the self-employed expert consultant as a very necessary part of the NGO capacity development landscape. In a number of programs it has invested in building up the individual knowledge and expertise of local people, not as members of an organization which GTZ is partnering, but as independent, self employed, organizational consultants, or consultancy service organizations. These consultants are trained not just in the technical fields which organizations are likely to need (such as planning, staff relations, monitoring and evaluation etc) but are specifically trained as “Organization Development consultants” (OD consultants) meaning that they have the ability to help organizations through the processes of organizational change, without specifying what such change will be. The development of local moderators/facilitators has been a particular contribution of GTZ to the field of NGO capacity building. Please see GTZ Illustrative Case 1.

20. Specific GTZ contributions - Over the years GTZ has developed certain instruments for both general and sectoral organizational capacity building which it has mainlined within the organization. Staff are either encouraged to develop the skills themselves, or to draw upon specialists from GTZ to apply them. These are ZOPP (or GOPP in English - Goal Oriented Project Planning) a system of participatory project planning and use of the logical framework; GATE - which is a structure for appropriate technology information, research and dissemination; and CEFE - which is a system for small and medium entrepreneurship and business training. GTZ makes sure that practitioners are trained in the south, that quality of the intervention is maintained, and that practitioners are accredited.

21. Strengths and Comparative Advantages - The fact that GTZ only works in the realm of technical cooperation has allowed it to have a very clear focus in capacity building. This is backed up by its more recent and strongly implemented decision to train local people in all the skills they would previously have used German nationals for. Its specific contributions are built on long experience of using these techniques themselves, and perfecting them for others use.

22. Perceived Weaknesses and Constraints - There is no one unit within GTZ which takes a view of policy and practice in respect of NGOs. Lessons from organizational
experience of NGOs are therefore not easily gathered in one place. GTZ has recognized the importance of working with SNGOs, but is constrained by its ability to persuade Governments in any particular country to allow them to work with NGOs. It has long been the prevailing position amongst German NGOs that they know how to work with SNGOs, and that GTZ is insufficiently knowledgeable and sensitive about them. GTZ is acquiring experience fast, but may be still at the beginning of a learning curve about how to adapt experience of working with Government to experience of working with NGOs.

D. Lessons Learned

23. Evaluating Success - Following on the lack of an office within GTZ that specializes in dealing with NGOs, there has been no attempt to evaluate GTZ’s work with NGOs. GTZ uses a survey instrument for assessing program success globally, but has not tried to adapt this to its work with NGOs.

24. Factors contributing to success - GTZ, as can be seen from the Indian example in Case 1, is very systematic and logical at identifying the needs of organizations, be they Government departments or NGOs, and designing ways to meet those needs, and to build local capacity to keep meeting those needs.

Notes
1. GTZ Annual Report 1996
2. The Organizational Field Approach in Technical Cooperation by Reichard and Sulzer. GTZ. 1992
4. Money isn’t everything - the inter-action of Self-Help Funds and organizational development to strengthen the ability of the poor to act independently. Muller-Gloder et al. GTZ. 1996
5. Managing the implementaton of the German Technical Cooperation Activities. GTZ.1995
6. The Organizational Field Approach in Technical Cooperation y Reichart and Sulzer. GTZ.1992
7. Idem

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GTZ Illustrative Case 1:
Training of OD Consultants by GTZ and EZE in Africa

Capacity Building is not always clearly defined by NGOs and those who work with them, but means for most people interventions in some or all of the following organizational features: visions/missions/strategies; structures and systems; skills and abilities; and human/material/financial resources. GTZ and EZE suggest another contribution to NGO capacity building - that of the relatively new field of Organization Development (OD) - which can be described as the process of accompanying and facilitating organizational change as well as helping organizations to improve their problem solving potentials and innovative capabilities.

GTZ and EZE, based on work with NGOs in Zaire and Senegal, suggest that NGOs are situated in a swiftly changing world - they are under growing pressure to adapt to new conditions created by such factors as economic recession, structural adjustment, and the demand for new products and services. NGOs need to know how to change and renew their organizations based upon an understanding of the new conditions, and an understanding of their organizations potentials and capabilities. While organizations in Europe and North America can call upon OD consultants to help them with this, organizations in Africa have not had the trained people available.

For the last two years GTZ and EZE have been training 33 people from 10 sub-Saharan African countries (Francophone and Anglophone) in OD skills with the idea that they will be able to become OD consultants to the NGO sector in the future. The course has taken 6 months of the last two years and finished in October 97: it consisted of training courses, participants own consultancy practice during the training and mutual counseling on the consultancies that they undertook.

The graduates are now free to set themselves up as OD consultants - some of them returning to the institutions that sent them (Churches, NGOs, Training Organizations): others to return to private practice as free-lance consultants. It is understood by them that OD may not be well understood by their potential clients, and so part of their job is to educate their prospective clientele about the value and importance of organizational renewal, and an OD approach to capacity building.

GTZ and EZE's view is that capacity building should be separated from funding. The OD consultants, therefore are not attached to donor agencies, nor will they work for them. They are available to be hired by NGOs who want their services, and can find the money to pay for them, but their services are not a conditionality of any funding assistance. Those managing this program feel that capacity building should not be carried out by the same organization as provides funding, although this is not a common position in GTZ.

It is too early to say what impact the trained people will have on the NGOs who will use their services. It is likely that the high quality of training they have received will be an asset to the NGOs in the countries in which they work, but it is also possible that market forces will result in them working more for donor organizations or the corporate sector, rather
than NGOs. Nor can we say that OD services are being requested by Southern NGOs - part of the graduated trainees job is to show NGOs that comprehensive changes are called for in their organizations, and that OD is the way this can be achieved. It is intended that the pioneers will themselves train others in OD so that the total number of available facilitators increases in Africa.
GTZ Illustrative Case 2:
The Dynamics of working to build capacity of CBOs - the Self-Help Fund in India

The Self-Help Fund Project (GTZ/SHF) was initiated in India in 1994. It operates in 6 states of India with a two pronged strategy:

- to promote the self-help potential of the poor, by forming and strengthening groups among them. This is combined with development activities for improving their living conditions, provided through the local partners (NGOs).
- building capacity and organizational development of partner NGOs, and indirectly of self-help groups through them.

GTZ/SHF is directly working with 31 NGOs (which it refers to as its partners) and 2 informal networks of NGOs in Bihar. The activities that the NGOs implement with the self-help groups (SHGs) are: savings and credit, income generation, social and political change, and capacity building of the SHGs. The 31 NGOs have reached 1450 SHGs of roughly 30 members each. They have helped them to acquire skills that they need to build the strength of their groups, to improve their income and finance systems, to empower their women, and to take an active part in local governance. The project is not involved with activity funding, but in helping the self-help groups get access to the services that are, in theory, available to them - like loans from local banks.

The partner organizations (the NGOs) were not, however, expert in all these fields and they in turn, needed capacity building in order that they had the capacities to pass on to the self-help groups. After three years GTZ/SHF thinks that the NGOs have more knowledge about how projects should be managed (which includes needs appraisal, planning, monitoring and self-evaluation, and building linkages with official agencies). It also thinks they know more about impact assessment - something NGOs have not been accustomed to thinking of or measuring previously. GTZ/SHF also consider NGOs have better knowledge about income generation (to some extent gained by means of a strengths and weaknesses matrix), and about savings and credit systems.

Finally NGOs have become clearer about their own roles vis-a-vis self-help groups and the strategies they should undertake with them for poverty alleviation. Being used to more service provision or funding, it took time for the NGOs to see the value of concentrating on capacity building. GTZ/SHF have helped NGOs to go through a process of self-review and self-evaluation which resulted in their accepting what might otherwise have been seen as an outside imposition. The NGOs were helped by a Indian resource persons and organizations, and a "local expert pool".

After 3 years GTZ has been impressed at the need for flexibility and non-bureaucratic responses. It realizes there is a delicate balance to be struck between a purely responsive posture reacting to changing conditions of communities and demands of self-help groups, and a pro-active posture in which NGOs and self-help groups are persuaded to go through systematic processes for vision building, comprehensive situation analysis and
strategic planning. GTZ/SHF also appreciates the delicacy of the relationship between NGOs and self-help groups: many SHGs rely too heavily on NGOs for finance and advice, and the NGOs respond to this in kind. GTZ is both the funder and the initiator of capacity building for the NGOs, and it has found this role a difficult one, particularly because it did not have any long standing relations with the NGOs, as has been the case in other GTZ partnership projects.
Capacity Building of Southern NGOs
The Experience of USAID

This profile is adapted from a longer document called “USAID Support for NGO Capacity Building - Approaches, Examples and Mechanisms” by Lou Stanberg

USAID’s work with NGOs and PVOs

US practice is to refer to non-governmental organisations in the USA as PVOs (Private Voluntary Organisations) while accepting the general practice of referring to non-governmental organisations in the South and East as NGOs.

USAID has worked closely with nongovernmental organizations for many decades, but the nature, focus, and magnitude of USAID/NGO collaborative efforts have changed substantially. While initial emphasis was on humanitarian relief and emergency food distribution programs carried out by U.S. private voluntary organizations, in the past two decades the relationship has evolved to emphasize the role of non-governmental organizations in addressing the issues of longer-term development. USAID played a critical role, beginning in the late 1970’s, in strengthening the capacity of members of the U.S. private voluntary community to plan, implement, and evaluate development programs. The depth and magnitude of the USAID/U.S. PVO partnership has increased commensurately. U.S. PVOs and other nongovernmental organizations are now major components of the U.S. foreign assistance effort.

Coupled with the strengthened USAID/U.S. PVO partnership has been a significant increase in the development and potential of the nongovernmental sector abroad: indigenous NGOs and community-based grassroots organizations (CBOs). While the role and size of the indigenous NGO sector varies widely between regions and on a country-by-country basis, USAID has increasingly turned its attention to building the capacities of such indigenous organizations, as a prerequisite to broad-based sustainable development. The post-Cold War decade of the 1990’s, in particular, has seen major changes in the context for the USAID’s work with the NGO sector. Non-governmental organizations have been increasingly recognized as indispensable to creating and sustaining the civil society framework fundamental to long-term sustainable development in the newly independent nations of the former Soviet Union as well as in traditional developing countries.

The growing number and importance of local NGOs has had significant implications for the role of U.S. PVOs and for the USAID/PVO partnership. U.S. PVOs remain major USAID partners in both developmental and humanitarian assistance. Today, however, USAID looks to U.S. PVOs less for direct service delivery than as partners and facilitators of NGO-implemented activities. This has brought the importance of local NGO capacity-building to the fore, as a matter both of USAID policy and practice. This has resulted in considerable USAID support for capacity building in SNGOs, particularly over the last decade.
USAID’s Conceptual Framework for NGO Capacity Building

While USAID has an extensive history of support for NGO capacity-building over the past decade, the current conceptual underpinnings are perhaps best embodied in USAID’s New Partnerships Initiative (NPI), announced by Vice President Gore at the United Nations Social Summit in Copenhagen in March 1995, and expressed in various documents prepared as part of that initiative. The Core Report (1) describes NPI as an Agency-wide effort to make local capacity building a central concern in all Agency programs. It states that USAID will pursue programs which foster at all levels of government an enabling environment favorable to NGO empowerment and which directly bolster the capacity of local NGOs, utilizing intermediaries, especially U.S. PVOs, to carry out much of this work. While the report recognizes that the nature and roles of NGOs will differ significantly from country to country, the overall goal is to create a large, diverse community of local NGOs capable of promoting sustainable development.

The conceptual framework for USAID-supported NGO capacity-building is most comprehensively elaborated in the “NPI Resource Guide” (2). It offers detailed discussion of the ways in which the three NPI building blocks – local capacity building, strengthening the enabling environment, and fostering strategic partnerships – can improve the ability of local actors to energize development. Chapter Three of the Resource Guide provides a detailed discussion of hands-on USAID-supported local capacity-building within the NPI conceptual framework, and includes a set of tools for Missions to use in assessing organizational capacity and building capacity for partnership.

While full implementation of NPI concepts remains a significant USAID challenge, the Resource Guide offers a striking illustration of the centrality of NGO capacity-building as a component of USAID’s current development efforts, together with numerous recent examples of how NGO capacity-building has been incorporated into USAID worldwide programming.

USAID Supported Approaches and Mechanisms

USAID supports NGO capacity-building in many ways and through a variety of funding and management mechanisms, examples of which follow. To a large extent, USAID has looked to the U.S. private voluntary organizations as the principal implementors of NGO capacity-building, but such programs have been carried out as well by contractors, universities, and by USAID Missions themselves.

U.S. PVO-Local NGO Mentoring: Generic Models

Partnerships or mentoring relationships between a U.S. PVO and local NGOs are perhaps the most common mode of USAID support for NGO capacity-building. Such relationships take many different forms, utilize many of the mechanisms described later,
and are highly specific to the country, regional and sectoral contexts for which they are designed. For this reason, generic models of NGO capacity building can be difficult to document. Nonetheless, a significant and increasing number of USAID-supported U.S. PVOs have been successful in describing the broad approaches that characterize their NGO capacity-building efforts.

The U.S. PVO Pact, for example, states that it looks at capacity-building as a three-stage process that moves NGOs from foundation/development, to consolidation, and finally to institutionalization. The first stage is accomplished through project proposal reviews, strategic planning, feasibility studies, funding, and monitoring of individual NGOs. The second stage is consolidation of individual NGOs through building coalitions, consortia, and strategic partners. The third stage is institutionalization of the NGO community, including participation in policy advocacy and legislation to build an enabling external environment. Programs frequently work simultaneously on activities in each stage to coordinate development of internal capacity with the external environment.

