

Study on capacity development support initiatives and patterns

LCDF research and development phase

Fletcher Tembo



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Study on Capacity Development Support Initiatives & Patterns

LCDF Research and Development Phase

Report for SNV Netherlands Development Organisation, October 2008

Fletcher Tembo

* Disclaimer: The views presented in this paper are those of the authors and do not necessarily represent the views of SNV Netherlands Development Organisation

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Acronyms

| | |
|----------|---------------------------------------------------------------------|
| ACBF | Africa Capacity Building Foundation |
| BCCP | Building Community Capacity Project (CHF) |
| BUSAC | Business Sector Advocacy Challenge Fund (Ghana) |
| C4C | Coalitions for Change (Nigeria) |
| CBAs | Capacity Building Accounts |
| CD | Capacity Development |
| CDS | Capacity Development Services |
| CHF | Canadian Hunger Foundation |
| CHSRF | Canadian Health Services Research Foundation |
| COWI A/S | Consultancy within Engineering, Environmental Science and Economics |
| CSO | Civil Society Organisation |
| Danida | Danish International Development Assistance |
| DCC | District Consultative Committee (Tanzania) |
| DFID | Department for International Development (UK) |
| DGIS | Netherlands Directorate-General of Development Cooperation |
| ebpdn | Evidence-Based Policy in Development Network |
| EC | European Commission |
| EC | Executive Committee (MJF) |
| ESRF | Economic and Social Research Foundation (Tanzania) |
| FC | Funders Committee (G-RAP) |
| FCS | Foundation for Civil Society (Tanzania) |
| FM | Fund Manager (BUSAC) |
| GB | Governing Board (MJF) |
| GPRS | Ghana Poverty Reduction Strategy |
| G-RAP | Ghana Research and Advocacy Programme |
| IBS | Innovative Business Solutions Inc. |
| ICB | Institutional Capacity Building |
| ICD | Institutional Capacity Development |
| ICT | Information and Communication Technology |
| INGOs | International Non-Governmental Organisations |
| INTRAC | International NGO Training and Research Centre |
| LCBs | Local Capacity Builders |
| LCD | Local Capacity Development |
| LCDF | Local Capacity Development Funding Mechanism |
| LINCS | Linking NGOs with Capacity Services |
| M&E | Monitoring and Evaluation |
| MAPS | Multi-Annual Programme Scheme |

| | |
|-------|--------------------------------------------------------|
| MDBS | Multi-Donor Budgetary Support |
| MDG | Millennium Development Goal |
| MJF | Manusher Jonno Foundation |
| MFP | Multi-Stakeholder Forestry Programme |
| MoU | Memorandum of Understanding |
| NGO | Non-Governmental Organisation |
| NGOAB | NGO Affairs Bureau (Bangladesh) |
| OD | Organisational Development |
| ODI | Overseas Development Institute |
| OECD | Organisation for Economic Co-operation and Development |
| ONA | Organisational Network Analysis |
| PB | Programme Board (G-RAP) |
| PPA | Programme Partnership Agreement |
| PMT | Programme Management Team (G-RAP) |
| R&D | Research and Development |
| RAOs | Research and Advocacy Organisations |
| RAPID | Research and Policy in Development |
| SAGE | Service Quality, Assets, Agility, Efficiency |
| SAT | Southern Africa Trust |
| SMT | Senior Management Team (MJF) |
| SNV | Netherlands Development Organisation |
| SWAp | Sector-Wide Approaches |
| TA | Technical Assistance |
| TC | Technical Cooperation |
| ToR | Terms of Reference |
| TRACE | OD Training and Facilitation Centre (Tanzania) |
| VUSTA | Vietnam Union of Science and Technology |

Executive summary

‘The dominant “budget support” modality in international aid does not adequately address demand-oriented capacity development of local actors. SNV therefore aims to help increase access for local organizations to (sustainable) funding for capacity development in a way that empowers them to acquire tailor made services geared towards their needs. To accomplish this goal we will help to stimulate or establish local capacity development funding mechanisms (LCDFs).’

SNV Strategy Paper 2007-2015 ‘Local Impact – Global Presence’ (p 27)

The LCDF research and development (R&D) phase provided an opportunity for the Overseas Development Institute (ODI) and Netherlands Development Organisation (SNV) to jointly explore the fundamental dimensions of SNV’s LCDF concept – starting from its basic assumptions and logic – to see how it can be put into practice in various capacity development (CD) environments. The LCDF initiative has the potential to inform the thinking and practice of the growing consensus of CD as being a ‘beyond training’ approach to one that deals with systemic issues and power relations. In this position, the LCDF, although locally focused, can create positive knock-on effects on the national aid effectiveness agenda and improve progress towards achieving the Millennium Development Goals (MDGs).

