Methods Document

Manual for Capacity Development

Foreword

Strengthening the capacity of partners in development is a central task for Sida, as it is for most other development cooperation organisations today. This task is receiving an increasing amount of attention internationally. The current issue is not whether more should be done in this area; the question is how it should be done. How can we, as outsiders, contribute to something which basically concerns learning and which must grow from inside? What should the interaction between partners look like? Which role should and can Sida play? How do we cooperate with professional organisations in Sweden and how do we coordinate with other donors? These issues are currently under discussion in Sida. This manual has been established in order to provide some of the answers. It is based on Sida's Policy for Capacity Development from 2000 and on international experience.

Capacity and capacity development are both preconditions for successful programmes/projects and a part of their implementation. Sometimes capacity development activities are the primary aim of the input, but just as often they are a part of a larger programme aimed at achieving rapid results.

It is vital that capacity development issues are taken up in all preparatory documentation for projects or programmes. What is most important in this project? Is it for the partner in development to improve its ability to plan and implement in the longer term, or is it that i.e. medical drugs and books are to be distributed as quickly as possible? Assessing and weighing up what is reasonable is a task for everyone involved in planning. This manual is designed to provide help with the necessary analyses.

Needs concerning capacity development should also be included in all cooperation strategies. The principle issue at national level is whether the conditions for implementing poverty alleviation strategies are in place. Is the capacity available to establish the necessary data and analytical basis in the country? Are there sufficient numbers of teachers and healthcare professionals? What effect does the

AIDS epidemic have on the country's capacity? What is necessary to make the financial systems work?

When capacity development is in focus, this almost always means that Sida utilises Swedish expertise. This has been the case since development cooperation began. Such knowledge-based support currently accounts for around 20 percent of Sida's budget. Experience has shown that it is vital to work in a structured manner and that the knowledge and experience we contribute is relevant and will solve the stated problems. In principle this is self-evident; in practice it is more difficult. The new international agenda for aid effectiveness makes it necessary to review established work practicies. It takes energy to re-examine working methods which have been used for long periods of time, even if it is necessary as a response to the changing situation in cooperating countries. The current challenge for Sida is to work together with other donors to strengthen the capacity of our partners in development. Forms for doing this are poorly developed. This is why the international debate on forms for knowledge-based, so-called technical cooperation is currently so intense.

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POM looks forward to receiving your views and comments on this manual.

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Summary

All Sida's experience shows that it is the ability of our partners in development to set goals and achieve them which is decisive to the effectiveness of development cooperation. As an outsider, Sida can strengthen this ability but development is a process that must grow from inside. This applies to individuals, organisations and countries.

The work now underway aimed at making development cooperation more effective increasingly concerns strengthening the ability, or capacity, of our partners in development. Concepts such as capacity and capacity development are central to all development cooperation. Capacity is defined as the knowledge and competence of individuals, well functioning organisations and legal and other frameworks that promote the alleviation of poverty.

This concept is included in Sweden's Policy for Global Development and is further explored in Sida's Policy for Capacity Development, (Sida 2000). In Sweden's policy it is expressed as "The transfer of knowledge and building up of sustainable institutions is at the core of development cooperation. The aim is to enable poor people and countries to take control of their own development."

The questions that are now being asked within Sida, as they were forty years ago, is what this means to Sida's day-to-day operations and to its cooperation with all its professional partners. Is there a "good practice" in today's context and if so what does it look like?

The message in Sida's policy and in this manual for capacity development is that the best way to promote it always depends on the context. Sida operates in extremely complex environments, and the needs must be analysed and understood based on each specific context. This is why analysis is so important. With this as its point of departure, Sida has a number of methods and working procedures at its disposal. The choice of method is decisive to results. It is vital to select a method that promotes national ownership and joint learning.

This manual should be regarded as a tool to assist with the initial analysis and then the choice of method and procedure. It provides definitions and concepts, approaches and principles; it sets up a framework for the analysis and describes Sida's various methods and ways of working.

What is meant by capacity and capacity development?

There are many definitions of capacity development and the manual reviews those currently in use in the development cooperation context. UNDP uses an extremely broad definition "Capacity is the ability of individuals, organisations and society to perform functions, solve problems, and set and achieve goals."

Sida applies a more limited definition that defines capacity as "the conditions that must be in place, for example knowledge, competence, and effective and development-oriented organisations and institutional frameworks, in order to make development possible"

It is important to be aware that these differences exist and that sometimes they could cause difficulties during joint activities. In spite of this there is increasing agreement on the world stage that capacity and capacity development means the knowledge and competence of (1) the individual, (2) functioning organisations and systems and (3) development oriented formal and informal frameworks. The World Bank has summarised all this in a current report – capacity is found at individual, organisational and institutional levels and capacity grows within clear and development oriented regulations or frameworks.

Common to all definitions is that they mark a change of approach that occurred during the most recent five-year period. Capacity and capacity development grows from within, often with support and impulses from outside. This has broken a long tradition in development cooperation in which capacity and capacity building have been equated with transfer of knowledge in the form of Technical Assistance, TA.

What are Sida's points of departure?

Sida concurs with a number of principles that have developed from international experience in the field. These include a major UNDP study 2002–2003 and a "good practice paper" developed within DAC (at the draft stage only when this manual was written).

The points of departure applied in this manual can be summarised as follows:

– All Sida's contributions must be connected to the alleviation of poverty. Identifying methods to strengthen the capacity of poor people is central to all Sida operations.

  Make a habit of asking: Whose capacity will be strengthened by this programme/project?

– The ability of partners in development to control and implement projects and programmes is decisive to results.

Make a habit of asking during every decision-making process: Will this particular activity that Sida is currently planning, or taking a decision on, contribute to or undermine the ability of the partner in development to control the process?

– Projects and programmes for capacity development must grow in harmony with their surroundings. It is vital to make the linkages clear in each individual case. It is impossible for Sida to do everything but a broad based analysis should be carried out as a support for practical measures. This applies generally but is especially important when the aim is to strengthen the partner's capacity.

Make a habit of asking: What does the interplay between the individual, the organisation, the framework and broader social and economic factors of importance to the activity look like?

– All capacity development must start from, and strengthen, what is already in existence. Capacity development is not primarily concerned with filling gaps; it deals with building on what is already there. Activities should be designed so that they enable individuals and organisations to develop in their own way and at their own pace.

Make a habit of asking: What capacity is in place that we can build on?

– Capacity development concerns learning. Individuals learn from successes and failures, however it is also common to discuss how organisations learn. Openness to learning is a prerequisite for the development of an organisation.

Make a habit of asking: How can Sida create the conditions for learning in this project/programme?

Does Sida possess a useful framework for this analysis?

Sida has developed a framework which has proved to be useful in extremely diverse contexts. This is included in Sida's Policy for Capacity Development and it is expressed in more practical terms in this manual.

In this model an analysis of the need for capacity development can be made at five levels. (See figure.).

The first level concerns the knowledge and competence of the individual.

Make a habit of asking: Which knowledge and competence does this individual possess that will be affected by the project/programme? What are the preconditions for learning?

The second level uses the organisation as its starting point. There are many methods of analysing and understanding what an organi-

– Environment/contextual factors
– Institutional frameworks
– Systems of organisations
– Organisation
– Units in an organisation
– Individual knowledge and professional skills

sation is and the extent of its capacity. In an extremely simplified manner it can be stated that most analyses of organisations cover the formal structure and the organisational culture. The former deals with such issues as explicitly-stated goals, strategies, systems, procedures and financial resources. The latter attempts to identify values, attitudes and management/leadership style.

Make a habit of asking: is an organisational level analysis necessary?

The third level concerns more complex systems of organisations. To an increasing degree, Sida is working together with others to improve complex national systems for budgeting, accounting and auditing, for education and healthcare or to strengthen the legal system in a country.

These types of activities require "system thinking". This means understanding the interaction between individuals, groups, organisations, and institutional frameworks in these systems and their surroundings.

Make a habit of asking: Is a system level analysis necessary in order to be able to take a decision on a contribution for capacity development?

The fourth analysis level explores the formal or informal framework that either helps or hinders the achievement of a project/programme objective.

Make a habit of asking: Are there formal or informal rules/norms that must be changed so that the project/programme can be implemented? In that case what are they?

The fifth level covers more basic social and economic conditions that affect the capacity of the individual or organisation. One common such issue is the salary level of civil servants in cooperating countries. Discussions on capacity have often covered, for example, the necessity of further training of teachers, of improving the organisation of schoolbook distribution, perhaps also the necessity of new school legislation. Similar examples can be found in other sectors.

In the poorest countries, all these activities are often sabotaged by the fact that the teachers' salary levels are so low. As a consequence absenteeism rates are high as teachers choose paid tutoring instead of being in school.

Make a habit of asking: Are there any general social and economic factors that are absolutely decisive for the capacity of the individuals and organisations supported by Sida?

Which methods can Sida use?

There are a limited number of well-tried methods that have been developed within Sida over the years. One type was primarily designed to strengthen the professional competence of individuals within all the areas in which Sida operates. This is implemented via various types of education and training, informally at workplaces or in the

form of long courses or scholarships. Support to vocational schools in cooperating countries was part of this strategy for many years, but was phased out at the end of the 1980s.

The second method that has prevailed during later years is aimed at strengthening the capacity of governments or private organisations who Sida cooperates with. There are various forms and they are regulated in different ways but the basic concept is the same. The best way of supporting an organisation is for it to cooperate with another professional organisation that carries out the same tasks in Sweden or in another country.

This form is sometimes entitled institutional cooperation, sometimes twinning, sometimes contract-financed technical assistance. There are also many examples of Swedish NGOs, churches, unions, the cooperative movement and organisations of the disabled who cooperate with their counterparts with the aim of strengthening their capacity.

It is noted in the manual that Sida increasingly supports extensive reforms of systems for education and healthcare, legal systems, financial control systems and regulations for private sector development in cooperating countries. This often occurs in cooperation with others and means major, partially new, demands as concerns cooperation and coordination. Joint analyses and jointly-financed funds for capacity development are examples of the methods currently under development. The challenge for Sida is to find new forms of cooperation and methods of strengthening complex national systems in cooperating countries.

Experience shows that there is no one method or way of working that is always best or always the right one. The most important thing is to select a method that responds well to the analyses that have been carried out and the objectives that have been set up.

Make a habit of asking: Is the support form selected the best one, taking into consideration the need for capacity development?

Developing capacity

It is now 40 years since SIDA was established with the responsibility of implementing Swedish bilateral development cooperation programmes. The issue of how Sweden can contribute to strengthening capacity in partner country organisations has permeated everything that has been done. What knowledge, skills and forms of organisation are required in order to create permanent change? When the new Sida was formed in 1995, this issue was taken up at the strategic level. Sida's mission statement of 1997 states that: "our principal method is capacity and institution development". In 2000 Sida drew up a new policy for capacity development. This clarified and defined the concepts of capacity and capacity development and described principles and approaches. The Swedish Policy for Global Development of 2004 shows that the concept of capacity development is still highly topical and that it concerns the very core of development cooperation: *"The transfer of knowledge and building up of sustainable institutions is at the core of development cooperation. The aim is to enable poor people and countries to take control of their own development".*[1]

This manual is intended to assist in the application of Sida's Policy for Capacity Development. It is primarily directed towards Sida staff, but it can also be used by the many parties with whom Sida cooperates. It complements the diversity of methods that have been developed to strengthen the capacity of Sida's partners in cooperation.

The manual was drawn up during a period when such methods were under review in organisations working with international development cooperation. Analyses, for example those carried out made by UNDP, indicate that Technical Cooperation – or what was previously known as Technical Assistance – does not sufficiently contribute to strengthening the ownership of partners in cooperation and to making contributions sustainable in the long term. Far too

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[1]   *Shared Responsibility: Sweden's Policy for Global Development*, 2003, p. 59

many projects and programmes are still supply-driven rather than demand-driven. There is still overconfidence in the belief that it is possible to transfer solutions from rich countries instead of using the specific local situation as the point of departure. In addition, various forms of "gap-filling" bear the risk of undermining the capacity of partners to actively pursue and exercise control over their own development. Likewise the time perspective for extensive processes of change is often unreasonably short, which makes the possibility of achieving sustainable change even more difficult. It is important to apply a holistic perspective and a strategic approach to work with change. Capacity development is thus both a goal and a means to achieving goals throughout all development cooperation.

It should be stated from the very outset that there are no ready-made solutions to the problem of how individuals, groups or organisations can develop their capacity. Sida works in extremely complicated environments and the needs for capacity have to be analysed on the basis of their specific context. The intention of this manual is to give prominence to a number of perspectives and approaches that can assist in improving awareness and understanding of what capacity and capacity development is and how Sida can contribute to a situation in which poor people and countries can take control of their own development.

What is capacity and capacity development?

The concepts of capacity and capacity development came increasingly to the forefront in development cooperation in the 1980s and, by the end of the 1990s and the beginning of the 2000s, they enjoyed a prominent position in the debate on development. These concepts are complex in their nature and there are many different interpretations and definitions. Some examples of definitions of *capacity* are given below.

