

**STRENGTHENING
SOUTHERN
NGOS**

**THE DONOR
PERSPECTIVE**

VOLUME 1



INTERNATIONAL WORKING GROUP
ON CAPACITY BUILDING

CONSULTATION ON CAPACITY BUILDING - NORTHERN DONORS

STRENGTHENING SOUTHERN NGOs

- THE DONOR PERSPECTIVE -

VOLUME I

OVERVIEW, RESULTS, AND ANALYSIS

A Study Conducted by

The U. S. Agency for International Development
Office of Private Voluntary Cooperation

and

The World Bank
NGO Unit

For the Interim Steering Committee For the Establishment of
The International Working Group on Capacity Building for SNGOs

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Preface

This is one of three studies prepared to inform the organizational conference for the International Working Group on Capacity Building for Southern NGOs (IWGCB), in May 1998. The report is in two volumes. The first volume sets the scene for the study, provides an overview of issues concerning SNGO capacity building, and presents the results and analysis from the study. When appropriate, analysis is by donor types: multilateral and bilateral donors and foundations. The second volume consists of eight appendices. The first provides the organizational profiles and related illustrative cases of the 12 organizations studied in depth. Full results from the questionnaire and other information pertinent to the questionnaire and interviews are provided in the remaining appendices. In the first volume, at appropriate places, are synopses of the cases, which are referenced to the second volume.

The report was prepared by the Office of Private and Voluntary Cooperation in USAID and the NGO Unit in the World Bank at the request of the Interim Steering Committee for the establishment of the International Working Group on Capacity Building of Southern NGOs. Overall direction and guidance for the design and implementation of this study were provided by John Grant, at USAID, and John Clark, at the World Bank.

The questionnaire was developed and analyzed jointly by Gregory Perrier and Samantha de Silva, with initial assistance by Jane Covey of the Institute for Development Research. USAID organized and financed the follow-on interviews by consultants Richard Holloway and Carmen Malena. Lou Stamberg and Samantha de Silva were responsible for developing the USAID and World Bank reports, respectively. Each person wrote the organizational profiles and illustrative cases for the organizations they interviewed. Richard Holloway and Gregory Perrier wrote and edited the final drafts of the report and appendices. John Grant contributed to the final review and editing of the document.

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Acronyms and Abbreviations

AIDS	Acquired Immunal Deficiency Syndrome
AKRSP	Aga Khan Rural Support Project
AKF	Aga Khan Foundation
BMZ	German Ministry of Foreign Affairs
BOND	British Overseas NGOs in Development
CBO	Community-Based Organization
CIDA	Canadian International Development Agency
CSO	Civil Society Organization
CB	Capacity Building
DFID	Department for International Development (UK)
ESARO	East and Southern Africa Regional Office (UNICEF)
EU	European Union
EC	European Commission
GTZ	Gesellschaft fuer Technische Zusammenarbeit (Germany)
IDRC	International Development Research Centre (Canada)
IFAD	International Fund for Agricultural Development
IAF	Inter-American Foundation
M&E	Monitoring and Evaluation
NGO	Non-Governmental Organization
NNGO	Northern Non-Governmental Organization
OD	Organizational Development
ODA	Overseas Development Authority (UK)
PO	Peoples Organization
PVC	Office of Private and Voluntary Cooperation, USAID
SNGO	Southern Non-Governmental Organization
TM	Task Manager
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development

STRENGTHENING SOUTHERN NGOs

- THE DONOR PERSPECTIVE -

1.Executive Summary

Origins of the IWGCB Concept

In October 1996, several members of the NGO Group on the World Bank put forward a proposal for starting an International Working Group on Capacity Building of Southern NGOs (IWGCB). They felt an IWGCB would foster a greater dialogue among donor agencies, Southern NGOs (SNGOs) and Northern NGOs (NNGOs) and provide a forum for sharing and exchange of promising approaches and best practices for strengthening SNGOs. In May 1997, a group of donor agencies, SNGOs, and NNGOs met and established an interim steering committee to plan the formation of the IWGCB. To inform this planning process, three studies were initiated in parallel examining the current concepts and practices for SNGO strengthening by donor agencies, NNGOs, and SNGOs, respectively. This document is the report of the study of the donor agencies. The SNGO and NNGO studies are reported in separate documents prepared by the Interim Steering Committee of the IWGCB. The committee has also prepared a synthesis report that discusses and compares the results from the three studies.

Objectives of the Study

The study had four objectives:

1. To investigate the principles and practices of a selection of donor organizations with respect to capacity building of Southern NGOs;
2. To examine the similarities and differences between bilaterals, multilateral and foundation donors with respect to capacity building of Southern NGOs;
3. Based on the findings from the study, to develop a better understanding of the meaning of capacity building with respect to Southern NGOs, what donors priorities are for capacity building for SNGOs, how they go about it, and how they measure it; and
4. To encourage increased and more informed discussion about capacity building amongst donors and to help frame a dialogue between donors and SNGOs.

Methodology

The study was conducted in two parts. First a questionnaire was sent to 34 donor agencies, equally divided into bilateral donors, multilateral donors, and grant-giving foundations. Twenty-three organizations responded to the questionnaire, providing a wealth of information and suggesting important follow-up questions. To follow-up on the questionnaire data, USAID funded in-depth interviews of ten donor agencies and both USAID and the World Bank did internal investigations of their SNGO strengthening activities, providing in-depth information from a total of 12 donor agencies.

Definitions

It was clear from the results that donor agencies work with a wide variety of civil society actors that, for the purposes of this study, were broadly included under the rubric of SNGOs. This category included community-based organizations, membership-based organizations, advocacy organizations, as well as the more typical service-delivery NGOs.

Several donor agencies are now adopting the term "civil society organizations (CSOs)" to replace the term "SNGO".

The study also found a lack of clarity on the concept of capacity building for SNGOs. Within the donor community, the meaning of the term "capacity building" for SNGOs ranged from a very broad definition in which any activity with a SNGO was considered to contribute to organizational strengthening, to very narrow definitions that demanded strategically focused activities aimed at a SNGO's capacity building needs. Some donor agencies saw capacity building as a legitimate objective of development assistance, especially for community-based organizations. Others saw capacity building as a means to achieve other objectives related to improving social and economic welfare.

Main Differences Among the Three Donor Groups

Bilateral donors, multilateral donors, and foundations showed important differences in the way they approach and implement SNGO capacity building. These differences are due, in part, to their different sources of funding, aspects of accountability, modes of operations, and organizational history and culture.

Bilateral donors are accountable to their own governments. They have tended to strengthen SNGOs by working through intermediary international NGOs based in their country or in collaboration with host governments within projects. Increasingly, they are starting to support SNGOs directly for capacity building and service delivery activities. They are particularly concerned with the relationship between NNGOs and

SNGOs and the evolving new roles for NNGOs as SNGOs become more capable of implementing service delivery activities.

Multilateral donors are accountable to member governments and therefore, tend to work with SNGOs through government funded projects. Because of their close relationship with governments, they are particularly well situated to address tensions between government and the NGO sector and to work on NGO policy and legal issues. Many multilateral donors have small grants programs specific aimed at supporting SNGOs and other local civil society organizations. Under these programs they sometimes work through SNGO intermediaries.

Foundations are independent of government. They tend to have closer and longer relationships with SNGOs and have greater flexibility in the nature of these relationships. This flexibility results in numerous approaches to strengthening SNGOs and often more innovative and SNGO-focused capacity building activities than found with bilateral or multilateral donors.

Donor Rationale for SNGO Capacity Building

Donor agencies are increasingly accepting that SNGOs can play an important role in enhancing social and economic welfare in developing countries and are expanding their collaboration with them. The study revealed three major reasons why donors support the strengthening of SNGOs. An obvious reason is to improve the donors ability to accomplish their objectives by strengthening the local organizations they collaborate with for program implementation. A second reason for strengthening SNGOs is to enhance the capacity of these organizations to achieve their own mission. A third and broader reason, it that by building the capacity of specific SNGOs, a donor can strengthen the NGO sector in given country or region and contribute to a more vigorous civil society.

Organizational Aspects of SNGO Capacity Building

The study found that most donor agencies have become involved in SNGO strengthening over the last ten years, although some foundations have been working in this area for over 20 years. In most donor agencies, SNGO strengthening cuts across departments and units, but the lead responsibility is often located in a central office in headquarters. About one-third of bilateral and multilateral donors actually have a central NGO office or unit. About half of the foundations have devolved SNGO strengthening activities to their field offices. Donor agencies were found to be strengthening SNGOs in all regions of the world, however, foundations were less active in the Middle East and North Africa region. Donor agencies were also strengthening SNGOs in most sectors, with an emphasis on the environmental, agriculture, and health/population sectors.

Donor Funding for SNGO Capacity Building

Donor organizations tend not to track funds allocated to strengthening SNGOs, an activity that is often a small part of a large project. Therefore, donors could not provide accurate information on the current level of funding going to strengthen SNGOs. All agreed, however, that funding for SNGO capacity building was increasing within their organization. The main funding mechanism was grants directly to SNGOs or indirectly through NNGOs and other intermediary organizations. Under many grant programs SNGOs were required to provide matching resources.

Donor Perceptions of SNGO Capacity Building Priorities

In the study, donor agencies reported that they are hearing six major capacity building priorities expressed by SNGOs at this time. First and foremost is (1) resource mobilization, followed by (2) policy research and advocacy (3) better negotiation skills, (4) better partnering skills and ability, (5) improved organizational and financial management, and (6) enhanced NGO networking.

Donor Emphases for SNGO Capacity Building

Donor agencies are currently focusing SNGO strengthening in three priority areas: cross-sectoral collaboration, program design, and policy research. They expect that over the next five years a strong emphasis will remain on cross-sectoral collaboration, but that two new priorities will emerge: monitoring and evaluation and local resource mobilization. Though donors claim that demand driven capacity building is most effective, their emphases only partially match the priorities expressed to them by SNGOs.

Non-Funding Mechanisms

Training and technical assistance have been the most common mechanisms for SNGO capacity building, but increasingly donors are adopting other mechanisms, such as policy dialogue, networking, and support to local intermediaries.

Assessment and Monitoring and Evaluation

The study clearly showed that donor agencies are struggling to determine how best to assess the current capacity of SNGOs (and NGOs in general) and how to monitor and evaluate the impact of specific capacity strengthening activities for SNGOs. As donors increasingly adopt a results-based approach to development management, they are emphasizing the importance of assessing baseline conditions and monitoring and evaluating impacts. This is proving particularly challenging for capacity strengthening

activities which often take a long time to show results and are influenced by a complex set of external factors. Most of the innovation and advances in these areas have come from the NNGOs who act as intermediaries in the SNGO capacity building process. With donor support, they have developed a wide set of assessment tools and practices ranging from informal qualitative approaches to formal quantitative tools.

Opportunities and Constraints to SNGO Strengthening

The questionnaire asked donors agencies to list the current opportunities and constraints they face in strengthening SNGOs. The greatest opportunity or facilitating factor identified by donors was the current emphasis that the broad donor community is placing on SNGOs in general and on SNGO capacity building specifically. The most commonly listed constraints were declines in development assistance budgets, reductions in donor agency staff, and mixed support within specific agencies for strengthening SNGOs.

Effective or Innovative Practices in SNGO Capacity Building

The donor agencies identified a variety of practices that they felt enhanced SNGO capacity building. The following were some of the most important findings.

- Improving relations and developing collaboration between local governments and SNGOs is important.
- Building the capacity of NNGOs to effectively collaborate with and strengthen SNGOs is critical for donors that work through NNGO intermediaries.
- Donors need to be aware of the tensions created when SNGOs are competing for grants and yet are asked to discuss their organizational weaknesses and strengthening needs.
- Capacity building takes time and is best done within a participatory, process approach.
- It is important that SNGOs have a voice in determining their capacity building needs but it is useful for donor or intermediary organizations also to assist the SNGO in identifying those needs.
- SNGO strengthening needs to focus on organizational and sector priorities rather than on meeting donor procedural, accounting, and reporting requirements.
- SNGOs should have a role in the selection of capacity strengthening providers.
- Financial sustainability is necessary for SNGOs to be strong collaborators.

