PAPER SERIES ON CAPACITY AND CAPACITY STRENGTHENING

Inquiry 1: Perspectives on Capacity

INTRODUCTION TO THIS PAPER SERIES

USAID is committed to partnering with countries along their Journeys to Self-Reliance, as reflected in USAID's Policy Framework. *Self-reliance* refers to a country's capacity to plan, finance, and implement solutions to local development challenges, and a commitment to see these through effectively, inclusively, and with accountability.[1] The Self-Reliance Learning Agenda (SRLA) contributes to a broader understanding of self-reliance and aid effectiveness, and addresses critical knowledge gaps.

The papers in this series summarize a landscape analysis[2] conducted by USAID to better understand how existing evidence can contribute to addressing the SRLA learning questions. Initiated during the developmental stages of the SRLA, the aim of this landscape analysis was to conduct an extemporaneous and iterative examination of how concepts related to self-reliance are discussed in existing international development literature.

Capacity and capacity strengthening quickly emerged as complex and contested terms, prompting the four inquires examined in this series of papers:

Inquiry 1: What are the different perspectives that development practitioners have on organizational capacity?

Inquiry 2: How do development practitioners determine what capacity already exists within an organization?

Inquiry 3: How should development practitioners approach strengthening organizational capacity with local actors?[3]

Inquiry 4: How can development practitioners strengthen their own capacities to better facilitate the Journey to Self-Reliance?

Each paper in the series summarizes perspectives found in the literature examined by the team, first through an analysis of external literature and then by looking at USAID documentation. These findings are shared in the hope of prompting further discussion, and are by no means comprehensive. In particular, while the investigation was largely conceptual, we know that programmatic examples pertaining to these inquiries abound. USAID invites you to share your experience and evidence. Please refer to the *How to Stay Engaged* section at the end of each paper.

INQUIRY 1: WHAT ARE THE DIFFERENT PERSPECTIVES THAT DEVELOPMENT PRACTITIONERS HAVE ON ORGANIZATIONAL CAPACITY?

USAID's new Policy Framework, published in April 2019, defines capacity as the ability "to plan, finance, and implement solutions to local development challenges" (p. 9). This definition provides helpful parameters for delineating what USAID means by capacity, while remaining flexible enough to encompass diverse approaches and contextual considerations.

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1 The literature examined for this landscape analysis engaged with issues of capacity at the level of organizations and individual actors, not at the country level as defined by USAID's Self-Reliance Country Roadmaps.

2 Between December 2018 and June 2019, the research team reviewed more than 50 USAID documents (e.g., policy, strategy, and learning documents produced at the bureau or office level, dating back to 2011) and more than 60 external documents (e.g., academic journal articles, gray literature).

3 *Local actors and local organizations* refer to the range of indigenous organizations and individuals engaged in development work within their own country, including government agencies and NGOs.

The landscape analysis similarly revealed a common reliance on broad definitions of both capacity and capacity strengthening. A predominant theme in the capacity literature is the lack of one clear and universal definition. In fact, the landscape analysis demonstrates that there is a fundamental lack of clarity around key terms as well as how capacity is assessed, by whom, and for what purpose. Moreover, the sources reviewed document how the perspective development practitioners adopt can unintentionally limit or constrain what types of capacity they look for — and find — when working in other cultures and contexts. In so doing, these perspectives influence expectations of what should be strengthened and how, and ultimately shape investments in development programming.

Although perspectives on capacity vary across sources, two models dominate the literature and are used pervasively: capacity 1.0 and capacity 2.0.[4] These models do not stand in diametric opposition to one another. Rather, capacity 1.0 represents a relatively narrow aperture focused on specific technical skills such as financial management and human resources. Capacity 2.0 represents a broadening of that aperture, revealing additional dimensions of capacity to holistically account for the range of organizational abilities required to effectively operate within a broader context, such as an ability to build a healthy organizational culture and adapt to changing circumstances.