UNDP (2003): "Capacity is the ability of individuals, organisations and society to perform functions, solve problems, and set and achieve goals". There are other and broader definitions of capacity. According to Lavergne (CIDA, 2003) capacity concerns everything from natural resources, infrastructure and technology to knowledge and skills and social institutions.[2]

The definition made by UNDP in 2002 combined the content of the two definitions above, stating that capacity is the ability of individuals, society, institutions, organisations and social and political systems to use natural resources, financial resources, political resources and social and human resources that are available to them in their aspiration to achieve sustainable development.

Other organisations such as Sida have more specific definitions. In its Policy for Capacity Development (2000), Sida defines

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2   A. Alba A., Lavergne R. *LENPA Glossary of frequently-used terms under Program-based approaches,* CIDA, 2003

capacity as "the conditions that must be in place, for example knowledge, competence, and effective and development-oriented organisations and institutional frameworks, in order to make development possible." The difference between the different definitions lies mostly in whether the emphasis is on the conditions that should be in place or on the ability to use them. Sida's definition is based on the notion that it is necessary in all situations to specify the area in which capacity is to be strengthened and to distinguish between the capacity that is part of the project or programme and the external factors that are of significance for success, but which cannot be influenced by Sida's support. UNDP's definition places the concepts of "capacity" and "good governance" almost on a par with each other. This is not necessarily wrong but it makes the definition so broad that it is difficult to use it when analysing and implementing projects and programmes.

Capacity development is another concept that is used in different ways. Earlier it was often used fairly synonymously with the expression "capacity building" and in various human resource development contributions in connection with "Technical Assistance". Today the concept of capacity development is used more to describe the process that has the aim of enhancing the skills of individuals and organisations and of changing formal or informal standards and regulations i.e. institutional frameworks. This has the consequence that capacity development principally entails the processes of learning and organisational and institutional change that takes place among different actors and in the interaction between them. However, most organisations also need physical resources in order to function efficiently. Therefore, in addition to contributions for education and training, contributions for capacity development can also include the development of administrative systems and ICT. The increasing use of the expression "capacity development" instead of "capacity building" is not merely a play on words. Views on what is needed to create capacity have changed. "Building" implies that capacity is something that is built by outsiders, often through the installation of new systems or the provision of new knowledge. The concept of capacity development emphasises that capacity is something that must grow from the inside. It can refer to individuals, groups or formal organisations. Growth of this type can benefit considerably from receiving stimulation externally, but it cannot be developed by outsiders.

A short definition of this complex concept was made in 1997 by Peter Morgan.[3] His definition was that capacity development is the process within which individuals, groups and organisations improve their possibilities of exercising their functions and of achieving re-

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[3] Morgan P., Qualman A.*Institutional and capacity development, result-based management and organizational performance*, CIDA, Ottawa, 1996

sults over time. This definition illustrates two important things: partly that the motive for capacity development is often to enhance the performance of a product or service, and partly that it can also refer to creating results over time, including the creation of an organisation that is capable of learning from, changing and developing its operations.

UNDP writes on its website that: "Capacity development entails the sustainable creation, utilisation and retention of that capacity in order to reduce poverty, enhance self-reliance and improve people's lives". This places the focus on, in particular, improving the living conditions of poor people. A similar perspective is given prominence in the Swedish Policy for Global Development in respect of the goals of development cooperation, i.e. of creating the necessary conditions to enable the poor to improve their lives.[4] However, development cooperation is based on a belief that interaction between internal and external actors promotes development in the world. The great challenge lies in providing support of the type that contributes to capacity development in different parts of society and which can lead to an improvement in conditions for poor people.

In practice capacity development is mostly a question of providing support to improve an organisation's work and to enhance its ability to change and develop. This can be achieved through changes to the institutional framework that governs the institution, changes to the services that are being produced, the development of management and the professional skills of the staff, and changes to administrative systems, forms of work and working methods, for example through new or improved technology.

Points of departure for capacity development

The emphasis on capacity development in development cooperation is based on a great deal of experience, principles and evaluations of ways in which sustainable development takes place. Experience gained in development cooperation in general clearly shows that the activities pursued in project and programmes have led far too rarely to permanent positive effects on the capacity of partners in cooperation. The focus on capacity development in the debate on development cooperation is based on this experience. In order to strengthen capacity development in Sida's projects and programmes, Sida has chosen to give prominence to five essential points of departure. The intention of these points of departure is to encourage reflection on Sida's ways of working and to show ways in which Sida can strengthen the potential for capacity development in projects and programmes.

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4 *Shared Responsibility: Sweden's Policy for Global Development*, 2.12, 2003

Increase the capacity of poor people

In all Sida's projects and programmes there should be linkages to changes in the living conditions of poor people. Poor people often possess a great deal of resources that they are unable to use or develop due to various obstacles. By becoming acquainted with the factors that prevent the poor from making a livelihood or from exerting influence on their situation, Sida wishes to improve the basis of its assessments in the future. Strengthening the capacity of poor people to exert influence over their own lives and destinies is a challenge that everyone must accept. Make a habit of asking the question: "Whose capacity is being developed within the framework of this contribution?"

Strengthen the capacity of partners in cooperation to assume responsibility for their own development

Ownership has proved to be essential for permanent development, but it is not always easy to achieve. Partners in cooperation need support to strengthen their skills and capacity simply because their capacity is weak. This situation naturally affects their capacity to assume responsibility for their development, to choose the paths they should follow, to assess the resources they need and to use them effectively. Implementing change requires the capacity to identify and formulate goals, to implement measures to achieve these goals, and to learn from experience. Strengthening the capacity of partners in cooperation to implement their work with change means contributing their ability to assume the leading role.

Use a holistic perspective in the analysis of projects and programmes

No project or programme functions in isolation from the world around it. An activity or an organisation is influenced, to a great extent, by factors in its environment, factors which may be political, economic, technical or socio-cultural in character. To be able to assess projects or organisations it is important to know the context in which they are working. Capacity can be developed at different levels. In Sida's Policy for Capacity Development, the following levels were identified: individual, organisation, system of organisations, institutional and contextual. Some projects and programmes cover entire areas of operations, while others focus mainly on strengthening functions within an organisation. Their relationships in an area of operations emerge when the contribution is placed in a holistic perspective.

Take existing capacity as the starting point

Good knowledge of the organisation or the system of organisations that is the partner in the agreement makes it easier to assess whether the contribution is feasible. There are no ready-made solutions to problems, every development contribution must be based on exist-

ing capacity and aim to strengthen specific existing conditions. Capacity development should be designed and implemented in a way that makes it possible for organisations, groups and individuals to change in their own ways and at their own speed. Capacity development involves a gradual change that rarely follows a straight, clearly staked-out route. The goals of development contributions are often unrealistic in relation to the resources invested in the form of time, money and human effort. A greater focus on goals and results leads to an analysis of the process that leads to the goals and draws attention to the capacity development that takes place on the way.

See capacity development as a constant ongoing learning process
The way to capacity development is often winding and unpredictable. Development contributions involve change to some extent. All major changes in societies, organisations or the lives of individuals cause upsets of one type or another. Greater awareness and knowledge of the challenges connected to the work with change can contribute to making development cooperation more effective and giving it a long-term perspective. In order to be able to change and develop an activity on a long-term basis, it is necessary to learn from successes and failures. Projects and programmes often have the goal of improving an organisation's performance. To enable the organisation to maintain and develop its capacity, openness to learning is essential.

1. Enhance the capacity of poor people

Sida's work focuses on making it possible for poor people to improve their living conditions. In the long-term perspective, capacity development can have the result that poor people are strengthened in the work of improving their lives. To achieve this, it is important to focus on the capacity of poor people in every project and programme supported by Sida. This chapter presents some issues that concern the capacity of the poor, and stakeholder analyses as a method of analysing the perspectives of poor groups.

A poverty perspective on capacity development

Capacity development often has the aim of strengthening the potential of organisations to achieve results for a predetermined target group. In turn, the organisations are expected to contribute to improving the security of poor people and their ability to make a livelihood, and to exerting influence on the political processes in their environment. Accordingly, the overall aim of Sida's support for capacity development is to strengthen the ability of partners in cooperation to contribute to improving the living conditions of poor people by strengthening different governments, institutions and organisations in their ambition to achieve positive development. Sida's role is therefore to analyse whether the partners in cooperation possess strategies and methods that are beneficial to poor people in a given operational area.

According to Perspectives on Poverty, all Sida's contributions must be analysed from a poverty perspective.[5] Sometimes contributions can be targeted directly at poor people while in other cases they may have an indirect effect on the living conditions of poor people. In more concrete terms this means that Sida provides support for broad national reforms of, for example, education, health or agriculture, or Sida provides support for projects and programmes that are

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[5] Sida, *Perspectives on Poverty*, p.53, 2003

targeted at a group of particularly vulnerable people. Assessments of projects or programmes should be based on an analysis of whether or not the result will lead to positive changes for the poor sections of the population. The assumed causal chain between an action taken to strengthen capacity in an organisation and the outcome for poor people can often be long, which makes it particularly important to make an assessment of the chain in its entirety.

Participation in the planning and monitoring of a development contribution can be promoted in different ways. However, what is most important is that those who plan and assess the contribution have extensive knowledge of the problems and needs of poor people, of the obstacles to development and the priorities in the field in question. Consideration must be given to the specific situation and the environment in the project or programme in question. Expressions and symptoms of poverty vary between countries. Other factors that should be paid attention in the analysis and assessment are gender, the power situation, ethnicity, disabilities and age, and ways in which these factors affect the opportunities available to people to exert influence on, and to benefit from, the contribution.

An analysis of the links of the project or programme to a change in the living conditions of poor people will hopefully lead to a greater focus on ways to strengthen the effects for poor people within the framework of Sida's programme of support. This may mean giving priority to certain target groups, strengthening capacity at the local level or involving poor people in the dialogue. Sometimes there are conflicts of interest in projects or programmes in respect of maximising the positive effects for poor people and, at the same time, strengthening an organisation's capacity in the long term. There is always pressure to achieve immediate and measurable results related to the Millenium Development Goals. These results can often only be achieved with the aid of external actors.

The challenge lies in creating immediate results for poor groups in society and, parallel with this, contributing to strengthening the ability of the partner organisations to deliver outputs of high quality in the long term. One should not take place at the expense of the other. Contributions in support of capacity development often apply a long-term perspective and the short-term results can be difficult to see and measure. There is always a risk that the pressure on external programmes of support to "deliver" something concrete for poor people makes it difficult for them to have the scope to actually develop capacity in an organisation in the long-term. However, to achieve long-term sustainable improvements it is also necessary to create scope of this type for contributions in which capacity development is not the primary purpose, for example in connection with humanitarian assistance programmes in crises situations.
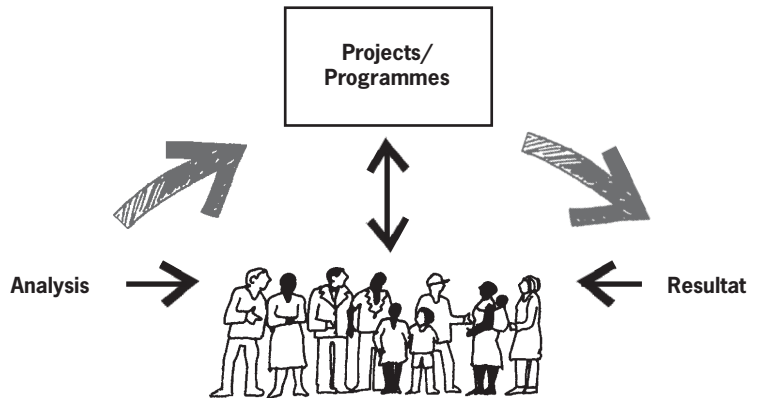
It is important to analyse how the policies and the working methods of the party to the agreement benefit the poor in a given operational area.

- – If poor people are the target group for the activity, is the planning based on the expressed needs and priorities of poor groups?

- – Does the organisation possess the knowledge and skills to apply a poverty perspective?

- – Does the partner in cooperation enjoy the confidence of poor groups?

- – Which poor groups will be affected by the activity and in what ways?

- – What, according to the poor and others, are the obstacles to the poor gaining access to the services currently provided in the operational area?

- – How do meetings/interaction take place between the poor and actors working in the operational area?

- – How is a poverty perspective guaranteed during the monitoring of the contribution?

- – What effects do the results of the activities have on the opportunities available to poor people to improve their living conditions in the long term?

Stakeholder analysis

One way of specifying how different groups of poor people are affected by
a certain activity is to make a stakeholder analysis. Stakeholders are the
individuals, groups or organisations that have an interest in, influence, or are
influenced by, the activity of the partner in cooperation or the problem that
the contribution intends to solve or reduce. Customers, clients, competitors,
suppliers, supervisory organisations and partners in cooperation are examples
of stakeholders.

Stakeholders can be affected directly or indirectly.
– Primary stakeholders are the actors that, in the final analysis, are affected
  positively or negatively by the activity
– Secondary stakeholders are the actors that have an active role in the form
  of responsibilities, supervision or supplying resources in connection with
  the activity.

