Study on Capacity, Change and Performance

The Concept of Capacity

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**What are the different ways to understand the concept of capacity?
Should capacity be seen as a development means or an end?
What analytical framework for capacity do we use in this report?**

"I can't define capacity but I know it when I see it" Anonymous

"All models are wrong, some models are useful" George Box

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Table of contents

1 Introduction

We begin the analysis in this report by addressing the concept of capacity.[1] Anybody researching this subject, let alone trying to do something about it, quickly bumps up against the many different understandings of the term. This diversity exists for a variety of reasons.

- There is no broadly-accepted definition.[2] Different disciplines and bodies of knowledge such as organizational development or institutional economics or political economy see capacity issues quite differently. People in the cases came to their work with a wide range of implicit mental frameworks about capacity that shaped their views on the content of a definition, the utility of planning, the dynamics of cause and effect, the nature of human behavior and many others. No common capacity language or set of terms exists to help communication and shared learning.

- At a time when the issue of nation-building is coming back into fashion, the range of capacity issues is expanding rapidly. Current approaches range from the macro and the abstract - e.g., the ability of whole countries to manage their affairs successfully - to the micro and the operational, e.g. the ability of staff to talk effectively to one another. Donors and civil society organizations, for example, tend to have quite different visions of capacity.

- Different actors - practitioners, consultants, analysts - see capacity issues from their own perspective. Person A sees learning and knowledge at the level of individuals as key. Person B believes the pattern of incentives explains human behavior. Others target their interventions at the big systems level on the assumption a comprehensive approach to improving capacity is fundamental. Still others see small projects as the key to building genuine capacity.

- Most of the practitioners in the cases had little interest in spending much time on devising a more sophisticated formulation of capacity. Their concerns lay in solving daily problems, keeping the accounts straight, raising money, meeting deadlines, getting good staff, protecting their organization and so on. Almost all the participants in the cases studied for this report were in favor of capacity as an idea. Only a few actually talked in specific and strategic ways.

With some trepidation therefore, we set out below our analysis which leads to the way we think about the concept of capacity and the resulting definition that underlies this report. More specifically in this section, we unpack our understanding of capacity based on what we found the case participants to be doing as they carried out their work. We do not offer this formulation as the latest candidate for acceptance as a universal approach. It is simply the one that shapes this report. We hope it contributes to the broader discussion.

We would add a final point. The lack of a shared understanding or a common frame of reference about capacity is not an abstract point without operational implications. International development agencies (IDAs) harmonizing their resources in a sector-wide approach (SWAp) to support capacity development means coordinating to do what exactly? Strategies for capacity development

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[1] Section -- below addresses the associated idea of 'capacity development'.

[2] The idea of capacity is hardly alone in lacking an accepted shared meaning. Many current terms used in development and other political and social fields face the same situation. Debates go on about the true nature of participation, social capital, partnership or empowerment. For the debate about the meaning of the concept of innovation which has been underway for over 300 years, see Everett Rogers, *Diffusion of Innovation,* Fourth Edition, 1995. For the efforts to define and understand the concept of happiness, see Daniel Keddle, *Happiness: The Science Behind The Smile,* Oxford University Press, 2005. The word culture has been described as one of the most awkward words in the English language given its many shades of meaning. There are at least a dozen different ways in which the term complexity is used in scientific discourse. And readers will be familiar with the endless discussions about the meaning of sustainable development.

add up to a focus on what activities? Does monitoring that looks at short-term changes to structure and performance at a point in time but ignores issues to do with process, relationships and legitimacy tell us anything significant about capacity? When we evaluate capacity, what is it we think we are looking at? We address these issues later in this report.

2 Background

The way the concept of capacity is dealt with in international development is a paradox.[3] Recent United Nations conferences in Monterey and Johannesburg have highlighted its importance. The Paris Declaration on Aid Effectiveness has given it special priority. The Bank labeled it the missing link in development. Some call for it to be the overall goal of development cooperation.[4] IDAs calculate that it could make up at least a quarter of all their expenditures.[5] No self-respecting development program would want to be criticized for not developing it. Partner countries say they want and need more of it. IDAs say they intend to support more of it. From this perspective, capacity is a widely-supported concept that makes sense to most observers and practitioners of international development. For many IDAs, it is not just another activity to be supported. Most claim it to be at the heart of their espoused values and operational strategies.

Nor is the interest in capacity issues limited to international development. There is a growing effort in high-income countries to make capacity a greater focus of attention.[6] An American scholar has argued, for example, that most nonprofits in the United States suffer from a persistent underinvestment in their basic organizational infrastructure.[7] Research on capacity in the private corporate sector goes back to the 1950s and has accelerated over the last two decades.[8] The media in many countries are filled with accounts of the latest capacity debate ranging from the ability of governments to protect their citizens from terrorist attack to the latest programme to improve public health and education systems.[9] Here again, the general idea of gaining a better understanding of the factors that can lead to improved capacity and hopefully performance, is well-accepted.

Yet at the same time, the concept of capacity and its practice remain puzzling, confusing and even vacuous especially in international development. The study of capacity is not an academic discipline of any kind such as economics or sociology or even public administration. Its inherent, substantive content is not obvious as in the case of, for example, human resources development.

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[3] The recent Bank evaluation of capacity in Africa asks why the Bank can claim up to 50% of its disbursements in Africa are on capacity yet also admit that it has no accepted definition and no shared development practice centering on capacity.

[4] Francis Fukayama, *State Building: Governance and World Order in the 21st Century,* 2004

[5] See draft *OECD Govnet paper on Good Practices,* p. 6. A review of the CIDA program states that as much as 74% of all its activities (weighted by disbursements) can be classified as promoting capacity development. Lavergne, Lewis et all, p. i. 76% of all International Development Research Center projects had some form of capacity development component. Most development agencies find it hard to assign budgets and costs to capacity activities or to be clear about how much is spent on capacity as a development activity.

[6] See, for example, Barbara Blumenthal, *Investing in Capacity Building: A Guide to High-Impact Approaches,* The Foundation Center, 2003. But there is also a good deal of skepticism in many philanthropic organizations in high-income countries about the value of the term. See Thomas Backer, Alan Miller and Jane Ellen Bleeg, "Capacity by Any Other Name: Donors don't know much about capacity building, except that they don't like the term" *Stanford Social Innovation Review,* Spring 2006

[7] Paul Light, *Sustaining Nonprofit Performance: The Case for Capacity Building and The Evidence to Support It,* Brooking Institution Press, 2004, p. vii.