More specifically, Pact builds capacity by mobilizing and channeling technical, material and human resources into indigenous NGOs that implement development projects, acting as an umbrella grant managing organization that promotes both the growth of individual NGOs and also the NGO sector as a whole. At the organizational development level, the tools it uses include organizational assessment, technical assistance, training workshops and seminars, study tours, tutoring and organizational development consultancies, and direct grant support to allow service delivery and organizational development to go hand in hand. At the NGO sectoral level, activities include coalition-building and networking, policy reform, advocacy, strengthening NGO-government relations, and developing domestic resources. (3)

Counterpart International similarly describes a replicable model for NGO capacity-building, derived from experience in the South Pacific and the NIS, that is adaptable to diverse local environments. Counterpart summarizes its capacity-building strategy as an integrated package of services that a) strengthens the internal capacity of NGOs both to provide services and to advocate on behalf of clients, and b) strengthens NGOs as viable partners and coalition members at the local, regional, and international levels.

Counterpart emphasizes the critical role of the enabling environment in fostering and strengthening the NGO sector. It emphasizes as well the creation of NGO coalitions and professional associations, through the provision of technical assistance and financial resources to design and undertake services to members and advocate on behalf of the sector. Training is an integral part of its capacity-building program, with modules keyed to training levels as well as cultural context, and with a focus on training of local trainers. Microenterprise has an important role in Counterpart’s efforts to build NGOs financial sustainability. Partnerships and strategic alliances are viewed as an essential mechanisms for capacity-building, to give a local NGO access to knowledge and skills, innovative and proven methodologies, networking and funding opportunities, replicable models for addressing community needs and managing resources, options for organizational management and governance, and strategies for advocacy, government

The Christian Reformed World Relief Committee takes a somewhat different approach to NGO capacity-building. Their handbook discusses a USAID-supported three-year inquiry into best practices of partnership and organizational capacity-building, conducted collaboratively by the Case Western University’s Weatherhead School of Management, the CRWRC, and more than 100 local NGOs working with CRWRC around the world. CRWRC identifies six principles of capacity-building that, while not a blueprint, form a set of normative guidelines grounded in the experience of the study participants. They include the need to begin with mutual partnership between organizations; the finding that organizational capacity-building works best when it is appreciative rather than evaluative, i.e., when it focuses on the strengths and value-based factors of an organization, as well as technical factors; the need to contextualize everything, since contextual variation is a key element in organizational capacity-building; the necessity of thinking of the organization as a living organism rather than a mechanical model; the fundamental importance of inter-organizational learning, i.e., interacting with a wide variety of other organizations at all levels to learn how best to strengthen organizational purpose and performance; and the need to create and ensure systems for mutual accountability in relationships.

USAID’s PVO Matching Grant Program also embodies a generalized approach to capacity-building through U.S. PVO-Local NGO mentoring. Administered by the Office of Private and Voluntary Cooperation, this competitive grant program focuses on strengthening the technical and organizational capacity of U.S. PVOs and through them, strengthening partnerships with local organizations to achieve sustainable service delivery. The current program places special emphasis on strengthening partnerships between U.S. PVOs and indigenous NGOs and other local groups. A specific objective is to build the capacity of local non-governmental organizations and community based organizations (CBOs) through formalized partnership agreements with U.S. PVOs.

Matching Grant application guidelines (5) require that all proposed programs must establish formal agreements with NGOs, CBOs and local governments to design and implement sustainable development projects. Each U.S. PVO must discuss how its proposed activity will strengthen its participating local partner, the length of the partnership relationship, the nature of the collaboration, the extent of consultation with the local partner during proposal preparation, and the contribution of the local partner to program implementation.

**Building Networks and Coalitions**

Support for the formation and strengthening of NGO networks and coalitions has been increasingly recognized as an essential component of USAID-supported capacity-building for the NGO sector as a whole as well as individual organizations themselves. This recognition both reflects and responds to the rapid increase in the number and effectiveness of such coalitions and networks around the world. Experience to date shows that building networks can be key to the impact, sustainability, and
continuity of NGO programs, facilitating the sharing of lessons learned and outreach to partners and affiliates at all organizational and geographic levels, for example:

The Small Enterprise Education and Promotion (SEEP) Network is a USAID-supported association of 42 North American private development organizations which support micro and small enterprise programs in the developing world. SEEP’s mission is to promote professional standards of practice, conduct an educational program for its members and other practitioners, create and disseminate publications with high field applicability, and serve as a center for collaboration on a broad range of sector-related issues (6).

USAID/Philippines has funded four “PVO Co-Finance” programs since 1980, and while each has had a different emphasis, an overall goal has been the institutional strengthening of NGOs. In FY 1995, the Co-Finance program funded three coalition-building projects and another three in FY 1996. In these grants, a U.S. PVO or local PVO serves as the grant recipient with a national coalition as project implementor. The coalition-building projects are diverse, including fisherfolk advocacy for sustainable aquatic reform, enhancing people’s initiatives for housing and urban development, advancing the participation of upland indigenous peoples in the democratic process, empowering women and children in the informal sector, building unity for coconut industry reform, and developing standards for the microfinance sector (7).

A new USAID program, PVO/NGO Networks, is designed to increase the use of family planning, reproductive health, child survival and HIV (FP/RH/CS/HIV) services through enhanced capacities of PVO/NGO networks and partnerships. The program will work only through in-country networks of PVOs and NGOs that partner with other sectors or organizations, rather than supporting individual PVO or NGO proposals or technical assistance needs. Building on considerable USAID family planning and reproductive health experience with PVOs and NGOs, it responds to increased demands for technical assistance and capacity-building from the private voluntary sector. (8)

The African Women Leaders in Agriculture and the Environment (AWLAE) program, implemented by Winrock International, is part of a training program in Leadership for Change. Women leaders are mobilized in new sustainable African NGOs and professional associations to continue to serve the woman farmer. The program does this in three ways: preparing women leaders with academic scholarships and a two part training program, plus professional development support through skills workshops and an electronic learning network: building an enabling professional environment to which the women return after training and study; and creating sustainable mechanisms to continue the work of AWLAE through (1) establishment of African NGOs/professional associations, (2) gender networking and resource centers attached to existing institutions, and (3) career guidance and mentoring program.(9)

The Center for Development and Population Activities (CEDPA) capacity-building strategy is two-fold: working with individuals to develop their leadership practices and management skills; and working with organizations for increased effectiveness and sustainability. CEDPA’s capacity-building activities are integrated with programs in the
field and conducted with alumni and partner organizations. Leaders of international organizations participate in CEDPA’s training workshops in the U.S. each year. Follow-up training and technical assistance activities with alumni of these workshops, partners, and other stakeholders are conducted in several of their countries each year. CEDPA’s goal is to create a network that fosters continued communication, support, and follow-up activities, and that participates with other programs in an expanding network of advocates for women’s partnership in development.(10)

Institutionalization of Local NGOs/Support of Exit Strategies

Many international NGOs increasingly realize that true sustainability of their work involves shifting their governance, management, and financing to local NGOs: together with donor institutions, they believe that sustainable development programs depend on exit strategies, i.e., the carefully planned and phased hand-off of international programs to locally managed, independent NGOs. The design and implementation of sustainable local programs has taken on growing importance with the increased capacity of local NGOs and community institutions to responsibly carry out their own development programs, as well as recent reductions in public funding for international development assistance. There is increasing recognition of the necessity and desirability of incorporating exit strategies as an integral component of NGO capacity-building.

The USAID-funded Private Rural Initiatives Project (PRIP) in Bangladesh, managed by Pact, offers an example of the institutionalization of an exit strategy into the program planning and design process. From 1988 to 1997 USAID/Bangladesh funded Pact under a Cooperative Agreement to manage the PRIP project, to build capacity within the NGO sector in Bangladesh. As the project evolved, its design was revised to embody an exit strategy for transition of the Pact/PRIP program into a locally governed and managed Bangladeshi organization. In 1995 Pact formally transferred management of the PRIP project to the newly formed PRIP Trust. While the complex transition process is still unfolding, the Bangladesh experience offers a useful example for the broader NGO and donor community, and serves as one model for implementing an exit strategy. The Bangladesh exit strategy and process have been carefully documented as a case study (11). The publication focuses on the topics of governance, leadership, legal identity, management, programming, budgeting and funding, including a synopsis of Pact Bangladesh experience related to each topic.

The Microenterprise Implementation Grant Program (IGP), part of USAID’s Microenterprise Innovation Project, addresses institutionalization of NGO capacities within the microenterprise sector. The focus of the IGP is on the increased ability of local institutions to deliver financial and non-financial services on a sustainable basis and with expanding outreach. It is designed to expand microenterprise service provision by local institutions, particularly by increasing the financial viability of those institutions that provide financial services and the cost effectiveness of those institutions that provide other inputs. All supported activities have the explicit objective of sustained service delivery to microenterprises that results in the reduction and elimination of donor dependence by service providers. The IGP provides both start-up and expansion grants. A new
modality, grants for technical development activities, are available to applicants with established capacity in microenterprise, but which need focused assistance to prepare local institutions for expansion, introduction of new products, or higher levels of financial independence.(12)

Other Specific Approaches

**GEM** - An innovative approach to organizational capacity-building -- the Global Excellence in Management Initiative (GEM) -- has been developed under a Cooperative Agreement between USAID's Office of Private and Voluntary Cooperation and Case Western Reserve University's Weatherhead School of Management. Since its start in the early 1990's, the GEM Initiative has significantly broadened its scope from an exclusive focus on U.S. PVOs to its current support for local NGOs and NGO coalitions around the world. Employing an “appreciative inquiry” methodology developed at Case Western, GEM offers a range of training programs, structured workshops, and consultant services to support institutional strengthening, partnership development, and cross-sectoral alliances. Each program can be customized, to support individual organizational needs and contexts. Strategic planning, consideration of future partnerships and alliances, and sharing of best practices are a major part of the programmatic focus.(13)

**NGO Service Centers** - Counterpart International has developed an “NGO Service Center” model that has proved effective in the former states of the Soviet Union – Russia, the western region (Ukraine, Moldova, Belarus), and the Central Asian Republics (Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan). The generalized service center model has been applied by others as well in Eastern and Central Europe. Service Centers are structured to provide a wide range of services tailored to the specific programmatic context:

I. an information clearinghouse on NGOs, through creation/maintenance of detailed NGO databases accessible via e-mail and Internet, and through newsletters;
###1) grantmaking, including seed grants, partnership grants (to the local NGO), and corporate challenge grants (matching corporate contributions to local NGOs);
###2) training of trainers, both in-house and within local NGOs;
###3) training of NGOs
###4) mobilization of U.S., European and other donor resources;
###5) mobilization of humanitarian assistance linked to NGO capacity-building;
###6) facilitation of networking and national/regional conferences and alliances;
###7) promotion of NGO coalitions to strengthen grassroots advocacy for legal and policy reform of the enabling environment;
###8) leveraging the support of volunteers through existing sources such as the International Executive Service Corps in the U.S. and its Canadian counterpart;
###9) leveraging the support of international NGOs where complementary inputs can maximize capacity-building impact within individual NGOs.

The goal is ultimately to localize country operations, putting mechanisms in place, such
as staff training and development, that prepare local staff for eventual management of the
service centers, and/or creating an alliance with another local NGO support organization.
The newly formed entity would then become part of Counterpart’s international affiliate
network. (14)

Umbrella Models - As USAID cooperation with PVOs and NGOs has increased over the
past two decades, many Missions have used an “umbrella” approach for their expanded
PVO/NGO support. Most commonly, an “umbrella project” is a funding, management,
and support mechanism designed to deliver relatively small amounts of USAID funds to
each of a number of organizations through one financial award to a lead organization. A
cooperative agreement or contract is received from USAID for subsequent smaller
subgrants to NGOs or PVOs for project implementation, with the lead organization
responsible for administrative and technical assistance to subgrantees. The lead
organization can be a PVO or local NGO, an association of PVOs or NGOs, or a
contractor. Umbrella models have been used in a variety of forms by many USAID
missions. While experience has varied, the umbrella mechanism has frequently proved
an effective means to strengthen the capacity of local NGOs. Examples are:

- Bangladesh, where USAID’s Family Planning and Health Services project
  provided direct funding to five PVO/NGO organizations, which in turn supported
  106 indigenous NGOs operating at over 300 project sites. USAID
- Bolivia, where USAID’s PROCOSI consists of a network of 24 Bolivian and
  international NGOs involved in child survival and maternal health activities, which
  supports programs benefitting over 400,000 people primarily in isolated rural
  areas. The PROCOSI model has been extended to El Salvador and, more
  recently, to Zambia.

USAID has undertaken a number of studies and evaluations of the umbrella model. One
study “Designs for Collaboration” (15) concludes that umbrella projects have proven to be
a flexible mechanism for enlarging PVO/NGO operations, improving those agencies’
capacities, and opening possibilities for USAID involvement with beneficiary groups not
easily reached by other programming approaches. It emphasizes that design and
inter-organizational collaboration are two aspects crucial to the success of umbrella
programs, including investment in local institution building.

Another study, “Strengthening the Public-Private Relationship” (16) finds, inter alia, that
capacity building is increasingly important for subgrantees as a part of umbrella activities,
both in traditional developing countries as well as in the newly emerging democracies
which have begun only recently to develop or restore the institutions of civil society. The
study noted that a primary advantage of umbrella models for NGO subgrantees is the
opportunity for networking and institutional strengthening, with assistance from the lead
organization.