Within these groups it is possible to identify "key groups" that are particularly
affected by the activity. In particular it should be asked whether the contribution
is relevant to the identified key groups. Both primary and secondary stakehold-
ers can be part of the key groups. Involving the primary groups is important in
contributions that are intended to have a direct effect on defined groups, both
at central and local levels. In cases where the direct participation of key groups
is motivated, there are many different methods available that can contribute to
ensuring that their interests and rights are met in the decisions that affect them.

A stakeholder analysis may contain the following steps:
– Identifying and defining the stakeholders.
– Defining the ways in which the capacity of the different stakeholders is
  strengthened or weakened.

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[6] Adapted from Hernando De Soto, *The Mystery of Capital,* 2000

- Giving prominence to different poor groups in relation to the activity.
- Analysing how women and men and girls and boys are affected by the activity and what interests they have in relation to the activity.
- Defining how various weak groups in society are affected by the activity and what interests they have in relation to the activity.
- Surveying relationships and conflicts of interests between stakeholders.
- Investigating whether the activity is dependent on the support of the stakeholders: if so which stakeholders and in what way?
- Assessing how the stakeholders can participate in the planning and follow-up of the activity.

Stakeholder analyses can be performed in many different ways and with different levels of ambition. Participation by stakeholder groups can take place for the formulation of goals and results, for analysing risks, and for identifying indicators to measure results that are relevant to the key groups. Stakeholder analyses are, for example, a compulsory and introductory element in the LFA analysis. Other methods that are designed for the participation of larger groups, for example the future search method[7], place great importance on giving prominence to the perspectives of different stakeholders in order to create a common action plan. The direct participation of stakeholders is only recommended when it is possible for them to exert real influence.

A stakeholder analysis can lead to the realisation that capacity must be improved or that cooperation should start at other levels in order to achieve the goals. Possibly special contacts should be taken or reference groups established to encourage a holistic perspective of an activity. It may be necessary to organise and systematise the influence of some stakeholders over developments in the activity.

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[7] Marvin Weissbord & Sandra Janoff, *Furure search method*

2. Strengthen the ability of partners in cooperation to assume responsibility for their own development

There is a considerable measure of agreement in the debate on development cooperation that ownership is of decisive importance for capacity to be sustainable. However, in this connection, what is it that is actually owned? Different dimensions of ownership are described in this chapter.

The importance of ownership

In the history of development cooperation, international actors have often considered that they have had a true picture of how development should take place and what it should lead to. The concept of ownership has previously been used in the sense that the partner in cooperation should understand what is best and thereby "own" the development process. During one period it was emphasised that development cooperation should be based on the priorities made by the partner country and that political determination was essential, while in recent times ownership has been given particular prominence as one of the most essential conditions for development. According to "Sida at Work", experience shows that progress and impact will be limited if ownership does not exist, almost irrespective of the amount of resources made available.[8]

In view of the increase in budget and sector support as forms of cooperation it is, if possible, even more important to focus on capacity as defined here as a precondition for ownership. It is true that these forms of support emphasise ownership to a greater extent than project and programme support but, at the same time, dialogue for budget and sector support is mainly related to policy level instead of activity level. Together with a greater degree of harmonisation, this puts considerable pressure on the partner in cooperation to follow the directions and advice of the international actors, which results in strains on the internal capacity and integrity of the partner in

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8   *Sida at Work*, 2003, p.39

cooperation as far as making independent decisions and assuming responsibility for its own development is concerned.

The greater the emphasis placed on ownership by the partner in cooperation in projects and programmes, the more important it is that all parties are in agreement that the capacity exists or can be strengthened to lead, plan, implement and follow up activities. Consequently it is also important that external actors such as Sida have the capability to contribute the financial and professional resources necessary to make complete ownership possible.

Even if ownership is used frequently as a concept, it is not completely clear what is actually meant in all contexts. What is to be owned and by whom? Since support is given to an ever-increasing extent in the form of budget support, it is more difficult to distinguish one development contribution from other processes in an activity. The point of departure for a decision by Sida is nonetheless an application that either refers to support for a clearly defined programme or a contribution for an entire activity. In both cases the contribution involves a process of development and change. In "Sida at Work", ownership is defined as the exercise of control and self-determination over development activities. A country or an organisation can "own" its development initiative when it is in control of its planning, implementation and follow-up. However, "owners" and other stakeholders should also have the skills and the resources needed to exercise ownership. According to "Sida at Work", in addition to analysing the degree of ownership, one of Sida's most important tasks is to strengthen the capacity of its partners in cooperation to exercise ownership.[9] A clarification of the meaning of "ownership", control, responsibility and capacity in relation to capacity development, expressed in four dimensions is provided below .[10]

Owning ideas and strategies
Having thoughts, feelings and opinions which are then transformed into ideas and strategies is an expression of ownership. However, these must be based on a free and independent choice and an analysis of alternative approaches. If the financier exerts considerable pressure, there is a great risk of diminishing real ownership. It is essential for ownership that the partners in cooperation have clear purposes and goals for their activities.

[9]   *Sida at Work*, 2003, p.40

[10] Lopes C., Theisohn T.*Ownership, Leadership and Transformation,Can we do better for Capacity Development,* Earthscan Publications, 2003

- Why do the partners in cooperation regard the activity as meaningful?

- Which concept/policy governs their actions and what do they wish to realise through their activities?

- Whose interests do they want to further?

- Whose interests do they represent?

- Who are they accountable to?

- To what degree is there harmonisation in the values and objectives of the various actors who work together in the development field?

- How do the actors regard their roles and functions in relationship to other stakeholders, inside and outside their own organisations, who are active in the operational area (control, regulation, standardisation, provision of services, exchange of knowledge/learning, financing etc)?

- Do they possess the ability to define issues, formulate strategies and reach agreements on the aim and mandate of the work?

Owning the development process

Capacity development is the process that leads to greater capacity at different levels. The ways in which capacity is developed are of decisive importance to long-term results. The ownership of development processes can be difficult to assess in cases where project documents are produced with only limited participation by the partner in cooperation. It is therefore important to determine how the project application has come into being. If the partner in cooperation can describe and explain the contribution in an independent manner, it is reasonable to assume that ownership exists. However, desiring change does not automatically lead to the capacity to implement change. Ownership also means maintaining control over the change that is to be achieved. At the same time ownership constitutes an undertaking from the partner in cooperation to implement the contribution as efficiently as possible. Exercising control and assuming responsibility require a certain degree of capacity. This capacity, or ability to implement change, can be divided into motivation, skills and mandate. If awareness and motivation exist, the incentive to implement change also exists. Knowledge and skills to lead and exercise control over change is equally important. Likewise a clear mandate to implement the change is of decisive importance for complete control of the process of change. With the aid of different instruments Sida can strengthen the ability of the partner in cooperation to exercise control, for example by providing support for the development of skills in the fields of strategic planning, financial planning and follow-up, leadership and working with change.

- Is the partner in cooperation convinced that the proposed activities will lead to goal fulfilment?

- Are relevant parts of the partner in cooperation's organisation actively committed and involved?

- Who leads, implements and follows up activities, goals and results, and in what ways?

- Does the partner in cooperation have the ability to mobilise sufficient resources?

- In what way does the partner in cooperation ensure that new knowledge and understanding are continuously acquired?

- Does the partner in cooperation posses the necessary skills to follow up activities, assess performance and make adjustments?

- Does the partner in cooperation have the ability to meet new challenges by adapting agendas, approaches and strategies?

Owning resources

Development requires resources of various types. Sida can contribute financial, technical and human resources. Other resources required are political decisions that give the development contribution a place in the budget and in operations. People working in the organisation that is the party to the agreement must also devote resources to the process of change in the form of time and active commitment.

- Does preparedness exist for participation in the process of change in the form of time allocatings of staff?

- Is there clarity in respect of possible decisions that should be made during the process, i.e. who should make the decisions and when?

- Is there a need for new skills to be supplied in connection with the change? What new skills? In what way should they be supplied?

- Will the development contribution lead to a need for more personnel? How will this need be met?

Owning the result of the development process

An organisation, public body or government is usually identified as the partner in cooperation and ownership is mainly linked to these actors. When national ownership is used as a concept, the stakeholders and target groups of the contribution are also often included. In a democratic, representative form of government it is the elected government that should take care of national interests. However, Sida has an interest in ensuring that the contribution benefits the neediest parts of the population. Different actors in society may have different agendas, and a development process should be analysed from different perspectives. Even if the development process should be "owned" by the partner in cooperation, it is important that the target group or the recipients of the service appreciate, and possibly even experience, that they share the results of the development process. In order to make sure that the key groups are satisfied with the result, it may be appropriate to encourage their participation in the development process. A stakeholder analysis can contribute to increasing the understanding of ways in which different groups can relate to the result. A risk analysis should also include an analysis of any possible negative consequences for different groups and different levels of society.
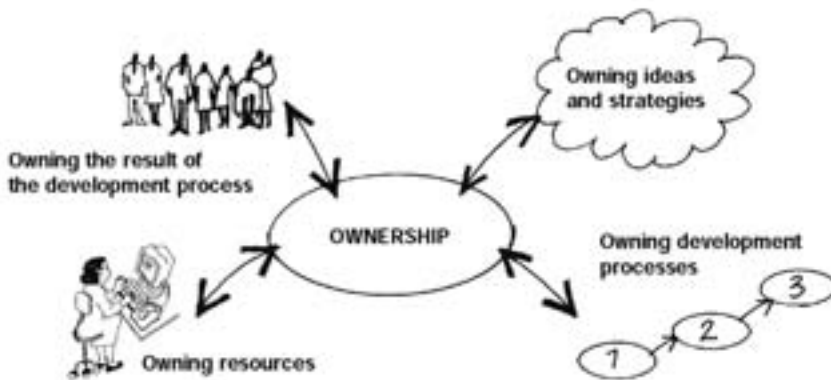
– How has the partner in cooperation ensured that the interests of the target group/recipients of services have been expressed in the development process?

– Has the partner in cooperation involved the target group/recipients of services in the planning and follow-up of the activity?

Sida's roles

Sida has different roles in relation to the partner in cooperation. In "Sida at Work" the three most important roles are developed: the role of analyst, the role of a dialogue partner and the role of financier.

How these roles are actually implemented is of great importance to how contributions aimed at promoting capacity development are designed and implemented. Sida's values are more specific in these roles. It may be perceived as contradictory that Sida emphasises its own values at the same time as it stresses the ownership of the partner in cooperation. However, it is always a case of negotiation between the parties, which should result in mutual respect and understanding in which the values, opinions and needs of the parties find expression.

It is essential that conditions are explained in advance and that a contribution and the organisation responsible are assessed in depth. At the same time there are now stricter requirements that the partner in cooperation should decide on the destination, set the course, and be at the helm. There is a dilemma in these requirements. On the one hand the donor wishes to ensure that the partner in cooperation does the right things and that requests for support to projects enjoy national commitment. The donor is also interested in achieving good results. The partner in cooperation must be able to present the necessary analyses and information. It is also necessary that trust between the parties is such that it is assumed that undertakings will be carried out.

On the other hand, partners in cooperation are rarely able to produce the information and analyses that donors considers necessary. When this is the case, the donors initiate their own studies and analyses and become, in practice, a very strong party in the identification and formulation of projects. There is a danger that ownership of contributions is taken over by the donors if the destination of contributions is determined and their course is set under the strong influence of external actors. If, within the framework of the project, professional support is also involved, it may be difficult to distinguish who, in practice, is at the helm – the partner in cooperation or the advisers employed by the donor. This problem is present in all types of development cooperation but is particularly significant with regard to capacity development. This is a matter of social construction in which relationships between actors and methods used are of decisive importance to results. A close watch should be kept on the issue of the roles and responsibilities of the partner in cooperation, external advisers and the donor, and they should be specific throughout the entire contribution cycle.

Sida is responsible for the dialogue with the partner in cooperation in different phases of the contribution cycle. This is partly a question of communicating in a way that is representative of Sida as an organisation and partly of satisfying, through dialogue, the interests that Sida has in relationship to the project or programme.

Dialogue – a tool for learning

Dialogue means exploring issues of mutual importance together with others in order to improve thinking, broaden experience and help achieve a new understanding. The foundation of dialogue is a democratic approach characterised by:
– Mutual respect
– Mutual sincerity and openness
– Mutual freedom of expression

A dialogue is something more than a discussion. A discussion is a conversation that has the aim of achieving something, of trying to convince the other side, and sometimes of finding an acceptable compromise. A dialogue on the other hand means exploring each other's opinions, listening more than speaking and having the ambition to understand something new together. In order to contribute to a good dialogue, the parties involved need to have the ability to reflect, both before and during the dialogue. Peter Senge has developed a structure of ways in which a dialogue can be planned in order to promote learning[11]:

Pay attention to your intentions
– What do I want to achieve from the dialogue?
– What does the partner in cooperation want to achieve from the dialogue?

