

## NGOs and Capacity Building

Capacity building and the strengthening of civil society are widely seen as central pillars of sustainable development. As contributors to this process, intermediary NGOs see capacity building as one of their strengths. A recent survey by INTRAC showed that the great majority of NGOs based in the North are engaged in this activity, despite the difficulties in funding conditions and what might be called the crisis in thinking about alternative models of development, brought about by the rapid and pervasive changes in the context (both North and South) within which NGOs have to operate. Not surprisingly, definitions of capacity building are diverse. And, whatever the definition, there is still much to learn about realisable objectives and effective strategies.

This issue of *Insights* mostly presents the findings from several recently completed and ongoing studies supported by ODA and its Economic and Social Committee on Overseas Research (ESCOR). While not all of the studies have capacity building as their principal focus, they all shed light on how NGOs and funding agencies are approaching the challenge of capacity building, whether in base organisations, other NGOs, civil society more broadly or inside their own organisation. The research has been timely in collecting and disseminating information on practices and concerns in this rapidly evolving area.

Desai's research study of NGOs in the city of Bombay describes the problems of success among NGOs which are taking on tasks previously the preserve of government. There has been much hasty and inappropriate expansion, morale is low, and successes by NGOs in empowering the urban poor have been fleeting and insecure. In such circumstances, the balance within an NGO between its mission and its activities easily becomes upset, and NGOs' supposed advantages of flexibility and innovation may be undermined.

The research study by The New Economics Foundation stresses the prior need for organisations to find coherence between their mission and organisational structure. Several ways are suggested whereby organisations may address the problem. Different stakeholders may have quite different perceptions of the identity and mission of an NGO, but to make these differences explicit is a necessary first step and a prerequisite to defining the respective roles of different stakeholders in decision making, monitoring and evaluation of the organisation's activities.

Farrington has studied how NGOs in Udaipur District have developed good working relations with government organisations. Their success has derived in part

from an open attitude towards capacity building in the key area of staff skills and competencies (human resource development). NGOs acknowledged a need to build their organisational capacity, took the initiative in seeking out effective ways of achieving it, and had in place the in-house personnel and management systems which enabled their staff either to develop their own skills, or to take advantage of the skills of others in collaborative arrangements with other organisations.

Several research studies point to the willingness of NGOs based in the North to enhance their own capacity. ACTIONAID's research includes a critical review of participatory monitoring and evaluation practices, in particular regarding the definition and testing of indicators to be used by primary stakeholders. This is a clear case of action-oriented, operational research quickly bearing fruit.

Riddell's research into cost-effectiveness analysis by NGOs reports that there is a mass of activity, and much controversy, in this rapidly developing field. Many initiatives are underway, mostly at an experimental stage, but there has generally been a sea-change in attitudes in favour of its adoption. Riddell concludes that NGOs can best enhance their cost-effectiveness not by trying to improve the performance of discrete projects but by addressing weaknesses at the organisational level.

NGOs also try to build capacity and scale-up interventions in their partner organisations. Howes is researching successes and failures in NGO strategies for building up membership organisations. He suggests that it is important for NGOs to build on existing institutions rather than try to create new ones, that NGOs must not impose priorities on such organisations, that they should use participatory methods and adapt the time frame of capacity building programmes. *Continued on page 2, lower column 1.*

## Government – NGO Collaboration in Udaipur

Stronger collaboration between government organisations (GOs), NGOs and rural people has long been advocated as a means of enhancing the responsiveness, efficiency and accountability of NGOs and GOs. A range of arguments and evidence have been proposed for different types of collaboration, many of them traceable to Korten's concept of learning process.

Large sums are becoming available through Indian GOs for various types of collaboration with indigenous NGOs in agricultural development and wasteland rehabilitation, inspired partly by earlier collaboration successes in primary health care. Experiences of collaboration in agricultural development in Udaipur District yield lessons for the development of human resource capacity (HRD) among GOs, NGOs and farmers.

Whilst informal interaction amongst GOs, NGOs and rural people increases and enriches the fabric of pluralist development, certain strategic decisions within organisations often require a degree of formality. These include (for both NGOs and GOs) decisions on the particular skills to be developed within their own organisations. Decisions on HRD must be taken in the context of the mandates, aspirations and systems of accountability and rewards of the institutions concerned. These determine whether institutions choose to develop and expand their own human resources or to draw on those of people in other organisations through collaboration. Collaboration with outsiders succeeds best when staff are motivated by appropriate reward systems rather than required to act on command.