Consortia - The formation and promotion of consortia and strategic alliances has offered
USAID an effective way to support NGO capacity-building, particularly where programs
with capacity-building objectives involve a broad sector or the NGO sector as a whole, as is often the case in emerging democracies or transitional societies. Properly structured and managed, consortia can maximize the impact on NGO capacity-building through synergistic collaboration among the partners. Consortia also allow for accessing the expertise of U.S. NGOs/PVOs who may not have a long track record in managing USAID-funded programs. The multiple partners in a consortium additionally can maximize the leveraging of donor and constituency resources within a given program.

In 1994, for example, USAID awarded a cooperative agreement to Save the Children (SAVE) to lead a consortium of U.S. nonprofits to implement a Civic Initiatives Program for Democratic and Economic Reform in Russia ("CIP"). The consortium consists of five U.S. organizations -- SAVE, Counterpart, The Center for Democracy, the Education Development Center, and the Institute for Policy Studies of Johns Hopkins University. Each organization brings specialized technical expertise to the program, while SAVE provides overall program management and coordination. CIP's goal is to support the creation of a diverse, self-sufficient nonprofit sector to facilitate the emergence of a strong civil society in Russia.

A variation on the consortium model that has been used by USAID to support the strengthening of civil society institutions is the "Indefinite Quantity Contract" (IQC) mechanism, which makes available to field missions the services of multiple partners to carry out capacity-building activities around the world on an as-needed basis. An example is the Democracy and Governance IQC managed by World Learning, which offers rapid response assistance to support civil society programs in institutional capacity-building, including assistance and training in advocacy and policy reform, as well as conferencing, networking, and exchange of experience between and among indigenous, U.S., and international civil society organizations.

Endowments - An endowment is a fund that has been set aside for a specific purpose. Generally, endowments are designed to disburse only the income from the assets; the principal of the fund remains intact and invested. Endowments can serve as vehicles to build and sustain the capacity of NGOs to do development work, increasing their long-term stability and financial self-reliance. Some endowments cover all operating costs of NGOs; others provide only enough income to cover core administrative costs, with the expectation that income for operating programs will come from additional project grants. In both cases, the endowment increases the local organizations’ sustainability and allows it to make long-term decisions on staff development, program strategies, and policy reform.

A recent study by USAID's Center for Development Information and Evaluation (CDIE) identified about 35 endowments funded directly by USAID, including nine funded with dollar appropriations and the rest with local currency. Most of the USAID endowments are for activities in the environment and agriculture, and the largest number are located in Latin America and the Caribbean. The CDIE study examines at some length USAID experience in establishing endowments, providing an overview of the types funded and describing each of the USAID-funded endowments.(17)
Where the objective was to support local grant-making organizations, a new organization has sometimes been established to house an endowment. In these cases, USAID usually has provided considerable capacity-building assistance to prepare the organization to manage the endowment funds and its grant-making programs. For example, in Mexico USAID provided $19.5 million to establish an endowment for an environmental grant-making foundation, the Mexican Fund for the Conservation of Nature (FMCN).(18)

**Vouchers** - USAID has recently developed and field-tested a new tool involving the use of research vouchers as a way to support NGOs and foster their participation in projects. Development of the research voucher methodology drew on the observation that many local NGOs and community based organizations which lacked the technical, analytical, and financial reporting skills to realize their full potential were located in many of the same cities and regions as technical institutions capable of meeting their needs. However, few of the technical institutions engaged in partnerships with local NGOs. Recognizing both the needs and opportunities this presented, USAID established a voucher program in which certificates redeemable for a specified level of technical assistance from local technical institutions were distributed to interested NGOs and community based organizations. When the assistance was completed, the NGO paid the institution with the voucher, which in turn returned it to USAID or its intermediary for payment. In this way the administrative burden of accounting and reporting falls on the technical institution, while the NGO monitors progress of the activity being supported and insures its relevance to the NGO’s agenda and needs. An example is:

- **USAID/India’s Regional Housing and Urban Development Office (RHUDO) in Ahmedabad**, a city with a large number of active NGOs as well as a number of India’s top academic and technical institutions. To provide local management assistance, RHUDO entered into an agreement with an Ahmedabad foundation, the Center for Environment Education (CEE), to act as local manager for the program. Over an 18 month period CEE awarded a total of seven vouchers to support technical assistance on a wide variety of urban environmental issues. In addition to assisting the specific projects covered by the vouchers, the pilot project also resulted in linkages between many of the local NGOs and research organizations, some of which led to new joint activities. (18)

**USAID - Supported Assessment Tools for NGO Capacity Building**

USAID believes that the assessment of organizational effectiveness is a critical component of NGO capacity-building. It is a necessary first step for understanding NGO capacity-building needs, for establishing benchmark indicators to measure and evaluate progress, and to guide program design and modification throughout the period of program implementation. While capacity-building is a highly individualized process, grounded in local reality and specific organizational needs, certain core competencies are recognized as common to all capable organizations regardless of sector or organizational context. As part of a capacity-building effort, all organizations should collaboratively identify a
program to chart where they are currently, where they want to be, how they will get there, and how they will know when they have achieved their goal. Assessment tools and methodologies can focus on partnerships as well as individual organizations. In recent years, USAID has supported intensive research into, and the development of innovative tools and methodologies for, assessing organizational capacity.

USAID’s New Partnerships Initiative (NPI) offers five assessment tools presented by NPI are designed to help USAID missions carry out what are likely to be the most frequently occurring tasks associated with organizational capacity-building (20):

II. Selecting organizations or partnerships to receive capacity-building assistance. This tool offers procedures for assessing and selecting organizations for support; it evaluates organizations by four criteria: fit, program attractiveness, coverage exclusivity, and competitive advantage.

###10) Assessing the current capacity of an organization. This tool provides (a) procedures for assessing organizational capacity, and (b) a process through which relevant, context-specific indicators can be developed in a collaborative manner. It includes seven areas of organizational competence, which are further broken down into specific subcomponents. For each subcomponent, criteria of organizational capacity or performance are developed in collaboration with staff from the organization that is being assessed.

###11) Determining an organization’s readiness to engage in strategic planning, including entering into partnerships. The strategic planning checklist offered by this tool is designed to help an organization plan for training and technical assistance useful in overcoming obstacles to partnering.

###12) Designing capacity-building training opportunities. This tool, a decision-making matrix, focuses on the tasks associated with the design and management of training programs in support of capacity-building. It contains a list of major decisions to be made in designing and implementing training programs, suggesting options with respect to each, and offering guiding principles for selection among options.

###13) Designing technical assistance programs for capacity-building. Similar to the preceding matrix, this tool lists major decisions that have to be made in designing and implementing a capacity-building technical assistance program, suggests options and offers guidelines for choice.

###

One of the organizations at the forefront in developing tools for assessing NGO capacity, Pact, has refined a methodology – Organizational Capacity Assessment (OCA) – that has been applied to several USAID-supported field programs targeted to building the NGO sector, e.g., in Ethiopia and Botswana. USAID’s NPI Assessment Model incorporates the OCA tool in large part. OCA identifies seven aspects of organizational effectiveness: governance, management practices, human resources, financial resources, service delivery, external relations, and sustainability, each of which are broken down into subcomponents. OCA further identifies four stages of NGO development – nascent, emerging, expanding, and mature – each of which has its own characteristics or indicators that can be translated into measurable standards. Through a highly participatory process, responses to a series of questions are scored and an
organizational capacity profile is generated, either with a paper-based system, or utilizing a companion software program.

Information collected with the OCA Tool can be used in a variety of ways:

III. as a diagnostic instrument, to determine the stage of organizational development of an NGO; to indicate specific changes needed to strengthen it; and to provide management, staff and partners of the NGO with the basis for improving the functioning of the organization.
###14) to establish a baseline measure of the existing structure and capability of an NGO.
###15) to monitor and evaluate progress toward the NGO’s organizational development objectives at regular intervals.
###16) as an educational tool for NGO members and staff about the components and attributes of an effective NGO, and to provide a framework for follow-up to an assessment.
###17) to help create a strong and shared commitment to change within the NGO.
###18) to assess the training/technical assistance needs of the NGO’s staff.
###19) to complement financial audit and program impact reports by providing a comprehensive evaluation of an NGO’s viability, potential for growth, or capacity for partnership.
###20) as the basis for design of improved systems and procedures.
###
A Pact Handbook describes the OCA tool in detail, including ways in which the assessment process can be carried out, how to analyze the OCA information, and sample assessment results and reports. (21) Building on the OCA base, Pact and the Education Development Center, Inc. have recently developed, with USAID support, a new assessment instrument – the Discussion-Oriented Self Assessment (DOSA) tool – designed to be utilized with a cohort of U.S. PVOs/NGOs, both to promote organizational learning and capacity-building within the PVO community and to enable USAID’s Office of Private and Voluntary Cooperation to measure its own capacity-building impact through its PVO support programs.(22)

Other U.S. PVOs have developed their own methodologies for assessing NGO organizational capacity, many of which share substantial points of convergence and others tailored to the particular organizational and philosophical contexts in which they operate. For example:

- the Christian Reformed World Relief Committee, as part of its USAID-supported project on partnering and organizational capacity in collaboration with Case Western Reserve University, identified four regional capacity assessment tools, each representing the work of partner organizations in different parts of the world (East Africa, West Africa, Asia, Latin America). One result of this collaborative activity was CRWRC’s design of a revised capacity assessment system for its own use, and embracing the capacity assessment tools of its partner organizations.(23)
A different kind of NGO assessment tool – the NGO sustainability index – has been developed by USAID’s Bureau for Europe and the New Independent States (ENI). The purpose of the index is to gauge the strength of the NGO sector as a whole in the transition societies of East Central Europe and the former Soviet states. Using a rating system and accompanying narrative, the sustainability index analyzes five aspects of each country’s NGO sector:

IV. the legal environment
###
21) organizational capacity.
22) financial viability
23) advocacy,
24) public image

For each of the five aspects of the NGO sector, three generic stages of development are described. For each country, each aspect is numerically rated according to its stage of development, accompanied by an explanatory narrative. Taking each of these factors into consideration, the country’s NGO sector as a whole is rated and substantively described. (24)

Notes
1. Core report of the new Partnership Initiative. USAID July 1995
8. PVO/NGO Networks, USAID Bureau for Global Programs. USAID, May 1997
10. CEDPA, Washington, D.C.
11. Exit Strategies - Transitioning from International to Local NGO leadership by Richard Holloway, Pact Publications 1997
16. Strengthening the Public-Private Partnernesship - an assessment of USAID’s


24. NGO Sustainability Index, ENI Bureau Office of Democracy, Governance and Social Reform, USAID. 1997.

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In most African states, the post-Independence legacy has been one of extremely centralized, one-party states. With several notable exceptions (e.g., Kenya and South Africa, which have many active NGOs), most African nations are characterized by small and institutionally weak nongovernmental sectors. In recent years, this situation has been changing rapidly in a number of countries as more pluralistic modes of governance have been accepted and pursued. Many national leaders and development planners now realize that top-down, nation-level development and reconstruction programs may not be the most appropriate models. At the same time, there is a wide range of African institutions not previously associated with formal development processes. These include a multitude of membership-based organizations and a variety of community self-help organizations and social movements. In an increasingly pluralistic political environment, these organizations have greater opportunity to participate in public fora and to play a role in defining the content and direction of local development.

The Family Planning Association of Kenya - focussing on institutional capacity-building and financial sustainability. With a major decrease in the level of USAID funding for Kenya’s health and population sector, the USAID mission shifted its strategy to place special attention to building the capacity of Kenyan NGOs, in particular the Family Planning Association of Kenya (FPAK). Working in close collaboration with FPAK, USAID engaged the services of a local firm to analyze FPAK’s management structure, organizational strengths, financial status, and income-generating potential. The result was an action plan designed to enable FPAK to become less donor-dependent and donor-driven, and to operate in the future with a business approach to providing services. USAID increased the roles and responsibilities of an institutional contractor assigned to the Health Ministry to include technical assistance to FPAK to put into place the necessary financial systems, update organizational structures, and develop marketing plans. (FPAK: Building Local Capacity for Service Delivery, NPI Resource Guide, 1997; USAID/Nairobi).

The BENIN Indigenous NGO Strengthening Project (BINGO) - strengthening the capacity of indigenous NGOs across a wide spectrum: This project, begun in 1994, strengthens NGOs ability to implement grassroots self-help activities and serve as intermediary organizations in channeling and processing grassroots social demands. Implemented by Africare, the project includes management training of NGOs, networking and advocacy support, and support for grassroots development projects. It calls for Africare to train some 20 NGOs in financial management, project management, monitoring, backstopping, and evaluation, and computer skills, and to provide institutional support grants to 20-25 NGOs. Africare is to help NGOs to design and implement 15-25 responsive grassroots development activities each year for funding through the project, and others for support by outside sources. The project is designed to enhance NGOs’ ability to process grassroots issues and serve as advocates for grassroots development, as well as promoting cooperative linkages between and among NGOs. (Benin Indigenous NGO Strengthening Project, USAID Office of West and Central Africa;
AFRICARE, Washington DC.)