Methodologically, the R&D phase used a systematic exploration of literature on a number of existing CD initiatives around the world in order to generate learning from what is already there and inform proper positioning of LCDF. This was done in parallel with joint ODI-SNV visits to five countries in which SNV currently operates. Visits consisted of workshops and discussions with key country and regional level SNV staff. As such, the R&D phase was a dialogical process that used discussions with SNV as the research evolved to sharpen questions for interrogating and generating lessons from non-SNV programmes, which were explored through desk study reviews. In this process, analytical frameworks were developed, checked and sharpened and answers to main research questions also checked and refined.

In terms of critically analysing the conceptual positioning of LCDF, the R&D phase followed the SNV’s Subsidy Application argument of placing the LCDF in a ‘marketplace’. In this position, LCDF is designed as a mechanism to enable ‘affordable’ and accessible CD services (CDS) for sub-national to meso-level organisations in the country’s CD environment. In this position, the hybrid nature of market and social development language is both apparent and unavoidable. However, what was important for the study was to identify some of the prevalent systemic issues that impede the growth and value-added of local markets for CD services. The study showed that consistent systemic issues emerge across a diversity of case studies

Overall, field observations from five countries were consistent with findings from the desk study that focused on a number of LCDF-type initiatives around the world. These case studies provided useful insights for the LCDF design in terms of systemic issues and interventions, from a basic typology of how CD is approached, managed and funded. Three types of approaches have been identified, including: ‘CD as a component of an investment programme’, ‘CD as the programme’ and ‘CD as a product to be transacted in the marketplace’, with many areas of overlap among them. It was evident that each one of these categories had different implications as to why and how CD is managed and funded in different CD environments, and ‘what works’ and ‘what does not work’.

For instance, using this framework, the study was able to characterise the dynamics in demand and supply expression in local environments and the systemic issues that impede proper expression of demand and supply. This in turn helped with understanding how interventions can be

shaped to stimulate CD demand and supply differently in order to improve development programmes. When CD is a component of an investment programme, for example, demand is expressed in the form of externally applied organisational development (OD) assessments of organisations that wish to access funding for the investment project. This happens because CD assessment is a condition for access to project funding and not because CD is a desired outcome on the side of the 'demanding' organisation. The situation is different where CD is separated from the investment programme and is offered and purchased in the marketplace.

The framework also helped with analysing the case studies and discussing the various funding characteristics and logics, as well as governance and management dimensions, including recommendations as to how SNV can position itself when implementing LCDF. As regards funding, for instance, we looked at the 10 cases under study with regard to the following factors: i) what is funded under CD; ii) degree of links to activity/investment funding; iii) duration and evolution of funding; iv) contribution to own resources; v) funding modality; vi) flexibility of funding decisions; and vii) accessibility of funding.

With regard to governance, the main dimensions analysed included such issues as: i) breadth of ownership and complexity of the initiative; ii) composition roles of governing boards; iii) committees and sub-committees and their roles; iv) role of the secretariat and donor positioning; v) financial decision making; iv) regulatory environment; and vii) ownership of the programme and representation of clients. For example, where the idea in question is complex and does not have the buy-in of many stakeholders, even though they may be target beneficiaries, the governance structure will be less bureaucratic, and driven by a strong secretariat, with a board selected on the basis of technical understanding of the issue/theme in question. A broadly understood issue, such as civil society strengthening, on the other hand, would have an elected board and several committees concerned with accountability to many CSOs. LCDF relates more to the former than the latter model.

The main LCDF strategy is to bring together a 'coalition of change' – a constellation of actors from the private sector, civil society, government and different interest groups – which can focus on changing the 'rules of the game' around local markets for CD, alongside deliverables in specific sectors and themes that are of importance to local actors. In other words, the LCDF facility/initiative would be positioned to do two things at the same time. It would aim at addressing systemic issues at national and provincial levels to create a conducive environment, which is a prerequisite for the development of a vibrant CDS market. At the same time, it would aim to improve demand expression and quality of supply for CDS at the sub-national level, where capacity gaps have been identified as a main threat to implementing effective reforms for economic growth and poverty reduction. The analysis has shown that not all advocates or users of CD are able to do this well.

The study has led to the development of various tools and strategies for analysing different environments, such as the value chain logic and the analytical/diagnostic framework. These tools will take different configurations in different contexts with the overall aim of passing on skills to local markets themselves and incrementally reducing the SNV role in these environments. LCDF will then take its own organic shape in different environments, sharing core characteristics and perhaps branding, but working differently in response to the local challenges to CD for better development results.