[8] Prahalad, C.K., and Hamel,G., "The Core Competence of the Corporation" *Harvard Business Review,* May-June 1990. Salaman, G., and Asch, D., *Strategy and Capability: Sustaining Organizational Change,* Blackwell, 2003

[9] For an analysis of a contemporary capacity issue, see James Fallows, "Why Iraq Has No Army" *The Atlantic Monthly.* December 2005

Almost no educational institutions teach courses in it.[10] There are no textbooks on it as a subject. No research institutes are dedicated to it. No entities such as professional associations or technical journals push for certification or some sort of accepted standards. Few groups lobby IDAs on behalf of capacity issues compared to their efforts in support of non-governmental organizations, gender, human rights, the environment or even participation. No major United Nations global conference has ever been devoted to it. The Millennium Development Goals (MDGs) pay little attention to it as a specific issue. Most IDAs still have few staff, let alone special units, that work full-time on capacity issues despite the enormous investment that they profess to be making. Capacity as a developmental idea has no cachet with the general public compared to the more easily recognized images of health or education or poverty.[11]

The subject of capacity, as a body of knowledge subject, has a weak intellectual standing in the wider development world. It comes with no accepted and tested body of theory that people can use with any confidence.[12] It lacks a language or set of terms that can aid communication and shared understanding. Until the mid-1990s, it attracted almost no research support within the international development community.[13] Most ideas about capacity have come out of a wide range of North American and European ways of thinking including performance management, organizational development, political economy, institutional economics and sociology. In addition, thinking about capacity has also been influenced by ideas to do with participation, public sector reform, civil society and empowerment.[14] Partly as a result, capacity as a subject appears to have less resonance in many cultures.[15] Part of the challenge of addressing the concept of capacity is to be clearer about its unique contributions, if any, to the study and practice of development. Even assuming for the moment that capacity represents some sort of identifiable state or condition, practitioners still appear to be still searching for tested tools or frameworks that can help them with its assessment, management, monitoring and evaluation.

Perspectives on capacity

In our case research and wider readings, we came across a range of perspectives on the concept of capacity.

- Some practitioners and analysts continue to see capacity mainly as a human resource issue to do with skill development and training at the individual level.[16] This 'capacity as training' perspective has a long-standing history and is still a widely-held view both in IDAs and in country governments.[17] In development cooperation programmes, such an approach is usually

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[10] To date, we have found only two universities that offer courses in capacity studies; the University of Guelph in Canada and Potsdam University in Germany.

[11] See the DGIS publication *Gorillas in the Mist,* 2003 for an analysis of this issue.

[12] "Capacity building has not developed as a well-defined area of development practice with an established body of knowledge about what works in meeting different needs under different country and sector conditions", World Bank, 2005, p. xiii.

[13] One of the first research efforts that was explicitly focused on capacity issues was the UNDP book entitled *Building Sustainable Capacity: Challenges for the Public Sector* in 1996.

[14] See Deborah Eade, *Capacity Building,* 1997

[15] And not just in non-western countries. See, for example, Charlotte Hursey, *Capacity Building: Perspectives from the NGO Sector in Spain,* Praxis Paper #5, INTRAC, May 2005 ("Several interviewees commented that they had never discussed capacity building as a discrete topic within any of the various fora and did not know where there would be an opportunity to do so", p. 13). Also Mia Sorgenfrei, *Capacity Building from a French Perspective,* Praxis Paper No. 1, INTRAC, July 2004 .

[16] See, for example, Ruth Alsop and Bryan Kurey, *Local Organizations in Decentralized Development: Their Functions and Performance in India,* The World Bank, 2005

[17] In the PNG case on the role of the churches, a training perspective was the prevailing one in the church community in Papua New Guinea. In the Pakistan case, capacity development was seen as "formal, career development,

combined with external interventions in the form of technical assistance and functional improvements.

- Many other practitioners and analysts now accept that the scope of capacity issues goes beyond the usual training and technical assistance approach discussed above. The general sense of the term from this perspective is one of the ability to deliver or implement better.[18] The focus here is on capacity as general management problem-solving - the means - as part of an effort to improve results and performance - the ends.[19]

- We encountered other practitioners in the cases who had little interest in, or patience with, capacity issues. Most in this group were rewarded for either presiding over, or extracting value out of, existing organizations. They had little interest in management issues and little incentive to opt for disruptive organizational changes for which they would receive little credit, particularly in a public sector system that circulated staff quickly through a variety of posts. They also had no space or time or resources to do anything other than stay out of trouble and maintain their prospects.

- Some analysts in academic and research institutions are also dismissive of the current preoccupation with capacity.[20] They would like to discuss the undiscussable, i.e. that the concepts of capacity and capacity development add little conceptual or operational value to development. From this perspective, capacity, when it is claimed to be everything, adds up to nothing. For this group, the concept offers no distinctive developmental contribution that makes any operational difference beyond what is already known. A better option from this perspective would be to stick to improving existing approaches to performance improvement including public sector reform, institutional development, NGO management or good governance. For this group (and to paraphrase a well-known witticism), when it comes to the concept of capacity, there's no there there. And to underline the point, they point to the lack of persuasive evidence of capacity interventions making much difference in terms of development performance.

- For still other groups especially in the IDA community, the concept of capacity has important symbolic uses. Most governments and international funding agencies involved in the programming and management of development cooperation use it as an umbrella term under which most programming initiatives, present and future, can be re-packaged, re-labeled and re-legitimized. Its rubberized qualities give practitioners and planners the flexibility to stretch it to cover a range of circumstances. Associated with this view of capacity are a range of issues such as ownership, commitment, innovation, partnership, learning, institutional development, decentralization, public sector reform, knowledge management, change, scaling up, sustainability, participation, training, accountability, performance improvement and so forth. What's more, the idea of capacity can be extended to cover everything from the micro interventions at the level of individual competence to the macro at the level of national or even global capacity. The implicit assumption underlying this view is that the general concept of capacity can provide a sort of overall, loose, organizing cover under which these other issues

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promotion-oriented, training".

[18] The Rockefeller Foundation states that "by building skills systematically across local organizations, and among organizations in different countries, funders help facilitate an environment of inquiry, entrepreneurship and experimentation. That environment, in turn, makes individuals and organizations more effective - an improves conditions in their countries."