Balance advocacy with inquiry
– Can you clarify what you mean?
– What has led you to your conclusion?

Build shared meaning
– What do you understand by a clear division of roles? What do you really mean when you say you would like to have an open climate?

Use self-awareness as a resource
– What am I thinking now?
– What do I feel?
– What do I want to do just now?

Explore impasses
– What do we agree on?
– What do we disagree on?

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[11]   Senge P. *The Fifth Discipline; The art and practice of the Learning Organization*, 1990

When financial resources are being provided, all roles are combined. The financier role can, however, be exercised in different ways in different contexts. The following classification is one way of describing the different roles of the financier.

Operational financier – Follows up the project's activities at close range and is pleased to participate in different operational groups that discuss and develop the activity. Participates in the discussion on ways in which work should proceed between the reporting periods.

Result-oriented financier – Follows up results and goals in connection with the agreed reporting times and thus demands much in respect of the quality of reports. Provides support and functions as a sounding board but is particular about transferring responsibility and ownership to the partner in cooperation.

Strategic financier – Pursues strategic issues in relationship to the partner in cooperation and other international actors. Has a perspective that covers the entire sector or operational area and is active in issues that affect the long-term direction of the activity.

These are naturally simplifications and probably changes are constantly underway between the different roles as a consequence of the form of support, the prevailing conditions in the country and the capacity of the partner in cooperation. However, the approach adopted by Sida is of decisive importance for the progress of the contribution and relations with the partner in cooperation.

3. Analyse projects and programmes using a holistic perspective

All activities are affected by factors in their environment. Consequently it is important to analyse the specific situation and environment of each project and programme. This chapter describes Sida's analytical model from its policy for capacity development which describes the different levels at which capacity development takes place and the ways in which the factors in the environment and the institutional frameworks affect activities. An operational area is often the responsibility of a system of organisations with different missions. Knowledge of their different functions and how they can interact to achieve common goals in an operational area contributes to the creation of a holistic perspective.

Capacity in an operational area

Capacity development can take place at the different levels of society, institutions, systems, organisations and individuals. A greater awareness of how the different components affect each other has gradually emerged. From the 1950s to the 1980s, emphasis was placed on individual human resource development, physical improvements and infrastructure, as well as changes to organisational structures. In the 1980s other factors emerged, for example values, communication, culture, influence and leadership, as being of particular importance for the performance of an organisation. In recent years the environment in which the organisation is active, i.e. its contextual framework, has been paid an increasing amount of attention. This increase in focus on factors in the environment is based on a perception that organisations are systems which, together with other sub-systems and components, interact in a larger system. The different levels in the system are dependent on each other for their development. Analysing projects and programmes from a holistic perspective can provide support for the assessment of whether the contribution will actually lead to goal fulfilment and the level or levels to which the contribution should be directed.

The partner country's public undertakings can be summarised and structured conceptually into policy areas or operational areas.[12] In each operational area, goals are specified for a number of services that are of central importance to citizens. These may be direct services to citizens that are essential for the achievement of political goals, for example in respect of public health, education and economic growth. However they may also be public services that are of less direct importance, but nonetheless crucial for the efficient organisation of society, for example statistics production and the legal system. In other words, it is the capacity in an operational area that is to be developed with the aid, for example, of Sida's contributions. Problems that concern an entire sector cannot normally be solved by providing support to separate functions or organisations within the sector, and therefore measures are usually directed at different levels of the system. Sometime focus may be on developing the operations of an actor or organisation by providing support to programmes/projects, or by providing budget support directly to their activities, sometimes by providing sector support to the operational area as a whole.

Regardless of the form of cooperation used for the financing of results in any operational area, there is always a clear contractual relationship between Sida and an identified partner in cooperation. The partner in cooperation is usually an organisation. The core of the analytical model presented here is therefore the organisation and its units and individual members.

Societies change constantly and need to develop different types of capacity. However, a country's capacity is not only the sum of the capacity of all the individuals in the country. A society's capacity is something more complex and is influenced by a country's history, culture, tradition, environment and economic situation. Capacity development is not therefore merely for individuals but also between them, and in the organisations and institutional frameworks they create together. The Policy for Capacity Development has chosen to concentrate on capacity in a structure that includes more than individual knowledge and more than one individual organisation. Applying a holistic perspective means specifying relationships and linkages between different levels of the reality in which development cooperation works, and aims to change. The point of departure determining the direction of capacity development should be in the meeting between the citizens and the different functions of society: non-governmental organisations, the private sector and the public sector. The model that follows below illustrates the different levels that affect development in an operational area. In the following chapters the different levels in the model are described in more detail.

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12 The Swedish Budget Bill is, for example, broken down into 47 policy areas. Some areas have sector boundaries, for example energy and transport policy, while others have a thematic target group focus, for example child policy and minority policy.

**Capacity development
should be seen in a holistic
perspective**

– **Environment/contextual factors**

– **Institutional frameworks**

– **Systems of organisations**

– **Organisation**

– **Units in an organisation**

– **Individual knowledge and professional skills**

Focus on contextual factors and institutional frameworks

Organisations are open systems that are influenced by conditions in their environment. The context is thus of decisive importance in definitions of available resources and of obstacles and opportunities that influence operations. For example, a weak macroeconomic policy leads to high inflation, high rates of interest and unstable exchange rates which, in turn, have a negative effect on economic prospects. Other factors that often have an effect on performance are the quality of the infrastructure, and access to electricity and telecommunications. The political situation, the degree of corruption and the lack of respect for human rights are further examples of circumstances that constitute obstacles to development.

– **Environment/contextual factors**

– **Institutional frameworks**

– Systems of organisations

– Organisation

– Units in an organisation

– Individual knowledge and professional skills

Institutional frameworks are ideas, approaches, and the situation in regard to power that have been shaped and been given fixed forms. They are the formal or informal rules of the game and the standards for the ways in which actors may participate and relate to each other and to their environment. Institutional frameworks can be formal, in the form of laws and ordinances, or informal, conditioned by culture, tradition, the power situation, and patterns of behaviour or customs. Institutional factors govern to a great extent how individuals, groups and organisations interact with each other.

The aim of development cooperation is change. In many cases the development programme do not harmonise with existing institutional frameworks in the partner countries. With the aid of knowledge of ways in which the institutional frameworks affect the partner in cooperation and development cooperation, advantage can be
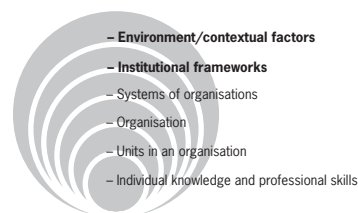
taken of opportunities and obstacles can be removed. Sometimes the most effective measures for creating change can lie outside the operational area or the area of responsibility of the planned partners in cooperation. Although it is not so easy to exert influence on institutional frameworks, it is important to be aware of the ways in which they affect the programme in order to be able to make an assessment of the feasibility and the risks of the project or programme. Sometimes working to change the frameworks can be justified. Now that Sida and other international actors are increasingly focusing their work on supporting broad reforms, the need to change institutional frameworks has received more attention.

Formal and non-formal institutional frameworks

Formal

Political systems, laws and ordinances, official strategies, power structures, responsibility structures, administrative systems and procedures.

Informal

Values, attitudes, traditions, power situation, action norms, beliefs and behaviour.
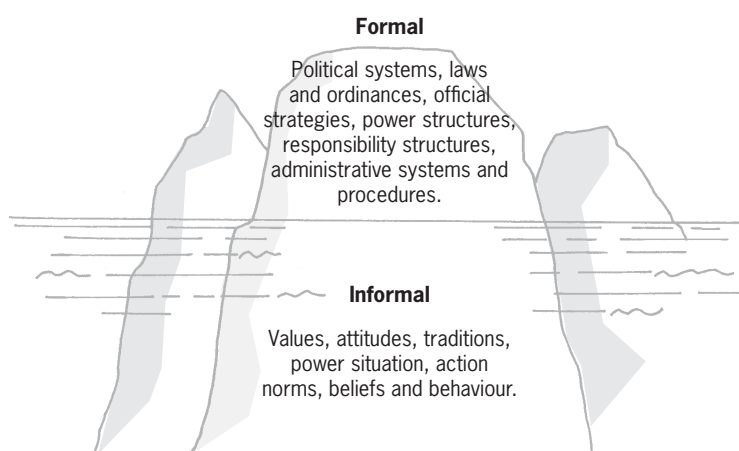
Questions: Institutional framework

– Are there obstacles to the ability of the operational area/organisation to implement its assignment in the *formal* institutional framework?

– What parts of the *formal* institutional framework are essential for the success of the project/programme?

– To what extent is the *formal* institutional framework followed?

– Is there efficient supervision and are there mechanisms to ensure the observance of the necessary formal institutional frameworks?

– What *informal* institutional conditions exert influence over the capacity of the operational area/organisation to develop the activity and to meet the needs of the stakeholders?

– Does the *informal* institutional framework set limits for possible changes?

Contextual analysis

In order to assess whether a contribution has the potential to lead to capacity development, knowledge of the ways in which external contextual or institutional factors affect development cooperation is of great importance. It is important to identify external factors that exert a decisive influence on the operational area or contribution. These can make capacity development possible, difficult, or perhaps even impossible. A contextual analysis should contain a survey of ways in which external factors influence or are influenced by the activity, the contribution or the organisation.

Example of a format for an analysis of context and institutional frameworks

Contextual factors and institutional frameworks that may affect the operational area	Threats	Potential	No effect
Contextual factors economic, technical, geographical/ecological			
Formal institutional frameworkspolitical, legal, administrative			
Informal institutional frameworksreligion, culture, gender, power			

With the aid of an analysis of the above-mentioned factors, it is possible to draw future scenarios which may provide support for the formulation of the contribution in question in the short and long term. It is particularly important to observe factors that are to be regarded as unchangeable and thus must be accepted, and factors that the parties possibly have the capacity to change, to control, or to take action on in other ways.

Focus on systems of organisations

The possibility of solving a problem in society or creating a result is often dependent on the development by several organisations of new knowledge and expertise, as well as forms of cooperation. Sometimes several organisations may be involved in the contribution in order to improve the quality of a service or to eliminate obstacles to development. Consequently it is important to understand how the system of organisations affects the activity intended for support.

Initially, it may make things easier if a distinction is made between two types of organisations in an operational area:

– Environment/contextual factors
– Institutional frameworks
– **Systems of organisations**
– Organisation
– Units in an organisation
– Individual knowledge and professional skills

– The operational area's "own" organisations, i.e. organisations that exclusively or mainly work within the sector, and

– Organisations external to the sector that exert an influence on the sector, which have responsibilities that also concern or form the basis of other policy areas, possibly the entire public sector.

Sector-specific organisations

Even when our point of departure is activities that are based on a public undertaking, it is essential not to limit the analysis to public bodies in the sector. In order to understand the activity, it may be necessary to include organisations that are of great importance to operations in the sector. They are not directly governed by public decisions but can nonetheless be influenced, for example by financial subsidies or cooperation agreements. The formal status of the sector-specific organisations may therefore vary. They may be public organisations, non-governmental organisations or commercial enterprises.

In order to identify the organisations that are included in the system in question, it is initially advisable , to define the functions in the sector that are of importance for understanding operations in the sector – both statically and dynamically. These functions are located in one or more organisations that may be public or of another type. Preferably the ways in which the following functions are organised in the sector should be identified:

– Management and control; regulation/standardisation/resource allocation; the function that lays down the framework for performance, both in respect of the quality and quantity of supplies, as well as the resources and production conditions for the supplies.

– Production; actual service to the end user, i.e. the citizen as customer, client, patient, student.

– Controls; supervision/monitoring/evaluation/results analysis/ overview/audit. This includes all institutionalised controls of activities in the sector, regardless of the perspective in which they take place or whose interests they refer to (for example the level of production management, the citizen, the financier or political decision-making).

– Development of activities

   a. Activities that are intended to improve the quality, efficiency, and productivity of performance in existing systems.

   b. Activities that are intended to develop new forms to improve or review undertakings in the operational area.

   c. Activities that are intended to develop and maintain skills in order to carry out these activities.

Organisations that exert an influence on the sector

No public activities and no public undertakings are implemented in closed systems. In order to assess the potential for development (opportunities and obstacles) in a sector, an examination must also be made of other organisations that exert influence on activities in the sector. Certain functions that are of decisive importance for production and development in the sector may be found in organisations that are responsible for operations in large parts of the public sector, for example universities, audit bodies, ministries of finance, central political planning bodies with overall responsibilities. If these do not function well, this will also have repercussions on the private sector and on organisations that operate in this sector. Capacity development in the sector's "own" organisations may benefit from, or be negatively affected by, the condition (capacity) of external organisations.

Questions: Systems of organisations

– Which organisations exert influence on the operational area and are thus included in the system of organisations?

– What functions do they have?

– What factors in the system of organisations act positively for change in the operational area and what factors act negatively against change in the operational area?

– What organisations govern and regulate these factors?

– Are these organisations involved in the development process that Sida is analysing/supporting?