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## Organising NGOs for Value-based Effectiveness

The supposedly critical and unique roles of NGOs in the development process are coming increasingly under scrutiny. There is at best concern about, and at worst cynicism towards, NGO claims to flexibility and efficiency, adequate capacity and capability, a progressive vision, a representative legitimacy and meaningful forms of accountability. NGOs' organisational styles have been a focus of this scrutiny, particularly regarding possible tensions between their traditional value-based foundations of effectiveness and contemporary tendencies towards re-structuring, professionalisation, and bureaucratisation.

Research by the New Economics Foundation with three collaborating NGOs

(UNITAS in Bolivia, Ashoka in South Africa and Sarvodaya in Sri Lanka) aimed to explore how NGO roles in the development process can be made more effective by evolving methods of organisation more suited to their social and ethical beliefs.<sup>1</sup> The research rested on an assumption that the practical organisation development tools were lacking to help NGOs and their partners avoid the pitfalls of either romanticising archaic values or undermining and dislocating NGOs' critical sources of effectiveness. NGO effectiveness was found to be associated, not with any particular set of values or structure, but with the level of 'organisational coherence', i.e. complementarity of the key rules governing its operations. Achieving rule coherence requires consensus between the different

stakeholders in pursuit of a generally acknowledged and legitimised set of shared values and aims. Failure to achieve rule coherence results in 'organisational neurosis': a fragmentation of direction, effort and commitment, and a loss of effectiveness. It is typically associated with NGOs seeking to satisfy incompatible perspectives and agendas, particularly with regard to the interests of intended beneficiaries, staff, donors and government authorities.

The process of achieving organisational effectiveness depends on *how* rules (i.e. organisational forms) evolve, i.e. their dynamic processes. The search for general principles of, and practical tools for, organisational effectiveness should not focus on one particular organisational form over another. The table shows four tools which have strong potential for enhancing value-based effectiveness.

These tools complement and enhance existing approaches, and can be applied (with varying degrees of usefulness) across different areas of organisation development, such as partner selection, planning, monitoring and evaluation, and general organisational development.

Wider use of value-based organisation development tools such as these would enhance the effectiveness of NGO learning and decision-making processes, and strengthen NGO partners' ability to contribute to NGOs' capacity development and effectiveness.

**Simon Zadek**, The New Economics Foundation, 112-116 Whitechapel Road, London E1 1JE; Tel: (0171) 377 5696; Fax: (0171) 377 5720; E-mail: neweconomics@gn.apc.org

### Overview of Organisation Development Tools

Tool	Brief description
<b>Rule Formation Analysis</b>	To identify and analyse key rule shifts and phases over the life of the organisation, the source of these shifts, and their relationships with value-shifts.
<b>Organisation Ranking Grid</b>	To identify and analyse the manner in which different stakeholders construct their assessments of organisations, and thereby to establish a foundation for more effective mediation between them.
<b>Social Auditing</b>	To assess, report on, and enhance the social impact and ethical behaviour of organisations in relation to their aims and those of their stakeholders.
<b>Social Entrepreneur: Search and Select System</b>	To identify potential 'social entrepreneurs' prior to their having demonstrated effectiveness, and thereby to provide targeted and cost-effective support to potential NGO leaders.

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to those of the organisation that is being supported (though donor requirements for rapid impact and blueprint planning can frustrate this). Such strategies can be – perhaps have to be – resource intensive: another reminder that good development does not necessarily mean cheap development.

Beyond individual organisations, capacity building can also be directed to civil society more generally. Possible strategies in this respect are creation and support for networks among actors in civil society; fostering of improved dialogue among NGOs, government, base organisations, funding agencies and other actors; creating conflict negotiation and resolution mechanisms; and elaborating new funding mechanisms to offer sustainable support to civil society institutions. While this implies a more complicated and more political strategy, it is a vital dimension of socially sustainable development, which warrants greater attention.

These research studies point to several ways in which NGOs can improve their efforts at capacity building. But certain aspects merit further research attention. The conceptual links between capacity building strategies and the socio-political bases of sustainable development need to be explored more carefully. And notions of

capacity building and of the relative roles of Northern and Southern institutions held by NGOs based outside Europe and North America deserve a much more prominent place in the debate.