2. Introduction

A. Context of the Study

In October 1996 Southern NGOs of the NGO Working Group on the World Bank proposed the formation of an International Working Group on Capacity Building for Southern NGOs. The proposal for the formation of this group provided this preface to the subject.

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

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

The challenges facing Southern NGOs have grow in scope and complexity in this period. Previously tried methods and tools of Capacity Building (CB) are not so valid any more. There is a growing requirement for ensuring the leadership of Southern NGOs in defining and managing their own agenda for their capacity building efforts. Assuming a Southern NGO point of view for their capacity building requires new roles and responsibilities on the part of the Governments, Northern NGOs, and international agencies. This initiative is situated in this context of growing need for capacity building of Southern NGOs as well as increase in interest on the part of Northern agencies to support the same”.

Following the October meeting, it was agreed to organize a formative meeting in May 1997 at the World Bank in Washington DC. Prior to the May meeting, the NGO Working Group on the World Bank and the NGO Unit in the World Bank, in collaboration with USAID's Office of Private and Voluntary Cooperation (PVC), initiated a survey of donor experiences in Southern NGO Capacity Building. It was agreed at the May 1997 meeting that there would be two other surveys of Capacity Building in SNGOs - one on principles and practices of Northern NGOs and one on principles and practice of Southern NGOs. The results of the three surveys are to be presented to a conference of all stakeholders in May 1998.

B. Objectives of the Study

The study had four objectives:

1. To investigate the principles and practices of a selection of donor organizations with respect to capacity building of Southern NGOs;
2. To examine the similarities and differences between bilaterals, multilateral and foundation donors with respect to capacity building of Southern NGOs;
3. Based on the findings from the study, to develop a better understanding of the meaning of capacity building with respect to Southern NGOs, what donors priorities are for capacity building for SNGOs, how they go about it, and how they measure it; and
4. To encourage increased and more informed discussion about capacity building amongst donors and to help frame a dialogue between donors and SNGOs.

C. Methodology of the Study

The complete study is comprised of two components - the questionnaire survey and the organizational interviews.

1. The Questionnaire Survey

Following the proposal of the NGO Working Group on the World Bank, USAID and the World Bank agreed to conduct a mail questionnaire survey of Northern NGOs. A questionnaire was developed by USAID and the World Bank and sent out in April 1997 to 34 bilateral, multilateral, and foundation donors (please see Volume 2, Appendices 2 and 3 for a sample of the questionnaire and a list of donors responding to the questionnaire, respectively). The questionnaire was divided into a Section A which involved six open-ended questions on the general nature on SNGO capacity building and a Section B which involved 12 more detailed questions concerning the activities of the specific organization. Detailed results of the questionnaire are provided in a set of tables in Appendix 4 in Volume 2.

2. The Organizational Interviews

To provide a more detailed picture of the approaches and activities of organizations particularly active in strengthening SNGOs, 10 donors were selected by USAID for further research. The organizations interviewed were 4 bilateral donors (CIDA, DFID, EU¹, and

¹ The European Commission considers itself to be a bilateral agency.

GTZ²); 3 multilateral donors (IFAD, UNDP, and UNICEF); and 3 foundations (AKF, the Ford Foundation, and IAF). Staff active in SNGO strengthening were interviewed during November and December 1997. Each donor was visited for approximately 2-3 days. The researchers also reviewed many organizational files and internal documents. Further information was provided by USAID and the World Bank about their activities. Appendix 1 in Volume 2 provides the specific report and cases developed for each organization interviewed as well as for USAID and the World Bank. Appendices 5 and 7 provide a sample of the interview guide and a list of the organizations interviewed, respectively.

In order to make comparisons across the three kinds of donor organizations a sufficient number of respondents to give us meaningful data in each category was required. Table 1 suggests the range and number of organizations we are concerned with. As can be seen the range is between 6 and 9 organizations in the questionnaire, and 3 and 5 organizations in the interviews. We are therefore only likely to see significant variations where all or nearly all of the organizations in one particular grouping are different from the other groupings.

Table 1: Organizations Involved in the Survey by Donor Type

Type of Organization	Responding to Section A of Questionnaire	Responding to Section B of Questionnaire	Interviewed
Multilaterals	9	6	4
Bilaterals	6	6	5
Foundation	8	6	3

3. Definitions and Concepts

A. Capacity Building

Capacity Building, specifically where it is used in relation to SNGOs, is a phrase which has become increasingly prominent in recent years in the development community. It, however, does not have a commonly agreed upon definition (particularly between donors and SNGOs) and has not resulted in a commonly agreed range of activities. In his book *Striking A Balance*, Alan Fowler suggests *"like other development buzz words, capacity building is used in different ways by different part of the aid community. (...) Aid agencies*

² GTZ is included in this survey of donors even though GTZ is not a donor organization (this function belongs to the Ministry of Foreign Affairs - BMZ). GTZ is a technical cooperation agency whose financial resources have to be requested from the BMZ

are not guided in capacity building initiatives by a well thought through, and conceptually coherent story of what it is all about". At one extreme, the accusation is made that it consists of donors setting up irrelevant and arbitrary hoops which they then train Southern NGOs to jump through: at the other extreme it consists of collaborative attention to mutually agreed organizational and institutional needs within the context of a full partnership.

This study used the following working definition:

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

This working definition came from Strengthening the Capacity of Southern NGO partners by Rick James (INTRAC May 1994). It suggested a discrete intervention and one which would be motivated by changes in mission and context.

The interviews were conducted with certain assumptions about the ways in which donors supported capacity building work. It was assumed the focus would be on developing organizational capacity of SNGOs. Capacity building was assumed to be a discrete intervention by outsiders with donor interventions building capacity. Each of these assumptions came into question during the interviews.

The interviews also used a predetermined range of approaches and components that are encompassed by "capacity building". These are shown in the Appendix 6 in Volume 2 and were sent to the donors in advance to establish a common understanding.

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

A few donors tended to suggest that capacity building is not unique or particular - all the work that they do with SNGOs builds the NGO's capacity. Everything - from initial contact, to helping them prepare a proposal, to funding them, to evaluating them - involved building the capacity of the SNGO. They did not identify a separate activity called "capacity development" or "capacity building" in their way of thinking. The idea was that simply the inter-relation between donor and SNGO would result in a growth of the capacity of the SNGO.

It is true that developing the capacity of a fledgling community group which has not yet carried out a joint activity is a far cry from helping an established NGO learn a particular set of skills it has decided it needs. Donors vary greatly in how they involve themselves with capacity building of SNGOs, and what they hope to achieve by doing so. The consensus from donors was, however, that capacity building was something different from the usual work of the donor.

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

B. SNGO

Donors use the term "SNGO" as a kind of vague all-encompassing term, rather than a precise term. Under the term "SNGO", many donors include community-based membership organizations (CBOs), NGO associations and federations, mass organizations, and issue based organizations (i.e., those membership organizations with greater than community scope³). Some donors expressed their discontent with NGOs. They were concerned with the lack of accountability NGOs had to those whom they were trying to benefit. Some donors were not interested in building the capacity of the non-membership intermediary public benefit organizations which are usually also called NGOs. Their interest was in those whom the NGOs served (i.e., the grass roots organizations).

The UNDP (see the Organizational Profile on UNDP in Volume 2) uses the term CSO (Civil Society Organization) to describe the larger universe of "third sector organizations" (the usage of GTZ), while using more precise terms to describe the different kinds of organizations targeted by different donors for capacity building⁴. However, the interviews found that the term "civil society organizations" (and its acronym - CSO) is also problematic. Some donors use CSO to mean "civic NGO" (i.e., those involved with democracy and governance activities). Because of the different use of terms, this report has compromised on using the term "SNGO" throughout.

3 There is no commonly accepted term for these increasingly important kinds of organizations. The phrase common to Filipino practice "Peoples Organizations (POs) seems to be the most useful

4 See Suggested Guidelines for ODA Practice by the Overseas Development Institute: The non-government sector in developing countries includes formal intermediary development/charitable NGOs, social movements and popular organizations, trade and business associations, trade unions etc. Collectively they are organizations of civil society.

C. Organizations/Institutions, Means/Ends

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

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

Sectoral capacity development is the **means** by which a SNGO sub-sector (like organizations working in microenterprise development) is strengthened so as to have a greater effect on topics or issues of interest to it. If done well, it results in the **end** of SNGOs in that sector (or sub-sector) gaining knowledge and working effectively together.

Intersectoral capacity development is the **means** by which the NGO sector as a whole is strengthened to better interact with other actors or sectors (particularly the State and the Market). If done well, it results in the **end** of a more influential SNGO sector⁵.

Different kinds of capacity building processes are needed for the different levels of development action,⁶ but this is rarely clarified. Actors in the strengthening of SNGOs need to understand that this involves three specific kinds of capacity development targeted at a variety of different kinds of southern CSOs.

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

A. Introduction

We examine three types of donors in this report (bilaterals, multilaterals, and foundations⁷). The report seeks to examine differences between their approaches to capacity building, the kinds of capacity building components which they commonly

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

6 Alan Fowler, Striking a Balance, Chapter 8, Earthscan: 1997.

7 Because different legal systems interpret the word differently, we chose not to use the technical definition of "foundation" here. In this report we refer to non-government organizations with their own source of funds which they grant for development purposes.

address, and any other aspects of their work in this field. We hope there may be some elements in the nature of each of these donor types which provide experiences or attributes that others may learn from.

B. Limitations in interpreting data

The response to the Questionnaire Survey usually came from one individual within a donor organization, who answered based on his/her particular experience, or the experience of his/her unit within that donor organization. Most donor organizations do not have a single unit which has an overview of all the work that is done with SNGOs by that organization. The more typical case is that each donor organization has a number of different divisions which collaborate independently with NGOs. Nearly all bilateral donors have one section which deals with Northern NGOs from their own country but is often separate from the main bilateral funding where NGO support is also available. Therefore, the data from the interviews did not necessarily portray the whole organization.

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

A further point which limits the quality of the information accessed is that in all cases the questionnaire and the interviews were directed at the Head Offices of these donor agencies. Nearly all donors have field offices through which their work is carried out⁸, and a range of measures decentralizing both policy and practice. For many donors the best information on SNGO capacity building was in the field.

Finally, the exercise is constrained by the non-random sample of organizations picked for interviews. Readers must assess the principles and practice of reported donors against their own experience and that of others donors they know well.

C. General Points

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

1. Working through NNGOs

Four of the five bilateral agencies interviewed supported capacity development of SNGOs through mostly the intermediary of Northern NGOs (NNGOs). These were CIDA, DFID, USAID, and EC. GTZ interestingly does not work through NNGOs. There are indeed

8 Note that IFAD (multilateral) and IAF (foundation) do not have their own field offices, but work directly from their head office, or through local contracted organizations.

German NGOs which work on capacity development of NGOs in the South, but they are funded directly by BMZ, not by GTZ. Multilateral and foundation donors may work on capacity building of SNGOs through NNGOs from time to time, but they are not specifically required to do so.

2. Working with CBOs rather than NGOs

Two of the three Foundations (AKF and IAF) say their capacity development work particularly targets community-based organizations (or membership associations at a larger level than the community), rather than intermediary NGOs. They do not eschew intermediary NGOs, but these are usually identified for them by the CBOs as vehicles for helping capacity development of the CBOs, and not targets for capacity building. The Ford Foundation generally works at the level of intermediary organizations, or helps to create intermediaries (particularly national level foundations) and develop their capacity.

None of the bilateral organizations principally target CBOs for capacity development. All, however, are keen that the SNGOs which they work with involve themselves with CBOs. Many of them explained that they need a sophisticated intermediary NGO to handle the accounting and reporting demands of the donor.

Multilateral organizations usually direct their capacity building work at NGOs, again because of the complexity of the donors accounting and report requirements. Occasionally, however, they involve themselves with larger membership organizations - particularly issue oriented or mass organizations. The donor furthest along this track is IFAD, the majority of whose work is with farmers associations.