Example

Results of training did not materialise

In Laos a group of journalists at local radio stations in two provinces wanted to improve their activities in order to better meet the needs of their listeners. One part of the strategy was based on developing the skills of the journalists through training in interview techniques, checking sources and planning. In order to enable them to use the skills they acquired it was necessary to make changes which lay outside their mandate. They lacked an operational budget and were therefore always obliged to approach the Ministry of Information in order to obtain permission to make special reports. Moreover, the legislation in respect of the media restricted the subjects on which the journalists could report. The result was a high degree of self-censorship in order not to risk penalties. The training programme did not lead to better quality in respect of the reports since major constraints still existed in the institutional framework and the system of organisations.

4. Take existing capacity as the starting point

Parties in a programme of cooperation may consist of organisations in the public sector or private enterprises or non-governmental organisations. It is their collective capacity that should be the point of departure of Sida's support. There is always knowledge and capacity available as the starting point. It is this knowledge and capacity that is to be strengthened. Capacity in these organisations is of crucial importance for goal fulfilment. This chapter describes different components in an organisation's capacity and the core areas that are of strategic importance. Internal structures and cultures, as well as the knowledge and skills possessed by individuals, are of decisive importance for an organisation's performance.

Focus on organisations and units in organisations

– Environment/contextual factors
– Institutional frameworks
– Systems of organisations
– **Organisation**
– **Units in an organisation**
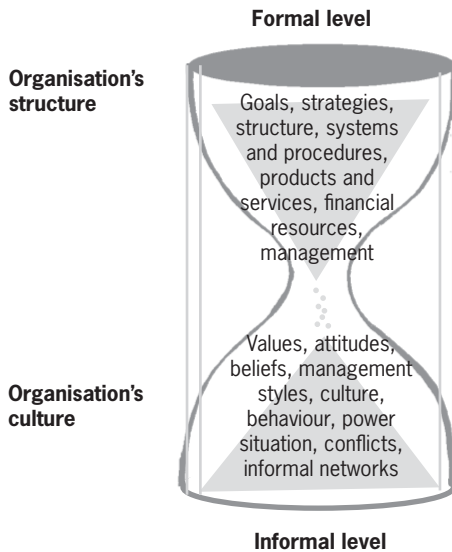– Individual knowledge and professional skills

Organisations are created on the basis of an operational concept and an assignment or undertaking vis-à-vis principals and clients to produce and deliver relevant services. The capacity of an organisation consists of individuals, groups and the organisation in its entirety. Individuals have different resources, for example knowledge, professional expertise, attitudes and skills that can be shared with other units or groups in the organisation. When the individuals share these resources in the organisation, their capacity becomes part of the capacity of the units and groups. If the capacity of these individuals and groups is put to good use by the organisation and is expressed in its working methods, structure, management system and culture, it is transformed into the organisation's capacity.

An organisation consists of formal and informal components which exert influence on the way it functions and performs. Often a great deal of energy is invested in reviewing and improving the formal systems and structures of an activity while the real obstacles to change possibly lie in the organisation's culture. An organisation may, for example, be good at producing strategy documents and defining procedures. At the same time the personnel in the organisa-

tion may not be happy due to an authoritative style of management or since they are not permitted to make the best use of their potential. Efficiency is determined by both the formal and the informal parts of the organisation and it is also necessary to capture the informal factors in the analysis of the organisation.

There are several different methods and models used to describe and analyse an organisation. Here a highly simplified presentation is given of the dimensions that, in different combinations and with varying degrees of emphasis, are to be found in most organisations.

Formal level

Organisation's structure

Goals, strategies, structure, systems and procedures, products and services, financial resources, management

Values, attitudes, beliefs, management styles, culture, behaviour, power situation, conflicts, informal networks

Organisation's culture

Informal level

Organisations structure their work, mandates and responsibilities and supply the individuals that work in the organisation with incentives to take action and to perform. There are a number of different theories and approaches available for the evaluation of an organisation's capacity. Common to most of them is that the following core areas are of decisive importance for an evaluation of how well an organisation functions:[13]

– To define the function that the organisation fills in its area of operations.
– To function in a wider context and understand its role in relationship to its environment.
– To define a specific mandate for its activities.
– To formulate strategies, to plan, and to follow up plans.

[13] Adapted from Lavergne and Saxby *Core Capacities*, 2001

- To have access to necessary personnel, financial and material resources.
- To have an efficient internal division of roles and responsibilities.
- To develop efficient working processes.
- To have an appropriate culture that helps the organisation to achieve its goals.
- To learn new knowledge and skills on a regular basis.
- To build permanent and good relationsships and to cooperate with other actors.
- To evaluate performance and implement changes.
- To meet new challenges by learning, evaluating, changing.

Capacity in an organisation

A survey of the capacity in the organisation can be of assistance when determining whether proposed activities would probably lead to fulfilment of goals. A capacity analysis should include an analysis of the capacity of the organisation/activity to produce and deliver needs-driven and demand-driven services, both quantitatively and qualitatively, as well as the organisation's internal potential to meet demands made by its working environment for inner efficiency in the future. The aim of a capacity analysis is to produce a picture of strengths and weaknesses in the organisation.

Capacity gap in an organisation

Capacity development

**Present situation**   **Future**
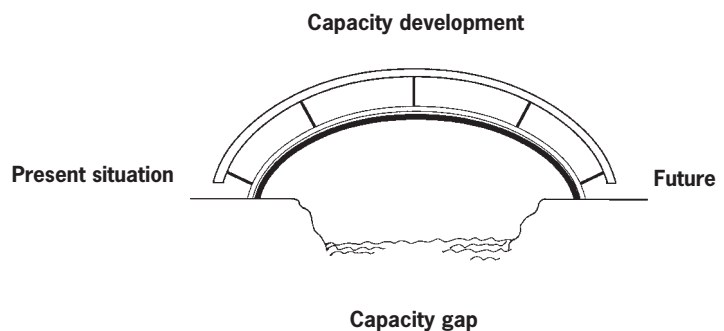
Capacity gap

By identifying the existing capacity gap, an assessment can be made of whether the stated goals are reasonable and if it is possible to achieve them with the aid of the funds available and within the given time frame. This analysis naturally assumes that the data that are to be assessed contain a clear description of the aticipated capacity gained with the aid of the project or programme. The analysis also assumes that the information or the analysis that was made in the first stage

above provides a sufficiently good description of existing capacity. The capacity gap identified constitutes the point of departure for the assessment of whether the best possible strategy and method has been selected to bridge the gap.

To enable Sida to determine whether the planned measures will lead to the organisation maintaining the planned performance in a long-term perspective, an analysis can be made of the organisation's internal efficiency for change, for development, and for meeting external demands. This would determine the potential for change and the organisation's capacity. If this analysis is not made there is considerable risk that the possibilities of successfully implementing strategic documents and project documents will be limited.

In addition to the internal factors, the organisation's efficiency and the feasibility of projects and programmes are also influenced by external factors and the contextual and institutional frameworks as shown above. Furthermore, the various material and human resources (inputs) and their quality are of decisive importance for the capacity of the organisation to deliver results. This should also be analysed for a correct assessment of the organisation's potential. Examples of questions that should then be asked are: Are there enough personnel? Do the personnel have sufficient knowledge and experience to do their work? Is there sufficient technical equipment available for their duties to be performed in an efficient manner? The factors that constitute an organisation's capacity to use and administer its internal resources (input) in an efficient manner can be expressed simply as its structure, culture and performance. These three categories follow below with examples of areas that should be analysed in order to assess an organisation's capacity to implement its mission.
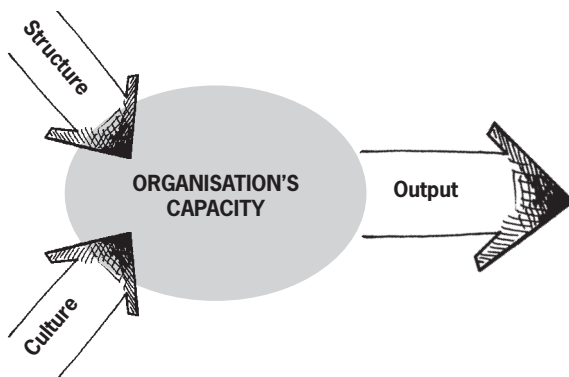
Areas that define an organisation's capacity and its different components

Areas that define an organisation's capacity and its different components

The organisation's structure

Strategic leadership:	What is the leadership style? How is the strategic planning process implemented? Is there a clear vision and mission?
Organisation structure:	How are management and the organisation's functional structure organised?
Personnel resources:	How are the following processes performed: personnel planning, skills assessments, staffing, staff development, staff evaluation and rewards? How are human relations valued in the organisation?
Financial management:	What is the extent of financial planning, financial accountability, financial reports and financial systems in the organisation?
Infrastructure:	How are resources and technologies managed?
Programmes and	How are programmes/projects planned, implemented and the administration of projects monitored?
Process management:	How is the work of problem solving, decision-making and evaluation performed and how do communication and monitoring function?
Internal organisation:	How does the organisation maintain good contacts with links networks and partners?

The organisation's culture

History:	What changes have been made to roles and structures in the organisation over time? What were the organisation's greatest crises and successes?
Vision and mission:	How aware are the staff of the organisation's vision and mission, of the goals of operations, who the stakeholders are, and what their common values are?
Culture:	Is there a willingness to accept change, openness to learning and openness to criticism? How do relationships function in the organisation?
Rewards system:	How is the staff's performance rewarded or thwarted (experience of reward, salary setting, formal and informal rewards systems)? Are women and men treated equally in these contexts?

Productivity:	What is the relationship between the output delivered by the organisation and the resources invested?
Cost efficiency:	What is the relationship between output and the cost of producing it, for example in the form of human, financial and physical resources?
Efficiency:	Do the planned activities lead to goal fulfilment?
Relevance:	Are measurements made of customer satisfaction? Are there systems for learning and for improving results? Are regular analyses made of the environment in which the organisation operates and its stakeholders?

Realistic and relevant goals and results

Important starting points for the assessment of a planned contribution are naturally the goals and the results. First and foremost it is important that the goals are well-formulated: a change at the right level in relationship to the contribution. Goals and results are often set at levels at which the contribution only has a limited effect. To make them meaningful planning tools, they should be specific and linked to the level at which the project or programme will have an impact. One problem in many partner organisations is that management does not have sufficient control to guide operations towards a certain goal, mainly due to low levels of capacity and shortcomings in the coordination of operational processes. An exhaustive analysis of the present situation provides good information for planning realistic goals, activities and any advisory services, and a point of departure to measure a change against. The analysis of the present situation can suitably contain both an internal capacity analysis of the organisation and a contextual and stakeholder analysis to assess how the external factors and actors affect the activity.

The question of the level at which the goals should be set is always problematical. This is a consequence of the situation that the desired results sought for the final target group are based on long chains of sub-results. All the links in the chain are essential for the achievement of a long-term sustainable result.

Selection of goal level

One example is a project that intends to train teachers at a school for tax administrators. When they have been trained the teachers will carry out the training themselves. After training, the tax administrators will be better at making tax assessments etc. and their work will lead to better tax administration with a higher proportion of correct decisions based on current tax legislation. The training programme will lead to the optimisation of tax revenues and better rule of law. The project's output is trained teachers. What is then the effect, and thus the project goal and development goal? There are a number of alternatives where goal levels are concerned:

1. The school will be capable of giving tax administrators good training.
2. The capacity of the tax administration to make decisions will be strengthened.
3. Correct decisions will be made in the tax administration.
4. Tax revenues will be optimised.
5. Service to citizens will be of higher quality.
6. There will be better governance and the rule of law will be improved.

All these are possible effects. But at what levels is it reasonable to define project and development goals? This choice must be based on what is actually done in the project. It is not reasonable that the development goal of a project that trains teachers of tax administrators should be better service to the citizens.
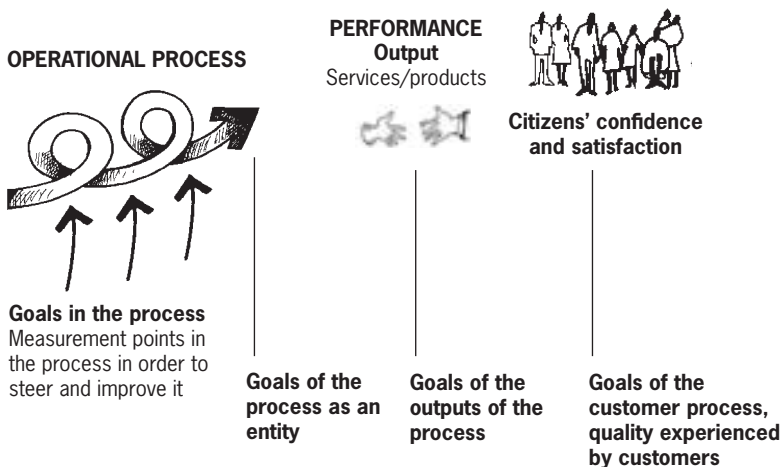
The definition of the level is one aspect of the goal problem. In capacity development contributions there is also another type of problem. What does the partner in cooperation really want the Swedish support to contribute to? Is the goal to train teachers or is it to create capacity at the recipient organisation to train teachers? In both cases we contribute to capacity development but, in the long term, it is naturally the latter that must be achieved if the system is to be sustainable. Then activities will be carried out in another dimension, namely to develop and organisation's expertise to deal with a task. If we keep to this dimension, the final goal in the example above could be to contribute to the creation of effective capacity for the training of teachers in tax administration. This is a more limited development goal which has capacity as its point of departure and not the tax policy aspect.