**USAID work with Pact to support NGO capacity-building during the transitional period in South Africa - a special case:** Several Pact-administered programs illustrate the special conditions in South Africa. *An NGO Strengthening Project*, started in 1991, was designed to increase the leadership and management skills of black NGO leaders to enable them to shoulder responsibility at the local and national level, principally through extended organizational development training in strategic management and planning, project design, monitoring and evaluation, group and organizational behavior, and managing change. The program also offered strategically targeted grants and technical assistance in sectoral areas aimed at building the capacity of local groups to respond to development needs. *A Black Entrepreneurship and Enterprise Support Facility*, started in 1993, was aimed at generating income and employment through the development of small and microenterprise organizations generally, and strengthening existing small and microenterprise support organizations specifically. The project provided technical assistance and advisory services to increase the effectiveness and impact of key enterprise development organizations. Beginning in 1995, *a Developing Grantmaking Capacities Project* was designed to train South African NGOs in grantmaking, emphasizing contracting and project and financial management systems, with the ultimate goal of transferring grantmaking responsibilities from USAID to South African NGOs. (Pact, Washington, D.C.)
USAID Illustrative Case Studies 2 -
Asia

The Asia region presents a picture of substantial diversity in the role, status, and evolution of NGOs and civil society organizations. USAID’s role in support of NGO capacity-building has varied accordingly. Several countries have well-developed NGO sectors, the role and importance of which are widely recognized and accepted (e.g., The Philippines and India). Others have less fully evolved NGO sectors, and less supportive enabling environments (e.g., Indonesia). And some are transitional countries where the task of building a civil society framework remains at the most fundamental stage (e.g., Cambodia).

USAID/Philippines - the evolution of USAID support for the NGO sector. In 1980, USAID/Philippines established a grants mechanism through which U.S. PVOs and local NGOs could directly receive funding to design and implement development projects. Since then, the Mission has funded four “Co-Finance” (Co-Fi) programs. While each has had a different emphasis, an overall goal has been the institutional strengthening of NGOs. Co-Fi I responded to the basic needs of disadvantaged sections of the Philippine population; Co-Fi II stressed building the capacity, especially of local NGOs, to engage in more diverse development activities; the major focus of Co-Fi III was on building the capacity of Intermediate Institutions (which provide funding, management oversight and technical support to smaller grassroots subgrantees) to more effectively service the rural areas of the Philippines; and Co-Fi IV encouraged popular participation in local decision-making and strengthening democratic institutions through coalition-building grants. A recent report describes the changing nature focus of USAID’s work with Philippine NGOs over the past two decades, including lessons that may be more broadly applicable to NGO capacity-building. (Evolution of a PVO Co-Financing Program: Lessons Learned at USAID/Philippines, L. Cripe and G. Perrier, USAID Office of Private and Voluntary Cooperation, 1997).

Enabling Private Organizations to Combat HIV/AIDS - The EPOCH Project in Indonesia: A collaborative effort between Project Concern International, Pact, and a number of Indonesian NGOs, EPOCH integrated technical, organizational, and interorganizational capacity-building into the assistance provided to 10 Indonesian NGOs. The project’s primary objective was to provide intensive institutional development and technical services to a group of NGOs in order to build NGO institutional capacity to undertake HIV/AIDS projects. This included: direct support for and facilitation of the development of NGO HIV/AIDS interventions; policy advocacy for the formulation of informed policies and regulations that protect rights; skills enhancement for selected NGOs in designing, managing, evaluating, and documenting HIV/AIDS programs; and development of HIV/AIDS coalitions and networks at the local and national level. A related achievement was the establishment of one of the largest HIV/AIDS resource centers in Southeast Asia, housing over 2000 publications, including books, videos, journals, newsletters and reference sources.

An article in AIDScaptions, a publication of USAID’s AIDSCAP program
(Capacity-Building for HIV/AIDS Prevention, L. Loughran, July 1995), citing the EPOCH Project, notes that capacity-building has moved up on the list of priorities in most HIV/AIDS prevention programs.

**The Private Rural Initiatives Project (PRIP) - exit strategies in Bangladesh**  As a strategy for reaching the large numbers of NGOs in Bangladesh, PRIP identified intermediary organizations as its immediate constituency, and the smaller development NGOs who implement projects as its indirect constituency. PRIP identified strategic sectors in which NGOs have a comparative advantage, built up a range of coalitions between the NGOs and between NGOs and other parties, built up the competencies of selected institutions, and provided services which would both develop the institutions and sustain them into the future. Finally, after demonstrating to the NGO sector the usefulness of an organization that pays attention specifically to NGO capacity, PRIP moved from being a time-limited project of a foreign NGO (the U.S. PVO Pact) to become a Bangladeshi NGO in its own right (the PRIP Trust).

PRIP operates at many levels within the Bangladesh nonprofit community: as a donor directly supporting the activities of specific local organizations; as a catalyst, combining the talents and ideas of a variety of partners to affect outcomes on specific issues; as a leader, convening forums and networks; as a technical assistance resource, providing skills and support in management and organizational development; and as a think tank, developing new nonprofit strategies, encouraging the development of the role of nonprofits in policy advocacy, and in improving the national development agenda. (Building the Sector: How PRIP Helps to Build the NGO Capacity in Bangladesh, R. Holloway, Pact, Washington, D.C.).

**The Natural Resources Environmental Practices (NAREP) Program in Sri Lanka - NGO capacity-building for biodiversity management.** USAID’s grantee, the Asia Foundation, identified a multi-ethnic Sri Lankan NGO as the most capable indigenous institution to facilitate the formation of a representative organization to manage the Community Based Resources Management component of the NAREP project. As a result of the NGO’s capacity-building work with 60 local community-based organizations and eight school environmental clubs, a new Community Based Development and Environment Foundation was established. Linkage also was established with a Sri Lankan research institute on which to base the community education efforts. As the new NGO grew stronger and broadened its base of community support, direct capacity-building assistance was phased down, and two women leaders from the community assumed the leadership role. Support for income generation, through assistance to strengthen existing and establish new micro- and small enterprises, is an important aspect of the NGO’s work. The new NGO also provided technical assistance for the formation of Village Development Centers -- representing all the community based organizations in a village -- to handle local level planning, implementation, and monitoring. (Participation of Communities and Local Government in Biodiversity Management, NPI Resource Guide, USAID, 1997).
USAIDs Illustrative Case 3 - Latin America and the Caribbean

The NGO sector for the region as a whole is relatively well developed in comparative terms. Countries such as Ecuador and Peru are at one end of the spectrum, with strong civil society institutions and active NGOs in most sectors. A favorable enabling environment and existing organizational capacities offer the NGO sector opportunity to develop the capacity of other less capable NGOs and community based organizations. The NGO sector in many Central American and Caribbean countries, while less developed, has been the target of substantial USAID-supported capacity-building efforts, e.g., in El Salvador, Honduras, Guatemala, and the Dominican Republic. At the far end of the spectrum are the very basic capacity-building efforts in Haiti’s fledgling civil society.

PROCOSI in Bolivia - indigenous network-building, with important institutional-strengthening impact. Established in 1988, PROCOSI is a network of more than 25 PVOs and NGOs that implement both family planning/reproductive health and child survival projects in Bolivia. Its achievements include establishment of a major endowment fund sufficient to finance sub-grants and cover fixed costs over the long-term; productive collaboration among diverse NGOs; and a reputation among donors and within the Bolivian government that reflects its success in providing technical assistance and financial support to Bolivian NGOs. Increased coverage of the population has been a major achievement: the USAID mission estimated in 1996 that PROCOSI reached approximately 30% of the rural population. With respect to direct beneficiaries, against an original target population of 70,000, PROCOSI estimated in 1996 that it reached approximately 120,000 women of reproductive age, or roughly 10% of the women in this category. (USAID/Bolivia).

The Academy for Educational Development - regional program aimed at strengthening the capability of Central American NGOs to carry out HIV/AIDS prevention programs. The project objectives are three-fold: to improve the regional policy environment for HIV; to strengthen the capacity of NGOs to deliver programs for the prevention of AIDS and sexually transmitted diseases; and to promote individual behavioral changes via small grants to NGOs and universities. The NGO component calls for development of a regionally applicable package of technical assistance and training materials to increase NGOs’ effectiveness in implementing HIV/STD programs and to increase their sustainability as viable organizations. Areas for assistance include management, information systems, fundraising, community participation in service design and delivery, educational materials, counseling protocols, testing/diagnosis, data collection and analysis, training and supervisory systems, operations research and evaluation methodologies, and advocacy and policy dialogue. Promotion of networking and information exchange among Central American NGOs and with U.S. NGOs is also included. (Regional Office for Central American Programs, Bureau for Latin America and the Caribbean; Academy for Educational Development, Washington, D.C.).
Overcoming the legacy of economic central planning and State/Party domination of all aspects of public life remains the paramount concern of contemporary reformers in the countries of Eastern Europe and the former Soviet Union. The completely underdeveloped nature of civil society in former communist states has led USAID to concentrate intensive NGO capacity-building efforts in most countries of the region, drawing on the talents of a highly educated population that has just begun to understand both the rights and the responsibilities that democracy confers. In addition to establishing a variety of resource centers to strengthen the capacity of local NGOs and community membership organizations, USAID has been instrumental in the formation of associations of various types with the dual goals of creating a stable of group of pro-reform lobbying organizations and to boost the prospects that innovative practices will be replicated on a country-wide basis. Such associations thus provide a critical link between strengthening local capacity and fostering a favorable enabling environment. Successful local government/NGO cooperation, fostered through capacity-building efforts, has begun to influence the thinking of central authorities, who have tended in the past to view civil society actors as either organizing to make demands on the State or seeking to usurp its power, rather than as useful service deliverers and instruments of development. USAID’s pressure to “graduate” countries of Eastern Europe and the former Soviet Union from U.S. assistance as rapidly as possible has led to a heavy emphasis on sustainability as a key aspect of NGO capacity-building.

Civic Initiatives Program for Democratic and Economic Reform (CIP) - building the capacity of the broad NGO sector in Russia. The program was established in 1994 as a consortium led by Save the Children (SAVE), with participation of the Education Development Center, Counterpart Foundation, the Center for Democracy, and the Johns Hopkins University/Institute for Policy Studies. The program’s specific objectives are: (1) to develop a target group of NGOs composed of participants in CIP grant and technical assistance programs who lead and manage themselves efficiently, act effectively on behalf of constituents, and serve as models for the NGO sector; (2) to improve the external operating environment for NGOs relating to the laws and regulations governing NGO action, public attitudes towards NGOs, and support from governmental and private sectors for NGO programs and activities; and (3) to promote action-oriented networks of NGOs with members representing a broad, diverse constituency. Program activities are carried out in four regions through NGO resource centers, which serve as the primary focal point for identification of needs and delivery of program resources, including training, technical assistance, materials, and grants. The centers also disseminate information and organize conferences and workshops on topics of common interest to the NGO community. To respond to the evolving needs of the NGO sector, the CIP program was restructured in 1997 to streamline and decentralize its management structure, placing greater reliance on the expertise of regional resource centers and service providers. Among program accomplishments: NGO leaders in more than 50 cities have
developed skills in project planning and management; the four resource centers are managing programs to support more than 2000 NGOs; broad-based NGO networks have been established in two regions; and networks of trainers, consultants, and evaluators have been established to serve design and implementation needs. (Save the Children, Westport, Conn.).

The Counterpart Consortium NGO Support Initiative for Central Asia - a model of an overall effort to strengthen the NGO sector in five newly independent countries. This program has a lead U.S. PVO for overall management and broad-based support, and sub-agreements with three U.S. PVOs for support in specific sectors. The model has been flexible in its design in supporting about 15 different sectors through its seed grant program and partnership grants. The two major components of the project have been (1) to identify and organize a broad array of local NGOs, irrespective of area focus, providing them with generic and practical training, technical assistance, and small seed grants; and (2) to provide more intensive support to indigenous NGOs through U.S./Central Asia Partnerships in three specific areas of importance to democratic, social and economic development. A smaller third component is designed to stimulate corporate giving to NGOs in Central Asia by setting up a pilot matching grant program. Through the training, grantmaking, and partnership development programs, some 1600 NGOs had received support in organizational management and advocacy, coalition-building, service delivery to vulnerable groups, and other NGO-related skills by the end of 1996. Regional offices were operating in four countries, each with a core of trainers providing both training and technical assistance to NGOs in their countries. A 1997 amendment extending the Central Asia Initiative reaffirmed support for the program's major components, while incorporating enhanced emphasis on strengthening NGOs' capacity to affect government laws and policies to enable them to better provide financially sustainable social and human services. Refined objectives – for which specific measurable results have been elaborated – include: (1) develop and strengthen indigenous NGOs to provide social services; (2) develop and strengthen NGO advocacy skills and effectiveness; (3) improve the legal environment for NGOs; and (4) mobilize financial and human resources for NGOs. (1996 Annual Report, Counterpart International; Final Report: Participatory Evaluation of the Counterpart Consortium Cooperative Agreement, Management Systems International, 1996).
Foundations
Capacity Building of Southern NGOs
The Experience of the Inter-American Foundation (IAF)

A. Understanding of Capacity Building

1. Definition of capacity building - The Inter-American Foundation (IAF) views capacity building as a central feature of its mission. It has, however, no formal definition of the term nor any organisation-wide guidelines regarding its implementation.

2. Rationale for supporting capacity building - The IAF sees capacity building as a core aspect of its overall mandate which is to support sustainable grassroots development through grants to non-governmental (NGOs) and community-based organizations (CBOs). It is seen to be closely linked to beneficiary participation, empowerment, sustainability, and democratization-related goals. Staff at the Foundation indicated that while many donors seem to equate capacity building with training, IAF works on the assumption that partners "know what their needs are". It does not, therefore, provide training or technical assistance as an institutional service. It does, however, fund requests for specific training, or supports NGOs whose task is to provide technical assistance and training to other NGOs and CBOs. The Foundation conducts a modest Fellowship Programme which supports capacity-building of individuals, many of whom come from and return to NGOs and CBOs.