LCDF will require intellectual drive from SNV in the short to medium term in order to properly clarify logics and value-added in the already complex CD industry in developing countries. This should also inform the choice of national and international partners, because the level of funding that a particular agency is willing to contribute in support of the initiative will not be an adequate indicator of a good LCDF partner.

1. Introduction

'The dominant "budget support" modality in international aid does not adequately address demand-oriented capacity development of local actors. SNV therefore aims to help increase access for local organizations to (sustainable) funding for capacity development in a way that empowers them to acquire tailor made services geared towards their needs. To accomplish this goal we will help to stimulate or establish local capacity development funding mechanisms (LCDFs).'

SNV Strategy Paper 2007-2015 'Local Impact – Global Presence' (p 27)

The Local Capacity Development Fund initiative is part of SNV's 2007–2015 Strategy, constituting one of SNV's four modalities of operation for the coming years.¹ A summary of the LCDF idea as developed by December 2007 is available in Box 1 below. This is intended merely as an overview: the LCDF brief (Annex 1) describes the approach in more detail as part of the evolution of the idea within the research process and not a concluded and established position. .

Box 1: Summary of LCDF idea as developed by December 2007

Aim: Through this channel, SNV aims to increase access to funds for LCD in a way that empowers local actors and allows them to acquire tailor-made services, geared towards their needs.

Why: In the period 2007–2015 the demand for CD support from local-level actors will continuously increase. A significant share of those actors will not be able to obtain such services on the commercial market. At present, this is even the case in relatively advanced economies such as South Africa, Brazil, Mexico or India. There is little reason to believe that this pattern will change in the coming years in the countries SNV is working in. There will thus remain a strong reason to provide subsidies to local CD support in the fight against poverty.

Rationale: Locally governed LCD funding mechanisms are a potentially adequate institutional vehicle for bridging the micro–macro divide and for giving local actors enhanced CD options. They can be an adequate tool to empower local actors and stimulate macro policies and enabling environments to facilitate local results. Independent financing of CD support enables local actors to procure services they need and that address the specificity and complexity of issues that they face (instead of receiving standard training programmes aimed only at partial solutions, and steered from a distance by national actors).

For whom: Such financing windows may give an impulse to both the supply and the demand side. The optimal balance will need to be determined on the basis of an understanding of the local 'market'. It is expected that with the growing quality and volume of local supply, funding can increasingly be used to promote demand.

For what: LCD funding can be used only for CD activities and is deliberately kept separate from programme funding (for implementing development activities) as provided by NGOs and international donors. SNV's experience is that advice and programme implementation need some degree of separation, in order to avoid dependency/overpowering of local actors.

For what specifically:

- Funding is aimed at CD that targets poverty impact and improving governance at meso level: to empower local actors and stimulate macro policies and actors to be relevant to local results.
- It can be generic, or oriented towards certain sectors or types of organisations.
- It will be used for services by local suppliers only (not international consultants).
- Recipients of funds meet certain criteria to be further established (such as limited own capacity to pay for CD services, but the ability to make a contribution).

¹ The other three modalities are: Advisory Services; Knowledge Brokering and Networking; and Advocacy.

Principles of ownership, governance and operation: LCDF funding mechanisms will be stimulated or created with local and international actors and will probably be self-propelling, governed by an independent board and thus locally/regionally owned. More specifically:

- An LCDF mechanism is governed by actors in the countries and regions concerned.
- Allocation is impartial, competition open and against transparent criteria.
- Administrative and financial accountability are firmly established.
- Fund management is independent and done by multi-actor boards.
- Allocation principles will be adjusted to evolution in demand and supply.

Results: The results of SNV's LCDF delivery channel will most likely be measured in terms of:

- Number of countries where funding mechanisms are established with adequate governance structures.
- Co-funding attracted.
- Number of clients served at the local level.
- Number of local capacity builders involved.
- Results achieved by clients and local capacity builders.
- Turnover through these LCD funds.

Evolution over time: Since activities under this channel have not yet been developed or piloted, SNV's thinking is expected to evolve over time and the strategic orientations will grow in depth and detail while SNV plans, operationalises, experiments and scales up this kind of activities.