Goals can be set at different levels and they are able provide guidance, to a greater or lesser extent, on the practical work that an organisation is to do. In order to develop goals that are not only overall development goals or project goals, they can be established for different phases of an activity's "operational process". The point of departure is that an activity is defined on the basis of external requirements, expectations and needs. These are translated into expectations of the services produced by the activity within the framework of the operational process. On the basis of demands for service/producers and processes, goals can be formulated for the development of the activity, which then lead to an output of one type or another. This output then, hopefully, leads to the effect: citizen or customer satisfaction.

Goal

SUB-GOAL

SUB-GOAL

SUB-GOAL
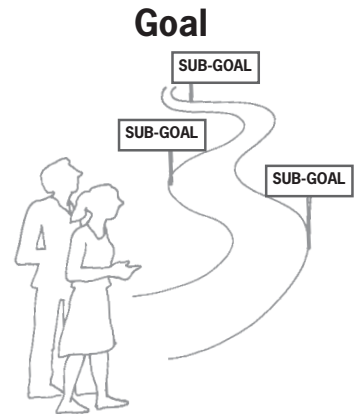
The goals can refer to

– The processes (for example to control and improve them)
– The performance of the processes (output)
– The confidence and satisfaction of principals and citizens (quality experienced by customers)

OPERATIONAL PROCESS

PERFORMANCE
Output
Services/products

Citizens' confidence and satisfaction

Goals in the process
Measurement points in the process in order to steer and improve it

Goals of the process as an entity

Goals of the outputs of the process

Goals of the customer process, quality experienced by customers

The goals in the process may refer, for example, to important sub-outputs, critical points for governing the process, or goals for improvements in a sub-process/activity.

– Goals of the process refer to the process as a whole, for example total time required to administer a certain matter.
– Goals can also be linked to the quality of the services/products (for example 98% of decisions will be correct).
– Goals in respect of performance (output) are often expressed in the form of volumes and quality (for example number of matters administered with a certain measure of quality).

- Goals in respect of the quality experienced by customers refer, for example, to the degree of confidence in the agency, satisfaction with service etc.

In the assessment of the formulation of goals it is consequently important to analyse at which point in the chain of effects the goals should be inserted, and whether the goals have been formulated in relationship to the process or output. Naturally the product or service that the activity is to produce should be the focus of the overall goals and results. In order to capture the changes and results that are achieved in respect of the improvement in work processes and skills in the organisation, it may also be suitable to express capacity development goals or process goals as sub-goals. This makes it easier to follow up the activities that refer to capacity development in reports and dialogue.

One way of making aspects of capacity development clear is to define goals and indicators linked to the activities that are implemented to develop capacity. There is a challenge in having goals that feel relevant and not too abstract for the individuals affected by the activity. Experience shows that activity goals should be formulated with a great degree of influence exerted by those who will be most directly involved in participating in the activity and in a possible process of change. Since capacity development is most often a slow process, short-term goals can constitute important incentives for driving the process forwards.

Indicators to measure change

Some goals are specific and easy to follow up. In other cases results and effects are much more difficult to describe and measure. In these cases indicators provide an important aid. Indicators should be linked to goal levels and result levels in accordance with LFA. The use of indicators has mainly two purposes:

1. Indicators are a part of performance management for following up predetermined goals and results

2. The use of indicators enhances the possibility of following up the operational process, acquiring relevant information, and contributing to learning.

It is important to underline the second purpose mentioned above, which has consequences for the ways in which follow-up is performed. Development of internal follow-up processes should be encouraged. If external support is needed, follow-up can be carried out regularly with the aid of external advisers who work together with representatives of the partner in cooperation, in order to create awareness and learning in respect of follow-up.

Designing and using indicators is not without problems. Indicators of capacity development are often of a qualitative nature and

can seldom be transformed into simple quantitative measures. The indicator should provide an idea of the "amount of development" that has been achieved. It requires a starting point for comparison purposes. The analysis of the capacity gap and the three areas of structure, culture and performance provide a basis for identifying relevant indicators. The LFA method specifies the requirements for indicators.

Questions: Indicators

– Does the indicator correspond to the factors that the most important stakeholders wish to measure?

– Does it give a useful measure of quantity and/or quality?

– Does it give an indication of when the result will be achieved?

– Is it cost-efficient: i.e. is it possible to collect data without incurring high levels of cost?

– Are the data required easy to collect?

– Who will collect the data?

– Is the indicator sufficiently sensitive to measure a change?

– Do all the indicators collectively give us a picture of the relationships between the organisations concerned in the system?

– Do the indicators collectively give us the possibility to follow up a change that leads to capacity development?

Making processes efficient

In most projects and programmes the intention is to make an activity more efficient in one way or another. In order to be able to improve an activity systematically in the long term it may be necessary to look closely at the way the activity functions in detail. A greater focus on goals and measurement of results also implies a greater focus on the process that leads to these goals. The processes in the activity are made visible and can be the subject of measurement. It will then also become clear that it is the processes that must be steered, improved and developed if the activity, in its entirety, is to become more efficient and achieve the desired result. The word "process" derives from Latin and means course of events. A process approach has the ultimate aim of meeting the requirements made of the activity by the target group or the clients. Aims of a more indirect character with a process approach can refer to the efficiency and the quality assurance of the activity. A process approach may also contribute to increasing focus on the service that is to be performed at the end of the process, and a holistic understanding of the way in which each component contributes to the progress of the activity.

A process approach also makes organisational learning possible. To survey, describe and analyse the activity entails a learning process that increases understanding of the whole process and the ways in which different parts interact. The survey may have different degrees of ambition and variations in focus. Applying a holistic view of an activity can be an aim in itself. First and foremost the holistic view contributes to improving capacity to meet predetermined requirements. It may be important to define the primary aim in order to determine the focus of the analysis.[14]

Where Sida is concerned, a focus on processes may be meaningful, for example in connection with an LFA analysis. When the problems have been surveyed and the goals have been defined, an extensive amount of work still remains in drawing up a detailed project proposal. In order to arrive at the measures or activities that are needed to reach a goal, it is important to know the processes, working stages and operations the activity consists of. Another example is sector support which is often based on strategic, overall documents. In many cases it is unclear whether the partner in cooperation has the capacity required to implement the plan that has been produced. By analysing the activity with the aid of a process approach, shortcomings in capacity can be identified and are thus easier to remedy.
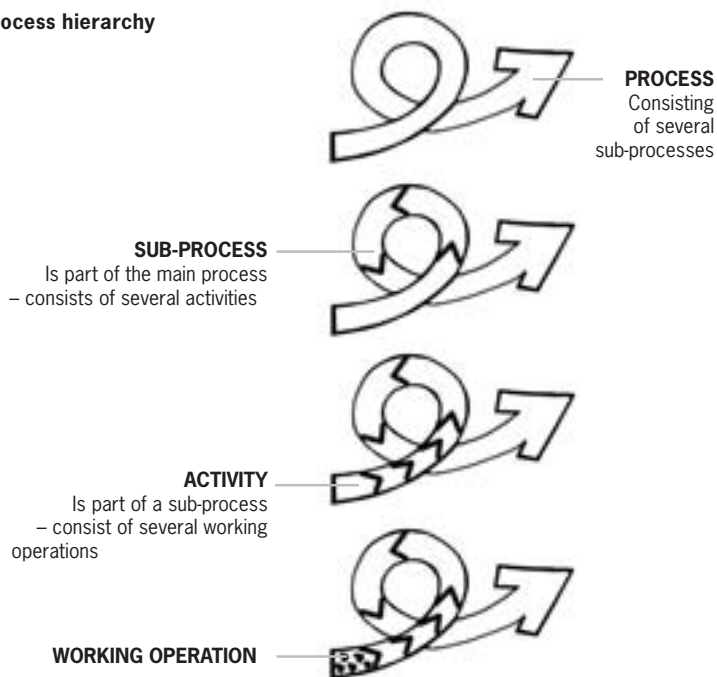
A process is something that takes place in an activity, step by step, until the target group or the clients receive their service or have their products delivered. Processes are to be found in all organisations, regardless of whether we choose to work with them or not. Each organisation must define its processes itself, determine where they start and end, and give them a suitable name. No one process is similar to another. Even when two organisations supply the same service or product, their processes can be totally different. Nor do processes need to be affected by the structure of the organisation. After a reorganisation, processes can very well be the same as before.[15]

Some processes are overall processes and run throughout the entire organisation. They start with a need and end with the delivery of a product or a service. These types of processes can be referred to as main processes. Sometimes main processes are too big and unwieldy to work with. In such cases they can be broken down into smaller components which can be called sub-processes. Every sub-process consists, in turn, of a number of activities. Activities can be broken down in turn into working operations.
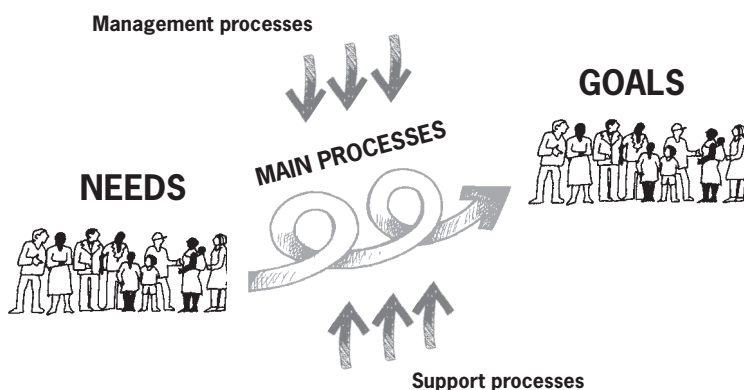
[14] Stigendahl L. Johansson T. *Processorientering i staten*, Statens kvalitets- och kompetensråd (KKR), 2003

[15] Dicander, Almhem, Rönnberg, Väggö *Att lyckas med processledning*, Liber AB, 1998

Process hierarchy

PROCESS
Consisting
of several
sub-processes

SUB-PROCESS
Is part of the main process
– consists of several activities

ACTIVITY
Is part of a sub-process
– consist of several working
operations

WORKING OPERATION

In addition to main process there are support and management processes that are intended to reinforce the main processes in an organisation. Support processes may, for example, have the task of providing human resource development and IT support. Management processes define and follow-up goals and plans of operations as well as improvements to other processes.[16] When the goal is the long-term development of operations, it is usually the case that all the different types of processes need to be analysed and improved.

Management processes

GOALS

NEEDS

MAIN PROCESSES

Support processes

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16 Stigendahl L. Johansson T. *Processorientering i staten*, Statens kvalitets- och kompetensråd (KKR),
    2003

5. Regard capacity development as a continuous, ongoing learning process

Capacity development can be described as a continuous, ongoing learning process for individuals, groups and organisations. It is a long-term process that Sida chooses to reinforce for longer or shorter periods. Learning can take place at different levels and in different manners. This chapter describes different types of skills, ways in which motivation for processes of change can be identified and ways in which learning takes place. Creating a learning organisation is a way of encouraging constant development and continuous learning. However, there are certain risks associated with supporting processes of change. For example, operating costs may increase considerably in connection with changes to an activity. Capacity development is an investment that needs long-term planning. This aspect is dealt with in this chapter.

Focus on individual knowledge and skills

– Environment/contextual factors

– Institutional frameworks

– Systems of organisations

– Organisation

– Units in an organisation

– **Individual knowledge and professional skills**

In this context, knowledge is something more than possessing information. In order for information to become knowledge, it must be processed and refined by the individual possessing it.[17] Knowledge is an asset that individuals acquire and which cannot be transferred from one individual to another. It is only when the individual puts knowledge into its context that it is transformed into skill. Solving a problem not only requires knowledge, it also requires the capacity to take action and to predict what the effects of the action will be. This dimension of the analytical model focuses on the different forms of individual knowledge and skills needed by personnel in an operational area and the organisations in the operational area in order to perform their functions. Possessing skills means that the individual can and will make use of his/her personal assets in the form of knowledge, skills, experience, values and personality in order to achieve specific goals. The environment the individual works in is important for developing the knowledge and skills that are needed to fulfil the organisation's goals. The organisational culture should sup-

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[17] Sida, *Learning Strategy Project*, final report, May 2004

port and stimulate learning and critical thinking. Management plays an important role for the organisational culture as well as for the motivation of each individual member of staff. The willingness of each individual to use his/her skills is essential if those skills are to benefit the organisation.