3. Working with Governments

The main expertise and experience of all bilaterals' and multilaterals' work is with Governments. In contrast, the thrust of foundations work is almost exclusively with SNGOs, and they have much greater experience with capacity problems of SNGOs.

4. Diplomatic and Political Pressures

The exact placement of bilateral donor agencies in their own governments varies, but they are usually part of the foreign policy administration. They have to consider the diplomatic repercussions of their work with SNGOs, particularly if they strengthen SNGOs to be more effective and powerful. In countries where there is strong government antipathy to the SNGO sector, this limits their ability to work. The same is true with multilaterals whose parent body is accredited to the Government of the country involved and has to be sensitive to that Government's interest.

Foundations, on the other hand, are independent of the government in the countries in which they are based. While usually accredited (at least to the extent of being registered) with the Government of the Southern country, they have considerably more freedom to

work. This equation is more complicated when foundations use government money, as is the case with IAF.

5. Pressure to Disburse

One feature of bilateral and multilateral agencies which limits their capacity building work is the pressure from their head office to disburse funds according with their bureaucratic imperatives and deliver results quickly. Most of these organizations fund both implementation activities of the SNGOs and the capacity strengthening of the SNGO. Because the former component is to some extent dependent on the latter, but usually is much larger, pressure to disburse funds could damage the capacity building process.

This pressure was not reported to us from foundations. Although, if foundations receive bilateral funds, they suffer from the same pressure, which they may pass on.

5. Findings from the study

A. Key organizational characteristics of donors related to SNGO Capacity Building

1. Definition of Capacity Building

In spite of the fact that nearly all donors interviewed saw capacity building of SNGOs as a topic of increasing interest and some donors had been practicing capacity building of SNGOs for a very long time, 60 percent of these organizations did not have a definition which was either authorized or in common use throughout the organization. Amongst the four multilaterals interviewed, UNICEF, IFAD, and the World Bank had no commonly accepted definition, while UNDP used:

*The process by which individuals, organizations, institutions, and societies develop abilities (individually and collectively) to perform functions, solve problems, and set and achieve objectives*⁹

Among the five Bilaterals, the EC, DFID, and USAID had no single working definition commonly accepted throughout the organization. GTZ, however, used one specifically suited to their situation as a Technical Cooperation Agency (see footnote 2 on Page 6):

*... the provision of training and consultancies for the primary target group (the poor) (i.e. self-help groups and their associations), but also for the secondary target group (state and non-governmental intermediary organizations)*¹⁰.

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

(1) *A process by which individuals, groups, institutions, organizations, and societies enhance their abilities to identify and meet development challenges in a sustainable manner.*¹¹

(2) *The process by which individuals, institutions and societies increase their abilities to perform core functions, solve problems, define and achieve objectives and*

9 UNDP's Management Development and Governance Division. 1997

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

11 Paper from CIDA's Policy Branch

*understand and deal with their development needs in a broad context and in a sustainable manner*¹²

(3) *An ongoing process by which people and systems, operating within dynamic contexts, learn to develop and implement strategies in pursuit of their objectives for increased performance in a sustainable way*¹³

Among the three Foundations interviewed, only the Aga Khan Foundation had an approved and commonly accepted definition:

*A process whereby people and organizations improve their performance in relation to their mission, context, resources, and sustainability*¹⁴

The Ford Foundation noted that a general resistance to policies and guidelines and an emphasis on flexibility and adaptation to specific circumstances were important aspects of that organization's institutional culture. (DFID had a similar position).

The interviewed bilateral and multilateral donors had definitions of capacity building that were usually not specific to NGOs (North or South). Often the definitions came from capacity building experiences with governments, and a SNGO version of this had not yet been thought through.

2. Rationale for Capacity Building

Answers from donors interviewed on the rationale for capacity building were very heterogenous, and sometimes difficult to understand because they were pitched at a number of different levels of generality. Alan Fowler's comment is pertinent, "*Mechanically inspired ad hocism is probably the best way of describing how the aid system presently understands and deals with the concept of capacity building. One reason is that insufficient distinction is made between capacity building as a means, ends or process, and whether it is intended to improve things within the organization itself, within society at large, or both*".¹⁵ In general, we can see three rationales coming from the interviewed donors for supporting capacity building.

a. The first is to improve the competence of an organization or sets of organizations to achieve their mission. If a donor has accepted that it wants to work with and through

12 Partnership Branch of CIDA

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

14 International Strategy 1991-99. AKF.1992

15 Striking A Balance (Chapter 8) by Alan Fowler. Earthscan. London. 1997

NGOs (usually because they are thought of as being better able than government to bring sustainable development to the poor), then it is clear that the more competent the NGOs are, the better for all concerned.

b. The second is to improve the competence of organizations of civil society so that they can play their role of holding governments and markets accountable to the people, and encouraging responsive and responsible government. This rationale for supporting capacity building of SNGOs is of more recent origin and coincides with the pressure to strengthen civil society that came with the collapse of the Soviet Union, the single party states in Africa, and the rolling back of the state. USAID has been highly involved in NGO capacity building in the NIS to promote long-term sustainable development in this area. UNDP has specifically focussed on capacity building of NGOs in the NIS through a program called "Democracy, Governance, and Participation Programme in Eastern Europe" (see Box 1).

Box 1

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

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

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

c. The third is to improve the impact of the donor's own development program. This means fitting the NGOs into the donors agenda and being often contracted to carry out the donors work for it.

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

Among the multilaterals, UNDP's rationale was strongly linked to the strengthening of governance and democracy, while UNICEF's was based on the empowerment of communities, the sustainability of organizations, and the effectiveness of UNICEF programs. The World Bank sought increased effectiveness and sustainability for its projects. IFAD's expressed rationales were more complex since they directed most capacity building to CBOs not NGOs. They hoped that capacity building would improve the standards of living of the members of the CBOs, that it would promote those valued

qualities of NGOs (especially innovation), that it would improve NGOs ability to help formulate policies helpful to the rural poor, and that it would improve the effectiveness of the IFAD programme.

Among the bilaterals, GTZ pragmatically pointed out that where SNGOs were the most appropriate form of organization for achieving GTZ's objectives, stronger organizations are better. We can see this illustrated in Box 2 by GTZ's Self-Help Fund Project in India.

Box 2

GTZ's Self Help Fund Project in India

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

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

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

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

The EC's rationale included some points not mentioned by others. Capacity building would strengthen NGOs negotiating power with local authorities, would enhance networks, increase innovation, and build the competence of civil society organizations so that they in turn could strengthen civil society. CIDA's rationale was that the strengthening of democracy and governance, and the empowerment of communities. USAID saw SNGO capacity building as a prerequisite to broad-based sustainable development. DFID had two sets of rationales - one from the past administration (when it was still ODA) which comprised: promoting good responsive government, promoting participatory development, meeting the concerns of women and the poor, and the development of small enterprises with the poor. The other came from the present DFID which has a strong poverty focus, and had re-thought the rationale for capacity building to be the greater effect on poverty per unit of funding. Its rationale is so pragmatic that it is worth quoting as a counterpoint to some of the other donors claims: *"At the moment the decision to fund capacity building projects involves an implicit assumption that capacity building will have a greater effect per unit of funding than directly funding projects that are more directly engaged with the poor (or at least a gamble that it may have more effect per unit of funding) - otherwise*

there would be no justification for not concentrating funding on service delivery projects where results will be more visible. Unless capacity building was serving another goal more important than poverty reduction”¹⁶

The rationale for funding capacity building of SNGOs depends very much on the rationale of the organization for working with SNGOs in the first place. This did not seem by any means uniform through the donors. The only common feature was the recent interest in civil society occasioned by the paradigm shift of the early 1990s. Many donors had increased their interest in civil society and the variety of organizations within civil society (including SNGOs) at that time, but the differences between helping SNGOs in order to strengthen civil society, and helping SNGOs and CBOs specifically to improve the lives of the poor does not seem to have been sufficiently clarified, as far as we could determine from interviews and documents.

3. Organizational history - length of time involved in SNGO Capacity Building

Of the 18 organizations responding to Section B of the questionnaire, half indicated they had been working in capacity strengthening for SNGO for between 5 and 10 years (see Table 2). Foundations have the longest history in this area with half having over 20 years experience in SNGO capacity building. Only two organizations (one bilateral and one multilateral) had less than 5 years of experience.

Table 2: Duration of assistance for SNGO Capacity Building

Q: What is the length of time your organization has been assisting SNGO capacity building				
Years	Frequency			
	B	M	F	T
Less than 5 years	1	1	0	2
5 - 10 years	3	3	3	9
10 - 20 years	2	1	0	3
More than 20 years	0	1	3	4
Number of organizations responding	6	6	6	18

B = bilaterals, M= multilaterals, F= foundations, T = total

16 Davies, Russell, and Maxwell. A Review of the BDDEA Direct Funding Initiative - developing partnerships with NGOs in Kenya, Uganda, and Tanzania. 1996.

4. How Capacity Building is Handled in the Organization

Departments or units in the central headquarters were twice as likely to be involved in SNGO capacity building as other departments/units (see Table 3). Less than half of the organizations surveyed report SNGO capacity strengthening activities in field offices or centrally located regional bureaus. Six organizations had a recognized NGO unit or office in headquarters. These data indicate that for most donors, SNGO capacity building remains primarily a concern of the central headquarters. Half of the foundations, however, had SNGO capacity building integrated into their field offices.

Table 3: Units providing capacity building assistance to SNGOs

Q: What office/units/departments in your organization, including your own, provide assistance for capacity building of SNGOs?				
Office/Units/Departments	Frequency			
	B	M	F	T
Central HQ's Departments	3	6	5	14
Regional/Country HQ Departments	4	3	0	7
Field missions/offices	2	1	4	7
NGO unit	4	2	0	6
Embassy	1	0	0	1
Number of organizations responding	5	6	6	17

B = bilaterals, M= multilaterals, F= foundations, T = total

In many of the organizations interviewed capacity building of SNGOs is not clearly separated from their work with NGOs in general. The East and Southern Africa Regional Office of UNICEF (ESARO) has said (as mentioned before) "*A careful analysis of UNICEF's programmes shows that many interventions categorized as capacity building are in fact implementation support measures.*"¹⁷ The lack of a designated unit, officer, or system for tracking capacity building in every organization interviewed, except the Aga Khan Foundation, suggests that these comments apply in many agencies.

All of the multilaterals interviewed treat capacity building as a cross-cutting issue throughout the organization with all national, regional, and global offices able and encouraged to fund capacity building interventions. However UNICEF and IFAD have noted that capacity building is applied unevenly between sectors and between programs.

17 Van Diesen, A., "The Assessment of Capacity Building" paper for the ESARO M&E workshop in Nairobi, 4 Sept 1996

In IFAD's case, capacity building of CBOs and Farmers Associations is throughout the organization, but capacity building of NGOs and the NGO sector is more commonly confined to the Economic and Resource Strategy Department. In the World Bank, capacity building for NGOs is generally support through government managed projects, but increasingly there is direct support through the Economic Development Institute.

UNICEF has one rather unique experience - that of Operation Lifeline Sudan. Here a capacity building unit has been set up in a country office (which is situated outside the country) to work specifically with NGOs involved in a disaster situation (see Box 3).

Box 3**UNICEF's Operation Lifeline Sudan**

Operation Lifeline Sudan was created in 1989 as a short term relief measure for the South of Sudan, but in late 1993 UNICEF realized the importance of responding not only to immediate survival needs but long term development goals, and started to train fledgling South Sudanese NGOs (often located outside the country) in the skills they would need for viable development work inside the South.

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

The bilaterals interviewed, with the exception of GTZ, have two main channels for capacity building work with SNGOs - the part of the organization which deals with support to the northern NGOs, and the rest of the bilateral program. Most emphasis and effort in capacity building has been through the NNGO programs, while increasingly encouraging Northern NGOs to work with SNGO partners. Such emphasis is now becoming more common in the core bilateral programs in USAID, DFID, and CIDA. Bilaterals allow great freedom to their decentralized offices to decide on capacity building work with local NGOs. There is, however, an uneven engagement in such activities by these offices. For USAID, CIDA, and GTZ, capacity building of SNGOs is a focus and is likely to soon be so for DFID which is increasing directing attention to such activities. At the EC it is still a specialized interest of the NGO Financing and Decentralized Cooperation department, rather than something broadly implemented in the organization. DFID has a Social Development Division which places Social Development Advisers in all its regional offices, who are the promoters for SNGO capacity building efforts.