SNV's role: SNV will act as a co-initiator and will develop concrete propositions for assuring quality criteria. Other actors (both national and international) will be involved from an early stage. SNV will assure that the LCD funding mechanisms will be independently governed. They will not be owned or governed by SNV. Eventually, the LCD funding mechanisms are ideally/possibly to develop into independent and 'self-propelling' set-ups. On the basis of their proven relevance and success, they will attract funding from other sources. SNV's initial financial support can therefore be seen as seed-money, but needs to be substantial enough to develop a certain scale of operations and attract further money on the basis of proven practice. This may very well be a financing option for Embassies over a longer period.

Possible 'vocation' of the LCDF channel: Use funding to strengthen supply & demand of meso-level capacity development in order to: increase development impact, strengthen micro-macro linkages and 'governance for empowerment', and directly support development of local society and relations (as compared to most present aid that is oriented towards/flowing through the central state).

Possible combination of levels: In order to reach out at the local/meso-level, funding mechanisms will usually have to operate within a country or possibly a region of several countries. It is SNV's ambition, however, to help establish a 'family of funds' that have shared principles and quality characteristics. Such family of funds is expected to attract interest of large international parties that may be interested in supporting it. The overall set-up may therefore combine a national/regional and an international level.

Source: LCDF brief (see Annex 1).

This report is the synthesis of a five-stage research and development (R&D) process for the initiative. The Overseas Development Institute (ODI) provided feedback on and input into SNV's major assumptions for the LCDF delivery channel, as well as specific analysis of case studies on approaches to supporting CD, obtained by means of a desk study and selected country visits. Ultimately, this report attempts to address the research angles, and the questions within them, as formulated in the terms of reference (ToR) for this study. These research angles covered various issues of relevance for LCDF, as follows:

- Objective, overall strategy and key parameters;
- Relevant factors and variations in the CD environment;
- Financing strategies;
- Partnership options and strategies;
- Ownership, organisation, sustainability, governance and management requirements;
- SNV'S role and operations; and
- The growth of the LCDF channel: dynamics and projections.

This report focuses mainly on the research findings from the desk study, in which 35 case studies were explored systematically, and 10 case studies with a greater resonance for the LCDF ambition were studied in detail. It draws also on ongoing reflections and discussions between ODI and SNV leaders and staff; field visits to five countries (Cameroon, Tanzania, Vietnam, Peru and Montenegro) conducted from February to April 2008 by Fletcher Tembo (ODI) and Jan Ubels (SNV); and the main workshop conducted at SNV headquarters in The Hague in May 2008. The main workshop drew together SNV representatives from the five countries, SNV headquarters and ODI. These activities, which ran in parallel with the desk study, informed the choice of and interpretation of lessons from case studies identified through the desk study process.

CD is defined in SNV as ‘the emergence of power to perform’, seen in practice when change in performance happens (Ubels 2005). Thinking and approach surrounding CD have changed significantly over decades of theory and practice. Focus has moved from individual performance, to organisations and then to institutions (as the major players that shape organisational and individual performance) and the alignment of these three arenas of performance. CD practitioners have also realised that it is important to move beyond such alignment (Taylor and Clark 2008) ‘to encourage deeper meanings of knowledge, learning and change; to better understand the way power relations influence the capacity of individuals and organizations to engage as actors in processes of development and change; and to explore more systemic approaches to learning and change’.

The underlying argument for LCDF in the current CD context is that systemic issues affect the delivery of local capacity development (LCD), and hence the effectiveness and overall impact of development programmes on progress towards the Millennium Development Goals (MDGs). LCD is affected in terms of its capacity to change and influence the ‘rules of the game’ of CD provision itself, the demand and supply of LCD services and their quality (see Annex 1 for LCDF brief). As such, the LCDF desk study set out specifically to look at several cases, across several geographical, organisational and thematic landscapes, in order to find:

- Examples of LCD interventions, facilities and approaches that enable multi-stakeholder engagements and brokering of multi-actor relationships that can change CD ‘rules of the game’;
- Demand and supply dynamics between populations of LCD providers and recipient organisations;
- Financing and governance logics associated with demand and supply of CD services; and
- A deeper characterisation of LCD service providers in various contexts.

One finding emerging from both the systematic desk study and the field visits is that in none of the contexts studied does an LCDF-type mechanism currently exist that could be replicated in accordance with the LCDF ambition as described in the ToR. Instead, a number of significant cases shed light on various elements of LCDF, with some cases exhibiting characteristics that were much closer to what was being looked for in the LCDF design than others.² In other words, LCDF is likely to be an initiative that draws together elements of various other experiences and not a replica of a complete existing LCD design.