3. Trends in thinking about capacity building - Within IAF, a distinction is made between grassroots organisations (membership organisations made up of beneficiaries themselves) and grassroots support organisations or "intermediary NGOs". Staff noted that, over the years, capacity building efforts have focused on these two groups. A very recent trend in capacity building at IAF has been to support NGOs and CBOs in establishing innovative cross-sectoral partnerships with public and private sector actors.

4. How capacity building is handled in the organisation - Capacity building is a highly mainstreamed theme at the IAF which staff view as a cross-cutting issue in all their work. Capacity building initiatives are funded within the framework of grants to NGOs/CBOs or through other support organizations.

B. Identification of Capacity Building Needs

5. Capacity assessment - While many of the Foundation's grants over the years have included assessments of beneficiary organizations, the IAF has relied on capacity assessment tools that have evolved over time (see They know How) and are used to determine the ability of an organization to undertake a grant. Assessments are undertaken on a case-by-case basis, by grantees or other selected intermediaries.

6. Capacity building needs - IAF will primarily fund training or capacity building activities specifically identified by partners. While there is some give and take in identifying capacity building needs and priorities, strong focus is placed on demand-drivenness and
ownership. One specific area where IAF has played a more proactive role is in promoting project planning and results-based management.

C. Capacity Building of Southern NGOs (SNGOs)

7. Approaches employed - The IAF supports the capacity building of NGOs and CBOs through a number of means including: direct grants to NGOs and CBOs (for example, to finance organizational assessments, strategic planning exercises, staff training, etc.); the funding of processes as well as products (for example, related to establishing innovative partnerships); grants to training or support organizations (which, in turn, provide services or support to NGOs/CBOs); and; a fellowship programme which promotes learning and networking among individuals from the NGO community. IAF feels that grants for project/programme purposes also contribute to capacity building goals through "learning by doing". While in the past, IAF's in-country service organisations would undertake some capacity building/training activities themselves, these roles now are almost always played by a local organization.

8. Priorities - In the past, IAF has supported NGO capacity building initiatives in areas such as leadership training, policy research and analysis, organizational development, institutional strengthening and strategic planning. For the past two years, the Foundation has placed priority emphasis on the areas of (i) resource mobilization and (ii) promoting innovative cross-sectoral (NGO-government-private sector) partnerships. IAF management feels strongly that these new areas of focus both respond to the current realities of the Latin American region and accurately reflect the priorities of their Southern partners.

9. Resource mobilization - IAF strongly believes that one of the main challenges facing NGOs in Latin America and the Caribbean is to diversify their sources of funding and lessen dependence on foreign aid. To this end, the Foundation has placed increased emphasis in recent years on promoting local philanthropy and corporate social responsibility and supporting NGOs in their efforts to diversify their funding base and explore new methods of fund-raising and/or income generation. (See Annex II for a brief description of what IAF refers to as its Social Investment Program). For example, IAF has established partnerships with local grant-making foundations in Argentina, Bolivia, Venezuela, Colombia, Dominican Republic and Peru. One of the Foundation's most successful local resource mobilization efforts to date is a cofinancing agreement with the Venezuelan petroleum company, PDVSA, which has resulted in the creation of five in-country development funds (totalling $2 million) which are supporting grassroots development projects in various parts of the country. In Panama, seven development funds supported by the IAF have formed a grassroots development support network to share information and best practices on resource mobilization and grant-making. A 1995 issue of IAF's journal, Grassroots Development, dedicated specifically to the theme of resource mobilization describes some of the Foundation's activities in this area and shares lessons learned. An edition on social investment is coming out in March 1998.
10. Promoting cross-sectoral collaboration - For the past two years, IAF has focused on supporting innovative partnerships among NGOs, CBOs, businesses, and local, regional and national governments. This decision to emphasize cross-sectoral collaborations is based on: the potential benefits of mobilizing funds from the private sector; current trends within the region towards democratization and decentralization; and, a growing belief that complex development problems cannot be adequately addressed by any one organization but require multi-sectoral action and consensus building. Supporting the skills and abilities of NGOs and CBOs to establish such partnerships is considered an increasingly important aspect of capacity building. One particularly successful example of cross-sectoral collaboration, supported by IAF, was a grant made to the Fundacion Nacional para el Desarrollo, (FUNDE), a non-profit institute in El Salvador, to facilitate development of the municipality of Nejapa. To promote learning in this area, IAF has emphasized measuring results and sharing best practices and lessons learned through a variety of media such as publications, seminars, and conferences.

11. In addition to encouraging its grantees to establish innovative partnerships, IAF has, in recent years, sought out alliances with non-traditional private sector partners to enhance its impact and allow it to more effectively contribute to the capacity building of its grantees. The Foundation's collaboration with PDVSA, for example, (as mentioned above) has not only resulted in a new source of funding for Venezuelan partner organizations but has also provided a set of complementary skills on which IAF can draw in seeking to strengthen the capacity of grantees. "PDVSA's strengths in developing management skills and its financial and technical skills, combined with IAF's wealth of experience promoting NGO institutional development and evaluating social impact have allowed the institutions to provide a valuable package of services to grantees." (Grassroots Development 19/2, 1995)

12. Support to support/training organizations - Another capacity building approach adopted by IAF has been to make grants to support/training organizations which, in turn, undertake activities aimed at strengthening the local NGO/ CBO community. Examples include the Foundation's provision of start up and continuing core funds to PROCESO (a training centre which focuses on management and planning techniques based in Santa Cruz, Bolivia) and long term support to CIMCA (Capacitacion Integral de la Mujer Campesina), a "mobile training centre" based in Oruro, Bolivia which, since 1982, has provided training to local womens' organizations and has facilitated the creation of several new womens' groups in the region.

13. Learning/Networking - The IAF has funded a variety of programs which promote networking, exchanges and peer learning among SNGOs. These include support for workshops, conferences and seminars as well funding for the formation of NGO alliances, networks, or coalitions around specific subject areas, such as the environment. Another important way in which the Foundation supports learning and information sharing in the Latin American NGO sector is through it Fellowship Programs. (See Annex IV for a description).
14. Organisational Development - The Foundation, through its grants, has contributed to many different aspects of the organisational development of its grantees. It has funded, for example, staff training, planning exercises, the improvement of management/accounting systems, the purchase of equipment and infrastructure, as well as start-up and core costs. In some cases, the Foundation's support has helped strengthen the public policy roles of NGOs, with training and other forms of assistance in these areas.

15. Partnership - In addition to financial support for specific capacity strengthening initiatives, IAF believes that the nature of the relationship that donor agencies establish with their partners can play an important role in promoting (or constraining) capacity building. In order to establish partnerships that, in and of themselves, contribute to the capacity building of SNGOs, the IAF has traditionally tried to: avoid overly onerous procedures and reporting requirements; maintain ongoing dialogue and exchange, and; provide support over the medium term.

16. Strengths and comparative advantages - Staff members interviewed identified the IAF's principal strengths in the area of capacity building as:
* the Foundation's excellent knowledge of the Latin American NGO sector (due to over 25 years of experience in the region);
* its presence in the field;
* its unique status which straddles the categories of foundation and bilateral organization.

D. Lessons Learned

17. Evaluating success - Over the past several years the IAF has designed and developed an innovative tool which attempts to evaluate the impact of development programs in a broader, more holistic and integrated way than many of the more traditional methods of evaluation currently used by the donor community. This tool, called the Grassroots Development Framework (GDF), aims to measure both the tangible and intangible results of development interventions at three levels: among individuals, organizations and the society at large. For a graphic illustration and description of the key components of the framework (and the multiple elements which make up each of these components) see IAF Illustrative Case 1. The GDF is particularly interesting from a capacity building perspective since, not only does it include both the tangible and intangible aspects of organizational capacity in its analysis, but it also emphasizes the links and interdependencies between these factors and development results at other levels (among individuals and the society at large).

18. Factors contributing to successful capacity building - Factors identified as contributing to successful capacity building include:
* looking beyond the individual organisational level (taking into account external factors and aiming for results at the overall community/societal level);
* providing support over an appropriate length of time (long enough to ensure sustainable change without creating dependency).
19. Future trends - In future, the Foundation anticipates growing emphasis on:
* promoting coalition building/horizontal linkages; alliances and partnerships;
* developing planning skills (i.e., the ability to plan at the community rather than individual organisation level); resource mobilization, and problem resolution;
* promoting "downwards accountability" and strong links between NGOs and their local constituencies, and links with local governments and the business community.

List of Staff Interviewed
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"The premise of the GDF is that development initiatives can produce results on three levels, and that there are important intangible, as well as tangible, results that need to be taken into account. The six windows or "categories" of results (illustrated above) were identified based on field experience (rather than theory). Within each category a number of key variables have been identified which track results (as opposed to activities). The conical shape of the framework represents the widening impact of grassroots development from the individual through the organization to the community or society at large. All the facets of the framework are inter-connected and there is a constant flow among them. The balance among the variable is key. The capacity to undertake strategic planning, for example, is an important achievement at the organizational level. But if it is not accompanied by a clear vision of where the organization is going, planning becomes a sterile exercise. Mobilization of resources is key, but if an organization compromises its autonomy in the process, it may become ineffective in the long run."


Please see two diagrams on the GDF on the next two pages.
IAF Illustrative Case 2
IAF's Social Investment Program

The principal objective of this program is to create a broader and more sustainable support base for NGOs and CBOs in Latin America by engaging US, multinational and local companies in partnership arrangements which mobilize and channel new resources for grassroots development. The IAF envisions that this work will lead, over the coming years, to the:

* creation of national and regional networks of local businesses engaged in the support of grassroots development programs;
* mobilization of funds from local and multinational corporations;
* wide dissemination and adoption of best practices in corporate social investment.

The program believes that, "By tapping into local resources and helping build partnerships among grassroots development organizations, governments and businesses, the IAF can continue to reduce poverty and encourage sustainable democratic processes, as well as generate permanent in-country capacity which lessens dependency on international assistance."
Capacity Building of Southern NGOs -
The Experience of the Aga Khan Foundation (AKF)

Basic Description of AKF

The Aga Khan Foundation is a private, non-denominational development agency promoting creative and effective solutions to selected problems that impede social development in low income countries of Asia and Africa. Founded by the Aga Khan, spiritual leader of the Shia Ismaili Muslims, AKF encourages initiatives in health, education, rural development, and NGO enhancement that have the potential to promote the well-being of large numbers of poor people in the developing world.

The Foundation was established in 1967 and is headquartered in Geneva. Branch offices have been established in countries where there is an Ismaili presence, namely, in chronological order, Pakistan (1969), Kenya (1974), India (1978), Bangladesh (1980), Tanzania (1991), Uganda (1992), and Tajikistan (1994). Independent affiliates have been established in the North, also in countries where there is an Ismaili presence, in UK (1973), Canada (1980), the USA (1981), and Portugal (1983). AKF funds activities principally in countries where the Foundation has a local capacity to monitor them effectively. AKF views the local Ismaili presence in developing countries as one of its distinguishing strengths. Most AKF projects have no Ismaili beneficiaries, however, and none benefit Ismailis exclusively.

AKF works through its own foundations, through NGOs that it has set up, through existing unrelated NGOs, and through Governments. It takes a long perspective on development, associating with projects for a long time (AKRSP in Northern Pakistan, the AKF’s most famous program, was initiated in 1982). AKF works through grants and spent approx. US$ 53,000,000 in 1996.

The Aga Khan Foundation is a funding agency, but purposefully funds activities which develop principles and management approaches for sustainable social development that can be applied more broadly both by the Foundation’s grantees, and by other agencies i.e. AKF is searching for ideas and methods that are replicable. It has an international strategy within which there are clearly explained parameters for its program work.

The Aga Khan Foundation is one part of four elements that make up the Aga Khan Development Network (AKDN) which encompasses activities in the economic, cultural and social development fields.

A. Understanding of Capacity Building

The AKF works with a range of small community based organizations (CBOs), NGOs and interest groups. The AKF itself creates NGOs which help the communities where they work to build locally based institutions, and works with existing NGOs which, in turn, work with community groups. It has also set up NGO support organizations, or supported the work of existing NGO support organizations. It considers that capacity building
interventions apply to all of these.

In the International Strategy 91-99 the AKF sets the scene for capacity building interventions by saying, “By policy the Aga Khan Foundation has a preference for working with NGOs, precisely because of their potential for innovative approaches, effective management, and mobilization of local resources. But the Foundation also recognizes that there is a vast amount to be done if NGOs are to attain their potential”.(1)

1. Definition of Capacity Building - AKF has always seen SNGOs both as providers of services and as important institutions in their own right because they allow human energies to be liberated, energies too often held down by governments or social systems. Until 1995 AKF had three program areas, Health, Education, and Rural Development. Programming through and with NGOs was a common feature of all these program areas. There were also five “Cross Cutting Concerns”- Strengthening NGOs, Human Resource Development, Community Participation, Women in Development, and Environment. As can be seen, one of these cross-cutting themes specifically deals with capacity building of SNGOs.

2. In 1995 the Board of AKF accepted a fourth program area - that of NGO Enhancement. This basically took the cross-cutting theme of “NGO strengthening” and made it become one of the four program areas of the organization, thereby promoting capacity building to a full program area. In the discussions leading up to the creation of the NGO Enhancement Program Area in 1995, two strands were identified: capacity building, and the enabling environment. A definition of capacity building was agreed as “a process whereby people and organizations improve their performance in relation to their mission, context, resources and sustainability”(2)

3. A definition of the enabling environment was not so clearly enunciated, but was linked both to the desire to improve the environment for the delivery of services by NGOs, and to the broader concepts of democratization and the strengthening of civil society. It was recognized that advocacy was needed with both Government and the Business sector to achieve this.