The foundations interviewed firmly mainstream capacity building of SNGOs into all their programs and consider it a cross-cutting issue in all their work. The Aga Khan Foundation has even gone further and made "NGO Enhancement" into one of the four pillars of their work (along with Health, Education and Rural Development). While all parts of AKF will continue to mainstream capacity building, specific efforts to institutionalize capacity building are also undertaken. A good example is the NGO Resource Center in Pakistan illustrated in Box 4.

Box 4**AKF's NGORC in Pakistan**

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

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

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

5. Current budget and trends targeted to NGOs and SNGOs

Most donors responding to the questionnaire were unable to provide accurate figures on the percent of their current budget that is targeted at capacity building for NGOs or SNGOs. There are two main reasons for this. First, donors generally have a decentralized structure in which different units and departments independently engage in NGO and SNGO capacity building. And second, donors do not have a financial management code for NGO and SNGO capacity building and therefore it is difficult for the controllers office to disaggregate support for these activities from general project funding.

While donors were unable to provide specifics as to current budget levels channeled to capacity building, they were able to clearly identify past and expected funding trends for capacity building of NGO in general and SNGO separately (see Tables 4 and 5). Two thirds of the organizations responding to the questionnaire have increased funding to NGO capacity building for the last five years. This trend is especially strong for bilaterals. Half of the donors expect to continue to increase funding over the next five years, especially bilaterals and multilaterals.

The funding situation for SNGO capacity building is somewhat different. Only half of the donors responding to the questionnaire indicated that they had increased funding for SNGO capacity building over the last five years, with no strong differences among donor types. Seven out of nine donors indicated that they will increase funding support for SNGO capacity building over the next five years. As with capacity building for NGOs, this applies particularly to bilaterals and multilaterals.

The conclusion is that the increase in support for capacity building for SNGO over the last five years was less than that for NGOs overall, but that the expected increase in support

for SNGO capacity building over the next five years is expected to exceed the increased support for NGO capacity building. Expected increases in support will come from bilaterals and multilaterals because foundations do not envision any increase in support.

Table 4: Budget allocations to NGO capacity building

Q: Please indicate if the percent of your budget allocated to NGOs was more, the same, or less five years ago as compared to today and if the you expect the this percent to be more, the same, or less five years from now as compared to today.					
Time Period Change in percent budget: more, the same, less		Frequency			
		B	M	F	T
Five Years Ago Compared to Today					
	More	0	1	0	1
	The Same	0	0	2	2
	Less	4	1	1	6
Five Years in the Future Compared to Today					
	More	2	3	0	5
	The Same	2	0	3	5
	Less	0	0	0	0

B = bilateral, M = multilateral, F = foundation, and T = total

Table 5: Budget allocations to SNGO capacity building

Q: Please indicate if the percent of your budget allocated to SNGOs was more, the same, or less five years ago as compared to today and if you expect this percent to be more, the same, or less five years from now as compared to today.					
Time Period		Frequency			
Change in percent budget: more, the same, less		B	M	F	T
Five Years Ago Compared to Today					
	More	1	1	0	2
	The Same	1	0	1	2
	Less	2	1	1	4
Five Years in the Future Compared to Today					
	More	4	3	0	7
	The Same	0	0	2	2
	Less	0	0	0	0

B = bilateral, M = multilateral, F = foundation, and T = total

6. Funding mechanisms to support SNGO Capacity Building

Donors support SNGO capacity building through a variety of funding mechanisms (see Table 6). By far the most common mechanism reported in the questionnaire is grants. Fourteen out of 18 organizations indicated they use this mechanism. In addition, bilaterals and foundations commonly used co-financing mechanisms while multilaterals commonly used contracts. Bilaterals and multilaterals tend to provide small travel and training grants. Endowments, loans, and trust funds were used by only a small number of donors.

Table 6: Funding mechanisms to support SNGO capacity building

Q: Please check the funding mechanisms your organizations uses to support capacity building of SNGOs.				
Funding Mechanisms	Frequency			
	B	M	F	T
Grants	4	5	5	14
Co-financing	4	1	4	9
Contracts	2	5	1	8
Small training/travel grants	3	3	1	7
Endowments	1	0	2	3
Loans	0	0	2	2
Trust funds	0	1	0	1
Not a funding agency	0	1	0	1
Number of organizations responding	6	6	6	18

B = bilaterals, M= multilaterals, F= foundations, T = total

7. Collaborators in Capacity Building Interventions

Once a donor has decided that it is valid and sensible to apply its resources to the capacity building of SNGOs, it has to decide how this is going to be carried out. The interviews identified four options.

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

2. A donor can work through a Northern agency (usually a Northern NGO) to carry out the capacity building work. An example of this is the EC's support of a German political foundation to work with a trade union in Zimbabwe presented in Box 5.

Box 5**EC's Support to a German Foundation to work with a Trade Union in Zimbabwe**

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

For more on this case see Volume 2 EC Case 1.

3. A donor can work through a Southern agency. This is usually a NGO - often a NGO Resource Organization or Support Organization - but sometimes is a local private consultant or an existing training institute. Donors can also work through government offices or projects at the national or local levels.

4. Finally, a donor can assist the targeted organization to build its own capacity by helping them to analyze their own capacity weaknesses and supporting activities to work on these internally.

Where the objective is to strengthen the SNGO sector as a whole (e.g., building an enabling environment, seeking Government support - what we have previously called "institutional development"), bilateral and multilateral agencies often feel that they have a comparative advantage to do this themselves. They may, though, contract local researchers or consultants to help them prepare such activities.

The multilaterals donors all use their official position in relation to the Government to hold national or sectoral fora, conferences, and meetings to which government and NGOs are invited. At such meetings options for the NGO sector or sub-sector can be discussed and NGOs can advocate for desired policy interventions. Multilaterals commonly hire Southern individuals and organizations to carry out capacity building interventions. From time to time, particularly when there is a new initiative, they may also bring in Northern individuals or organizations to manage workshops and training courses. A particular example of bringing together Northern and Southern organizations in a very complicated political scenario is the World Bank's Palestinian NGO Project (see Box 6)

In the case of the bilaterals, CIDA has been accustomed to using the services of Canadian NGOs for capacity building of SNGOs, with the assumption that with their past collaboration, and the fact that they are both NGOs, a mutually satisfactory process will

Box 6**World Bank - Palestinian NGO Project**

The \$ 10 million Palestinian NGO Project is one of the most innovative NGO involved projects within the Bank. Its objectives are to: 1) to deliver services to the poor and marginalized in Palestinian society, using NGOs as the delivery mechanism; 2) to improve the institutional capacities of NGOs receiving grants under the project and ; 3) to support efforts by the Palestinian Authority and the Palestinian NGO sector to strengthen their working relationship including support for the development of a positive legal framework for the sector.

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

For more on this case see Volume 2 World Bank Case 2.

be carried out. Recently, CIDA realized that SNGOs can and should play a major role in strengthening their own capacity. CIDA's work with NGOs in the Philippines showed them how capable the local NGOs and capacity building service providers there are. To illustrate this, see the Philippines-Canada Human Resources Development Programme in Box 7.

Box 7**CIDA's Philippines-Canada Human Resources Development Programme**

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

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

For more on this please see Volume 2, CIDA Case 2.

DFID, apart from providing help with logical framework preparation directly, usually supports Northern NGOs to strengthen SNGOs. DFID explained that most UK NGOs identify and employ local resource organizations, rather than strengthening local NGOs

Box 8**ODA/DFID's support of a consortium of British NGOs - the TRANSFORM project**

In 1993 a consortium of British NGOs which had ongoing relations with African NGOs proposed to ODA that it fund them for 5 years to provide organization development training to these NGOs partners from throughout Africa so that "they would enhance their potential to make a valuable contribution to the development effort, and to enable them to fulfil their potential to contribute to the development of an active and organized civil society."

By 1996 it had been underway for 3 years and was working with 29 NGOs in 9 countries in Africa ranging from national Church structures to small CBOs. It presented itself as having three linked objectives:

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

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

themselves. Where such resource organizations are not available locally, British NGOs attempt to build them. An illustration of the different ways that this can be done is the TRANSFORM project that ODA/DFID have supported (see Box 8).

GTZ has certain “home grown” capacity building operations which it basically franchises to local organizations - ZOPP/GOPP (Goal oriented project planning), GATE (appropriate technology information, research, and dissemination), and CEFE (small and medium entrepreneurship and business training). GTZ has a variety of different approaches. It, however, strongly recognizes the need to use local resources and works to build up such resources where they are not apparent. GTZ sometimes strengthens local institutions, but increasingly it trains individual OD consultants who then sell their services. Please see the GTZ project to train OD Consultants in Africa in Box 9.

Box 9**GTZ and EZE's Training of OD Consultants in Africa**

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

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

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

The EC strengthens SNGOs both through European NGO intermediaries and by working directly with SNGOs. It has recently expanded and encouraged a Decentralized Cooperation Program by which SNGOs can apply for funds for capacity building in which they would buy capacity building services locally. USAID uses a wide variety of mechanisms to support SNGO capacity building, most involve a NNGO intermediary. USAID, however, is increasing relying on local capacity strengthening resources. It has been active in establishing endowments to support SNGO activities, especially in the environmental sector. Furthermore, USAID has been innovative in actually giving local organizations in India vouchers by which they can access capacity building assistance from providers of their choice.

Foundations interviewed operate in a slightly different manner. The Aga Khan Foundation, Ford, and IAF, while encouraging the use of local capacity development

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

IAF has pioneered relationships with private sector (i.e., business) organizations that can effectively contribute to capacity building of its grantees. IAF has not only found that such organizations have very competitive strengths in developing management, financial, and technical skills, but that working with them provides NGOs the possibility of new relationships and new supporters from the world of private business. The IAF's Social Investment Program in Bolivia (see Box 10) is starting many interesting new kinds of organizations which will allow this approach to flourish.

Box 10**IAF's Social Investment Program in Bolivia**

The principal objective of this program is to create a broader and more sustainable support base for NGOs and CBOs in Latin America by engaging, US, multinational and local companies in partnership arrangements which mobilize and channel new resources for grassroots development.

The IAF envisions that this work will lead, over the coming years, to the:

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

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

An important issue is who selects the collaborators in capacity building activities. Is it the donor or the organization whose capacity is to be strengthened? Currently it is usually the donor, but increasingly local NGOs are becoming empowered to make this decision. A stark example was provided by CIDA where a majority of local NGOs in El Salvador which had received small grants from CIDA to work on institutional strengthening selected private sector firms as support providers rather than their long term Canadian NGO partners. As noted earlier, In India USAID has experimented with a program which provides local organizations with vouchers that they can use to contract with the capacity strengthening collaborator of their choice. The organizations providing capacity building services can turn the vouchers in at the USAID Mission to receive payment (see Box 11).

When asked in the questionnaire to indicate their level of activity with different types of intermediary organizations, interesting patterns emerged among the three donor types (see Table 7). Bilaterals tended to have high levels of activity with NNGOs, government

Box 11**USAID/India's Regional Housing and Urban Development Office (RHUDO)**

The voucher concept was pilot tested in 1995-96 by RHUDO in Ahmedabad, a city with a large number of active NGOs as well as a number of India's top academic and technical institutions. To provide local management assistance, RHUDO entered into an agreement with an Ahmedabad foundation, the Center for Environment Education (CEE), to act as local manager for the program. Over an 18 month period CEE awarded a total of seven vouchers to support technical assistance on a wide variety of urban environmental issues. In addition to assisting the specific projects covered by the vouchers, the pilot project also resulted in linkages between many of the local NGOs and research organizations, some of which led to new joint activities. Many NGOs and community organizations gained valuable experience in how to identify their needs, how to articulate them, and how to better utilize the results of research. The "voucher" concept thus appears to offer an innovative option for incorporating small NGOs into larger projects or as a component of overall NGO strengthening. (Office of Environment and Urban Programs, USAID Global Bureau).

ministries, and consulting firms. Multilaterals had the greatest level of activity with government ministries and SNGOs, especially those participating in their advisory groups. Foundations had the greatest level of activity with SNGOs. The donors indicated some activity with local governments and universities, but at a much lower level than for the other types of intermediary organizations.