The main limitation in the LCDF R&D phase, one that is common to all literature-based studies, was that the desk study component was not able to dig much deeper into the ideas, philosophies and impulses behind the documents and reports studied. This was mitigated by the five field visits undertaken alongside the desk-based study. In addition, continuous dialogue with key SNV staff and telephone interviews with some of the key informants in the CD service industry were ongoing as the study was being conducted. As a result, one of the key recommendations emerging from this study is that SNV implements the LCDF mechanism through a learning process approach, one which has inbuilt space for experimentation and adjustments as the initiatives take shape in the different and diverse contexts.

² The closest are several kinds of ‘trust funds’ that have emerged to support local development processes.

Section 2 of this report describes the methodology used for this study and Section 3 presents an overview of the LCDF ambition. Section 4 reviews current concepts of CD and Section 5 looks at existing approaches to supporting CD. Sections 6, 7 and 8 cover issues arising from the case studies, dealing with supply and demand, funding and governance, respectively, as observed across the various CD initiatives and environments. The report then goes on to make recommendations (Section 9), describe the partnership approach (Section 10) and conclude, by putting forward proposals on a role for SNV (Section 11).

2. Methodology

The desk study, the main task of ODI in the LCDF R&D phase, employed a modified version of the expert-recommended systematic literature review approach pioneered by the Canadian Health Services Research Foundation (CHSRF) (see Lomas et al 2005).

This method is based on a systematic approach to data sources. In this case, an initial list of key experts, organisations, sources and cases was brought together to serve as a starting point. This was collated from sources drawn on in the first phase of the study, from recommendations by ODI colleagues and through web searches (based on a collaboratively produced schema for keyword searches).

A 'snowballing' technique added to this database of contacts, literature and organisations: more web searches were carried out based on new keywords emerging from important sources; literature was scoured for important bibliographical references as well as key authors, organisations and cases; and organisations' websites were trawled for cases, key informants, literature and other relevant organisations.

In addition to the snowballing technique, further depth was given to the study in a variety of ways. For example, a number of cases were obtained by contacting organisations identified through ODI's Evidence-Based Policy in Development Network (www.ebpdn.org), and resources were obtained through the ODI-SNV field visit of February 2008.

These methods resulted in a database of key contacts, organisations and sources and an annotated bibliography of the sources most relevant to LCDF. A total of 35 cases were selected from the database (see Annex 2; Annex 3 gives a list of key organisations that work on CD using various approaches).

A methodology workshop was held at ODI in which three key SNV staff members and ODI researchers sharpened the conceptual thinking of LCDF and focused the research questions. The methodology workshop helped formulate the LCDF idea more concisely and specifically, producing as outputs a brief (Annex 1) and an analytical/diagnostic framework (Annex 4). These two documents became the basis for further field investigations carried out in Tanzania and Vietnam (by ODI) and Peru and Montenegro (by SNV).

The brief was also to be used for any initial contacts with other agencies that could be key LCDF partners at the international level. The diagnostic framework was useful in further exploring the case studies in the database in order to identify features that were relevant to LCDF design. Some of the case studies provided more information than others in terms of answering the questions in the LCDF analytical framework. This resulted in a further selection of relevant cases: the identification of the 10 'good' cases³ from the 35, as well as purposively selected additional cases that demonstrated many dimensions looked for in the LCDF design questions. These 10 cases are summarised in Annex 5.

A workshop was held from 19–22 May 2008 in The Hague, Netherlands, to review the results of reconnaissance studies carried out by the five SNV country offices. The overall aim of the workshop was to construct the concept, defining characteristics and indicative 'contours' (design parameters) of the LCDF initiative. SNV country representatives and staff and ODI researchers gave presentations, developed a matrix of key defining characteristics/factors of LCDF and attempted to design the initiative for their own contexts. In addition, the workshop mapped out

³ 'Good' in terms of having various dimensions that related to the questions asked in the LCDF design, as well as other minor considerations such as geographical representation in the mix at which we were looking. This does not imply that the other 25 cases were removed from the analysis.

systemic issues more precisely. More work needed to be carried out in the respective countries with regard to more consultative and in-depth market diagnosis and definition of market characteristics before the interventions could be designed.