Most discussions of capacity reviewed for this landscape analysis conform broadly to these models. The perspectives on capacity reflected in the literature varied, however, in terms of which skills and abilities were prioritized. Some sources adopted broad, holistic, and multi-dimensional perspectives on capacity, while others had a more narrow view and considered only a limited set of technical skills and abilities. Throughout this paper series the commonplace models of capacity 1.0 and capacity 2.0 are used as organizing principles to discuss various dimensions of capacity and how development practitioners prioritize them differently.

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Core Dimensions of Capacity 1.0

One thread running through the literature illustrates how development practitioners have tended to approach capacity by focusing on particular types of technical management skills and structures that are characteristic of Western businesses (e.g., financial management, organizational governance, human resources and administrative systems, strategic planning, communications and marketing, monitoring and evaluation systems, service delivery, etc.). This predominant focus on technical skills has become known in the literature as "capacity 1.0." These dimensions of capacity are commonplace and highly valued in Western organizations. They also make it easier for development practitioners to engage local organizations in ways that manage risk.

However, local organizations can perceive these dimensions of capacity as being imposed on them by outsiders for the purpose of ensuring compliance with donor rules and regulations. Experience suggests, moreover, that these technical skills generally have limited long-term benefit or relevance for local organizations themselves. Indeed, local organizations can successfully deliver on development projects and establish credible professional reputations even in the absence of technical

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4 The TCC Group has proposed a capacity building 3.0 model that emphasizes relationships between organizations within an ecosystem, but seems to have been picked up largely in U.S. domestic philanthropy circles.

capacities captured by the capacity 1.0 model. In short, by prioritizing building the capacity of local organizations to resemble Western businesses, development practitioners may inadvertently fail to notice the more nuanced challenges and opportunities experienced by local organizations. Perhaps even more important, they overlook a host of other characteristics and capacities that can make local organizations particularly — even uniquely — well-suited to advancing development efforts in locally-relevant and sustainable ways.

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Core Dimensions of Capacity 2.0

The more recent literature tends to adopt a broader focus, including additional dimensions of capacity that acknowledge the range of organizational abilities required to build a healthy organizational culture and adapt to changing circumstances. This model for capacity strengthening emphasizes an organization's ability to successfully engage stakeholders to improve overall outcomes, monitor contributions to systemic impacts, and adapt as circumstances evolve. In doing so, it significantly broadens the spectrum of skills recognized as foundational by the capacity 1.0 model. The literature commonly refers to this wider aperture for understanding capacity as "capacity 2.0," signifying an evolution — and expansion — of prior thinking. In addition to the technical skills captured by the capacity 1.0 model, proponents of capacity 2.0 emphasize an organization's culture and ability to successfully engage within the broader system through collaboration and learning, hallmarks of adaptive organizations.

For instance, the 5Cs framework developed by the European Centre for Development Policy Management (2011) identifies five capabilities that collectively contribute to an organization's ability to create social value. The 5Cs represent (1) the capacity to act and commit; (2) the capacity to relate; (3) the capacity to adapt and self-renew; (4) the capacity to achieve coherence; and (5) the capacity to deliver on development objectives. Although this framework does not explicitly self-identify as a capacity 2.0 model, it nevertheless offers a concise way to think about the dimensions of capacity commonly attributed to capacity 2.0 within the broader literature. USAID is aware that many development practitioners are already adopting this and other capacity frameworks in their work, and is eager to learn about these experiences. Please refer to the *How to Stay Engaged* section at the end of this paper to learn more about how to contribute to the SRLA.

What These Capacity Models Might Mean for Local Organizations

As our aperture for perceiving and understanding capacity widens to include the dimensions commonly promoted by the capacity 2.0 model, new challenges surface about the expectations these models may place on local organizations in developing countries. For instance, the wide range of capacities included in the capacity 2.0 model could cause development practitioners to set unrealistic — perhaps unachievable — expectations by suggesting that local organizations should exhibit technical management skills as well as the characteristics of adaptive organizations. Similarly, both models could be interpreted in ways that further reinforce perceptions that have historically minimized the contribution of local organizations. Equally, there may be an opportunity for development practitioners to prioritize a subset of capacities that capitalize on local organizations' inherent advantages without introducing new administrative burdens. These challenges were not discussed in the literature that was consulted for this landscape analysis. This remains an important area for additional exploration, and USAID welcomes contributions of evidence and references to additional sources, both from the literature and the experience of practitioners.