Table 7: Intermediary organizations used for SNGO capacity building

Q: Indicate the types of intermediary organizations your organization works through by circling your organization's level of activity with each type of intermediary organization listed below.					
Intermediary Organization Level of Activity: high, medium, low, N/A		Frequency			
		B	M	F	T
1. Northern NGO					
	High	5	1	1	7
	Medium	0	3	1	4
	Low	1	0	2	3
	Not Applicable	0	0	1	1

2. Southern NGO					
	High	0	3	3	6
	Medium	5	0	1	6
	Low	0	1	0	1
	Not Applicable	0	0	1	1
3. Government Ministries					
	High	3	2	0	5
	Medium	0	0	2	2
	Low	0	1	2	3
	Not Applicable	2	0	1	3
4. Consulting Firms					
	High	3	1	0	4
	Medium	0	0	1	1
	Low	0	1	0	1
	Not Applicable	2	1	1	4
5. Local Government					
	High	1	1	1	3
	Medium	2	0	1	3
	Low	0	3	1	4
	Not Applicable	2	0	1	3
6. Universities					
	High	0	0	0	0
	Medium	2	2	2	6
	Low	1	2	2	5
	Not Applicable	2	0	1	3

B = bilateral, M = multilateral, F = foundation, and T = total

8. Donor requirements for SNGOs to receive assistance

The questionnaire asked each donor to check off the key requirements a SNGO must meet in order to be eligible to receive funding. Bilaterals had more eligibility requirements than either multilaterals or foundations (see Table 8). Bilaterals deemed it important that the SNGO had acceptable accounting procedures, had a successful track record, and was a legally constituted entity. Multilaterals had no requirements listed by more than one organization, but did list recognition by government as a requirement. The only requirement listed by foundations was that NGOs meet the qualifications required to be a public charity organization in the USA. Interestingly, out of 14 organizations responding to this question, two have no requirements and three do not provide funding directly to SNGOs and therefore are not concerned with such requirements.

Table 8: Official requirements for SNGOs to receive assistance directly

Q: What official requirements must a SNGO meet to be eligible to receive direct funding for capacity building from your organization?				
Requirements	Frequency			
	B	M	F	T
Legally constituted entity	2	1	0	3
Experience / track record	2	1	0	3
Acceptable accounting procedures	3	0	0	3
Recognition by government	1	1	0	2
Qualifies as a public charity in the U.S.A.	0	0	2	2
Have no official requirements	0	0	2	2
Number of donor requirements by donor type	8	3	2	--
Number of organizations responding	6	4	4	14

B = bilateral, M = multilateral, F = foundation, and T = total

Only requirements identified by more than one organization are listed.

9. Region and Sector Emphases of Donor Assisted SNGO Capacity Building

The questionnaire asked each donor to indicate the regions and sectors within regions in which they support SNGO capacity building. The three donor types tended to be equally active in the five regions, with the exception that foundations were noticeably less active in the Middle East and North Africa (see Table 9).

Table 9: Donor type activity by region.

Region	Bilaterals	Multilaterals	Foundations	Totals
SSA	5	5	3	13
MENA	4	6	2	12
A/PAC	4	5	4	13
LAC	4	5	4	13
ENI	4	5	4	13

SSA = Sub-Saharan Africa, MENA = Middle East and North Africa, A/PAC = Asia and the Pacific, LAC = Latin America and the Caribbean, and ENI = East Europe and the Newly Independent States

There were marked differences in the sector emphases of donors for SNGO capacity building (see Table 10). All three donor types emphasized the environment - resource management sector. In addition, the bilaterals emphasized the democracy and governance, health and population, and micro-finance sectors. The Multilaterals also emphasized the agriculture and food security, gender, and poverty reduction sectors. The foundations also focused on the health and population and sustainable development sectors. Taken collectively, these donor emphases provided significant SNGO capacity building in about five sectors.

Table 10: Donor type support for SNGO capacity building by sector.

Sector	Frequency			
	B	M	F	T
Environment - resource management	3	9	5	17
Agriculture - food security	2	7	1	10
Health - population	4	0	4	8
Democracy - governance	5	1	1	7
Gender	0	5	2	7
Sustainable development	0	0	3	3
Poverty Reduction	0	3	0	3
Micro-finance	3	0	0	3
Number of organizations responding	5	5	6	17

B = bilateral, M = multilateral, F = foundation, and T = total
Only sectors identified by three or more organizations are listed.

Sector emphases are region specific (see Table 11). Environment and resource management is the only sector strongly emphasized in all five regions. In Subsaharan Africa, three other sectors are also emphasized: agriculture and food security, health and population, and democracy and governance. In the Middle East and North Africa agriculture and food security and gender awareness are emphasized. In Asia/Pacific two sectors, health and population and gender awareness, are also emphasized, while in Latin America and the Caribbean only health and population is an additional focus. East Europe and the Newly Independent States has a unique pattern in which the two sectors of democracy and governance and human rights are also emphasized. The degree to which SNGO objectives and local demand acts to determine these emphases and the effects these emphases have on the SNGO community in each region are as yet unknown.

Table 11: Region - sector interactions in SNGO capacity building.

Q: Check the regions of the world in which your organization supports SNGO capacity building and indicate up to three sectoral emphases of your work in these regions, if any.						
Sector Emphases	Frequency by Region					
	SSA	ME	AP	LAC	EE	T
Environment and resource management	4	3	4	3	3	17
Agriculture and food security	3	3	1	1	1	9
Health and population	2	1	2	2	1	8
Democracy and governance	2	0	1	1	3	7
Gender awareness	1	2	2	1	1	7
Sustainable development	1	0	1	1	0	3
Poverty reduction	1	1	1	0	0	3
Microfinance	0	1	1	1	0	3
Post conflict resolution & rehabilitation	1	0	0	1	0	2
Media	0	0	1	0	1	2
Human rights	0	0	0	0	2	2
Number of organizations responding	13	12	13	13	13	17

SSA = Subsaharan Africa, ME = Middle East and North Africa, AP = Asia/Pacific, LAC = Latin America and the Caribbean, EE = East Europe and the Newly Independent States, T = total. Only sectors listed by 2 or more organizations are presented.

B. Strategies and Practices of Donors for Strengthening SNGOs

1. Assessment of Current and Needed Capacity of a SNGO

In order to decide what capacity building interventions are needed in a SNGO, it is important to assess what capacity is lacking and to what degree compared to some model or ideal for similar organizations. However logical this may seem, few donors employ a formal method for assessing capacity. Donors usually evaluate on their own - often informally - the gap between existing capacity and required capacity, and then determine what capacity building interventions are needed. Donor staff often base these assessments on experience and intuition. Sometimes these interventions are highly donor directed, as with donors who offer training in their methods of financial reporting and performance reporting. Decisions are often made as though capacity building is generic - assuming, for example, that all NGOs require training in monitoring and evaluation, although there are some exceptions. Few donors seem to employ formal ways of assessing the capacity building needs of SNGOs on an organization-specific basis.

Within the multilaterals, UNICEF and UNDP are particularly interested in this issue. While there is no standard instrument in use throughout these organization, many of their country offices are experimenting with or have accepted the use of capacity assessment instruments. UNICEF's ESARO recognizes that *"Any capacity building program needs to depart from a detailed analysis of an institution's capacity, the factors that limit that capacity, and the ways in which the limiting factors are interlinked."* They have developed a diagnostic tool for institutional capacity assessment which is shown in the UNICEF Illustrative Case 2 (Volume 2). UNICEF is also in the process of producing Guidelines for working with SNGOs. These will likely include capacity assessment tools. UNDP made the following observation specifically about CBOs : *"In the case of CBOs it is important to assess capacities to organize, build consensus, plan, budget, implement, learn, and evaluate in a participatory manner"*. UNDP however, does not have an instrument to help it or intermediary organizations it is working with, to assess CBOs needs in these capacity areas. IFAD does not use any capacity assessment tool. Its position is that capacity weaknesses, particularly in CBOs and Farmers Associations where they focus their activities, can be diagnosed using common sense and experience.

Few of the bilaterals were using customized methods for capacity assessment. GTZ had developed instruments for capacity of public sector collaborators, but had not produced a SNGO specific tool. DFID takes the position, similar to IFAD that the high caliber and experience of its staff enable them to do the diagnostic job themselves. CIDA has capacity assessment tools for NNGOs but not for SNGOs. CIDA, however, suggested that because NGOs are very different, no one approach can be used throughout an organization . It also makes the important point that capacity assessments, to be done well, require the close involvement and commitment of the SNGO. A capacity assessment should be a participatory exercise which will benefit the SNGO as much as the donor. USAID developed some technical assistance and training needs assessment tools for

local organizations as part of its New Partnerships Initiative, but these are not designed exclusively for SNGOs nor are they yet in use throughout the organizations. USAID does not have a specific capacity assessment tool for SNGOs, but it is supporting work by several NNGOs to develop such tools and is assisting in comparative evaluations of these tools. The Organizational Capacity Assessment tool illustrated in Box 12 is an example of one such tool.

Box 12**USAID support of PACT for the development of the OCA tool**

The NNGO, Pact, has refined a methodology – Organizational Capacity Assessment (OCA) – that has been applied to several USAID-supported field programs targeted to building the NGO sector, (e.g., in Ethiopia and Botswana). OCA recognizes that in order to be effective, an institution has to have certain components or management functions performing at certain agreed-upon standards, and that each of the components may reach these standards at different times. It identifies seven aspects of organizational effectiveness: governance, management practices, human resources, financial resources, service delivery, external relations, and sustainability. It breaks each of these functional categories into subcomponents. OCA further identifies four stages of NGO development – nascent, emerging, expanding, and mature – each of which has its own characteristics or indicators that can be translated into measurable standards. The steps or appropriate interventions to be taken to improve the level of functioning of any aspect of an organization will vary according to its stage of development and depend on the agreed-upon standards of performance for that stage of development. Through a highly participatory process, responses to a series of questions are scored and an organizational capacity profile is generated, either with a paper-based system, or utilizing a companion software program.

Foundations put a high emphasis on the close contact between their staff and the SNGOs, and the resultant insights that are obtained about weak capacity. None of them have a standard tool that they employ for this purpose although AKF is interested in the possibility of one (the same one that interested CIDA - produced by the IDRC - see footnote 14 on page 17). Ford has funded others to develop capacity assessment tools, although it does not use them itself.

2. Donor initiatives for SNGO capacity building

In the questionnaire, 5 bilateral, 9 multilateral, and 7 foundation donors identified 21 current capacity building activities that they are currently using (see Table 12). The multilaterals and foundations had similar emphases. Both donor groups focused on providing capacity training and small grants directly to SNGOs. The multilaterals and foundations also differed somewhat in that multilaterals provided capacity building as part of government projects while foundations worked directly with SNGOs. Foundations also stressed strengthening SNGO networks and associations. Bilaterals, however, showed

a very different pattern of emphasis, focusing on capacity building with SNGOs and on capacity building through NNGO-SNGO partnerships.

The data indicate that bilaterals have tended to work indirectly with SNGO, most frequently working through NNGO intermediaries or with SNGOs as part of NNGO projects. Some bilaterals, mainly through their field offices, are starting to channel support for capacity building directly to SNGOs. The multilaterals and foundations are more apt to work directly with SNGOs. The closest relationship appears to be between foundations and SNGOs, though multilaterals increasingly have small grants and training programs in support of SNGO capacity building.

Table 12: Major NGO capacity building initiatives where donors are active.