[19] "Capacity building means developing the internal resources (e.g. technological equipment, management expertise) a non-profit needs to accomplish its mission" Backer et all, p. 15

[20] "Aid agencies would be wise to have no truck with the new jargon of 'capacity building' and to insist on using language and terms that have identifiable and precise meanings" in Mick Moore, "Promoting Good Government by Supporting Institutional Development" *IDS Bulletin,* Vol. 26, @2, 1995

can be addressed.[21] And its use can also send out symbolic signals indicating a willingness to support partner countries in a new way, e.g. emphasizing the value of country ownership, commitment and leadership. Focusing on the general idea of capacity thus implies, in principle, a new role for IDAs and the appearance of a new way of doing business.[22] Some country participants also use the term as a way of attracting additional resources and cooperating with IDA preferences. The inclination from this perspective is to avoid defining capacity in ways that could limit its range and flexibility. The operational utility of the concept actually comes from its ambiguity and lack of boundaries.

- Finally, a variety of development organizations and practitioners have started in recent years to make concerted efforts to invest the concept of capacity with some sort of operational content.[23] This is the opposite view from the one described above. From this perspective, the concept of capacity can only be analytically and prescriptively useful when it offers some central ideas of its own that can guide action. These groups are trying to formulate better ways for practitioners to understand capacity, map it, assess it, help develop, monitor and evaluate it. And they are trying to deal with the issues of 'why' and 'how' capacity emerges in addition to the usual question about 'what' types of capacity are needed to produce results. It is not yet clear if these efforts will be useful. Or if the more concentrated effort to better 'manage' capacity will narrow its focus and lead to the kind of mechanistic bureaucratization that can appear in all development programs.

This report remains doggedly in this last group although with a good deal of sympathy for the iconoclasts given the endless and mainly fruitless discussions about the concept of capacity that comes with any effort to research it. Some key questions to be addressed by this report are thus the following: what is the most helpful way of understanding and implementing the concept of capacity? Is it best left as a general, symbolic term devoid of any specific content but useful to both IDAs and countries for legitimizing purposes? Or is it necessary, useful and possible to invest it with more specific conceptual and operational content? And if the answer to that latter question is yes, what is that content? And if the answer is no, should the international development community move on to address other more useful issues?

3 Five central characteristics of the concept of capacity

Most development concepts have some central characteristics around which some basic principles can be built. Part of the difficulty of working with the concept of capacity has been the difficulty of discerning any central characteristics that can add up to some sort of distinctive state or activity. Taking up on an earlier point, is there 'any there there' when it comes to the concept of capacity?

We are suggesting in this paper five central characteristics or aspects of capacity that can begin to give the theory and practice some substantive and operational shape.

- Capacity is about *empowerment and identity,* properties that allow an organization or system to survive, to grow, diversify and become more complex. To evolve in such a way, systems need

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[21] 76% of staff interviewed at the International Development Research Center in Ottawa, Canada saw capacity in terms of the activities they were already doing including gender analysis or training in research methodologies . Staff quotes included statements such as the following..."Capacity building is fundamental. It's everything we do. It's what IDRC is about" cited in Lusthaus and Neilsen, p. 18, 22

[22] See Mark Schacter 2000, *Capacity Building: A New way of Doing Business for Development Assistance Organizations,* Policy Brief #6, Institute on Governance, Ottawa

[23] The paper by the Governance Network of the Development Assistance Committee of the OECD is an example.

power, control and space. Capacity has to do with people acting together to take control over their own lives in some fashion.

- Capacity has to do with *collective ability*, i.e. that combination of attributes that enables a system to perform, deliver value, establish relationships and to renew itself. Or put another way, the abilities that allow systems - individuals, groups, organizations, groups of organizations - to be able to do something with some sort of intention and with some sort of effectiveness and at some sort of scale over time. A focus on abilities or as we call them in this paper - capabilities - can help provide more operational and specific ways to deal with the broader concept of capacity. Later on in this report in Section --, we draw out the concept of capabilities in more detail and suggest how they can be mapped and assessed.

- Capacity as a state or condition is inherently a *systems phenomenon*. Capacity is an emergent property or an interaction effect. It comes out of the dynamics involving a complex combination of attitudes, resources, strategies and skills, both tangible and intangible. It emerges from the positioning of a system within a particular context. And it usually deals with complex human activities which cannot be addressed from an exclusively technical perspective. Later in the paper, we show how the ideas of complex adaptive systems and emergence can explain a good deal about capacity.

- Capacity is a *potential* state. It is elusive and transient. It is about latent as opposed to kinetic energy. Performance, in contrast, is about execution and implementation or the result of the application/use of capacity. Given this latent quality, capacity is dependent to a large degree on intangibles. It is thus hard to induce, manage and measure. As a state or condition, it can disappear quickly particularly in smaller, more vulnerable structures. This potential state may require the use of different approaches to its development, management, assessment and monitoring.

- Capacity is about the *creation of public value.* All countries, regardless of their level of development, have many examples of effective capacity that subverts the public interest. The most obvious would be organized corruption, the behavior of gangs and organized conspiracies and the capture of public institutions. In most countries, different kinds of capacities compete for power, control and resources. Capacity in this report refers to the ability of a group or system to make a positive contribution to public life.

4 Unpacking the concept of capacity

Assuming that the task of giving the concept of capacity more operational content would be useful, how should we think about doing this? In this report, we use a framework with four aspects to look in more detail at the nature of capacity. We go into more detail in Section -- below. We use these ideas later in the report to address various methods of assessment, mapping, monitoring and evaluation.

- We look at its *foundational components or elements* such as financial resources, structure, information, culture, location, values and so son. Most analytical frameworks focus on these aspects.

- We refer to '*competencies*' when we focus on the energy, skills, behaviors, motivations, influence and abilities of individuals.

- We use the term '*capabilities*' to refer to a broad range of collective skills that can be both technical and logistical or 'harder' (e.g. policy analysis, marine resources assessment, financial management) and generative or 'softer' (e.g. the ability to earn legitimacy, to adapt, to create meaning and identity).[24] All capabilities have aspects that are both hard and soft.

- Finally, we use the term '*capacity'* to refer to the overall ability of a system to create value. .

It may be useful at this stage to begin to put our analysis in perspective. As mentioned earlier, capacity analyses and interventions can range from the macro to the micro. The first might look at what institutional and organizational infrastructure a low-income country in Africa might need to meet its development needs. This could include issues to do with building state capacity, state-civil society relationships and a greater role for the private sector.[25] The micro would focus more on the ways to give individual people the behaviors and resources they need to make progress.