Editorial drawn from **Tony Bebbington and Diana Mitlin**, 'NGO Capacity and Effectiveness: A Review of NGO-related Research Projects Recently Funded by ESCOR', Report to ODA, International Institute for Environment and Development (IIED), 3 Endsleigh Street, London, WC1H 0DD, Tel: (0171) 388 2117. Fax: (0171) 388 2826, E-mail: d.mitlin@gn.apc.org

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Moreover:

- decisions on collaboration need quickly to be converted into concrete actions which then require close monitoring;
- frustration levels will quickly rise if all plans for joint action have to be referred up the GO hierarchy for approval;
- decentralised decision-taking capacity is essential if the necessary flexibility is to be put in place;
- reform of (especially) public sector personnel management could facilitate collaboration and capacity building;
- although collaboration should in principle be built on the comparative advantage of different types of organisation, in practice each will have to acquire the skills of the

other, at least to some level, if they are to communicate effectively. Thus, NGOs need to build up their skills in agriculture (or be able to access them from independent outsiders) if they are to specify e.g. what agricultural research they require of GOs.

- NGOs and GOs must also enhance their understanding of farmers' abilities to make demands on outside organisations and the limitations they face.

Edging towards collaboration is a delicate and painstaking process. Pioneering efforts in Udaipur and elsewhere suggest that efforts in this direction are only likely to succeed if the NGOs, GOs and international organisations involved can ensure that the above conditions are met.

**John Farrington**, Overseas Development Institute, Regent's College, Regent's Park, London NW1 4NS. E-mail: agren@odi.org.uk

*Publication:* R. G. Alsop, R. Khandelwal, E. Gilbert and J. Farrington: 'The Human Capital Dimension of Collaboration among Government, NGOs and Farm Families: Comparative Advantage, Complications and Observations from an Indian case'. *Agriculture and Human Values* 13(2) pp 3-12 Spring 1996.

## Linking Costs and Benefits in NGO Development Projects

**Hardly any UK NGOs undertake cost-effectiveness analysis and a large majority do not even regularly collect basic cost information and are unaware of cost-effectiveness methods.**

However this (static) picture conceals at least two recent trends, according to an ODI study of recent developments in this field. First, there is a large and growing interest in knowing more about cost-effectiveness, attributable in large measure to the increasing keenness by NGOs to know more about and enhance their development impact. Secondly, a (small) number of NGOs are beginning to focus on different aspects of cost-effectiveness work. Some (such as WaterAid and World Vision) are developing specific cost-effectiveness indicators; others (such as Oxfam and ACORD) are trying to incorporate cost and benefit data into new and often quite rigorous methods of appraisal, monitoring and evaluation; and still others (mostly large and medium-sized NGOs) are focusing on the benefits side of the cost/benefit equation, mainly by working on indicators. A common feature of all these initiatives is that they are still at the experimental stage.

Yet there remains some, and some quite vocal, scepticism and even resistance to a growing cost-effectiveness agenda. It falls into three types. One has its roots in confusion over the terms used (cost-effectiveness, cost-benefit) in large part because different authors have used the same term to mean very different things. A second reason has its origins in lack of interest in cost-effectiveness analysis and the absence of data and skills with which to

conduct such analysis. A third reason is based on the fear that cost-effectiveness methods will taint NGO methods and approaches, by over-emphasising quantitative measurement over qualitative factors, by ignoring beneficiary participation, and by artificially separating cost/benefit from other essential parts of the development process.

In the United States, USAID's 're-engineering' is leading to some profound changes in its relation with PVOs (Private Voluntary Organisations). These include reducing rules and regulations for receipt of government funds; shifting attention from looking closely at project results to building managerial and institutional capacity within PVOs; and encouraging PVOs involved in more narrow micro-enterprise activities to incorporate wider, more qualitative, dimensions when assessing impact.

The ODI study has found no evidence of the World Bank, UN agencies or other bilateral donors which have commissioned NGO impact assessments focusing exclusively on cost-effectiveness issues. Where it is discernible, interest in cost-effectiveness issues is part of more general concerns to improve impact; where there is no explicit evidence of interest in cost-effectiveness issues, this is predominantly because other issues (such as capacity-building) have assumed greater importance. The World Bank still places major emphasis on assessment at the appraisal stage, though it is about to mount a substantial three-continent impact assessment of its NGO work.

The study argues that NGOs ought to be

aware of and begin to move towards undertaking cost-effectiveness analysis in assessing their development work, though this should normally be part of wider analysis and incorporate contributions from the project beneficiaries with the primary purpose of enhancing self-learning.