Q: What are the major southern NGO capacity building initiatives that have been undertaken by your organization?				
Activities	Frequency			
	B	M	F	T
Capacity training directly to SNGOs	1	4	5	10
Small direct grants to SNGOs	0	4	4	8
Capacity building as part of a project with SNGOs	4	0	2	6
Strengthening NGO networks and associations	0	2	4	6
Assisting with organizational development for SNGOs	1	2	3	6
SNGO capacity building as part of a government project	1	4	0	5
Donor disseminates NGO policy information	0	3	2	5
NNGO - SNGO partnerships for capacity building	3	0	1	4
Donor engages in NGO law research and advise to SNGO	0	1	3	4
Total organizations responding	5	9	7	21

B-bilateral, M-multi-lateral, F-foundation, T-total

Includes only those activities listed by four or more donors.

Donors had little consensus on which capacity building activities were the most effective (see Table 13). Of the 20 activities considered effective by donors, only eight were listed by more than one donor and only three were listed by more than two donors. Both bilaterals and foundations found demand driven capacity building training to be effective. The bilaterals also found special capacity building projects with SNGOs and leadership training for SNGOs to be effective. The foundations found government-donor-NGO dialogues to be another effective capacity building activity. The only activity listed as effective by more than one multilateral was advocacy for SNGOs.

There appears to be some congruence between the activities emphasized by donors and those they feel are effective. The emphasis on capacity building directly to SNGOs is most effective when it is demand-driven. The emphasis on small grants to SNGOs is most effective when it is for special capacity building projects. The results indicate that donors are implementing those capacity building activities they deem most effective.

Table 13: Most effective initiatives for SNGO capacity building.

Q: Please list two to three capacity building activities for southern NGOs that have been most effective for your organization.				
Activities	Frequency			
	B	M	F	T
Demand-driven capacity building training	2	0	3	5
Special capacity building projects with SNGOs	3	0	0	3
Government - donor - NGO dialogue	0	1	2	3
Umbrella grants that empower SNGOs	1	0	1	2
Leadership training for SNGOs	2	0	0	2
Advocacy for SNGOs	0	2	0	2
Enhancing financial autonomy and flexibility for SNGOs	1	0	1	2
Training of trainers for SNGO capacity building	0	1	1	2
Total organizations responding	6	5	6	17

B-bilateral, M-multi-lateral, F-foundation, T-total

Includes only those activities listed by two or more donors.

The donors were able to identify 23 factors that they thought contributed to the success of the more effective activities (see Table 14). Of the top seven of these, four concerned inter-organizational relationships: (1) good donor - NGO relations, (2) synergies between donors and NGOs, (3) donors strengthening NNGO that assist SNGOs, and (4) good government - NGO relations. The remaining three factors dealt with the capacity building process: (5) use of an iterative process approach to development, (6) providing appropriate technical assistance, and (7) supporting locally-initiated projects. The bilaterals emphasized primarily one factor as a key to success - donor strengthening of NNGOs that assist SNGOs. The multilaterals emphasized two factors: good donor - NGO relations and good government - NGO relations. The foundations did not emphasize any factors, with six of the top seven factors listed by only one or two organizations. The only factor foundations did not list was good government - NGO relations.

The bilaterals and multilaterals focused primarily on relationship factors while the foundations provided a balance between relationship and process factors. The bilaterals

focuses on NNGO-SNGO relationships, while the multilaterals focuses on donor and government relations with SNGOs. These results indicate that bilaterals and multilaterals might better strengthen SNGOs if they considered process factors more in their capacity building activities.

Table 14: Factors contributing most to the success of capacity building initiatives.

Q: What factors most contributed to the success of the activities listed in question two?				
Factors	Frequency			
	B	M	F	T
Good donor - NGO relations	0	3	2	5
Strengthening NGOs who assist SNGOs	3	0	2	5
Synergies between donors and NGOs	0	2	2	4
Use of an iterative process approach to development	1	1	1	3
Good government - NGO relations	0	3	0	3
Providing appropriate technical assistance	0	1	2	3
Supporting locally-initiated projects	0	1	2	3
Total organizations responding	6	6	7	19

B-bilateral, M-multi-lateral, F-foundation, T-total

Includes only factors listed by three or more donors.

3. Donor emphasis for strengthening specific capacity components

The questionnaire also addressed the issue of donor emphasis on strengthening specific capacity components. For 14 capacity components donors were asked to indicate which ones they currently focused on, how that focus had changed over the past five years, and how they expected it to change over the next five years (see Table 15). Donors were currently stressing three capacity components: cross-sectoral collaboration, program design, and policy research. Receiving somewhat less, but still significant emphasis, were three other components: gender awareness, networking, and financial systems. The remaining eight components were currently receiving medium to low emphasis.

Over the last five years, the greatest increase in emphasis was in the areas of networking, cross sectoral collaboration, information access, and local resource mobilization. The components for which emphasis is expected to increase the most over the next five years are cross sectoral collaboration, monitoring and evaluation, local resource mobilization, and policy research.

Table 15: Donor emphases over time for specific capacity components.

Capacity Components	Emphasis Indices		
	Previous Change Index (-1 to +1)	Relative Current Emphasis Index (1 to 3)	Expected Change Index (-1 to +1)
Cross-Sectoral Collaboration	+0.44	2.33	+0.82
Program Design	0.00	2.31	+0.17
Policy Research	+0.020	2.31	+0.58
Gender Awareness	+0.22	2.17	+0.55
Networking	+0.55	2.13	+0.50
Financial Systems	0.00	2.09	+0.11
Leadership	+0.33	2.00	+0.45
Staff Development	+0.11	1.94	+0.36
Planning	+0.25	1.92	+0.55
Information Access	+0.44	1.83	+0.55
Organizational Renewal	+0.25	1.81	+0.45
Fundraising	+0.33	1.55	+0.27
Local Resource Mobilization	+0.44	1.46	+0.64
Monitoring and Evaluation	+0.33	1.42	+0.73

Current Status Index: 1 = emphasis low, 2 = emphasis medium, 3 = emphasis high
 $(3 * \text{high}) + (2 * \text{medium}) + (1 * \text{low}) / (\text{high} + \text{medium} + \text{low}) = \text{current status index}$

Previous and Expected changes Index: 0 to 1 = emphasis increasing, 0 to -1 = emphasis declining, 0 = emphasis unchanged. The higher the number above zero, the greater the increase in emphasis.

$(1 * \text{increase}) + (0 * \text{same}) + (-1 * \text{decrease}) / (\text{increase} + \text{same} + \text{decrease}) = \text{change indices}$

Cross sectoral collaboration is high in all three indices. The current emphasis on policy research is high and is expected to increase strongly over the next five years. Though the current focus on local resource mobilization remains quite low, it has been increasing rapidly during the last five years and is expected to increase dramatically during the next five years. The current emphasis on monitoring and evaluation is low and has increased only moderately during the last five years, but is expected to increase markedly during the next five years. This is probably a response to the new results orientation of donors and NNGOs.

In comparing the relative emphases of the three donor groups, bilaterals tend to currently emphasize gender awareness and financial systems (see Tables 18, 19, and 20 in Volume 2 appendix 4). Over the last five years bilaterals have increased capacity building activity broadly over a number of components. The most important being: (1) cross-sectoral collaboration, (2) networking, (3) local resource mobilization, (4) monitoring and evaluation, and (5) policy research. Over the next five years bilaterals expect to see increased emphasis in nine of the 14 components. The exceptions are: (1) gender awareness, (2) information access, (3) financial systems, (4) fundraising, and (5) program design. Apparently bilaterals feel there is adequate capacity or adequate capacity strengthening already underway in these five areas.

Multilaterals currently place high emphasis on only two capacity components: policy research and cross-sectoral collaboration. Over the last five years multilaterals showed little increase in their emphasis on any capacity component, however over the next five years, multilaterals expect to increase capacity building in five components: gender awareness, information access, leadership, organizational renewal, and financial systems.

Foundations are now placing high emphasis on three capacity components: 1. networking, 2. staff development, and 3. cross-sectoral collaboration. Networking was the only capacity component for which they significantly increased strengthening activities during the last five years. Over the next five years foundations expect to continue to increase emphasis in networking, plus stress three other areas: 1. cross-sectoral collaboration, 2. monitoring and evaluation, and 3. local resource mobilization. The latter two are new areas of emphasis for foundations.

4. Non-funding mechanisms for Strengthening SNGO

The questionnaire asked each donor to indicate which mechanisms other than funding, they used to strengthen SNGOs. All donor-types, indicated that in addition to funding support they readily use four capacity building mechanisms: training, policy dialogue, networking, and support to local intermediary organizations (see Table 16). Fewer donors, especially multilaterals, used support to Northern intermediary organizations (such as Northern NGOs) in comparison to the other four mechanisms. The diversity of mechanisms used suggest that donors have broadened their approach to addressing SNGO capacity building beyond simply training and donor-provided technical assistance.

Table 16: Non-funding mechanisms used to support SNGO capacity building

Q: Please check the mechanisms in addition to funding that your organization uses to support capacity building of SNGOs.				
Mechanisms	Frequency			
	B	M	F	T
Training	4	6	5	15
Policy dialogue	5	6	3	14
Networking	3	5	5	13
Support to local intermediary organizations	3	4	5	12
Support to Northern intermediary organizations	2	0	3	5
Other	0	1	0	1
Number of organizations responding	6	6	6	18

B = bilaterals, M= multilaterals, F= foundations, T = total

C . Issues related to SNGO Capacity Building

1. Donor - SNGO tensions in capacity building activities

At least two of the donors interviewed (GTZ and the Ford Foundation) recognized a certain inherent tension between donors and SNGOs with regard to capacity building. This tension was identified in two areas:

- a. Asking a grantee organization to openly and honestly bare its weaknesses, problems, and shortcomings to the very organization which has agreed to fund it (on the basis that it is a legitimate and competent organization) is not such an obvious task and
- b. Expecting a grantee organization to be objective about the capacity building suggestions of its donor, when it is clear that these suggestions are a conditionality of further support, does little to strengthen a SNGO's ability to decide what is best for itself.

Only some donors were concerned about this issue. For most donors the fact that they are both funding the NGO's program of work and deciding on its capacity building needs is not an issue of major concern. Ford and GTZ (or at least one part of GTZ), however, have tried to separate the grant making and the capacity building function. Ford has pioneered working with an independent organization, the Management Assistance Group (MAG), to provide capacity strengthening for its US partners (see Box 13). Ford Foundation funds MAG to provide capacity building services but is not allowed to know which NGOs are using them or how. GTZ has addressed this issue by training OD

consultants in Africa, as mentioned before, with the intention that they assist organizations without GTZ's knowledge or involvement.

Box 13

Ford Foundation's experience with the Management Assistance Group

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

for more on this, please see Volume 2, Ford case 2

(we appreciate that this concerns NGOs working in the north, not the field of our study, but it seemed a stimulating idea)

Both GTZ and Ford accept that funding both programs and capacity development need not necessarily present a problem providing the relationship between the funder and the grantee is close enough that both sides can be open and frank with each other, and both sides have something to lose as well as gain. They say, however, that this situation is rarely found in donor/grantee relationships.

2. Current opportunities and constraints for SNGO Capacity Building

In the questionnaire survey the donors identified 18 different opportunities that they perceived concerning SNGO capacity building (see Table 17). The four opportunities listed by four or more donors including: current donor emphasis on SNGO capacity building, development of national NGO networks, role of SNGOs in the development of civil society, and increased openness of multilaterals to SNGO participation. The foundations showed little consensus on opportunities. The bilaterals saw the current donor emphasis on SNGO capacity building as an important opportunity. Multilaterals also recognized this opportunity, but additionally emphasized two other opportunities: the role of NGOs in the development of civil society and the increased openness of multilaterals to SNGO participation. The main opportunities identified by donors seem to be through better relations between donors and SNGOs and through the organizations of NGOs into networks and associations.

Table 17: Donor perceived opportunities for SNGO capacity building.