The analysis in this report is situated more at the 'meso' level between these two ends of the capacity spectrum. It takes formal organizational actors as the main unit of analysis although we do touch on more macro issues in some cases and micro ones in almost all of them. We have made this choice for two reasons. First, the case studies mostly do not lend themselves to addressing macro strategic issues of governance and state capacity. Their comparative advantage is more on throwing light on how capacity emerges in organizations and smaller systems. And two, it is at least arguable that macro-strategies for nation building need to be implemented from the bottom or at least the middle rather than from the apex of a society. From this perspective, macro and micro are interconnected. We address these perennial issues of macro versus micro and top down versus bottom up later in the report.

We thus define capacity in this report as the following;

Capacity is that emergent combination of attributes that enables a human system to create developmental value.

5   Five core capabilities

Capacity is about the ability to do something.[26] But such an aggregated meaning tells us little about what that ability might be. To address this issue, we have come to a perspective based on our reading of the cases and the wider literature that capacity can be conceptualized as being built on five core capabilities which can be found, to a greater or lesser extent, in all organizations or systems: the capability to act, the capability to generate development results, the capability to relate, the capability to adapt and finally, the capability to integrate. These five capabilities are separate but interdependent. All the actors in the cases tried in some way, with varying degrees of success, to balance all five as they did their work. All five were necessary. None were sufficient by themselves to ensure overall capacity.

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[24] There are many different ways to categorize different kinds of capabilities. We address this issue later in Section..

[25] There is now a growing body of experience on this subject. See, for example, Graham Teskey, *Capacity Development and State Building: Issues, Evidence and some implications for DFID,* September 2005, Francis Fukuma (ed.), *Nation-Building: Beyond Afghanistan and Iraq,* 2006, S. Chesterman, M. Ignatieff, Ramesh Thakur, (eds.), *Making states Work: State Failure and the Crisis of Governance,* 2005

[26] The Govnet paper on capacity development 2005 defines capacity as "the ability of people, organizations and society as a whole to manage their affairs successfully" p. 7.

The capability to act

The first core capability may appear obvious. And yet its absence weakens efforts at building any kind of broader capacity. We are talking here about the capability to act deliberately and to self-organize.[27] Systems such as organizations must be able to have volition, to choose, to exert influence and to move and develop with some sort of strategic intent. [28] It is about the capability of a complex adaptive system - a living system - to be conscious and aware of its place in the world, to configure itself, develop its own identity and then to act.[29] And to do so over the resistance or non-cooperation of others. From this perspective, capability is about human, social, organizational and institutional energy. Can it develop a collective ability to make choices that its members will respect and work to implement? Can it overcome its contextual constraints and develop the commitment to go ahead with decisions that it has made?[30] Does the system have a mastery and an energy that enable it to make progress?[31] Does it have the collective drive and ambition to build its capabilities? Is it stuck or trapped or immobilized?

In this report, we differentiate this capability from that of generating development results which is set out immediately below. Both have to do with some sort of intentional behavior. But one of the key problems that external interveners have faced over the years has come from conflating the two abilities or to assume that development results can be generated without paying much attention to the deeper capability to act. The capability to generate results in this report has more to do with functional, technical and logistical ways of getting work done. The capability to act and self-organize comes from a complex blend of motivation, commitment, space, confidence, security, meaning and values and identity. We are also talking here about something that goes beyond conventional notions of ownership. This latter condition has a lot to do with attitude and self-perception. The capability to act has to do with a movement, dynamics and forward motion.

The reasons underlying the inability to act are many and complex. Government agencies can be leaderless and directionless. They can struggle to deal with conflicting mandates and constituencies. They can decide it is not in their interest to make a serious effort to deliver a particular program or service. They can be starved of resources and protection and or can be captured or controlled by groups that have no interest in making them effective. Citizens can withhold support and legitimacy from public agencies that leads, in turn, to a 'weak-demand, weak-response' syndrome that locks inaction in place. Internal conflict can paralyze action. Or they can set up and managed as shell structures designed to create the appearance of action. In such cases, satisfactory underperformance - thinly disguised inaction - becomes the best option.

- We can see examples of this capability emerging in the cases. At some point in 1999, the ESDU in the Eastern Caribbean started to see itself less as a delivery agent for donor-funded programs and more as an independent actor which needed to develop its own identity and sense of direction. As part of this process, it changed its sense of itself. It began to act independently and reshape its relationships with its funders, member governments and its own staff. Many of the other cases - the Lacor Hospital, the Asia Region of IUCN, the two Brazil

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[27] The best definition of capacity from this perspective is the following: 'Capacity is the ability of an organization to function as a resilient, strategic and autonomous entity" cited in Alan Kaplan, *The Developing of Capacity,* Community Development Resource Center, Cape Town, South Africa, 1999, p. 16

[28] For an analysis of this aspect in the case of African NGOs, see Sara Michaels, *Undermining Development: The Absence of Power Among Local NGOs in Africa,* 2004

[29] See, for example, Thomas Homer-Dixon, *The Ingenuity Gap: How Can We Solve The Problems of the Future?* 2003

[30] One analyst looks at this issue as follows: "This book explores how the absence of power among local African NGOs - put simple, power as the ability of an NGO to set its own priorities, define its own agenda and exert influence over others to achieve its ends - has undermined development in sub-Saharan Africa" Sarah Michael, *Undermining Development, The Absence of Power Among Local NGOs in Africa,* 2004, p. 1.

[31] References to energy

networks, the Government of Tanzania - all show systems with a capability to move and to act with conviction. The current enthusiasm for the goal of 'unleashing' capacity is based on the assumption that human potential and abilities exist everywhere. The capacity challenge for organizations and systems is to bring them out and get them to act.[32]

- Many civil society organizations in low-income states lack power to act. Government intrusions and control limit their policy and operating space.[33] Many lack financial independence. Some are not able to build the international or even domestic linkages that could sustain their capability to act. Victimization and powerlessness takes over.

Box - Issues associated with the capability to act

Degree to which decisions are implemented
Degree and use of operational autonomy
Action orientation within the system
Integrity of the organization, its leadership and staff
Effective human, institutional and financial resource mobilization

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The capability to generate development results

This second capability is the most widely-used way of thinking about capacity issues.[34] But our reading of the cases has broadened our view of what constitutes development results and how such a capability fits within the overall capacity of a system.