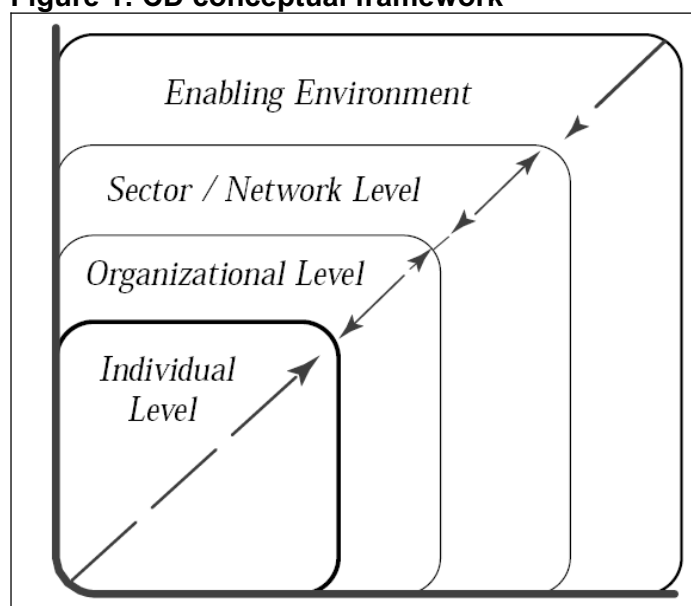
Having looked in detail here at the methodology involved in this desk study and review, we will move on to look at the results, in terms of what learning can be drawn out of the case studies for possible application in the LCDF design. Before we do this, however, it is important to provide a brief overview of current CD thinking, as background to the in-depth analysis that follows. Section 3 presents such an overview.

3. Current concepts of capacity development

Understandings of and approaches to CD have moved a long way over the decades of development and poverty reduction. However, CD remains a vague and general concept, encompassing a wide variety of approaches and methodologies and open to different interpretations and definitions (Gordijin 2006; Taylor and Clarke 2008). One well-documented account of these changes (DFID 2002) notes that, in the 1960s and 1970s, CD focused on the capacity of individuals in key organisational positions, through the provision of training and skills, tools and equipment. The emphasis was on filling ‘capacity’ gaps identified by human resource audits so that either scholarships or ‘on-the-job’ training could be offered to these individuals. In the 1980s, the focus shifted to the capacity of the organisation, in terms of restructuring and sometimes redesign. Changes were made to policymaking, human resources and financial systems, and to the way in which services were delivered. It became clear, however, that organisations in many parts of the developing world remained unreformed – change and improved capacity remained distant objectives.

A decade later, in the 1990s, it was noted that change required CD that went beyond individuals and organisations to address institutional challenges as well (DFID 2002). CD thinking then shifted to cover the wider ‘institutional framework’, both formal and informal. Formal institutions include the legal system, property rights, the relationship of the executive with the legislature, etc. Informal institutions are the norms and values that influence individual and collective behaviour. The idea was to find proper alignment between the individual and the organisation, and between the organisation and the wider environment defined through institutions (the ‘rules of the game’). Figure 1 illustrates these linkages, with the inclusion of sector/network-level issues, which pertain to CD initiatives that focus on policy reform, improvements in service delivery or increased coordination among institutions. In this case, investments may target the sector as a whole or a sub-sector or, alternatively, focus on themes (e.g. poverty reduction). Networks make evident the importance of collaboration within and across sectoral, thematic or other types of programmes in any attempt to strengthen or more effectively utilise capacity (CIDA 2000).

Figure 1: CD conceptual framework



Source: CIDA (2000).

Despite these developments, current evaluations recognise that CD is still a catch-all concept, incorporating almost any form of technical assistance (TA), and one that is presented mostly as a

neutral, value-free form of engagement among actors (Taylor and Clarke 2008). This is despite the increasing relevance of CD to the broad agenda of achieving the MDGs. Huge donor resources continue to go into technical cooperation (TC) and various forms of training-related 'capacity building', with no evidence of either improved impact or improved efficiency (UNDP 2006).⁴ The implementation of TC and 'training-based' capacity building relies largely on the services of subcontracted and often context-detached 'CD specialists', who are generally not held accountable for how their interventions combine with other efforts to affect overall capacity downstream (Inbal 2008). The new increase in public and private aid resources to development, coming from philanthropic shifts towards mainstreaming development, is not challenging this paradigm. The capacity building solutions adopted take the instrumental model, using more training and organisational procedures to address delays and bottlenecks within organisations, in order that investment results be achieved quickly (Dalberg 2006).

The current belief among 'key CD practitioners' is that it is important to move the thinking and approach to CD beyond the instrumental and technical understanding of knowledge to 'debates around deeper meanings of knowledge, learning and change' (Taylor and Clarke 2008). As we saw in Section 1, this also means a better understanding of 'the way power relations influence the capacity of individuals and organizations to engage as actors in processes of development and change' and exploration of 'more systemic approaches to learning and change'.