4. Rationale for Capacity Building - It is clear that AKF takes a broad view of SNGO capacity building: “AKF accepts a particular responsibility for trying to strengthen the capabilities of the NGOs with which it works, as well as seeking to bolster the position of NGOs in general”(3). It also says “By policy the Aga Khan Foundation has a preference for working with NGOs, precisely because of their potential for innovative approaches, effective management, and mobilization of local resources. But the Foundation also recognizes that their is a vast amount to be done if NGOs are to attain their potential” (4)

5. Trends in Capacity Building - In some of the places that AKF works, particularly Northern Pakistan and Tajikistan there is no tradition of local community based groups for development purposes, and so the organizations that AKF creates have, as their first job, the building of local institutions (see Box 1).
AKF has been starting from scratch in creating an NGO movement in the turmoil left by the dissolution of an all-encompassing and centralized government control. This is virgin territory, and in its major geographical focus in Eastern Tajikistan and neighboring areas, AKF can expect to be a major, if not the only player. Nurturing a functional and effective civil society in these areas will, perhaps, be the biggest challenge faced by the Foundation in the next decade. This will require an experimental and innovative approach based on the existing work with the Mountain Societies Development Support Program (one of the very few Tajikistani NGO) and in the education and health sectors. To support this endeavor, AKF will need actively to share experience with other agencies directly involved in NGO creation and development in the States of the former Soviet Union, in Central Asia and beyond, and to apply the lessons it has learned in its experience elsewhere.

AKF certainly sees such work as capacity building, but at the first level it is building the capacity of individuals so that they form community organizations. Once that has been achieved, then AKF can direct its energies to further building the capacity of the nascent organizations.

At the other extreme, in the oldest programs where AKF has built and strengthened community based organizations, there is the beginning of such organizations federating amongst themselves to build sub-district or district membership organizations.

6. How Capacity Building is handled - AKF is in the singular position of being both a Southern and Northern NGO itself, and feels that there is no mismatch between its perceptions of what NGOs need in terms of capacity building, and what the NGOs own perceptions are. AKF feels that its relationship with the NGOs it supports is one of partnership, developed over a long period of time, in which the needs of the NGO and the needs of the donor are not at odds with each other. Most of the AKF’s work with NGOs has been through the creation of national (or sub-regional) NGOs in specific countries which then work with the local population to create community based organizations and build their capacity. This is the pattern with AKRSP (The Aga Khan Rural Support Program) in northern Pakistan, the AKRSP in India, the Sadguru Water and Development Foundation in India, the Pamir Relief and Development Program in Tajikistan and many others in the field of Health and Education.

7. More recently AKF has supported the programs of existing independent NGOs which were in harmony with its objectives. Part of its work with such organizations has also been the building of their capacity e.g. BRAC in Bangladesh, CHETNA in India, and the Madrassah Support Center in Kenya. More recently still has been the development of NGO Support Organizations (NGORC in Pakistan, NGORC in Zanzibar, and the Kenya Community Development Foundation) which do not have specific sectoral programs of implementation, but were set up specifically to build the capacity of CBOs and intermediate NGOs.

8. In 1992 it suggested four mechanisms that it would use in the cause of capacity building:
   - Policy Dialogue - legitimate roles and responsibilities of NGOs and an enabling
environment for them

- Managerial Support - technical assistance to develop management capabilities
- Financial Sustainability - both at policy level and a variety of sustainability strategies.
- Resource Bases - building support NGOs for managerial and technical help to NGOs.

Once the NGO Enhancement Unit had been operationalized, AKF decided that its work with NGOs should be in five key areas. These were basically the same as the four mechanisms mentioned earlier, but split Financial Sustainability into policy and local philanthropy on the one side, and specific strategies on another.

B. Identification of Capacity Building Needs of SNGOs

9. Capacity Assessment - AKF has some clear ideas, based upon their experience, about what capacities are generally lacking in NGOs, and what interventions are needed. Up to now, however, AKF has not used any specific instrument for measuring NGO capacity. The new NGO Enhancement Officer is interested in building some tools for institutional profiles and monitoring institutional development, but these tools are not yet in place. The AKRSP has experimented with an institutional maturity index, but this has not been generalized throughout AKF.

10. Capacity Building Needs - In the discussions leading to the creation of the NGO Enhancement program, AKF suggested that the capacity building needs of NGOs were:

- development of a coherent frame of reference (i.e. a clear vision and strategy) that is dynamic, robust and well matched to the realities of the organization’s environment;
- development of an institutional structure and staff that match its vision and strategy;
- development of relevant skills, including technical, organizational, and management skills
- acquisition of material resources (core finances, office space, and equipment) on a financially and institutionally sustainable basis

C. Capacity Building of SNGOs

11. Approaches Employed - AKF has used the following techniques in its attempts to build capacities in NGOs:

- "Providing managerial training to NGOs to increase their capacity to achieve their objectives"
- creating new NGO support institutions to build the managerial and implementation capacity of community action groups and mid-level NGOs
- developing a number of strategies to help NGOs attain financial sustainability
- Encouraging NGOs to engage in research, networking, and advocacy to improve the legal and fiscal climates in which they operate, to help develop local
philanthropy and to foster civic responsibility

- engaging governments, international agencies, and donors in dialogue to influence policies and procedures that enable the private sector and NGOs to function effectively.”(6)

12. Priority areas of Intervention  - AKF has made several perceptive comments on the situation of NGOs in the South which suggest what are the priorities for intervention, "NGOs offer substantial potential to give people both opportunity and a voice in development policy and practice, but the NGO rhetoric threatens to exceed the present reality. Many NGOs lack clear purpose, managerial and technical skills and a sound financial base.”(7). Other documents add one more priority to these - that of taking concerted action in alliance with other parties (NGOs and others).

13. The Enabling Environment  - The AKF was one of the early users of this term (1983) and it was widely discussed , together with its key underlying principles, in the AKF sponsored Nairobi Conference of 1986 (The Enabling Environment Conference: Effective Private Sector Contribution to Development in Sub-Saharan Africa). In this conference representatives from Government, Business and NGOs met to discuss "how to create the conditions of confidence, predictability, and mutual trust that will enable people and institutions to realize their full potential"(8). The AKDN is strategically placed to convene and argue at such meetings since it does itself straddle the business and third sectors, and, because of the influence of the Aga Khan, it can interact on an equal basis with governments since the Aga Khan is usually treated with the courtesies of a Head of State.

14. AKF’s work in the field of the enabling environment has been greatest in South Asia where it has, in Pakistan, conducted research into the registration procedures for NGOs and CBOs, and is presently researching the tax and fiscal policies which help or hinder personal and corporate philanthropy. It also actively lobbied on the NGO Bill there which threatened to severely constrain NGOs. In Bangladesh it contributed to a World Bank initiative to create a working GO/NGO council, .and has been for some years working on NGO/State relations as part of the South Asia NGO Development Research Programme. Its work with Governments in India, Kenya, Uganda, Tanzania and Tajikistan (where it also works with NGOs) has enabled the AKF to lobby for Governments and donors to be more NGO-friendly.

15. Assessing Donor Requirements - In its frequent role as an intermediary between aid donors and NGOs, AKF consciously tries to overcome the problems associated with donor conditionalities. It seeks to educate each party about the other and promotes innovations in the donor-NGO relationship e.g. its work in helping to set up the BRAC consortium. AKF have set up NGO Resource Centers in Pakistan, (and now in Zanzibar) (see AKF Illustrative Case 1: NGO Resource Center in Pakistan) which help CBOs in particular to think through their proposals, their accounting and their reports. AKF would say that this is not training them to meet donor requirements so much as training them in the basic skills needed for planning activities, accepting funds, and monitoring progress the progress of their plans.
16. Promoting Financial Sustainability - The AKF sees the urgency of questions relating to financial sustainability and have worked for a number of years to mainstream financial sustainability issues in its work. It recognizes a wide range of financing mechanisms - from user fees to soft loans to micro-credit to “related” business activities - and is currently exploring these and others. (See Box 2).

**Box 2: AKF’s Appreciation of the need for Financial Sustainability**

In the 1991 International Strategy AKF said “it was prepared to help NGOs develop practical plans for sustainability based on a combination of government grants, ability to approach other donor agencies, private donations and income generation from consultancies and sale of materials”

By 1995, in “Current Projects” it’s thinking had become even clearer: “Perhaps the most perplexing question remains the financial sustainability of social development projects managed by NGOs. One relatively simple solution is to pass the on-going financial responsibility on to another donor agency or government, but there are many situations in which this is neither feasible or desirable. Other possibilities include the evolution of effective user fees and/or local insurance schemes (perhaps the most satisfactory solution); cross subsidies between activities (e.g. with profits from curative health care subsidizing preventative care); the development of small scale enterprises to commercialize the results of projects (e.g. selling textbooks) or in conjunction with projects (e.g. women’s health groups engaging in income generating activities); and the possible build up of local endowments.”

For example, it is currently experimenting with “mini-endowments” for its Madrasa based early childhood development centers in East Africa in conjunction with a World bank funded program in the region for early childhood development. has been one of the first donors to be clear about this problem of NGOs. AKF have promoted a number of schemes for community financing of health services, and hey have also made use of credit and savings schemes which become autonomous sources of financing for community initiatives in the AKRSP project in Northern Pakistan and all the projects which aim to replicate that work in India and Kenya. In Kenya AKF has gone one step further, in creating a new endowed foundation to be a sustainable source of income to finance local community organizations and local community development efforts (see AKF Illustrative Case 2: The Kenya Community Development Foundation).

17. Catalyzing Policy Dialogue - A substantial number of AKF’s projects are concerned with studying and researching the policy environment in which their thematic programs work and seeing if a different approach will make for greater effectiveness. While nearly all of their projects are designed to be learning experiences that contribute to the understanding of complex issues and identify solutions that can be adapted to conditions in many different regions, AKF is also committed to bringing valuable lessons to the attention of policy makers and others whose decisions affect the lives of the poor. Where NGOs are involved in such projects, they get the benefit of involvement in policy level discussions and recommendations. Because the Foundation works with both Governments and NGOs it is able to involve NGOs at the level of policy discussions, and AKF makes sure that NGO experience is listened to by governments.

18. Supporting Support Organizations - AKF has set up institutions to help build the
capacity of two kinds of NGOs - CBOs on the one hand and mid level NGOs on the other. Support to CBOs has been one of the key activities of all the big AKF programs. It has as well set up institutions to support the development of CBOs like the NGO Resource Center (NGORC) in Pakistan, and its replication, the NGORC in Zanzibar.

AKF has, in recent years, moved its capacity building activities beyond direct grantees to target a broader audience of mid-level NGOs in the countries where it works. A huge program in Pakistan now coming on stream supported by AKF Canada, called PAKSID, aims to improve the capacity and effectiveness of independent sector organizations in Pakistan as a whole, while the Development Support Center in Gujerat, and the research of the South Asia NGO Development Research Programme deals with the same subject at a regional level. AKF has also supported some of the work of INTRAC in the UK which is a kind of support organization for support organizations.

19. Encouraging Inter-NGO Learning - As has been mentioned before in the text, one of the principles of the work of the AKF is that projects are designed to be learning experiences which, if successful, can be replicated. AKF projects nearly always involve inter-organizational visits. Where those involved are NGOs, they get the benefit of exposure to the work of others in comparable circumstances. The Zanzibar NGORC benefitted from a long exposure to the Pakistan NGORC, while AKRSP and BRAC have been extensively visited. Some projects are specifically designed as exchanges like, for instance, the Regional Network and Training Program for Health Programme Managers in East Africa.

20. Strengths and Comparative Advantages - AKF supports a respected programme of social development activities of significant scale in health, education, and rural development. This provides a base from which AKF and its grantees can derive substantial lessons from experience. Cutting across the thematic programs has always been a strong emphasis on institutional strengthening, with a particularly strong base of experience in regard to stimulating grass-roots involvement through the development of community based organization.

21. Perceived Weaknesses and Constraints - Some constraints are that AKF has, until relatively recently, little in-house expertise in organizational development, management, and training, and limited contacts with external sources of such expertise. Moreover AKF works in a relatively narrow range of countries and with a relatively small number and kind of organizations. This restricts the range of experience and interaction that AKF has had with regard to the broader NGO sector, and may make it more difficult to derive lessons from AKF’s experience that can easily be generalized.

22. Capacity Building of Southern NGOs has only recently been given the status of a program area in AKF, and a lot of work needs to be done to internalize this idea within the staff of the organization, many of whom have technical backgrounds. It is the intention of the AKF that the ideas of NGO Enhancement will gradually become main streamed with in the organization. While the program area of NGO Enhancement has been in existence for two years, AKF has only recently hired an NGO Enhancement Officer, and it is likely in
the next few years that the topic of capacity building will be further refined.

D. Lessons Learned

23. Evaluating Success - AKF has not specifically evaluated its capacity building work, but all evaluations that are carried out on its projects and programs include a section of this aspect of the work (see AKRSP and NGORC in the cases attached)

24. Factors contributing to successful Capacity Building - In the view of its staff, AKF’s successes in capacity building have been due to its complex position as an NGO of both the North and the South, its extensive use of nationals of the country who understand the organizational problems, its readiness to work with NGOs and help their growth of long periods of time, and its recognition, almost from the start of its work, that organizational growth is as important as the development initiatives of the NGOs that it supports. In respect of capacity building work that involves the enabling environment and networking, it has been greatly helped by the vision of the Aga Khan, and the singular position that he occupies in state, business and NGO worlds.