The first type of development results is improved capacity itself. A number of actors in the cases faced two capacity challenges: first, to build their own capabilities and second to help develop the capabilities of those with whom they worked. The Takular District program in Indonesia, the Local Government Support Program (LGSP) in The Philippines, the COEP network in Brazil all fell into this category. Most of these actors had loftier ambitions than simply instilling better techniques. Capacity building was a crucial developmental goal in its own right that entailed equipping a country, a region, an organization or an individual with attitudes, values, behaviors that they needed to make progress.

The second type of results is programmatic - e.g., outputs and outcomes in the form of better maternal health, improved environmental protection policies, more comprehensive livestock protection services or declining levels of poverty. Capability from this perspective is about a group or organization or system executing or implementing to a certain standard. A key idea is capacity as an 'input' or as a means to achieve higher-order program development results. In many cases, this capability is more or less equated with effective performance management in the form of better service delivery. Characteristic of this view is the constantly-repeated 'capacity for what' question. Most of the capacity development strategies at work in the cases were connected in some way to addressing solving problems or improving performance. The two education sector cases in Pakistan and Ethiopia are examples of this pattern in the cases The Lacor Hospital in Northern Uganda reshaped itself as part of its effort to deliver effective services to the greatest number of the poor at the lowest possible cost. In many cases, this capability is more or less equated with effective performance management in the form of better service delivery.

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[32] See Ingemar Gustafson, "The need to rethink the meaning of capacity" *News from the Nordic Africa Institute* 2/2004

[33] See Stephen Ndegwa, *The Two faces of Civil Society: NGOs and Politics in Africa,* 1996

[34] A definition of capacity coming out of this perspective would be that of Nils Boesen and Ole Therkildsen...."Capacity is the ability of an organization to produce appropriate outputs" cited in *A Results-Oriented Approach to Capacity Change,* Danish Ministry of Foreign Affairs, Feb. 2005. Also the Commission for Africa 2004 - 'Capacity is the ability to design and deliver policies".

Later in this report in Section --, we discuss in more detail the complex set of interrelationships between these two types of development results. Performance, for example, is key in many instances in terms of generating the financial resources to pay for capacity and its development over time. And in many cases, participants need quick results in order to maintain credibility and the support of key stakeholders. Process-based reforms can be susceptible to declines in commitment if some sort of improved results are not evident. People have an implicit assumption of building an 'action' organization - as opposed to a political one - and developing its capacity to produce results. Perhaps most important, many of the participants in the cases managed to put in place a rising spiral of capacity and performance with both aspects reinforcing each other. Improved capacity leading to greater performance that, in turn, fed back and created the energy, motivation, learning and resources for improved capacity.

Our case research, however, has highlighted the limitations of relying *exclusively* on a narrow, instrumental, way of improving the capability for generating development results. It needs to be integrated in some way and combined with the four other capabilities to be effective. By itself, a strictly instrumental focus can lead to some serious operational risks or downsides over time. Why is this?

- It tends to see organizations and other development players at the country level as pieces of performance machinery whose capacity is exclusively dedicated to the production of goods and services.[35] The focus of this kind of analysis is usually preoccupied with capacity deficit reduction or dealing with gaps such as the lack of resources, technical skills, structures, knowledge and technology in the modern, formal sectors. The capacity solutions are seen as things or activities that fill those gaps.[36] Resources and activities such as funding, equipment, training can be pumped in to make a significant difference. Not surprisingly, this perspective tends to give less attention to existing country strengths and resources. It focuses more on addressing the obvious symptoms of poor capacity rather than understanding the deeper causes.

- This perspective tends to emphasize the development of more functional, thematic or technical capabilities such as policy analysis, management information systems, research methodologies, financial management or service delivery.[37] These represent a type of capability that is accorded particular importance by most participants both in countries and in IDAs.[38] But less attention is given to other more generative, non-technical, less instrumental capabilities such as institutional, organizational and systems change, reflection and 'double-loop' learning, self-organization, bridging and linking. Without these latter capabilities, the technical core of the system cannot be sustained over the medium and longer term. An exclusive performance perspective tends to shift attention away from addressing the deeper human system dynamics that lie at the heart of capacity.[39] By itself, the presence of resources,

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[35] This mechanical image of organizations comes with its own vocabulary including tools, frameworks, mechanisms, pillars, machinery of government, installation, tool kits, reinforcements, changes in direction, roll outs, running in, ramping up, upgrades, building blocks, planning architecture, problem fixes, kick starts, capacity drivers, policy levers, foundations, components, instruments and results chains. A far smaller number of non-mechanical images can be found in the literature and in the ECDPM cases such as capacity as the outcome of a internal market forces, capacity as a family, capacity as a river, capacity as the wind and capacity as a festive curry meal.

[36] For a good analysis of this pattern, see EU *Institutional Assessment and Capacity Development,* p. 13-14

[37] For example, see OECD and WTO, *Joint WTO/OECD Trade Capacity Building Database (TCBDB: 2003 Data Collection,* Draft 2003: 8

[38] In the LGSP case in The Philippines, capacity was seen as knowledge, skills, systems, plans, procedures and technologies.

[39] "A Western and uniform model may be a poor fit in the very heterogeneous cultures of Asia, Latin America and Africa. Donor-required, pre-determined sets of assessment questions can serve to marginalize organizational qualities that are intrinsically desirable and valued by its members, and move such qualities out of the lived discourse of an

techniques, plans and structures are not sufficient to give the organization or system the adaptability and resilience it needs to ensure real capacity.[40]

- Relying on performance-oriented approaches to capacity tends to favor the application of best practice and the technocratic transplantation of external ideas and techniques under the guise of universal solutions. It tends to emphasize shorter-time frames given the bias towards results and program delivery. It also relies more on planned interventionist approaches to generating improved capacity and performance - strategy and prediction, the setting of quantitative goals and targets and the widespread use of incentives and external pressures to increase accountability. Our reading of the cases suggests that such approaches can be effective some of the time in some situations but not all the time in all situations.

- Finally, the idea of capacity can end up as something - indeed anything - that contributes in some way to improved results. Attention shifts to looking at results as a proxy for capacity in the form of conventional outputs, outcomes and so on.[41] The focus also gravitates to 'product' or outcomes and away from 'process' and capacity development. In the end, this perspective is more about results than it is about capacity. Rather than helping to explain the dynamics of capacity, a sole reliance on this perspective on capacity can contribute even more uncertainty.