Q: What , if any, internal or external opportunities does your organization experience in your support of southern NGO capacity building?				
Opportunities	Frequency			
	B	M	F	T
Current donor emphasis on SNGO capacity building	3	4	0	7
Development of national NGO networks	1	1	2	4
Role of SNGOs in the development of civil society	1	3	0	4
Increased openness of multilaterals to SNGO participation	0	4	0	4
Proliferation of SNGOs	1	2	0	3
Current process orientation of development efforts	1	2	0	3
Increased donor funding to NGOs	2	1	0	3
Increased government-NGO policy dialogue	0	2	1	3
Activities more innovative with NGOs	0	1	2	3
Total organizations responding	6	8	6	20

B=bilateral, M=multi-lateral, F=foundation, T=total

Includes only opportunities listed by 3 or more donors.

The bilaterals and multilaterals interviewed noted two recurrent constraints: the host country Government's usually unhelpful attitude towards SNGOs and the bureaucratic imperatives of their organizations which require both results (which are hard to measure in capacity building) and quick compliance with the bureaucratic systems (proposals, disbursements, reports, evaluations)

The NGO specialists for all the donors interviewed felt that their organization, as a whole, does not yet understand capacity building as a concept, and those who are promoting it within the organization have a problem of comprehension and acceptance. The Ford Foundation identified as a particular constraint the fact that it is often difficult to get grantees to share problems and capacity needs honestly.

The questionnaire data identified many of the same constraints found in the interviews. Five constraints were identified by four or more donors (see Table 18). Two of these also emerged from the interviews: low support for SNGO capacity building within donors and poor national government - NGO relations. The other constraint mentioned in the interviews - the incongruence between bureaucratic imperatives and capacity building was identified in the questionnaire by three donors.

Three constraints, commonly mentioned in the questionnaire, were not identified in the interviews. These were: 1. reduced donor budgets and staff (seven donors), multilaterals

lack mandate to work with NGOs (all six multilateral donors), and no common capacity building framework (four donors).

The multilaterals emphasized all five of the most commonly identified constraints in the questionnaire results. The bilaterals and foundations, however, had only one constraint each identified by more than two donors. These were, respectively, low support for SNGO capacity building within donors and reduced donor budgets and staff.

Table 18: Donor perceived constraints to SNGO capacity building.

Q: What , if any, internal or external constraints does your organization experience in your support of southern NGO capacity building?				
Constraints	Frequency			
	B	M	F	T
Reduced donor budgets and staff	1	3	3	7
Low support for SNGO capacity building within donors	3	4	0	7
Multi-laterals lack mandate to work with SNGOs	0	6	0	6
Poor national government - NGO relations	0	3	2	5
No common capacity building framework	1	3	0	4
SNGO capacity building is time consuming	1	1	1	3
NNGOs are weak partners for SNGO capacity building	2	1	0	3
Total organizations responding	6	8	7	21

B=bilateral, M=multilateral, F=foundation, T=total

Includes only constraints listed by 3 or more donors.

3. Donor perceptions of SNGO strengthening needs

The donors interviewed clearly felt SNGOs needed strengthening in management - of organizations, money, and people. The multilaterals noted the need of SNGO's for capacity building in coalition building, networking, dialoguing with Governments, research, and advocacy. There is a keen interest among most donors in the needs of SNGOs to build coalitions across sectors (i.e., with government and the private sector). GTZ and DFID consider it important that SNGOs be capable of involving their constituency in a participatory manner. In addition, CIDA and IAF identified financial sustainability as an area for SNGO capacity building.

In the questionnaire donors listed 26 capacity building needs they are hearing from NGOs. Table 19 below show the six needs that were listed by four or more donors. Resource mobilization was by far the most common capacity strengthening need of NGOs

that the donors perceived. The other five commonly expressed needs were: policy research and advocacy, better negotiation skills, better partnering skills and ability, improved organizational and financial management, and enhanced NGO networking. These results support the findings discussed above from the interviews. Interestingly, only one of these six perceived needs concerns the internal management of the SNGO (i.e., improved organizational and financial management). The other five perceived needs involve the external relations of the organization.

The multilaterals seem to be hearing much more from NGOs concerning capacity building needs, possibly as a result of the broad-based NGO advisory groups and their large number of personnel from the South. Whatever the reason, multilaterals listed 21 needs heard from NGOs as compared to 11 needs for bilaterals and foundations. There is some indication that NGOs express different capacity strengthening needs to different donors groups. For example, five multilaterals but no bilaterals or foundations reported hearing policy research and advocacy as a NGO need. This of course is an area where multilaterals are very active.

The bilaterals also had little consensus on the needs expressed to them by SNGOs, with only one expressed need (resource mobilization) listed by more than one bilateral organization. Four foundations noted the need for strengthened resource mobilization, but only two other needs (better partnering skills and ability and enhanced NGO networks) were reported by more than one foundation.

Table 19: Donor perceived capacity building needs of NGOs

Q: What capacity building needs are you hearing from NGOs which are not being adequately addressed at present?				
Needs	Frequency			
	B	M	F	T
Resource mobilization	2	2	4	8
Policy research and advocacy	0	5	0	5
Better negotiation skills	0	3	1	4
Better partnering skills and ability	1	1	2	4
Improved organizational and financial management	1	3	0	4
Enhanced SNGO networking	1	1	2	4
Total needs	11	21	11	26
Total organizations responding	6	8	6	20

B=bilateral, M=multilateral, F=foundation, T=total

Includes only those needs reported by 4 or more donors.

4. Trends in thinking about capacity building

The multilaterals have some common features in their thinking about trends for the future in the field of capacity building of SNGOs. The first point is that all of them intend to work more with SNGOs in the future, but they will be looking at a range of civil society organizations, not just intermediary SNGOs. Within the SNGO field many of them recognize that their past involvement was very much in the line of organizational development for service delivery organizations. Multilaterals now hope to broaden their activities with SNGOs to include empowerment, the strengthening of civil society, democracy and governance and sustainability. An example of what is possible is shown by the three small grant programs of UNDP (see Box 14).

Box 14

UNDP's 3 Small Grant Programs (LIFE, GEF, PDP)

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

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

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

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

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

All bilaterals expect to do more work with SNGOs, and more work on their capacity building, but the EC, GTZ, and DFID are concerned to make sure that the most appropriate kinds of NGOs are identified for collaboration. They are prepared to look for partners from a range of different civil society organizations, not just SNGOs. GTZ has said *"The disappointment at the inefficiency of governmental institutions is swinging over*

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

Since bilaterals often have a history of working with their own national NNGOs, there is increasing attention to identifying the comparative advantages that NNGOs have in the capacity building of SNGOs. Some of the bilaterals, such as USAID, are explicitly working with the NNGOs to enhance their capabilities to strengthen SNGO. All the bilaterals interviewed also have an interest in making sure that the SNGOs that they deal with have good links to their constituency, and that they ensure the constituency is involved in project design. EC has moved further than the rest in identifying a range of what they call "decentralized actors" which includes professional associations, issue based groups, trade unions etc. as well as units of local government.

6. Lessons learned

A. Donors are Struggling with M&E of Capacity Building

With one exception (IAF - see box 16), the donors do not have a clear idea of what lessons they have learnt from their capacity building work with SNGOs. No donor has done a broad agency evaluation of their capacity building work, and all donors are struggling with methodologies for such an evaluation. Donors feel that they lack the tools to evaluate capacity building activities and that the usual monitoring and evaluation (M&E) tools do not fit this field very well.

Of the multilaterals, both UNDP and UNICEF are actively working on M&E for capacity building. UNDP is drawing on the experience of some field offices with M&E of capacity building. Field experience indicates that it has to be done in a participatory manner. UNICEF's ESARO office makes the telling point "*Current M&E of capacity building programs predominantly focus on activities and outputs, rather than outcomes and impact*". Most donors recognize that the whole question of learning about impact is complex and ambiguous.

IFAD's main program deals specifically with capacity building of CBOs and POs, making it somewhat unique. IFAD has learned that it is important for the CBO or PO to develop

18 Organizational Palaces or Organizational Tents - Institutional Arrangements in Technical Cooperation. R. Sulzer. GTZ

their own sources of financial support so that they can continue to apply the capacity they have developed. IFAD also has a long history of promoting capacity in a particular kind of institution - those specializing in micro-finance (IFAD was one of the early supporters of the Grameen Bank). Micro-Finance Institutions are a kind of NGO that really has a chance to become financially self-reliant as shown by IFAD's experience in Kenya (see Box 15).

Box 15

IFAD's Support (with ODA/DFID) for the Kenya Women's Finance Trust

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

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

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

The bilaterals reiterate previously expressed points about the complicated nature of evaluating capacity building work, and learning of its impact. GTZ has observed that relations between the organization offering capacity building services (typically a more specialized SNGO) and the organization receiving the capacity building (typically a CBO) are rarely smooth.

Among the Foundations, AKF has long had a defined cross cutting theme of institutional development and now has a major program of NGO enhancement. AKF makes sure that all its evaluations have a section on institutional development. The major evaluations of the AKRSP in Pakistan have been very interesting from that perspective. The Ford Foundation strongly promotes self-evaluation which, they say, is one very important part of capacity building. Ford and UNICEF both note that evaluations of capacity building activities tend to grasp hold of outputs rather than working on the more useful analysis of impact.

IAF has done the most in this field. The Grass Roots Development Framework (see Box 16) gives a very good idea of the impact of capacity building, not just on the organization itself, but also on its various links and interdependencies.

Box 16**IAF's Grassroots Development Framework**

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

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

B. Main differences among the three donor groups in regards to SNGO Capacity Building

One way of looking at the differences among the donor groups is to look at their experience working with SNGOs in general, setting aside for a moment their capacity building work. For many of the multilaterals and bilaterals the pattern has been chronologically as follows:

1. initially they work mostly with government,
2. then they start to work with Northern NGOs, but on a project basis and mostly in a service delivery mode,
3. (following the Earth Summit) they work more distinctly with SNGOs,
4. following the collapse of communism they concentrate more on NGOs in general in the context of democracy and governance, and finally,
5. when it is clear that they will have a long-term relationship with the NGO sector, they start thinking more of SNGO capacity building, both for the organizational development of better service delivery, and for the institutional issues of the enabling environment, alternative policy formulation, and advocacy.

Multilaterals have a history of working primarily with governments and have worked with NGOs mostly through a series of small SNGO grants programs (UNDP and UNICEF) and CBO grant programs (IFAD). Where collaboration has gone beyond the small grants programs, multilaterals typically have developed a contractual relationships with NGOs. With such relations, donor funding has tended to dictate SNGO programs. Multilaterals are now trying to evolve from this unequal relationship into a partnership relationship where the SNGO's agenda and the donors agenda have equal weight. This is not proving so easy. While the field offices of the multilaterals have, in some cases, pioneered work on capacity building (e.g., ESARO) the experience has not yet been mainstreamed into the organization. All four multilaterals are working on new procedures and guidelines to make that mainstreaming happen. As new ideas are tried out, they can become part

of the standard practice. Box 17 illustrates an instance where IFAD has experimented with supporting south to south transfer of capacity building skills in Guinea Bissau.

Box 17**IFAD's support for ENDA/GRAF**

Fundacao Amilcar Cabral - Solidarity in Development is a non-governmental intermediary NGO in Guinea Bissau which was created in 1991. With a core group of committed middle level professionals and technicians it has a track record of forming village groups, and working in agro-related production and processing, particularly with women's groups. It has previously received funding from the World Bank's Social Development Fund. FAC requested IFAD funds in 1995 for a "village development fund". After negotiations IFAD prepared a proposal that included a village development fund, institutional strengthening assistance to FAC from a Senegalese NGO called ENDA-GRAF, equipment and materials, workshops, salaries, travel, M&E, and a socio-economic survey.

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

In the past, the multilaterals have employed the different components and approaches of capacity building - organizational development, sectoral development, and institutional development. For example, the World Bank, through its loan programs, has encouraged greater collaboration between government and SNGOs and the improvement of the policy and legal environment SNGOs operate in. Multilaterals have provided training in policy making, networking, and government relations. Up to the present, however, there has not, for the most part, been a broad conceptual understanding of the whole picture of capacity building which encompasses or subsumes all these different elements.

