

What is Capacity? Going beyond the Conventional Wisdom

(by Peter Morgan, written for the News from the Nordic Africa Institute 2/2004)

Introduction

For the past year, the European Center for Development Policy Management (ECDPM) has led a research project on capacity issues under the aegis of the Govnet of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) in Paris¹. Its purpose is to analyze how effective organizations and systems, mainly in low-income countries, go about building their capacity for performance. Our focus is on endogenous efforts rather than donor interventions. About half of the projected twenty field case studies have now been completed. We would emphasize here that our research continues on these and other issues. Our final conclusions will be summarized in a report later this year.

This brief article is intended to give readers some initial sense of some of our findings, particularly as they relate to the issues of supply and demand and how they support or undermine capacity. First though, let us look at the issue of capacity.

The nature of capacity

Much of the international development literature treats capacity as a general ability to perform. Our purpose in this study is to unbundle the term and to understand better how it is composed, how it develops and what can be done to sustain it. Is capacity a package of resources or a state of mind or set of skills or a pattern of behavior or all of these attributes? What do various groups and organizations who work at the field level understand by the use of this term? If international funding agencies are helping to build or develop or enhance capacity, what is it that they think we are helping to create? Can the 'right' capacity be 'selected' and deliberately built as part of a conscious process of organizational design or does it simply emerge organically?

We have not answered these questions yet but four patterns seem to be emerging.

- Most of the effective organizations we have studied think in terms of different elements of capacity, mainly technical, logistical and organizational. At the risk of attracting criticism for introducing more jargon into the development literature, we are calling these elements *capabilities*² to distinguish them from the broader capacity of an organisation. Successful organisations find ways to connect these different capabilities in a way that is mutually reinforcing. This internal integration of various capabilities seems to matter a great deal.
- These organizations see themselves as organic creations that need to be crafted and nurtured through complex processes of change including that of leadership. They are intent on producing results but in a way that helps to build their own capacity.
- They go beyond strategies, workplans, results projections and other technocratic approaches to develop and adhere to a set of values and principles that shapes their identity and gives them character and confidence. This latter process gets little attention in development cooperation but it seems to be a critical one for many of the organizations we have studied.

¹ Readers wishing to know more about the ECDPM research may wish to consult the website at www.capacity.org.

² Indeed, outside the development community, this is not a new term. It is used extensively in the literature on management, based largely on the experience of the private sector.

The fourth emerging trend is seeing capacity almost as ecology. Organizations are part of a complex network of other actors –a capacity ecosystem. Their ability to develop their own capacity is determined, in part, by their role in these complex networks and the health of the interdependencies that exist in that system. Capacity in many ways is about interdependency.

Resilience and sustainability

A particular capability that has caught our attention is that of resilience or the ability to persevere and contribute amidst difficult, and at times even truly horrendous, circumstances.³ We are still unclear about how and why some organizations wither away after an initial burst of performance, how some sustain themselves but produce little of value and how and why a certain few organizations manage to persevere and keep building their capacity to perform. But we suspect it has something to do with the following factors. They can control their own operating space. They have the flexibility to improvise and adapt. They again have a value system that acts as a shield during difficult times. And finally, they have earned legitimacy with those they are serving. Citizens or clients or partnering groups try to protect and support them in ways that make a crucial difference to their capacity and performance.

Balancing demand and supply

More attention is now being given to the ‘demand’ side of capacity development. According to this view, capacity is induced through a combination of incentives, performance demands, an emphasis on transparency of information, improved governance and accountability and various other institutional and organizational arrangements. Capacity is thought to emerge in response to a set of external pressures.

Our research suggests that this view is only part of the story. What appears to be important is the capability of effective organizations and systems to balance and connect demand and supply. These actors have the ability and the willingness to reach out and connect with their clients and supporters. They have an ‘outside-in’ mentality even in conditions where external pressure and demand is weak. Most of these organizations press their staff to focus outwards. They gain legitimacy and credibility with those they are trying to serve.⁴ In effect, their targeted supply leads to an increased demand or, in some cases, a constituency for change. They begin to create a self-reinforcing cycle in which demand and supply react to each other in a positive way. The supply side is used in many cases as an entry point. The demand side is critical to sustain activities.

Equipping international funding agencies to support capacity development

Our study does not focus in great detail on the capacity development practices of international funding agencies but, nonetheless, they are part of the study. One theme that has emerged is the need for multiple perspectives on capacity issues. We can find in our research no ‘one best way’ to guide external interventions. What seems to matter is the ability of funding agencies to bring multiple perspectives or frameworks of thinking to their capacity work. The emphasis of these approaches varies as follows:

- *Process* including organizational development, training, facilitation, organizational learning and empowerment,
- *Implementation, performance and results* with capacity as an instrument toward higher-order development results. Donors and their partners agree on program goals and priorities. More

³ The best example of this category is the Lacor Hospital in Gulu District in Uganda which has overcome civil war, renegade armies and the Ebola virus.

⁴ The recent World Bank Institute work on rapid-results uses this approach.

attention to capacity development and enhancement is then mainstreamed into sectoral plans, PRSPs and MDGs. Most participants using this perspective end up focusing on capacity constraints, gaps, deficits and dysfunctions.

- *Macro organizational and institutional strategies*, especially promoting macro change such as local government reform, decentralization, and public sector reform. From this perspective, the issue of capacity is a sort of generic objective that can be achieved by working on the above approaches.
- *Governance and politics* with a focus on access to - or the retention of - formal authority, informal power and influence and resources. Participants are not likely to be swayed by the technical rationality of reform proposals. The issue for many will be who gets what? Who wins? Who loses? Capacity development from this perspective has to do with power, conflict and the mediation of different organizational and personal interests. Capacity development is thus part of the political dynamics of a particular situation, both internal and external to an organization or system.
- *A systems perspective* to capacity issues which looks at complex networks of actors and institutions. The ecology issue discussed above is part of that viewpoint.

Learning, monitoring and measuring capacity

One of the key factors leading to capacity development is learning, at the individual, organizational and even the national levels. Capacity development, is, in part, about adaptation, personal mastery, intergroup collaboration and the perceived relationship between effort and outcome. We are currently trying to understand more about how different organizations and systems in different settings learn to be more capable. We have also been struck about the minimal contribution to learning that comes out of formal monitoring and measuring systems. Most are put in place by international funding agencies for symbolic or accountability reasons. Few actually focus on capacity by itself. And even fewer are designed to support endogenous learning systems.

Conclusions

We end this brief article on a positive note. Much of the capacity literature coming out of the development community deals with dysfunction and gaps and constraints. And it is obviously not hard to find many examples of institutional and organizational decay. But we have been struck in our research that reversing the search - that is looking for examples of effective, imaginative capacity development is equally productive. People everywhere can create amazing organizations if they have access to some resources, a protected operating space, some encouragement and the chance to create some meaning in their lives and those of others.

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