However, the study cautions against NGOs trying to apply uncritically any universal cost-effectiveness analysis methods, warning in particular against calculating and using cost-per-beneficiary data as the basis for making policy-based decisions about development work. The best way that NGOs can enhance their cost-effectiveness is not by focusing on trying to improve the performance of discrete projects but by addressing weaknesses at the organisational level.

The type of cost-effectiveness approach that might be used at the project level will depend on the nature of projects implemented. The study suggests clustering projects into different types; at one extreme would be innovative, experimental and risky development interventions, at the other would be tried-and-tested service delivery projects and those focusing largely on enterprise development and financial services. Projects in the latter cluster are the most amenable to the development of more specific and more quantitatively-focused indicators.

**Roger Riddell**, ODI, Regent's College, Regent's Park, London NW1 4NS. Tel: (0171) 487 7413, Fax: (0171) 487 7590, E-mail: r.riddell@odi.org.uk *Research Report: 'Linking Costs and Benefits in NGO Development Projects'*, March 1996.

## Participatory Impact Assessment

**Most NGOs have tended to emphasise the usefulness of participatory methods in the appraisal and planning stage of the planning cycle rather than in project evaluation and impact assessment. Indeed, where systems of evaluation have been introduced, this has been more to address the concerns of trustees and donors, rather than in response to any internal imperatives within the organisations or to pressures from 'beneficiaries'.**

Research into evaluation practices in a large number of both local and international NGOs in four developing countries has shown that:

- the NGOs reviewed often lacked a precise enough definition of poverty, and as a result tended to focus evaluations on the achievement of outputs or targets, rather than the impact of a project;
- although many NGOs try to involve the people they wish to assist in the appraisal and design stages of the project cycle, including definition of objectives and priorities, participation in practice tends to be measured by the extent to which people participate in a number of specific activities. There is little dialogue at the community level about how project impact might be assessed, and a lack of clear approaches

and methods for doing so;

- where 'indicators' are used in project monitoring or evaluation, it is rare for the results to be analysed or used creatively in the review of project designs or in discussions with 'beneficiaries';
- it is not possible to identify a 'short-list' of local indicators since by definition these tend to be highly specific to a particular situation. The research has therefore moved on from trying to identify local indicators per se to review and experiment with a broader range of participatory evaluation methods;
- when the role of the NGO is primarily perceived (by NGO or donor) as contractor to the donor, the evaluation function tends to be limited to issues of efficiency and cost-effectiveness, rather than to consideration of the wider impact;
- different categories of people (men, young, old, richer, poorer) in any community have different needs and perceptions about poverty and its causes. 'Beneficiary involvement' in impact assessment must therefore involve different groups and look at the feasibility of negotiating some agreed common indicators among them. Complete reconciliation may not in fact always be possible or desirable, but the process of discussing objectives and indicators

uncovers a wide range of objectives for different groups.

It is clear that, in general, community-based indicators can only be identified and used successfully in projects in which participatory methodologies are pursued at all stages of the project cycle. ACTIONAID is therefore pursuing action-research in six projects in Asia and four in Africa (some operational, some being implemented through local NGO partners). The aim is to refine the concepts and try out processes for participatory evaluation. The work hinges on encouraging specific groups to discuss, over a period of about six months, long term changes that are taking place in their communities and changes they would like to see in future. Various groups are encouraged to categorise priorities which can ultimately be expressed as objectives and indicators. The work will also investigate variances between beneficiary/community perceptions and those of other stakeholders, with a view to suggesting ways of reconciling the two.

**Hugh Goyder**, ACTIONAID, Hamlyn House, Macdonald Road, London N19 5PG; Tel: (0171) 281 4101; Fax: (0171) 263 7599; E-mail: hughg@actionaid.org.uk *Research Report: 'Approaches to Participatory Impact Assessment'*.

## NGOs and the Development of Membership Organisations

Where NGOs were once content to confine themselves to small scale interventions, increasingly they now seek to 'scale-up' the impact of their work. One means to this end is the promotion of membership organisations, which can over time progressively take on more of the NGO's functions. An ongoing research study, involving cases drawn from seven countries in South Asia and sub-Saharan Africa, is exploring the different approaches to institutional development which NGOs have used, and attempting to identify the factors which are critical in helping strong membership organisations to emerge.