When a project or a programme is planned, a skills analysis can provide support for the assessment of whether the changes can be implemented with available resources. A skills analysis should provide the answer to the difference between the needs and the availability of skills. Sida has identified different types if skills in a skills star. The following model is used to assess skills at Sida. It can also be used in cooperation programmes with other organisations.

Skills star

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Questions: Skills

– Do the staff in the organisation possess strategic skills in the form of knowledge of the operational concept and goals, i.e. they have a holistic view of operations?

– Do the staff possess professional skills in the form of expertise and experience in relevant working fields, theories, methods, languages, policies, regulations, etc?

– To what extent do the staff make use of their learning skills in order to absorb knowledge/experience/innovations and transform these into practical action in new contexts?

– To what extent can relationship skills be found, in the form of cooperation, creating contacts, communication, knowledge of people, judgement, leadership, contact networks, conflict management etc?

– To what extent do the staff possess functional skills, i.e. the capacity to choose the role they should adopt when they perform a duty/solve a problem; capacity to drive a process forwards, analytical capacity, innovative thinking, capacity to bring matters to a conclusion, followup, take initiatives, make decisions etc?

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Incentives for change

Capacity development often means that existing activities will be changed and new routines developed. Changes in working duties and ways of performing these duties make it necessary for individuals to develop their skills. New patterns of behaviour must be established and, at the same time, any inadequate forms of behaviour must be abolished. The individual people in the organisation in question and their motivation for change is of decisive importance to the result of development contributions.

The incentive structure in organisations influences the possibility of implementing the change process. Change often meets resistance. It creates uncertainty and vagueness in relation to expectations and the power situation. Awareness, on the part of both donors and partners in cooperation, of what processes of change mean and how they can be implemented in an efficient manner is essential if a contribution is to lead to permanent improvement. However, it is usually impossible to foresee all the factors that will affect implementation, consequently it is often necessary to work step by step and modify both plans and activities during the development process.

¨Capacity development should be based on the cooperating partner's terms and conditions. It is not meaningful to support a full-scale capacity development programme if awareness of the need of the contribution has not been spread throughout the partner organisation. Perhaps the organisation has other priorities at that particular point in time. There is also a danger that the needs of certain individuals are allowed to guide, inappropriately, the focus of a contribution, or that some individuals in the organisation are aware of the needs but cannot gain the support of their colleagues. As mentioned above, ownership is absolutely essential for success. Experience shows that development work, which can indeed be motivated and rational, may experience difficulties in achieving sustainable results if there is not strong support at all levels in the organisation. If the top management of the organisation does not feel a sense ownership of the planned change, the probability that a sustainable development contribution will be implemented is extremely small.

Motivation staircase
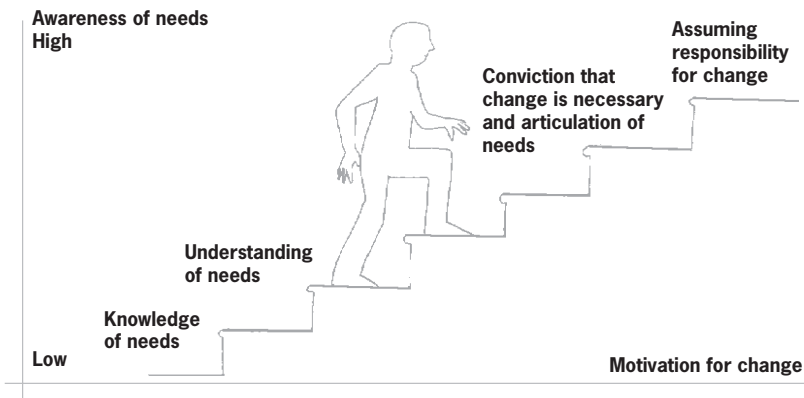
This staircase illustrates that awareness and motivation are products of a learning process that takes individuals and organisations through different stages. In the first stage the individual starts to note certain limitations and perceive certain needs but they are still vague. Only a few people in the organisation really experience these needs. In a further learning process, new knowledge of the condition of the organisation may contribute to recognition of the needs and the need for change. People start to think about the situation and to discuss those things that are considered to be threatening or attractive in a change. However, in order to start a process of change, further new knowledge is needed which involves the capacity to formulate the needs and the realisation that change is necessary. In this stage individuals in the organisation realise and understand that they have something important to contribute to achieve a change. To ensure active engagement in the process of change, it is necessary that good use is made of skills and that individuals are given the opportunity to influence the selection of the routes to success and the solutions necessary to achieve the goal. Often external support is necessary for the implementation of an extensive process of change. Any consulting input should, however, encourage ownership, motivation, undertaking and participation.

Processes of change and learning require individuals and organisations that are aware of their need for knowledge and are motivated for change. Then they can acquire new knowledge, and test and modify it on the basis of the specific, prevailing situation. It is important to draw attention to the incentives to create motivation in every organisation. If the existing situation of a partner in cooperation is taken as the starting point, the level of ambition of contributions to strengthen capacity must be adapted to the situation for learning and change that applies in the case in question. There are no given models, they must all be tailor-made.

Conditions for learning

I hear – I forget
I see – I remember
I do – I understand

Confucius

In recent decades, educational theories have undergone a paradigm shift. The focus has moved from teaching to learning, from the transfer of knowledge to the development of knowledge.[18] At the same time the quotation above from Confucius shows that we have known for a long time that learning does not only take place by listening to wise people and to good advice. Knowledge cannot be transferred. Learning is constructed instead by the individual through reflection and interaction with others. Effective learning activates as many senses as possible.

Moreover, individuals have different abilities and personalities, which means that they use different styles of learning. Making learning possible in a group means, therefore, meeting the needs of different individuals depending on their styles of learning.

This is also reflected in organisational theory in which "action learning" has been a prominent concept in recent years, despite the fact that it was developed by Reg Revans as early as in the 1930s. The meaning of "action learning" is that human resource development first has a value when it is transformed into practice and is tested directly at the workplace. It creates more learning and a new way of working is integrated into the organisation in a natural manner. Many educational programmes have been a waste of time and effort since it has not been easy to use the new knowledge acquired.

Questions: Human Resource Development

– What is the goal of the planned human resource development? What are the new skills to be used for?

– What skills exist at the present time? Strengths and weaknesses?

– What measures are necessary for the new skills to be used?

– What are the obstacles to learning or to the application of the new skills?

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[18] Sida, *Learning Strategy Project*, final report, May 2004, page 2

Learning cycle, Kolb
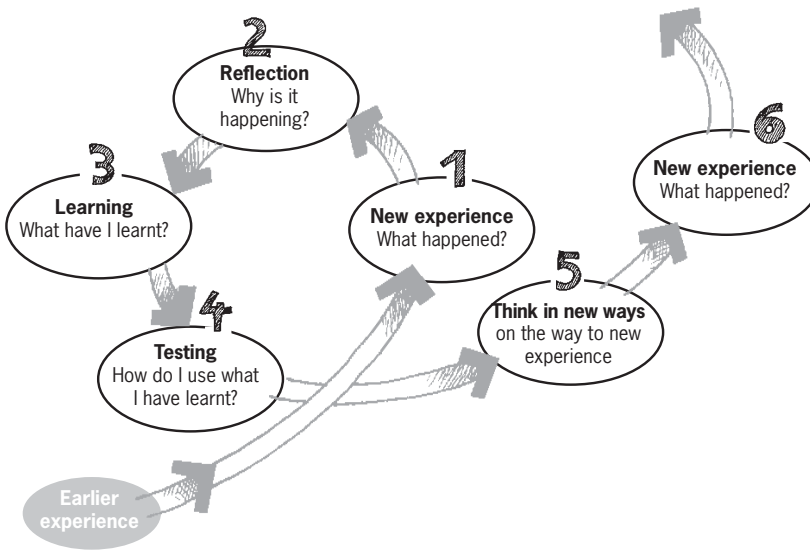
There are often a wide range of opportunities for learning at a workplace, and it is important to consider and understand the individual's own needs for learning and to plan development. Learning from other members of staff and managers, having a mentor or attending courses are common opportunities for learning. Specially challenging duties can also be undertaken or learning achieved by testing new methods at work. Thinking actively about what is happening, why it is happening, what I have learnt and how I can use what I have learnt on the way to a new experience makes life a learning process in itself. Organisations can learn in the same ways as individuals. Organisations can systematise opportunities for learning by having a regular dialogue and encouraging staff to share their skills with each other, to reflect on their experience, and to plan a new approach.

Learning by following up measures taken and really learning from them has proved to be difficult in most cultures. To be open to learning is also an important skill. The person who coined the concept "the learning organisation", Chris Argyris, maintains that it is the human defence mechanisms that make learning in organisations difficult. Argyris claims that the truth is interesting as long as it is not a threat. On the other hand, if the truth constitutes a threat it is easiest to ignore it, blame other external factors, or distort it. Argyris' research shows that defence mechanisms, in order to defend themselves from threats, function in the same way for everyone, but that they create different forms of behaviour in different cultures.[19] This also means that it is more difficult for people to think in entirely new ways, for example to change an operation completely, than to discover and correct small faults in operational processes. Learning

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[19] Chris Argyris, *Organizational Dynamics*, 1998

for individuals, groups and organisations can take place at different levels. One way of expressing these levels is to describe them as simple or double learning.[20]

Form of learning	Tool	Depth of involvement	Result
Simple learning	Everyday learning Annual budget Follow up of operations	Commitment	Refinement of the process Focus on productivity
Double learning	Questioning Strategic analysis Environmental and stakeholder analyses Skills analyses	Understanding	Changed mission/idea Efficiency or crisis

Simple learning takes place within the framework of existing ways of working and thinking. People get better at doing things they have always done. All members of staff can be actively engaged in improving and correcting ways of working and thereby increasing productivity. Are we working in the right way? Double learning is a more demanding form of learning. In double learning the ingrained way of working is questioned. Are we working with the right tasks? It is often the case that it is necessary to ask these questions in connection with adaptation to changes in the external working environment or the stakeholder perspective. Effective double learning means that ways of thinking are affected. This is more charged with emotion and conflict than simple learning. In order to create change we need, according to Argyris, to overcome the organisational defence mechanisms. Argyris provides a working model in six steps:[21]

1. Diagnose the problem.
2. Link the diagnosis to the behaviour of the participants.
3. Investigate how this behaviour creates organisational defence patterns.
4. Provide support to changing the behaviour pattern.
5. Change the defensive practices that strengthen the old form of behaviour.
6. Develop new organisational standards and cultures that strengthen the new way of acting.

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[20] Jörgen Hansson (Argyris & Schön) *Skapande Personalarbete*, 2003

[21] Chris Argyris, *Overcoming Organizational Defences*, 1990

The learning organisation

The concept of "the learning organisation" has been used in recent decades to describe an organisation that creates appropriate conditions that enable people to learn from their own experience and from each other. It is based on the notion that everyone has a need to learn, to "own" and feel proud of their work. We want to achieve our goals and receive recognition for our performance. A learning organisation is an organisation in which people at all levels, individually and collectively, can improve their ability to achieve the desired results, i.e. capacity development. A presentation of the learning organisation is given in "The Fifth Discipline" by Peter Senge. Peter Senge describes a learning organisation in the following way. "Learning organisations are organisations that continuously expand their capacity to create what they want..... to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where and people are continually learning to see the whole together."[22]

Senge's point of departure is a systems theory approach in which an understanding that changes inside or outside the system cannot be understood or handled unless the relationships between different components of the system are taken into consideration. It is of no matter how much each and every one of the individuals develops his/her skills within the framework of his/her own individual duties. In order for the organisation to benefit from the experience gained and the lessons learned, communications and relations between people must function properly. Opportunities must be created for people to meet in open conversations, thus creating learning together. In order to transform this learning into practice, a culture and structure must also be established in the organisation that makes change and innovation possible. This approach corresponds well with Sida's analytical model presented above and the framework that creates an organisation's capacity in the form of its culture, structure and performance.

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[22] Peter Senge, *The Fifth Discipline*, 1990

Key areas for a learning organisation

Peter Senge gives prominence to five areas that are necessary for the creation of a learning organisation.[23]

Personal mastery

Personal development means to learn, to see problems and opportunities in new ways, and thereby to increase individuals capacity to master their work. If the organisation is to develop, it is necessary that individuals in the organisation are allowed to develop as individuals, that it is made possible for them to become actively involved and to create the scope to realise their goals.

Mental models

Models of thinking are the patterns, attitudes, values, images or symbols that influence our capacity to understand the world around us and the ways we should behave in it. Thinking models, which can be conscious or unconscious, affect the developmental power of the organisation.

Building shared visions

If an organisation is to develop, it is necessary that the staff form common visions and goals, i.e. that they reach agreement about what they feel is important to achieve.

Team learning

A team whose members learn and develop together can develop joint skills that are more than the sum of the individual skills of each member. This collective learning requires a dialogue which gives the staff the opportunity to openly inform each other of their experience, thoughts and opinions and which can deal with the defence mechanisms that arise.

System thinking

In this context, system thinking refers to the interaction between individuals, groups, organisations, institutional frameworks and the outside world. The system contains people and organisations as well as strategies and structures. Faults in one part of the system often lead to faults in other parts of the system. The development of an operation therefore often requires contributions that are directed towards several actors in the system in order for change to take place.