Box - The idea of capacity from a private sector perspective

Analysts of the private sector have been looking at the dynamics of capacity and its development for almost half a century.[42] But the 1980s and early 1990s saw this perspective become a distinct way of thinking about strategic management in private firms. Up to that period, both analysts and practitioners had seen competitive advantage at the firm level coming mainly from strategic positioning and filling various market niches. Leaders were urged to concentrate on competitive strategy in order to survive in the market place.[43] Issues about industry structure, competitive analysis, strategic adaptation and constant innovation were felt to be key. Market structures drove strategizing at the firm level which in turn dictated certain kinds of organizational structure and behavior.

The capacity perspective which became known in the private sector literature as the 'resource-based view of the firm' took a different approach. Company strategies could be easily duplicated and did not seem, in practice, to lead to a sustainable competitive position. What mattered more was the ability - the capacity - of the firm to implement, deliver, execute and perform. Competitive advantage lay not in complex positioning strategies but putting in place hard-to-imitate attributes such as skills, knowledge, reputation, behavioral patterns and values that competitors could not match in the short or medium term. Organizational dynamics inside the firm mattered as much as strategic positioning outside. Strategies might come and go but the state of the firm - its capacity- remained the key to competitive survival. In this sense, capacity had become a goal in itself although contextualized in relation to performance.

The basic point here needs to be restated. In an results-based management world, people get nervous if the focus on development performance and results appears to weaken. Capacity as a

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organization's reality - to the point where these are understood as being inessential to the viability and effectiveness of the work. Capacity assessment questions have usually not sought to learn about levels of compassion, commitment, staff relationships or shared hopes for the future. Although highly relevant, these values seem to be important but outside the traditional boundaries and description of capacity" in William Postma, "Capacity Building: the making of a curry" *Development Methods and Approaches*,

[40] None of this is new. Philip Selznick in 1957 suggested that the key abilities of the leader are (1) to define its institutional mission (2) to infuse the organization with purpose (3) to defend the organization's integrity against attacks on its values and distinctive identify and (4) to order internal conflicts , *Leadership in Administration,*.

[41] "The emphasis is on doing and accomplishment." cited in J.L.Moock, *Rockefeller Foundation Capacity Building Review,* p. 1

[42] For other useful private sector literature, see Gary Hamel and Aime Heene (eds), *Competence-based Competition,* 1994 and Graeme Salaman and David Asch, *Strategy and Capability: Sustaining Organizational Change,* 2003

[43] See Michael Porter, *Competitive Strategy: Techniques for Analyzing Industries and Competitors, 1998* .

means to development results is the crucial part of the puzzle. Participants need to make sustained efforts to understand and strengthen the interconnections between these two aspects. But capacity as a human construct or an organizational condition involves other patterns of behavior and outcomes in addition to that of focusing exclusively on the achievement of programme objectives and results. Put another way, the capability to generate development results perspective needs to be supplemented and combined with the four other capabilities to be effective.

Box - Issues associated with the capability to generate development results

Strengthening public institutions and services
Generating substantive outcomes such as better health and education
Improving sustainability of development results

The capability to relate

This third type of capability appeared time and again in the cases. And it had profound implications for what participants actually did as opposed to what they reported on. This is the capability to achieve a basic imperative of all human systems, i.e. to relate to other actors within the context in which it functions. From this perspective, capacity is not just about goal achievement and program delivery. In the real world, systems need to gain support and protection. Protecting the technical core of the organization or system is key. They also need to leverage their resources by entering into informal alliances or formal partnerships. And they can more effectively pursue their mandated goals provided they can gain the legitimacy, operating space, and buffering that they need to sustain themselves in a difficult context.[44] This capability is particularly relevant in many low-income countries that are still struggling to put in place an institutional and organizational infrastructure. Without this capability, the chances of achieving effectiveness are not likely to be good.

The abilities and resources needed to develop this capability may be difficult to grasp. However, many of the cases shows participants giving careful attention to developing their capability to relate and gain legitimacy. In the COEP case in Brazil, the entire effectiveness of the network turned on the ability of its leadership to maintain its non-political reputation in a context of intense political action and debate. In the Lacor case, continuous efforts were made to build relationships with a range of stakeholders including citizens or patients, other local hospitals, the government health service and international funding agencies. In other cases, participants spent time and effort to protect themselves from politicization. Some of the case participants selected key staff to scan the context and negotiate the organization through turbulent periods. From this perspective, actors needed the capability to manage symbolic appearances, to communicate in effective ways, to enter into productive relationships and alliances, to manage political conflict and in general, to secure the system's operating space.

A range of other issues bears upon this aspect of capacity.

- First, organizations and systems worked to gain different kinds of legitimacy from other groups in society. Its required certain kinds of capabilities and also contributed to their development. Capacity was thus conferred from the outside as much as it was developed from the inside. In key ways, outsiders sustained the capacity of insiders. But this was by no means a straightforward process. Different types and sources of legitimacy existed in every country.

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[44] For a more detailed analysis, see Derick Brinkerhoff, *Organizational Legitimacy, Capacity and Capacity Development, ECDPM Discussion Paper #58A,* June 2005

Many were conflicting. Some were highly conditional. And legitimacy came from a range of sources - political, symbolic, ethnic, historical - in addition to that of performance and delivery. This issue of legitimacy and its relationship to capacity turned out to be a key issue in a number of the cases and we will say more about it later in the report in Section .....

- Second, this type of capacity had political aspects. In the cases, institutions and organizations frequently had to compete for power, space, support and resources with a variety of other actors including individuals, informal groups and networks and other formal actors.[45] Capacity, especially in the public sector, was thus an outcome of political conflict, bargaining and elite accommodation. Individuals and groups tried to capture organizations and institutions and use them for public or private purposes. Organizations struggled to institutionalize themselves and to make sure the 'rules of the game' favored their interests. Systems whose capacity was being developed were part of a wider context within which they competed, collaborated and co-evolved with other actors. Mandate, positioning and the system's operating logic affected this capability.

- This approach appears to operate as much though the informal and the intangible as it did through the formal and the tangible. Formal structures, especially in many low-income countries, are frequently induced or imposed through external demands and can get detached from the context in which they function.[46] Operating space, control and legitimacy will usually be secured through the informal side.

- This perspective is not one that is applicable only to actors in low-income states with poor governance. All actors, both formal and informal, in all countries face the challenge of some sort of competition for resources and the need to maintain their credibility and legitimacy. Indeed, a good deal of donor behavior can be explained from this perspective. In some of the cases, we can see the tension in the relationships between country participants and donors as both groups try to maintain their own legitimacy with different groups of stakeholders. In practice, a good deal of the current emphasis on activities such as results-based management or monitoring and evaluation arise out of a need to maintain donor legitimacy and operating space.