According to this analysis, there is enough evidence showing that CD has an instrumental and technical approach (adopting mechanical fixes for technical blocks, applying predetermined inputs for training, organisational development – OD – or institutional reform), but little attention to systematic contextual assessment of capacity needs or drawing on valuable knowledge associated with wider disciplines (Taylor and Clarke 2008). Box 2 presents an example of new thoughts on what needs to be done in order to change the thinking and practice of CD towards ways that can effectively promote development and poverty reduction objectives.

Box 2: Example of recent CD conceptual thinking

On the basis of this evidence, how might we re-imagine CD processes? Energy for good change exists in every context, but we must learn to construct approaches to detect the dynamics of specific contexts and to mobilise and nurture this energy productively through a process of dialogue. This means focusing on change and adaptive management in an approach rooted in endogenous strengths, needs, aspirations and expectations arising from specific contexts, rather than seeing CD always from an exogenous, deficit perspective.

We believe that a real sea-change may be achieved in how CD is understood and practiced, by:

- Promoting empowering relationships;
- Supporting rallying ideas;
- Mobilising dynamic agents;
- Proactively framing and shaping the context for CD;
- Enhancing grounding/enabling knowledge and skills through systemic learning processes.

Source: Taylor and Clarke (2008).

For the LCDF initiative to be effective, it needs to contribute to current CD thinking and practice, as discussed here. Section 4 provides a critical analysis of the main issues in CD that the LCDF initiative seeks to address.

⁴ According to UNDP (2006), despite an average of US\$15 billion a year being spent on CD, the shift from the technical cooperation paradigm to CD is slow. This leads to questions as to whether using technical cooperation as a proxy for CD in the Paris Declaration and its fourth indicator captured the essence of CD. Currently, CD is a priority for both donor and recipient governments but remains elusive in terms concrete implementation.

4. The LCDF ambition

The major paradigmatic issues in CD that are relevant to LCDF, as implicit in SNV's assumptions (developed in the Subsidy Application and the ToR for the study), include the positioning of LCDF: i) as a facility for stimulating the provision of local CD services in the CD marketplace; ii) as a mechanism for pulling CD resources towards local or sub-national level; iii) as a mechanism for bridging the macro–micro gap; and iv) as a way to create multi-stakeholder or 'coalitions of change' actors to generate an enabling environment to address systemic issues in the CD market.

4.1 Capacity development services in 'the marketplace'

The SNV Subsidy Application (2007–2015) articulates that the 'demand from local actors for affordable advice and capacity development support is increasing' and situates the search for the solution to the CD challenge within the 'marketplace'. It is here that the assumption that 'local actor demand for affordable CD is increasing' can be tested. In this R&D phase of LCDF, the expression of demand and supply around CD has been taken as a fundamental variable or characteristic of LCDF. In other words, the demand and supply dynamics of CD service provision are significant to the design of LCDF. They are neither properly interrogated nor emphasised in public sector CD, as articulated by the Organisation for Economic Co-operation and Development (OECD 2005), for instance.

It is envisaged that the positioning and facilitation of CD service provision in the marketplace, through the use of LCDF, would increase the ultimate value-added of CD for development outcomes or efficiency in achieving results. This would appeal to a wide range of stakeholders, who currently do not address the negative effects of market distortions that arise from uncoordinated activities, use of wrong incentives and misplaced support for local CD in their search for better development results.

4.2 Pulling capacity development funding to the sub-national level

The ability to pull CD services and funding to the sub-national level, and making access affordable at that level, is a key feature for LCDF, as articulated in the Subsidy Application and ToR. This dimension leads LCDF to resemble the emerging family of local funds in the form of 'trust funds' and community development foundations. Local funds are 'quick-disbursing, relatively autonomous from government structures and procedures, and driven by a demand-led approach in which the public voice informs project design, implementation and monitoring' (Beall 2005, cited in Wiseman 2006). However, unlike local funds, LCDF is not positioned to assist communities directly and is not meant to fund investment projects. It also does not act deliberately to incentivise or stimulate the local market for CD. However, as a result of its location, it is envisaged that this will happen as one of the unintended outcomes of interventions.

This sub-national positioning of the LCD market is potentially the link point with decentralisation processes and funding systems on the official aid chain, which are currently being promoted in most developing country contexts. This includes the five countries that participated in the LCDF R&D phase. For instance, the Cameroon case study indicates that the decentralisation process has brought to the fore a new category of actors: local governments. Currently, more than 400 local 'councils' are operating in the country; a huge capacity gap has been identified in local government, which has taken up more responsibilities from central government. The Vietnam case supports this analysis: local government capacity for effective planning, management of various local affairs, etc. is not a priority, as funding decisions are made by central government. Furthermore, although the past three years have seen a large amount of funding made available

for the Vietnamese government by donors for the implementation of national target programmes under general budget support, the fund for capacity building is too small considering the increasing workload delegated to local government.