For the most part bilaterals have a long history of working with their own national NGOs, and have only recently started to work directly with SNGOs. The dynamic of the NNGO's involvement with capacity building of the SNGOs is related to their working style. Many NNGOs claim to have a "partnership" relationship with the SNGOs. SNGOs do not always share this opinion. The different bilaterals have different levels of experience with capacity building of SNGOs - CIDA has by far the longest, and DFID has perhaps the shortest. CIDA has also been thinking analytically for a long time about capacity building as a system. It has encouraged wide discussion on capacity building within the organization. Bilaterals entered capacity building by strengthening governments and doing capacity building work with ministries and related departments. DFID has found that this experience does not necessarily translate so easily to strengthening NGOs. Finally some of the bilaterals, including CIDA, have noted that the bureaucratic pressures of their style of work (pressure to disburse, pressure to show results) do not fit so well with the slower pace of capacity building.

The Foundations have worked directly with SNGOs and CBOs the longest and therefore, have the most experience with strengthening SNGOs. They often have a very long presence on the ground in a particular country and develop long-term commitments with

NGOs. They also adopt a style of working with SNGOs in which mutual trust is stressed. The Foundations seem to be more sophisticated in their understanding of all the different components of SNGO capacity building and how they fit together.

C. Factors Contributing to Effective SNGO Strengthening

The questionnaire responses indicated several factors that most contributed to effective SNGO strengthening. These divided into factor concerning inter-organizational relationships and factors concerning the capacity building process. Having good relations between donors and SNGOs and building on the synergies of these relationships was deemed critical. The bilaterals stressed good donor - Northern NGO relations, and the multilaterals stressed good government - NGO relations. Process factors included: use of an interactive process approach to development, providing appropriate technical assistance, and supporting locally-initiated projects. Foundations identified most of these factors as being important.

From the interviews it is not easy to find common denominators across the three kinds of donors in relation to this issue. There is agreement that flexibility of response by the donor (a process factor), and good, sympathetic relations between donor and grantee (an inter-organizational relations factors) are essential. Other factors identified by some of the organizations interviewed are presented below.

Multilaterals:

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

- UNDP: - A participatory approach
 - Responsiveness to stakeholders needs
 - A consensus oriented approach to the situation (capacity building cannot be successfully carried out in a one sided manner)

- IFAD: - Long term involvement of the two parties with each other
 - A situation of good Government - NGO relations
 - Clear understanding of what the capacity weaknesses of the organization are

Bilaterals

- CIDA: - There needs to be strong local ownership with the request for capacity building being initiated by the SNGO
- A point of view which is cross-sectoral - that can look beyond the boundaries of the individual project.
- EC: - Strong local ownership
- Sympathetic and flexible bureaucratic systems
- GTZ: - The right choice of organization which is serious and committed to capacity building
- The need for balance between the donor being responsive (i.e., responding to changes in the external environment or the organizations circumstances) and pro-active (i.e., identifying what capacities need to be developed); both are required but the balance is an art
- DFID: - Preparedness to be organization specific and not look for generic solutions
- Trust and local autonomy to the degree possible.
- USAID: - Northern NGOs need to be able to shift from a direct service delivery role towards more of an intermediary role in strengthening SNGOs.
- The need to develop more effective participatory tools for assessing capacity building needs and measuring organizational capacity.

Foundations

- IAF - Readiness to look beyond the organization to the external factors at both a societal and communal level
- A readiness to be concerned with the “long haul” (“long enough to ensure sustainable change without creating dependency”)
- AKF - Use of sympathetic nationals
- Long term relations
- The singular position of the Aga Khan who can convene the business, government and NGO actors, and the Ismaeli community who are present in the countries in which they work.

D. Current Donor Innovative Practices in SNGO Strengthening

From the interviews, there is no pattern that can be discerned between the different kinds of donors with respect to innovative practices. Foundations in particular seem to have

many innovative ideas. Interestingly, the individual donors have been experimenting with creative approaches that should be shared more broadly within the international community. Here are some innovations which cut across the three types of donors.

1. Separating Funding from Choice of Capacity Building Provider:

CIDA funds agreed capacity building interventions, but the choice of capacity building provider is left up to the SNGO. USAID is testing such an approach in India using vouchers. The Ford Foundation has also separated project funding from capacity building (see Ford's Illustrative Case 2 in Appendix 1 of Volume 2.)

2. Preparedness to Reconsider Donor Demands

The EC is considering what ways its own bureaucratic demands on the grantee can be scaled down, particularly for SNGOs. This is in contrast to most donors who accept that their conditions are a non-negotiable "given".

3. Development of Organizational Assessment Tools.

This is underway in UNICEF, UNDP, USAID, and CIDA. Most other donors rely on the common sense and experience of their staff to identify capacity problems in SNGOs. Some bilaterals, like USAID, are supporting efforts by their national NGOs to develop such tools.

4. Moving beyond Training and TA

UNICEF in particular, but other donors as well are thinking of capacity building in a "systems" approach (i.e., a situation in which a number of different components can be streamlined into one approach). This is in contrast to the "tunnel vision" of many donors who still think of capacity building as being a matter of training or TA only.

5. Bringing Business into the Picture

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

6. Cross-sectoral Partnerships

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

7. Endowments

For those who are already doing this (and who have been doing it for some time - like Ford) endowed foundations are not innovative, but most donors have not moved beyond the idea of serial funding. Endowed foundations offer the possibility of a regular income stream into the future. USAID has considerable experience in creating endowments for strengthening SNGOs, primarily in the environmental sector and has recently done a major evaluation of its endowment activities. CIDA is actually prohibited from getting involved with the Treasury Board of Canada. The experience of Ford (which has carried

out a evaluation of all of its work on endowing foundations) and AKF (which is just starting a foundation in Kenya) is very pertinent (see Box 18).

Box 18**Ford Foundation: Evaluating its endowment grants**

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

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

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

8. Evaluating Impact

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

7. Major Conclusions

As noted throughout this report, there are a multiplicity of views and approaches among the donors towards capacity building of SNGOs. In some cases there are even differing perspectives within individual donors because different units within the organizations interact independently with SNGOs and often emphasize issues differently. This makes it difficult to accurately reflect the diverse activities of donor in strengthening SNGOs and to provide conclusions the apply to all donors. Nevertheless, it is possible to draw from this study some general conclusions about the current work and trends of the donors concerning SNGO capacity building. In the following sections we have organized thematically some of the key conclusions that have emerged from this study, beginning with a synopsis of the main characteristics of each of the three donor groups concerning the strengthening of SNGOs.

A. Main Characteristics of the Three Donor Types

Multilateral Agencies

- * they have long histories of dealing with governments but much less experience with SNGOs.
- * They have been particularly active in NGO policy and NGO-government relations.
- * They are experimenting with small grants programs to directly deal with civil society organizations.
- * Their size, culture, and procedures constrain multilateral agency-SNGO collaboration.

Bilateral Agencies

- * They have tended to provide support for SNGO capacity building through Northern NGO intermediaries.
- * They have tended to foster Northern NGO - SNGO collaboration.
- * They have more experience with public sector capacity building, not all of which easily transfers to the NGO sector.
- * They are increasingly supporting SNGOs directly for service delivery and capacity building.

Grant-Giving Foundations

- * They have been working directly with SNGOs and CBOs for many years.
- * They tend to develop long-term relations with local organizations.
- * Long-term involvement allows them to build collaboration based on mutual trust and respect.
- * They tend to be the most experienced and innovative donors with regards to SNGO capacity building.

B. Reason to Strengthen SNGOs

- * Donors' interest in SNGO capacity building stems from both an increased recognition of the importance of civil society and the rapid growth of the SNGO sector, leading to increased in collaboration with SNGOs.
- * Donors are still in the process of clarifying whether SNGO strengthening is a legitimate end in itself or whether it is a means to achieve other development ends. The tendency is to see organizational strengthening more as an end in itself for CBOs and advocacy NGOs and as a means to other ends with service delivery SNGOs.

C. Definitions of Capacity Building for SNGOs

- * Donors tend to lack a formal, commonly accepted definition of capacity building, with definitions being specific to different departments within the organization.
- * Donors tend not to differentiate between capacity building through support for implementation of activities and support specifically targeted to capacity building.

D. Identification of SNGO Capacity Building Needs

- * Donors all recognize that capacity building for SNGOs should be demand driven, but most find it difficult in practice to develop mechanisms to do so.
- * Donors generally recognize a need for better guidance on NGO capacity assessment, and most feel that a one-tool-fits-all approach will not work because of the diversity of organizations to be assessed.
- * Most donors feel that a balance is needed between SNGOs identifying their own capacity building priorities and an independent assessment of an organizations capacity building needs.
- * Many SNGOs now lack the ability to identify their capacity building needs and to develop a strategy to acquire the desired capacity. Developing a capability to do both is an important first step in strengthening a SNGO.

E. Donor Internal Operations

- * The trend is for donors to increase their staff, time, funds, and work directed towards NGO capacity building.
- * SNGO capacity building is increasingly important for donors, but as yet donor information gathering systems fail to capture the effort and resources directed towards strengthening SNGOS.
- * Donors are giving a greater emphasis to monitoring and evaluation of capacity building for NGOs.
- * Donors are increasingly concerned about how their own practices and requirements constrain SNGO capacity building.

- * To be more effective in strengthening SNGOs, donors need to operationally separate their capacity building and grant making functions because NGOs realize a dilemma in appearing strong so they can successfully compete for donor support while admitting capacity weaknesses to get capacity building support.
- * Donors are increasingly feeling a need to assess their policies and efforts to strengthen SNGOs. At least four donors surveyed are currently commissioning such internal assessments.

F. Donor Understanding and Capability for SNGO Capacity Building

- * Donors tend to lack formal guidelines for SNGO capacity building
- * To sustainably strengthen SNGOs, donors need to develop a better understanding of the capacity building process .
- * Donors need to be better able to identify and adopt best practices in SNGO strengthening.
- * There is currently little sharing among donors on capacity building practices and approaches, so innovative work by one donors is rarely picked up by other donors.
- * Capacity building activities are more successful within donor-SNGO partnerships that have had several years to develop a working relationship and the required mutual understanding, trust, and respect.

G. Current Trends in Donors Efforts to Strengthen SNGOs

- * Donors are increasingly concerned about enhancing SNGO resource mobilization and achieving financial sustainability for NGOs.
- * Many donors are concerned about difficulties imposed on SNGO strengthening by strained government - SNGO relations and are working to improve these relationships.
- * Donors are beginning to place a greater emphasis on partnering, coalitions, networks, and NGO sector issues in capacity building as compared to individual organizational issues.
- * Donors are emphasizing inter-sectoral partnerships for SNGOs, especially collaboration with private business interests.
- * Donors are increasingly concerned about and trying to increase the accountability of service delivery NGOs to their local constituencies.

- * Some donors are broadening the variety of civil society organizations they work with and are especially interested in collaborating more closely with community-based organizations and membership-based organizations that are perceived to be closer to donor target groups than are service delivery SNGOs.

8. The Donors perceived role for the IWGCB

Three quarters of the questionnaire respondents supported the idea of launching an International Working Group on Capacity Building for SNGOs (IWGCB). The two roles for the IWGCB clearly identified in the questionnaire are: sharing best practices on strengthening SNGOs and identifying areas for collaboration on this issue. The questionnaire respondents were concerned that a clear role for the IWGCB be identified at the May meeting and that the relationship between this international working group and existing related international working groups be clarified.

The interviews did not provide very clear suggestions for the role of the proposed IWGCB. Many donor organizations, however, were very interested in sharing experiences and learning more about what others (including NNGOs and SNGOs) were doing in the field of capacity building of SNGOs. This corresponds closely to the observed growth of interest in the topic and the likely institutionalization of capacity building in development agencies in the future. In addition, a number of the donors interviewed also expressed strong interest in the opportunity to have a dialogue with the SNGOs about their capacity building needs. Many donors spoke of the up-coming meeting in May, 1998 as being a decision point at which they would determine their level of participation in the IWGCB and on what conditions.