- A preoccupation with strengthening this type of capability comes with obvious risks. As we shall see later in this report, actors need operating space if they are to have a real chance of building their capacity. They need legitimacy, political support and alliances to function. But systems that become obsessed with their own survival and vested interests lose the capability to innovate and experiment. They defend their interests using mainly political methods. Performance is quickly sacrificed or at least is produced through symbolic means. Loyalty is rewarded over efficiency. The system focuses inward in an effort to defend its self-interest and becomes another vested interest battling for resources and control.

Box - Issues associated with the capability to relate

Degree of legitimacy in the eyes of its supporters an stakeholders
Ability to protect the core interests of the system
Operational autonomy

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[45] For an excellent analysis of this issue, See Caroline Hughes and Tim Conway, *Understanding Pro-Poor Change: the policy process, Cambodia,* August 2003. See also Sarah Lister and Andrew Wilder, "Strengthening Subnational Administration in Afghanistan: Technical Reform or State-Building?" *Public Administration and Development*, 25, 2005

[46] For this trend in Africa, see Mamadou Dia, *Africa's Management in the 1990s and Beyond: Reconciling Indigenous and Transplanted Institutions,* 1996

The capability to adapt and self-renew

The fourth capability that we see in the cases is that of adaptation and self-renewal.[47] Capacity from this perspective is about the ability of an organization or system to master change and the adoption of new ideas. Many of the actors in the cases also had to confront dramatic shocks - the Asian tsunami, unforeseen government or funder decisions, changing needs of clients and beneficiaries, the loss of key staff, sudden economic changes and so on. And many struggled to keep up with the demands of their constituents and clients as global pressures affected behavior.

We can see the issue of dealing with change in all the cases:

- As mentioned earlier, the organizations in the cases were embedded in systems that themselves were changing at a rapid rate. The Government of Indonesia was suddenly racing to decentralize. The Lacor hospital struggled to adapt to being part of the Uganda public health system. The Asia Region of IUCN went through a reorganization every two or three years in order to keep up with the changing pattern of demand coming from governments across Asia. International funding agencies continue to devise new strategies that changed the rules of the game for country actors. Part of the capacity development challenge in all the cases was to balance the stability needed for developing key capabilities with the need to keep changing them as mandates and conditions altered.

- This report will go into some detail on the different approaches to capacity development as a form of change. Some were more directed, more targeted and more controlled. Others were more evolutionary and exploratory. Some focused on gaps and weaknesses. Others concentrated on strengths by connecting and unleashing sources of underutilized capacity.[48] Some saw capacity development as management problem solving. Others saw it as helping to create a living system.[49] Some focused directly on developing capacity. Others took a more indirect approach and tried to nurture the relationships and conditions within which capacity could develop on its own. The challenge was to craft or evolve an approach to change that fitted the shifting circumstances.[50]

In most cases, capacity development is likely to be a complex voyage of personal and collective discovery that evolves over time. This is a less instrumental, more process-oriented approach which stresses the emergence of inner human and organizational qualities such as resourcefulness, identity, resilience, confidence, innovation, collaboration, adaptiveness, courage, imagination, aspiration and even spirituality. From such a perspective, the balance of intent and adaptation will never be clear in advance. Those on the outside will never have more than a limited understanding of, or leverage over, the process as it unfolds.

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[47] "In the twenty-first century, the growing disparities between those who adapt well and those who don't will hinder our progress towards a shared sense of human community and erode our new global society's stability and prosperity" Thomas Homer-Dixon, *The Ingenuity Gap*, p. 1.

[48] This growing focus on strengths as opposed to weaknesses is noticeable across many disciplines. See J. Corcoran, *Building Strengths and Skills: A Collaborative Approach to Working With Clients,* Oxford University Press, 2005

[49] For this perspective in the private sector, see Arie de Geus, *The Living Company: Habits for survival in a turbulent business environment,* 1997. The Asia Region of IUCN funded the position of Advisor on Organizational Development which according to IUCN senior management, was seen as "the underpinning of success, reorganization and management change. We need people who are mentoring, training and monitoring the system" *IUCN case* , p. 35

[50] "One participant sees COEP becoming more systematic in its approach to change. In the early years, there was a strongly reactive quality to its organizational evolution; more recently, the network has taken a more considered approach, although there is no blueprint in evidence" COEP case, p. 14

The capability to achieve coherence

All organizations, indeed all human systems, must deal with the tension between the need to specialize and differentiate versus the need to bring things together and achieve greater coherence. On the one hand, systems need different capabilities, separate country units, different kinds of skills and personalities, a range of services and products, a diversity of clients and funders and a variety of perspectives and ways of thinking. Yet at the same time, they must find ways to rein in the fragmentation to prevent the system or organization from losing focus and at worst, breaking apart. Increasingly, the pressure on the actors in the cases was on the side of greater complexity, diversity and fragmentation.

Centralization and control is increasingly not the answer to resolving this tension. Many organizations try this approach only to lose effectiveness as innovation and flexibility is lost. They enter into a period of oscillation in which the system swings back and forth from decentralization to centralization then back to decentralization. And they lose effectiveness as the cycle continues. Actors also try multi-component strategies to achieve greater coherence including the upholding of certain values, the recruitment of particular types of people, the attention to communication and openness and the use of cross-functional, cross-country, cross-disciplinary teams and management groups. This differentiation-coherence dilemma is even more pervasive at the program and sector level given the long-standing independence of many of the actors.

- In the cases, we can see most of the actors in the cases struggling with this dilemma. The Asia Region of IUCN devoted a great deal of time and attention to be simultaneously decentralized at the country level and coherent at the regional. The Government of Tanzania emphasized the need for coherence in its approach to public sector reform across a variety of state agencies. The Brazil networks maintained a balance by having shared values and processes in some areas while leaving network members free to operate independently in others.

- The achievement of a deeper, more resilient and coherent kind of capacity seems to depend critically on the effectiveness of this capability to bring things together. Systems that perform in the short term but cannot change or relate in the medium term lose effectiveness.[51] Organizations that can position themselves and defend their interests but lose the discipline of delivery no longer contribute. Organizations that are integrated and stable may ossify and lose the ability to change.

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[51] A difficult combination is that of generating results - the goal of an 'action' organization - and being a 'political' organization or system.