In USAID Literature

USAID documents generally recognize the importance of technical management skills *and* capacities related more holistically to organizational effectiveness. For example, the seven domains covered by the Organizational Capacity Assessment (2012) tool include both technical capacities such as administration, human resources, financial management, and project performance management, as well as holistic organizational capacities such as change management, adaptability, problem-solving, communication, and leadership. More recently, USAID's Automated Directives System (ADS) 201, Additional Help Document: Local Capacity Development: Suggested Approaches (2017) describes the entanglement of organizational capacity within a broader context of local systems, why this matters, and how capacity strengthening at the organizational level can contribute to broader development outcomes. According to this Additional Help Document, organizational capacity depends in part on the relationships that an organization has with other actors in the wider local system. Consequently, approaches to strengthening capacity should take into account the dynamics of the local systems within which an organization is embedded. Both an organization's ability to effectively accomplish core tasks and its continued contextual relevance and sustainability are equally important. Capacity Development Interventions: A Guide for Program Designers (2018) similarly points out that USAID's approach to capacity strengthening has shifted in recent years to a "systems-based model" broadly consistent with capacity 2.0. This resource also notes a number of reasons why technical skills and capacities remain relevant, including that some straightforward capacity weaknesses can be effectively addressed through the conventional transmission of technical know-how. USAID is interested in how these conceptual perspectives on capacity are exercised in practice, and welcomes accounts of experiences using any of these tools, or others that may be similar.

The models of capacity discussed above describe dimensions of capacity at the organizational level. USAID's Self-Reliance Country Roadmaps, however, focus on capacity at the country level, examining how far a country has come in its ability to manage its own development journey across the dimensions of political, social, and economic development, including the ability to work across these sectors. Exploration of the literature pertaining to country-level issues such as government effectiveness, tax system effectiveness, safety and security, civil society and media effectiveness, and education quality could enhance our understanding of capacity and capacity strengthening approaches at the country level. Similarly, further analysis could improve our understanding of how the capacity of organizations and individual actors at the local and sub-national levels contribute to country-level capacity. These lines of inquiry were beyond the scope of this landscape analysis. USAID is continuing to invest in work that addresses the SRLA questions, and welcomes contributions from the wider development community.

Implications for the SRLA

The themes identified through this inquiry raise significant questions about which dimensions of capacity to prioritize as development practitioners support partner countries in strengthening their ability to plan, finance, and implement solutions to local development challenges. The SRLA will continue to explore these issues while addressing the following learning question:

> *What are the change pathways around how capacity and commitment come together to build self-reliance, and what are the implications for USAID programs? How can we foster the capacity and commitment of all actors at different levels of the system (local, sub-national, national, and regional)? (SRLA, Q1)*

Over time, learning about how local, sub-national, national, and regional voices, priorities, and contributions can be integrated into how USAID fosters self-reliance (SRLA, Q10) could also contribute to a more nuanced perspective on what capacity means in particular contexts, as well as how it can be strengthened effectively.

HOW TO STAY ENGAGED

The issues raised here are central to current discussions about aid effectiveness. Continuing to explore them critically will benefit USAID as it supports countries on their journeys toward self-reliance, as well as the wider development community.

Perspectives and evidence generated in practice by USAID Missions and other organizations are essential for building a more robust understanding of what makes capacity strengthening effective.

We are excited to learn from your experience or evidence that you would like to share in this collaborative effort:

- If you are working to strengthen local capacity, please let us know how you define and apply "capacity" in your work.
- If you have used the 5Cs framework, the Organizational Capacity Assessment, or Capacity Development Interventions: A Guide for Program Designers, please share your experiences.
- Also, please share any other tools or frameworks for defining capacity that could help inform the SRLA.

Please contact USAID at SRLA@usaid.gov to share your experiences or evidence. You can also learn more about the Journey to Self-Reliance at https://www.usaid.gov/selfreliance.

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