Notes
1. Aga Khan Foundation - Programme Interests. 1992
2. Documents for Board Meeting Nov 1995
4. Aga Khan Foundation - Programme Interests. 1992
5. Documents for Board Meeting Nov 1995
6. AKF Annual Report 1996

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AKF Illustrative Case 1: Building A Resource Center for CBOs in Pakistan - The NGORC

In 1993 AKF set up the NGO Resource Center in Pakistan to strengthen the NGO sector in Pakistan. It was, at that time, a pioneering project that AKF was interested in for wider replication. In its first five years (93-97) NGORC’s objectives are (I) to refine a model of institutional strengthening of NGOs based on training, networking, and information dissemination, and (ii) to promote an enabling environment in Pakistan through policy research and dialogue. NGORC soon clarified that its major target was Community Based Organizations (CBOs) in both rural and urban areas.

NGORC works on three parallel fronts:

- Learning more about the process of strengthening CBOs as effective and sustainable entities in managerial, financial and technical terms through an urban and a rural module
- Disseminating and implementing these lessons broadly through publications, networking and collaboration with a) selected mid level NGOs which provide technical and financial assistance to CBOs and b) Government provincial social welfare departments
- Assisting in the promotion of an enabling environment through a) commissioning research on selected topics and b) creating a fora for policy dialogue both within the NGO sector and between the sector and government, donors, and business.

NGORC does not fund CBOs or NGOs: its position is that funding is available in Pakistan if an organization has the capacity to perform, and it wants to avoid the confusion of the genuine demand for capacity building with the allure of obtaining funds.

NGORC has worked with about 50 urban and rural CBOs to build their capacity and has subsequently introduced them to donor agencies seeking collaborators. It has documented the numbers of CBOs and NGOs in Pakistan and made this information widely available. It has provided courses on organizational assessment and development for mid level NGOs and has developed an Organizational Capacity Assessment Tool for CBOs in Pakistan (this work has been assisted by INTRAC from the UK). It has produced a number of newsletters in local languages and commissioned valuable research on the NGO registration process in and the fiscal environment for charitable giving. It has also been involved in lobbying concerning the new NGO law.

NGORC’s approach has mostly been through training, networking, information dissemination, and research/analysis/documentation. It has implemented its work itself with funding from the AKF, and targeted it mostly at CBOs. Part of its pioneering work has been to decide what is required in building up capacity of CBOs, since the only capacities CBOs themselves ask for is either funding or technical assistance (on such subjects as drainage or crop husbandry). NGORC knows that funding offered to organizations without capacity is wasted, but has had to work out what capacities are needed and relevant in Pakistan in the 90s.
The NGORC has not been evaluated, but a 5 year strategic review is due in early 1998. Its comparative advantages arise from the fact that it is breaking new ground, its connections to the Aga Khan Development Network, and its good relations with government. Obstacles that it has faced are pressure from CBOs to find them donors once they have been through a NGORC course, thus pushing NGORC into a brokerage role, and pressures from CBOs for NGORC itself to supply the technical skills that CBOs need for local infrastructure projects. Helping CBOs get access to foreign donor funds is not a strategy for sustainability, and NGORC has felt the tensions of this. Collaboration with the Government’s social welfare departments has been very difficult - indeed while NGORC can and has networked between CBOs and government, it often ends in the frustration of CBOs requesting Government departments to do what they are required to do, but don’t. 
AKF Illustrative Case 2: Building an indigenous Kenyan Community Development Foundation - The KCDF

In 1996 the Aga Khan Foundation agreed to become part of the structure of the Kenya Community Development Foundation, an initiative that had been started by the Ford Foundation in Kenya to create a unique Kenyan institution responding to the needs of the community development field. The AKF has been active in supporting development work in Kenya since 1974 and has broad contacts in the business community, both elements needed by this new Foundation. The Foundation targets a number of topics that are of interest to the AKF’s work worldwide:

- Building capacity in community based organizations (CBOs), associations of CBOs, and NGOs which support CBOs
- Establishing an environment in which Government, the business community and civil society see the value of mutual collaboration, and in which organizations of civil society are enabled to be optimally productive
- Ensuring an income stream for civil society organizations that is locally mobilized.

The KCDF is still in the process of being established in Kenya, but it has planned the following five inter-related program areas:

- Support and strengthen community based organizations
- Support and strengthen intermediary NGOs who work to build CBOs
- Learn, share, and promote information about effective approaches to community development
- Influence the policies and practices of donors, NGOs, and Government to be supportive of community activities
- Establish Kenyan control over, responsibility for, and management of community development

KCDF will not be a funder of community development projects (although it will help to set up, with the Ford Foundation, a separate fund for this purpose): it will rather try to identify the ways in which CBOs can best develop their capacity, and fund interventions which will help them acquire services to do so. It will also fund organizations to provide such services to CBOs - such organizations will be usually be Organizational Development (OD) or OD consultants. In all cases it will make available the funding to allow the customer (the CBO) to purchase the required services in capacity building from possible suppliers, and will make sure that any lessons learnt are widely shared around the community development community. In the start up phase, KCDF will target a mixture of smaller CBOs, issue specific community organizations, and larger CBO clusters in order to understand the range of problems that they face.

KCDF will seek funding from Kenyan and foreign sources to set up an endowment which KCDF will then manage as a specialized and singular source of funding for capacity
building of CBOs and NGOs in Kenya. KCDF is managed by a Kenyan Board and is the product of two years planning with a Kenyan advisory committee and a wide exploration of ideas with Kenyan CBOs and NGOs. It is too early to say much about its progress, but the factors that may help its success are the quality of the Kenyan Board, the contacts AKF has with the business community in Kenya, and the experience of the Ford Foundation with setting up community foundations and endowments all over the world. The factors that may hinder its success have been defined in its problem analysis - it is trying to turn around an increasingly well established culture in Kenya for NGOs to be dependent on foreign funds; for NGOs to be unaccountable to their CBO collaborators; for NGOs and CBOs to keep their knowledge and experience to themselves; and for NGOs to work time bound projects, rather than building long term organizational capacity.
Capacity Building of Southern NGOs: the Experience of the Ford Foundation

A. Understanding of Capacity Building

1. Definition of capacity building - Although the concept of capacity building is central to the Ford Foundation's philosophy and operations, the organization has no formal definition of the term nor any specific guidelines regarding its promotion/implementation. A general resistance to policies and guidelines and emphasis on flexibility and adaptation to specific circumstances were described by staff as important aspects of the Foundation's institutional culture.

2. Rationale for supporting capacity building - The Ford Foundation describes itself as a "service assistance organization" to NGOs and sees the strengthening of its grantees in a sustainable manner as its primary function. When asked about the overall percentage of Foundation grants with capacity building components, the response of several staff members was 100% - expressing the view that capacity strengthening is a goal of all Foundation activities. Capacity building was described as a principle rather than a program - based on the belief that the development of in-country capacity is the only route to sustainable, meaningful, long-term change.

3. Trends in thinking about capacity building - Although the Ford Foundation has had a commitment to strengthening its grantees from its inception, capacity building has become a more explicit goal in recent years and the organization's understanding of specific aspects and strategies of capacity building has improved. Over the years, the Ford Foundation has also experienced an evolution from an initial emphasis on technical assistance, to management assistance and, more recently, to a more holistic understanding of the broader dimensions of capacity building (including, for example, the recognition of strong constituency links, advocacy skills and networking abilities as factors of capacity). Ford has also placed increasing emphasis on NGOs (as opposed to research institutes, universities, think tanks, etc.) in recent years and has evolved from an institution known for its own strong policy analysis to one which assists NGOs in doing their own analysis and problem-solving.

4. How capacity building is handled in the organization - As mentioned above, the Ford Foundation deals with capacity building in an integrated manner and views it as a cross-cutting theme in all of its work. Commitment to capacity building is mainstreamed throughout the organization and capacity building initiatives are financed through regular, core budgets (as opposed to specially ear-marked funds).

B. Identification of Capacity Building Needs

5. Capacity assessment - While Program Officers in the field work closely with grantees in identifying and assessing capacity building needs, there are no organization-wide methods or tools of organizational assessment used or imposed by the Ford Foundation. The Foundation has provided grants for organizations to undertake capacity assessments and provides assistance to training/support organizations with expertise in these fields, but the Foundation itself has not sought to develop such tools. In the process of selecting and approving grantees, high emphasis is placed on close and frequent contact between grantees and Program Officers, allowing POs to develop a first-hand and in-depth understanding of the organization's strengths, weaknesses and overall capacity.

6. Capacity building needs - The identification of specific capacity building needs is a process of "give and take". While grantees are normally in the driver's seat in assessing priorities and needs, POs may intervene (or provide comments/advice) if they feel that grantees
have not accurately analyzed their own weaknesses and needs. Staff interviewed considered, however, that the Foundation is perhaps less heavy-handed in this manner than some bilateral and multilateral organizations (with more rigid procedures and agendas).

C. Capacity Building of NGOs:

7. Approaches Employed - The most common way in which the Ford Foundation supports capacity building is through direct support to NGO grantees for activities which serve to strengthen (various components of) their own capacity. The Foundation also makes grants to organizations which, in turn, provide training or other support to NGOs (for example, Ford’s support for the establishment of a regional NGO Study and Development Center in East Africa in the late 1980s or its grants to groups like the Society for Participatory Research in Asia or the Center for Higher Education Transformation in South Africa). Although the Foundation might sometimes use its own staff for providing advice or training, capacity building activities are more commonly implemented by an intermediary organization (most often selected by the grantee concerned).

8. Priority areas of intervention - In promoting the capacity building of its grantees, the Ford Foundation has placed particular emphasis on the areas of: (I) resource mobilization/financial sustainability and (ii) management. These priorities reflect both the expressed needs of grantees and issues which Ford itself considers essential. Other areas of capacity building in which the Foundation has been active include: advocacy support, the promotion of NGO networking/coordination and supporting an enabling environment for NGOs.

9. Local foundations - In order to create sustainable sources of funding for NGOs and to promote local philanthropy, the Ford Foundation has contributed to the creation of numerous local grant-making foundations - for example, in Bangladesh, India, Kenya and the Philippines as well as in countries of Eastern Europe, Latin America and West Africa. One of first local foundations supported by Ford was the Puerto Rico Community Foundation which has now set up an Institute to teach its experience to others.

10. Endowment grants - Another mechanism which the Ford Foundation has used to promote the financial sustainability of its grantees is endowment grants - either "true" endowment grants (intended to be held permanently and invested to provide regular and predictable income for an organization) or wasting capital grants (intended to provide a base of secure operating funds over a designated period of time). While Ford has been making such grant since the 1950s, in 1982 it began to award a substantial number of endowment grants to long time grantees. This decision was based on a desire to (I) enhance the financial stability of grantees and (ii) eliminate the burden for long time, high quality grantees of preparing annual proposals. Further information regarding the foundation’s endowment grant-making is included in Ford Illustrative Case 1.

11. Activities to promote alternative/innovative fund-raising - In the area of resource mobilization, the Ford Foundation has also employed a number of measures to assist grantees in improving or expanding their fund-raising activities. Among others, these have included: a competition among NGOs in Brazil for the most innovative fund-raising practices; support to NGOs in South Africa to identify new funding sources (e.g. a grant to the FREESA Development Fund for South Africa to fund a pilot project aiming to promote workplace giving), and; a grant to the Southern Africa Institute of Fund-raising to offer courses to NGO leaders and staff in fund-raising for non-profit organizations.

12. Organizational capacity - The Ford Foundations has made numerous grants aimed at strengthening (various aspects of) the organizational capacity of NGO grantees. These have included: support for communication technologies and connectivity (by providing computers and training to NGOs in Mexico); support to the National Center for Non-Profit Boards (to train NGO board members in Nigeria and Chile, for example); funding to carry out assessments of institutional capacity; staff training, S-S exchanges; and grants to allow
individuals to attend seminars, study courses, etc. One of the Foundation's most extensive programs aimed at improving the management capacities of NGOs has been through support to the Management Assistance Group in Washington, D.C. Although this program targets social justice NGOs in the U.S. it provides valuable examples and lessons for management assistance to SNGOs. For a description of this program, see Ford Illustrative Case 2.

13. Advocacy support - In recent years, the Ford Foundation has placed increased emphasis on strengthening the advocacy skills of its grants. For example, it has funded advocacy training for NGOs in Chile, Mexico, Brazil, Colombia. A 1996 grant to support advocacy training and coordination among women's NGOs from Argentina, Brazil, Chile, Colombia, Mexico, Peru and Central America (made jointly to the Flora Tristan Center in Peru, the Feminist Studies and Assistance Center in Brazil and Gender Equity in Mexico) was used to develop training materials regarding women's sexual and reproductive rights, organize regional and national-level training workshops, establish an ongoing electronic communication network and coordinate and evaluate national advocacy activities. The Ford Foundation has also provided support to the Institute for Public Policy Advocacy in D.C. to conduct intensive capacity building programs for NGO leaders from India, Bangladesh, South Africa and Namibia (using lessons and case studies from past advocacy campaigns throughout the world). The Foundation has also supported activities to enhance the research and policy analysis skills of SNGOs (for example, training in participatory research, data collection and policy analysis for community-based groups in India and the Philippines).