The research suggests that successful outcomes nearly always seem to rest, in the first instance, on a sound understanding of existing institutions. A capacity to identify and utilise present sources of social capital can often give new initiatives a head start. Conversely, where the institutions which are in place constitute part of the problem to be addressed, a thorough knowledge of how they operate is indispensable as a means of anticipating and managing the conflicts which will inevitably arise. Many initiatives falter through trying to depart too radically from the status quo, for example, by attempting to introduce collective ownership into production processes which have

conventionally been organised along more individualistic lines.

Another key requirement is that NGOs should start slowly, pilot-testing new ideas carefully with small groups of people, and allowing time for staff skills to develop, before attempting to 'go to scale'. The best NGOs devote two or three years, and sometimes even longer, to these preliminaries.

When an approach is identified for broader dissemination it is important that this should be built around a clear core of mutually-supporting activities with which people will identify, and which will justify the transaction costs incurred by their participation. At the same time, the ideas emerging at this stage should not be 'written in stone'. Institutional development is a long term undertaking, and strategy must be harnessed to a process approach to ensure flexibility in the light of evolving external circumstances.

Once a number of primary groups have been established, the next step is generally to move towards the formation of a federal body. This offers obvious advantages in terms of capacity to represent members' interests in wider fora, to provide access to official and other external resources, and pave the way for eventual NGO disengagement. It is, however, critical that federations should evolve at a pace which is consistent with the development of

members' capacity to manage their own affairs. Where secondary structures are created prematurely, they tend either to be taken over by unrepresentative minorities, or to remain dependent upon the supporting NGO.

A number of wider factors, beyond simple considerations of strategy, can also have a critical bearing upon the outcomes. Institutional development requires a new and more flexible type of structure from the facilitating NGO, where the capacity to access a wide range of expertise matters more than the accumulation of in-house capacity to deliver services. It requires that all of the agencies operating in a particular location should be able to see eye to eye, so that the actions of one will not undermine those of another. In a wider context, it seems to work best where strong indigenous NGOs are already in place, and international NGOs can confine themselves to the financial and more narrowly technical functions which they are best able to discharge. Finally, in anything other than the very long run, it is critically dependent on the broader political and policy environment in which the effort takes place.

**Mick Howes**, Institute of Development Studies, University of Sussex, Falmer, Brighton, BN1 9RE. Tel: (01273) 678690, Fax: (01273) 621202, E-mail: j.l.brown@sussex.ac.uk

## NGO Expansion in an Urban Setting: Bombay

**A review of NGOs in the city of Bombay identified 67 organisations working on service delivery and policy advocacy, almost all small and medium-sized. They face many problems in trying to fill the gap between public sector provision and the needs of the urban poor.**

Few NGOs have concentrated on building the capacity of the community and empowerment and even fewer have had success in this area. Mobilisation and participation are not necessarily cumulative and aggregative processes. The urban poor, with whom NGOs work, once mobilised and made active, may also get depressed and become inactive if tangible benefits are not quickly realised. There seems to be an underlying current of exhaustion and stagnation with the NGO community in the metropolitan area.

Many NGOs have had rapid, ad hoc expansion, forcing them into development

roles, such as policy advocacy, which may not be a suitable expression of their capacity or identity.

Most of the donor funding for NGOs has been stimulated by a sense of frustration with public sector organisations. The status of government as inefficient, unimaginative and unmotivated may become a self-perpetuating reality as increased resources flow to the more dynamic NGOs. They take over many of the functions of government, but on an unaccountable, piecemeal basis. The 'inherent' advantage of the NGOs themselves is gradually worn away by increased bureaucracy, and professionalisation and the shifting of objectives away from social mobilisation towards service delivery and income-generation.

Innovative NGO activities can rarely be replicated on a larger scale by government or other NGOs. Small localised NGOs' success often depends on the dedication

and motivation of a small number of staff of a particular project, which cannot be easily replicated. Small NGO projects often have high costs per beneficiary, so that it is not feasible to replicate them on a large scale. The 'island of improvement' ethos of small isolated projects therefore does not constitute a viable approach in the long term. Finally, competition among NGOs themselves leads to a tendency among NGOs to resist replicating successful experiments by their rivals in cases where replication might otherwise be possible.

**Vandana Desai**, Department of Geography, Royal Holloway, University of London, Egham, Surrey, TW20 0EX. Tel: (01784) 443650, Fax: (01784) 472836, E-mail: v.desai@rhbnc.ac.uk  
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