6 Capacity as a means or an end

The debate about whether capacity is a means or an end of development generates little interest amongst most practitioners and analysts. Such a subject is usually viewed as somewhat esoteric given the obvious needs to deliver results. And yet without being acknowledged as such, this debate - and the choices that actors made about it - underpinned a good deal of thinking and acting in the cases. Should capacity be seen as simply a functional means to higher-order substantive program ends? Or is it a development end in itself? Historically in development cooperation, policy issues - the big 'what' and 'why' issues - have been accorded more importance than their lackluster counterparts that deal with management or implementation. The usual question is the 'capacity for what' as compared with the 'capacity of what'. This basic pattern of thinking is currently being reinforced by the 'inputs-outputs-outcomes-impact' framework that creates a sense of linear progression and escalating importance as the focus moves from left to right. We can also see this view behind the current emphasis on results-based management and the discussions around the Millennium Development Goals in which capacity is not viewed as a development goal. This 'process as outcome' - as opposed to 'product as outcome' - is part of a wider debate that shows up in many activities in international development.

This report does not support the view of capacity as a simple 'means to an end' issue. In practice, we believe capacity must be seen *both* as an end in itself and as a means to other development objectives.[52] Indeed, we see the strategic mindset that treats capacity as an end in itself as a crucial component of any serious effort to improve the ability of people and organizations to do things better. Nor is this perspective a matter of semantics of interest only to researchers and analysts. In the cases, sorting out the complex interrelationships between investing in capacity and improving results was a constant, if somewhat subterranean, issue. In their own way, some of the systems in the cases balanced - and implemented - the three perspectives on capacity described above. They crafted a 'both-and' systems mindset which managed to position capacity and results as both ends and means.[53] In the process, they were much more likely to unleash a virtuous spiral of capacity development leading to improvements in results which, in turn, developed the space and resources to develop more capacity, a pattern that can also be seen in the private sector. We explain this pattern later in Section --.

Box - Amartya Sen's concept of capabilities

Amartya Sen has outlined an alternative approach to appraising the success of development interventions.[54] Sen argues for the necessity of going beyond the conventional development targets and measures of success (e.g. in the form of commodities, goods and services) to take into account improvements to human potential. Development, from this perspective, is fundamentally about developing the capabilities of people by increasing the options available to them. This can be done, in part, by focusing on the freedoms generated by conventional outcomes rather than just on the outcomes themselves. These freedoms come in the form of capabilities that people can exercise to choose a way of life they value. The emphasis here is on individuals and their options for making their way. Sen's concepts also reverses the conventional way of thinking by turning conventional development results into means rather than ends.

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[52] The same debate takes place around the issues of democracy and participation as means or ends. See Amartya Sen, *Development as Freedom,* 1999

[53] The third (of three) goals of the mission statement of the Asia Regional Office of IUCN focuses on the organization itself .."IUCN in Asia operates as a dynamic, effective and sustainable organization pursuing successfully the mission of IUCN in Asia". To quote the case study.."capacity development was viewed as an ongoing process, and a challenge always unfolding - one that remains at the forefront of IUCN's organizational consciousness" See *IUCN case study*, p. 7

[54] Mainly in Amartya Sen, *Development as Freedom,* 1999

7 Summary comments

We can summarize here the key assumptions about the view of capacity that underpins this report. Every conception or definition of the concept of capacity is unsatisfactory in its way. Those that try to capture the full range of its various meanings tend to be too complex to use or too aggregated to have any operational value. Those that focus more specifically on a few key aspects of capacity end up giving too little attention to issues that certain groups care about. One way to address this dilemma is to be conscious of the bias of a particular way of thinking about capacity and to help other participants to put it in context.

In this report, we go beyond seeing capacity as the assets and skills that are needed to implement development programs. Instead, we see it as an aspect of the collective organizational infrastructure that can house the collective skills, the ingenuity and the resolve that help people to collectively address some of the issues that affect their lives. The approach to defining and analyzing capacity in this report is intended to fit most closely with this organizational view of life. Others may have an approach which focuses more on political governance or social capital or institutional assets. These other perspectives are essential pieces of the bigger capacity puzzle and we hope this report will complement these approaches.

In trying to better understand the nature of capacity, we have both broadened and narrowed our approach. In terms of broadening, we see two aspects;

- Capacity is an emergent property that evolves partly through the pushes and pulls of contextual factors including global economic trends, national governance, the legacy of regional history and many others. The capacity of an organization derives much of its character from its interaction with the bigger systems within which it is embedded.

- An understanding of capacity must also go beyond the instrumental, the technical and the functional and encompass the human, the emotional, the political, the cultural and the psychological. We can see these aspects of capacity at work in some of the cases. Some organizations lacked technical mastery in certain key areas such as financial management or project management. But they displayed enormous reserves of capacity in the form of collective resilience, social energy, courage, loyalty and ingenuity. These qualities enabled them to persevere and improve over time.

But we also see the need to narrow the discussion about capacity. The experience of working on the cases has strengthened our view about the need for a more grounded operational way of assessing and managing capacity issues. We have found that the concept of capabilities can provide a basic organizing concept which enables participants to find a useful focus. Without such an organizing concept, most ventures into this boundaryless subject soon lose traction. Participants can sharpen their strategic thinking and acting by asking a few key questions:

- What capabilities do we need to make our contribution and why?

- What is the state and effectiveness of our current capabilities?

- What capabilities do we need to improve and which do we need to downgrade?

In this report, we see the concept and practice of capacity development as a part, but only a part,

of the development puzzle. We do not see it as the 'missing link' in development or something that provides an overarching framework for all other interventions. Rather, it contributes to and borrows from other ways of thinking such as governance, institutional development or organizational development. Indeed, it must borrow liberally from these other ways of thinking in order to generate any real insights. Without the experience of public management, for example, the concept of capacity can tell us little about the structure and behavior of public agencies. Without political economy, capacity analyses have little to offer in terms of the effects of political power on organizational adaptation. Without institutional economics, capacity cannot tell us much about the rules of the game that shape the effectiveness of many capacity development interventions. Without systems thinking and ideas such as 'emergence', capacity analyses are limited in explaining the dynamics of capacity development.

Finally, a good deal of the current difficulty with understanding the concept of capacity has to do with the rapidly expanding unit of analysis. Work on capacity development began with a focus on individuals and has expanded to encompass organizational functions, then whole organizations and then on to groups of organizations, sectors, huge systems and eventually whole countries. In practice, the demands of ever-widening units of analysis have outstripped our existing knowledge and practice. There exists, as yet, only a modest understanding about developing the capacity of huge collectivities especially those that exist in fragile or unstable contexts. This report will address this issue of the 'unit of analysis' later in Section.

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