14. NGO coordination - The Foundation regularly supports opportunities for NGO networking (through travel grants, conferences and coalition-building activities) and has contributed to the creation of numerous NGO umbrella organizations. For example, it has provided support to existing NGO consortia in Uganda and Tanzania and, more recently, a grant to support start up costs (including salaries, rent, program costs and other operational expenses) of the National NGO Coalition in South Africa - whose mission is to provide a policy platform for approximately 7,000 NGOs and CBOs in South Africa and to strengthen management capacity within the sector.

15. Enabling environment - The Foundation has supported a number of programs which seek to promote an enabling environment for SNGOs. Examples include its support for comparative research on NGO legislation at John Hopkins University and efforts to create tax incentives for local philanthropy in Vietnam.

16. Strengths and comparative advantages - Factors which strengthen the Foundation's ability to support SNGO capacity building were identified by staff as:

* the Foundation's large field presence and decentralized structure (which allow funding decisions to be made largely at the field level);
* a fairly high staff to grant ratio;
* considerable latitude and in grant-making (for example, making long-term and core support possible) due to private source of funding;
* institutional culture which allows for flexibility and innovation, and;
* strong opportunities for peer learning (due to large global network).

17. Perceived weaknesses and constraints - Some weaknesses were identified as:

* limited staff expertise in the specific areas of capacity building, needs assessments, etc.;
* no broad-based, organization-wide tools (both an advantage and constraint), and;
* the general difficulty of promoting capacity building within a the context of the donor/grantee relationship.

(Encouraging grantees to openly and honestly share their problems and weaknesses with the organization that funds them is an inherent challenge for all donors).
D. Lessons Learned

18. Evaluating success - Mechanisms for monitoring, evaluation and learning are generally built into the grant-making process (grant proposals are normally required to include an M&E plan). Ford has traditionally emphasized the importance of self-assessment and self-evaluation in order to promote organizational learning. While numerous grants have included provisions for evaluating capacity building activities, the Foundation has no specific, defined tools for evaluating capacity building initiatives. When capacity building activities are assessed, indicators used tend to focus more on specific outputs than long-term impact.

19. Factors contributing to successful capacity building - Some factors which Ford staff consider important to successful capacity building include:

* selecting the right partner (if the organization itself is not a legitimate one and not fully committed to capacity building goals, initiatives cannot succeed);
* undertaking capacity building only with organizations that the agency knows well (a well-established and trusting relationship is seen as essential to successful capacity building);
* frequent contact and frank exchange between the grantee and agency throughout the capacity building process;
* capacity building most effective when linked/integrated with project activities;
* demand-drivenness;
* a willingness to provide core funding can be an important/useful capacity building mechanisms (as long as the period of core-funding is pre-defined and it does not represent an unjustifiably large proportion of the organization's overall funds).

20. Future trends - Future trends in capacity building identified by staff include: (I) activities to reinvigorate the accountability of "professional" NGOs to their constituencies; (ii) increased emphasis on "global peer learning" (in particular, opportunities for creating linkages and promoting learning between the Foundation's domestic and international programs), and; (iii) support for initiatives which promote NGO-private sector collaboration.

List of Staff Interviewed

Srilatha Batliwala - Governance and Civil Society, Peace and Social Justice Program
Alison Bernstein - Vice President, Education, Media, Arts and Culture Program
Alan Divack - Archives
Margaret Hempel - Human Development and Reproductive Health, Asset Building and Community Development Program
Julius Ihonvbere - Governance and Civil Society, Peace and Social Justice Program
Anthony Romero - Human Rights and International Cooperation, Peace and Social Justice Program
Michael Seltzer - Peace and Social Justice Program
Brad Smith - Vice President, Peace and Social Justice Program

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Ford Foundation Illustrative Case 1:
Evaluating Ford’s Endowment Grants

An evaluation of Ford’s endowment grants undertaken in 1990 revealed a number of important findings. Some lessons learned, for example, include:

* the importance of “ownership” (there seems to be a correlation between successful grants and those that were initiated by the recipient organization);
* in order to be successful and sustainable, a new endowment fund should generate some minimal amount of the organization’s overall budget, ideally between 10 to 20%;
* the awarding of an endowment grant should be preceded by a number of requirements including a management review, an assessment of the organization’s expertise in investing money, the formation of an investment committee of the grantee’s board, and; a plan for mobilizing matching funds;
* at the time of the creation of an endowment fund, appropriate goals and targets should be agreed with the grantee and monitored on an annual basis;
* given that an endowment can represent (and/or trigger) important changes for the recipient organization, it can be useful to accompany the grant with additional funding and support for organizational development;
* in some cases, flexibility which allows grantees to work with the principal can be necessary/advantageous.

The evaluation found that Ford’s activities in this area have been “an extremely successful undertaking” with important tangible and intangible benefits. One major benefit was found to be an “intangible but extremely valuable change in psychology among grantees”. Grant recipients reported “an air of permanence and stature”, “respectability” (for an advocacy organization), “prestige” and “boosted staff morale” as positive impacts. Tangible non-financial benefits included organizational assessment of long-term goals in the areas of programming, finances and management. In a number of cases the grants were found to have served as catalysts for board and staff changes and implementation of more efficient internal systems. One grantee reported, for example, that “the organization was forced to do regular and thorough internal examinations which otherwise might have not been implemented so quickly”. Regarding financial stability, endowment grants were found to provide an “important safety net” for grantees, giving them increased flexibility and stability and, in some cases, (where grantees were highly reliant on government funds or a single donor) endowment grants were “crucial stabilizing instruments”. The report concludes that “The combined effects of board changes, staff changes and the existence of a permanent endowment should increase the likelihood that these organizations will be better able to accomplish their important missions.”

(Conservation Company, p. 28)

Ford Foundation Illustrative Case 2:
A free and confidential capacity building service to US NGOs
- The MAG Experience

In 1992, out of a commitment to build the organizational strength of its U.S.-based human rights and social justice grantees, the Ford Foundation provided funding to the Management Assistance Group (MAG) in Washington, D.C. to design a set of capacity building services adapted to the special needs, character and values of social justice organizations. These services were then offered free of charge to 97 Ford grantees (who were, nevertheless, expected to cover their own travel expenses). Based on a needs assessment of the target grantee group, the services offered focus on i) fund-raising, ii) board development and iii) management and supervision.
Other areas covered include adjusting to change and growth, strategic planning, organizational structure, financial management, communications and computer technology.

Some of the specific services offered include:

* organizational diagnosis and coaching (undertaken by MAG staff);
* telephone information and referral service (for assistance in identifying consultants, trainers, training materials, etc.);
* access to a databank of organization building and management tools;
* opportunity to participate in intensive, tailored “guided change” programs;
* custom designed workshops (on issues such as human resource management and fund-raising);
* facilitated peer roundtables;
* management seminars;
* training in computer technology, as well as;
* scholarships to attend workshops offered by other institutions/training centers.

Lessons learned over the past five years of the program include the importance of principles of:

* Confidentiality - All information about participating organizations, including whether or not they participate in the programme is kept strictly confidential (not made known to Ford);
* Voluntary participation - Grantees are in no way obliged to take advantage of the services offered;
* Responsiveness - The MAG considers itself accountable to its clients and programme design is based on participants’ expressed priorities and needs.
Appendix A. Survey Respondents and Questionnaires

(I) Survey Respondents

<table>
<thead>
<tr>
<th>Type of Donor and Donor Name</th>
<th>Sent</th>
<th>Returned</th>
<th>Returned</th>
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<td>Q-aire</td>
<td>Q-aire/B</td>
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</tbody>
</table>

Bilateral

1. Australia, AusAID           X    X    X
2. Denmark, DANIDA             X
3. Germany, GTZ                X    X    X
4. Norway, NORAD               X    X
5. Sweden, SIDA                X    X    X
6. UK, DFID                    X    X
7. EU, EC                      X    X    X
8. France, Ministry de la Cooperation X
9. USA, USAID                  X    X    X
10. Netherlands, DGIS          X
11. Japan, Ministry of Foreign Affairs X

Multilateral

1. The World Bank              X    X    X
2. The Inter-American Development Bank X    X    X
3. The Asian Development Bank X
4. UNDP                        X    X    X
5. UNICEF                      X    X
6. UNFPA                       X    X
7. UN - NGLS                   X    X    X
8. WHO                        X
9. FAO                        X    X    X
10. IFAD                      X    X    X

Foundations

1. Aga Khan Foundation, Switzerland X
2. The Asia Foundation, USA      X    X    X
3. The Van Leer Foundation, Netherlands X

Not all respondents replied to all the questions in either Sections A or B.
<table>
<thead>
<tr>
<th></th>
<th>Foundation Name</th>
<th>Country</th>
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<tbody>
<tr>
<td>4.</td>
<td>The Ford Foundation, USA</td>
<td>USA</td>
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<td>X</td>
<td>X</td>
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<tr>
<td>5.</td>
<td>The Friedrich Ebert Foundation, Germany</td>
<td>Germany</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<td>6.</td>
<td>The Inter-American Foundation, USA</td>
<td>USA</td>
<td>X</td>
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<td>7.</td>
<td>The W.K. Kellogg Foundation, USA</td>
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<td>X</td>
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<td>8.</td>
<td>The MacArthur Foundation, USA</td>
<td>USA</td>
<td>X</td>
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<td>9.</td>
<td>The Mott Foundation, USA</td>
<td>USA</td>
<td>X</td>
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<td>10.</td>
<td>The Rockefeller Foundation, USA</td>
<td>USA</td>
<td>X</td>
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<tr>
<td>11.</td>
<td>Sasakawa Peace Foundation, Japan</td>
<td>Japan</td>
<td>X</td>
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<tr>
<td>12.</td>
<td>The Soros Foundation, USA</td>
<td>USA</td>
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</tbody>
</table>
Appendix B. Interviewed Organizations and Format of Interviews

(I) Interviewed Organizations

Bilaterals

1. GTZ, Germany
2. DFID, UK
3. CIDA, Canada,
4. USAID, USA
5. EC, EU

Multilaterals

1. UNDP, New York
2. UNICEF, New York
3. IFAD, Rome,
4. World Bank, Washington DC

Foundations

1. Ford Foundation, New York
2. Aga Khan Foundation, Geneva
3. Inter American Foundation, Washington DC

Many think of the EC as a multilateral donor agency, but it calls itself a bilateral donor agency, representing the EU bilaterally.
(ii) Format of Organizational Interviews

a. Background

1. Does the organization have any formal policy about working with NGOs?
2. Does the organization have a (formal or informal) definition of "capacity building"? If not, how do you define CB?
3. Does the organization have any formal policy statements and/or guidelines regarding NGO capacity building?
4. What is (or what do you think is) the organization’s rationale/motivation/justification for supporting CB?
5. Describe any significant changes/trends/evolutions in the organization’s current thinking about CB. What is the source of these changes/trends?
6. Which departments/units, or individuals in the organization are involved in/responsible for CB activities?
7. On a scale of 1-10, how much importance/emphasis does the organization place on CB? Is this increasing? Decreasing? Stable? What (approximately) is the % overall budget devoted to CB purposes?
8. What sources/types of funding are available for CB purposes?

b. Overview of Capacity Building Practices

1. Which of the following components of NGO capacity are addressed by the organization’s CB activities? Indicate high/medium/Low/None for each.
   1.1. In relation to the environment in which NGOs work
   - the legal and regulatory context
   - the tax regime
   - the donor imperatives
   - human resources
   - NGO fora, networks, associations
   1.2. In relation to a specific NGO
   - Organizational values
   - Governance
   - Research and Analysis
   - Sustainability
   - Operational Management Practices
   - Financial Management Practices
   - Human Resources
   - Infrastructure
   - Financial Resources
   - Program Performance
   - External Relations

1.3. Sequencing of Capacity Building

Among these, which are the organization’s three priorities?
Among these, which are the Southern partners’ three priorities?
2. Which of the following approaches to CB are employed by the organization?
   What others are employed?

2.1. Approaches in relation to the environment in which the SNGO works
   - assessing donor requirements
   - Institutionalizing the process of organizational capacity assessment
   - promoting financial sustainability
   - Catalyzing policy dialogue
   - encouraging inter-NGO learning

2.2. Approaches in relation to individual SNGOs
   - Facilitating access to training
   - facilitating access to Technical Assistance
   - provision of technical resources

3. Who defines CB needs/activities? How?

4. Is an organizational capacity assessment carried out prior to CB activities? If so, how is it done? What is assessed? Are OAs undertaken systematically?

5. What are the organization’s relative strengths/comparative advantages in CB? Relative weaknesses?

6. What are the principle constraints/obstacles (external and internal) faced by the organization in undertaking CB activities?

7. Has (to what extent has) CB been mainstreamed in your organization?

8. Comments regarding the organization’s interest in/expectations regarding the IAG?
(iii) **Format for Case Studies of Northern Donors’ Programs or Projects supporting Capacity Building of Southern NGOs**

1. What approach to CB was used?
2. What components of CB were addressed?
3. Were CB activities carried out directly by the donor or through an intermediary? If through an intermediary, who was it? (E.g. NGO, SO, Consultant, training center etc)
4. How was it funded?
5. At what level was the CB directed? (E.g. individual organization?, group or sub-sector of NGOs, NGO sector at large etc)
6. Who were the key recipients/target groups?
7. Who identified CB needs and how?
8. Was an organizational assessment undertaken? How? By whom?
9. Was/how was southern “ownership” ensured?
10. What factors contributed to its success?
11. What were the key obstacles?
12. What were the lessons learned?
13. Was this activity evaluated? If so, how and by whom? What indicators were used?
14. Has the experience of this activity been mainstreamed?
Appendix 3: BIBLIOGRAPHY

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