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[23] Peter Senge, *The Fifth Discipline*, 1990

Sustainable results from work with change

Another important aspect that affects the achievement of sustainable results is the opportunities available to the partner in cooperation to finance the operating costs of an increase in capacity. It is almost always the case that enhanced capacity results in increases in operating costs. Development cooperation contributes to capacity development, for example by investments in tangible assets such as buildings and materials and in the development of people's skills and working processes. When a programme of development cooperation has ended, the partner in cooperation assumes responsibility for maintaining the results that have been achieved. The enhanced capacity in the form of materials and people often require more resources in order to maintain and renew them. One principle in development cooperation has been that, in order to strengthen the sustainability of development projects, normal operations should be financed by the partner in cooperation and development cooperation by the donor. However, in the very poorest countries it has been difficult to pursue this principle consistently. Perhaps, in certain cases, it has not even been desirable. The principle is based on an assumption that the countries' economic growth will absorb the increase in operating costs arising from the enhanced capacity achieved with the aid of development cooperation.

When economic growth is delayed or not achieved, a form of dependence is created on further development cooperation to ensure that the investments that have been made have not been made in vain. The partner in cooperation can be dependent on financial support as well as expert assistance in various forms. It may be a case of providing certain skills in the form of consultants through "gap-filling". Gap-filling, i.e. replacing ordinary functions in the organisation with externally financed personnel, may be justified in special cases but should only be used as a short-term solution. The goal of development cooperation is to achieve a situation of independence in which no external financial or consultancy support is needed. The situation of an organisation that is severely dependent on financial support will be better in the long term if national resources can be mobilised than it would be if the organisation is constantly dependent on both financial and consultancy support for its development and/or its regular operations. Supporting a process of change with the aid of financial support and external advisers can be a good investment if there is awareness of what it is that creates the requisite conditions for long-term capacity development.[24]

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[24] Göran Andersson, Peter Winai *Diagnosis of organisations in development cooperation, guidelines for application of the Staircase Model,* report to SIDA by SIPU International AB, 1997

	Funds	**Skills**
Regular operations	**A** To what extent is the organisation dependent on external financial assistance in order to maintain its operations?	**C** To what extent is the organisation dependent on external expertise to maintain its operations?
Work with change	**B** To what extent is the organisation dependent on external financing to develop and change its operations?	**D** To what extent is the organisation dependent on external expertise to develop and change its operations?

6. Sida's methods and ways of working

Hitherto this document has provided a framework for the analysis and understanding of the content of capacity development and the linchpins of change processes. One intention in this respect has been to give prominence to what is necessary for an organisation to be able to develop and be strengthened. This section provides a brief history of the ways in which Sida has reasoned where developing capacity is concerned, as well as a brief review of ways in which Sida can contribute to capacity development. What methods and ways of working does Sida use to strengthen the capacity of its partners in cooperation?

A brief look at Sida's history shows that this question has been answered in two ways at Sida.

One major method has been based on the asumption that capacity development is a question of professional knowledge and skills possessed by individuals in partner countries. As an example it can be mentioned that when African states became independent, one main issue concerned how their public administrations could be staffed with qualified personnel. Sida's main thrust was vocational training and vocational schools, and providing scholarships for students from Africa at Swedish universities. At the same time, Swedish experts were recruited to fill the gap left by the students during their studies. When the posts were staffed with local personnel the Swedish experts could end their assignments and assume more of an advisory role. This was the basic idea, both at Sida and in countries such as Botswana. The country recruited foreign experts as gap-fillers and, at the same time, sent individuals abroad for educational purposes. An intermediate form of gap-filling was when the experts were given the role of advisers. This was the model for the so-called technical assistance or expert assistance and this way of thinking can be discerned behind much of what is being done internationally, even today. This is why this concept of capacity development has been used

synonymously with expressions such as "technical assistance" or, in later years, "technical cooperation".[25]

Sida's programmes of individual experts, a special budget for experts and a special organisation for the recruitment, preparation, accommodation in partner countries, home-leave travel, and schools for accompanying children, were wound up at the end of the 1980s. The individual scholarship programme was wound up ten years earlier and was replaced by international courses. This is now referred to as the International Training Programme. The individual expert programme has been gradually replaced by various combinations of consultancy inputs.

The other main line of thought has been to equate capacity development with organisational development. Countless reports and evaluations had shown that educating individuals was not enough if they were working in organisations that did not make good use of their skills. This lead to new forms of cooperation known as twinning or institutional cooperation. This idea was that, if capacity development concentrates on the ability of organisations to function properly and on renewal, the possibilities of achieving this would be improved if they were enabled to cooperate with an organisation in Sweden with similar responsibilities. This has had the effect, for example, that Statistics Sweden has cooperated with its counterparts in Tanzania, Laos and Bosnia and that churches, trade unions and non-governmental organisations work to strengthen their partners in cooperation. There are also many examples of institutional cooperation in the field of culture, for example cooperation between county museums in Sweden and museums in Africa, and between theatres and colleges of music in Sweden and in other countries.

Programmes of cooperation with countries in Europe have many elements of institutional cooperation. This has been carried out within the framework of what is known as Contract-Financed Technical Cooperation. Twinning cooperation between towns around the Baltic Sea and between them and towns around Lake Victoria is another example. The forms of cooperation may be different but the basic idea is the same i.e. the goal of improving the functioning of an organisation is best achieved if it is permitted to cooperate with another professional organisation with similar responsibilities. This form of cooperation has also provided scope for a number of combinations in respect of consultancy programmes, study visits, courses and other forms of training.

During the last ten years a somewhat new agenda for capacity development has started to emerge. One of the driving forces was the implementation of the structural adjustment programmes of the 1980s. These were not merely intended to achieve balance in countries' economies and government finances, even if this was

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[25] S. Browne, *Developing Capacity through Technical Cooperation: Country Experiences*, Earthscan/ UNDP, 2002

a big enough problem. They also meant a radical change in the role of the public administration and its ways of working. Public Service Reforms eventually became Public Sector Reforms. The former represented a reduction and rationalisation of the public administration, and the latter a broader understanding of what it means to strengthen capacity in a complex system of organisations. Capacity in complex systems could no longer be understood as making part of the public administration (statistical offices, tax administration or audit institutions) more efficient. Instead it was a question of overall pay issues and of training in the public sector. The meaning of the concept of capacity development was further extended to include the role and responsibilities of the public administration and, at the same time, to make the public administration more efficient. Here it was a question of legislation and other regulations, and of the capacity complex systems such as those for financial management, i.e. the budget process, accounting and auditing.

Today Sida provides an ever-increasing amount of support for extensive reforms in various sectors. These new challenges necessitate a new way of thinking and an in-depth understanding of what happens in complex processes of change at national level. Sida has an important and partly new task of understanding complex processes and, in dialogue with the partner countries and other donors, of creating a generally accepted view of ways in which changes should be made. Many of the issues raised have a political dimension and, at the same time, the solutions require professional support of different types. It is even more important than before that the various actors concerned have the same perception of the problems, the goals of the reforms and strategies for change.

In addition to this, the donors' contributions to these reform processes must be coordinated. Sida has an important mission in promoting coordination of this type. Two forms for cooperation and coordination have been tried out in a few countries. One is a fund is established for capacity development which is managed by the partner country in cooperation with the external donors. Procurement of expertise and/or exchanges of experience are administered by the partner country. In a situation of this type Sida can act as a "facilitator" with the responsibility for facilitating exchanges of experience and learning without contributing professionally itself. In the other form of cooperation, the parties participating in the reform process reach agreement on who should contribute what. The parties complement each other. In an ideal situation, each country contributes knowledge and experience in fields where they have a comparative advantage. In the international discussion on harmonisation, this type of coordination is referred to as "complementarity".

As long as support for capacity development consists of involving Swedish expertise, individual experts or professional organisations

in the form of twinning, Sida's role is mainly to carry out procurements, provide a framework for contributions and then follow them up. Where more complicated reform processes are concerned, Sida also has the responsibility of being a partner in the dialogue on strategic and politically sensitive issues. Here consultants or other exerts cannot replace Sida. The advisers made available by Sida do not have the mandate for this task. Their task is to contribute professional expertise in their professional fields.

The analysis and dialogue takes place in different fields and can be illustrated in the following way:[26]

	Functional/rational dimension	Political dimension
Micro	Technical expertise in various forms	Embassies/Sida's dialogue in relation to the partner in cooperation
Macro	Knowledge of overall processes	Embassies/Sida's dialogue of change and reform work in relation to the national level

Adjusted after Lavergne, CIDA

Complicated reform processes move between these fields and it is important that all parties have a clear and explicit perception of their tasks and roles. The processes are long-term and their focus can shift over time.

There are many ways of working with capacity development. Sida's experience, which is supported by international studies, is that there are no simple solutions or recipes that can be used everywhere and in all situations. This is emphasised in Sida's Policy for Capacity Development. This is why the analysis of context is so important. It is also equally important to ask the question, in each individual case: What measures can be expected to lead to the goal and what role should Sida play?

Sida has a number of methods at its disposal.[27] These can be broken down in the following way and they can be combined in different ways as the figure above shows.

Different forms of learning
Within the history of development cooperation there are examples of courses from many fields – learning at the workplace and/or long-term contributions to train teachers, doctors, nurses, researchers, economists and lawyers. Experience gained indicates that isolated education and training programmes in the form of courses have a minor effect unless they are part of a major process of change. There

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[26] Adapted from N. Boesen, and O.Thorkildsen, *Between Naivety and Cynicism: A Pragmatic Approach to Donor Support for Public Sector Capacity Development*, (Paper for Ministry of Foreign Affairs, Danida), 2004

[27] Lage Bergström, *Methods for Capacity Development*, Sida, Methods Development Unit, Capacity development, Working Paper No. 10

have often been no links at all between project-related training and support for long-term formal education programmes.

Organisations with similar tasks cooperate

Support is provided by Sida or on behalf of Sida in different forms and with different designations such as "twinning", institutional cooperation and contract-financed technical cooperation. Basically these different forms are variations on the same theme. Professional organisations with similar missions have a good foundation for professional exchange and cooperation. The focus is usually on organisational development as shown above in the section on organisational development. This also applies to a great extent to cooperation between Swedish NGOs and their partners in cooperation. There are many evaluations of individual programmes of cooperation, some comparative studies, but no overall report on this way of working.[28]

Experts/consultants as support and advisers

This form exists in different combinations and is often referred to at Sida as "implementing consultants". This designation is not correct today since most Swedish consultants have an advisory and supportive role in relationship to partner organisations. Internationally the picture is different. It is common for donors to "outsource" the implementation of projects and programmes and that the responsibility for the results lies with the expert/consultant rather than the partner country. This is one reason why the so-called technical assistance contributions have been criticised for being supply-driven, i.e. guided by the donors' perception of needs and their wish to achieve rapid results. International actors should seek to ensure that these services are "demand-driven" and that there is genuine ownership of the support that is offered.

Support for networks

In the global knowledge society, knowledge and skills are available in principle everywhere for those who have access to modern ICT technology. One concrete expression of this is when international or regional professional networks come into being in different fields or for a particular issue. There are examples of Sida providing support and contributing to the emergence of networks of this type. In such cases Sida often acts as a facilitator. Experience gained to date has not been documented but this form of support for capacity development can be expected to grow and gain increasingly in importance within Sida's work.

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[28] *Lessons Learnt on Twinning*, Report from DESA Seminar, Sida, 2003 Contract Financed Technical Co-operation and Local Ownership, Sida Evaluation 3/09

Funds for capacity development

There is a growing need for funds for capacity development which the partner country can then use when the cooperation programme moves from project to programme support. There are a few examples of this. It is difficult to draw general conclusions but the perspectives and points of departure given prominence in this document should provide guidance.

Sida as a partner in dialogue during complex reforms

Sida's new role has been discussed above. Its consequences will be new and increasing demands on Sida's staff to participate as partners in the dialogue on complex processes of change which have a clear political dimension. It requires knowledge and understanding not only of the professional area concerned – for example financial management – but above all of how complex changes take place in systems of organisations.

To sum up, capacity development should be perceived as a long-term process without simple solutions. Sida's contributions should be adapted, to a considerable extent, to the individual context. Reform programmes and contributions are changing focus. New needs are arising. At the same time Sida has a limited number of approaches at its disposal. However, these approaches can be combined in different ways. It is a challenge to Sida to break with old ways of working that have been retained merely for reasons of convenience or routine. Programmes change their focus and the environment in which they are implemented also changes. Capacity development involves working with a process-focus and flexibly, with sensitivity for the needs and interests of the partner in cooperation, in order to enable them to achieve long-term positive results in their work.

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http://www.ecdpm.org/

http://www.capacity.undp.org/

http://www.dfid.gov.uk/Pubs/files/inst_org_sourcebook.pdf

http://www.change-management.net/7smodel.htm

http://www.snvworld.org/LocalGovernance

http://www.euforic.org/gb/stake1.htm.

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