It is important to note, however, that major challenges in decentralisation are also to do with the nature of reforms within government. The Tanzania case, for instance, cites the often late disbursement of funds from central government, which makes it difficult for local government authorities to plan and implement programmes in a timely manner and in line with their priorities (for example, the third and fourth instalments of the 2008 budget were made available only in May 2008: the financial year ends in June). The Tanzania case further points to inhibiting laws, such as the Local Government Law (No. 13 of 2006) regarding the establishment of district consultative committees (DCC). DCC composition is dominated by government officials; non-state actors can be invited only at the discretion of the chairperson (the district commissioner). There is also legislation that can jeopardise the right to access to information, in particular the National Security Act, which has a provision enabling the government to qualify information as 'classified' or 'secret'. The authority to classify information is present at all levels of government; this clause can easily result in misuse and therefore in limited access to information that could be useful for LCDF in facilitating the pull of CD funds to the sub-national level.

4.3 Bridging the micro–macro gap

The SNV Subsidy Application makes the assumption that the LCDF initiative can help bridge the micro–macro gap, between national-level policymaking and sub-national or local-level actions and practices. Seven development challenges resulting from lack of attention to this macro–micro gap are listed in the Subsidy Application. These include:

- 1) Lack of broad ownership of such plans (including, for example, the non-inclusion of women or minority groups in their design);
- 2) Failure to tap into available local knowledge and existing local dynamics, and the underutilisation of resources (both human and financial) to implement development activities;
- 3) Insufficient checks and balances of the different levels in between the micro and the macro;
- 4) Collision between sectoral planning and budgeting logics at the national level and decentralised planning and implementation logics at the local level that undermine the sustainability of local actions;
- 5) Complex local realities that tend to be poorly reflected in the sectoral frameworks provided by sector-wide approaches (SWAs), resulting in non-integrated development at the local level and insufficient opportunities for tailor-made solutions adapted to the local situation;
- 6) Actors at the local level who lack the absorption capacity to play an effective and efficient role in the implementation of sector policies; and
- 7) Decentralisation that is not accompanied by the necessary transfer of resources, limiting the options of sub-national governments and other local actors to pursue effective local development solutions.

The focus on bridging the micro–macro gap in order to address the problems listed above is the basis for SNV's focus on working with 'meso-level' entities, such as local and regional governments, non-governmental organisation (NGO) membership organisations and private sector associations. Although a number of large development agencies have attempted to work with these organisations, they have tended to approach them from a macro-level framework: they have hence not gone a step further in working specifically at the interface between national policymaking and poverty reduction at a local level (ECDPM 2004). This has resulted in both policies irrelevant for addressing local problems and a lack of bottom-up influence on policies and practices.

Literature on aid architecture, such as the Paris Declaration and the recently concluded Accra Agenda for Action on aid effectiveness, supports the statement on macro–micro challenges as

listed above. However, from what was observed during interactions with SNV staff in the countries visited, the practical meaning of ‘meso-level’ organisations as a category should be based on a ‘sphere of action’ rather than a ‘spatial’ categorisation that one would consistently attach to one group of organisations or another. In this case, ‘macro’ is where ‘national policy decisions’ are made and ‘micro’ is where implementation happens, along with the different issues to do with working with poor people and their organisations. The problem with spatial categorisation is that it ascribes a category according to where an office is based, e.g. a city-based or rural/sub-national-level-based organisation. This is not useful: most organisations are based in the city but their work may be more active at the rural/sub-national level. It is more useful to approach organisations from the perspective of their functions. ODI’s work with the Research and Policy in Development (RAPID) framework⁵ suggests that effectiveness comes more from links among organisations operating at different spheres of influence than from one group of organisations located in a particular sphere.

This conceptualisation redefines the meso level as a sphere of action; hence, LCDF focuses on ‘multi-stakeholder’ actions in a particular sphere where different organisations are working. This approach could improve the CD service environment for organisations that work directly with poor people, mostly through investment programmes such as those in water, education and small enterprise development. It would also give proper shape to the SNV Subsidy Application proposal to fill the micro–macro gap through partnerships with national and international agencies (for example in a specific sector). The approach will inform both the choice of partners and how to work with them in the LCDF approach.

4.4 Creating multi-stakeholder engagements for change

LCDF is targeting enabling environments and systemic problems which impede the local market of CD services from effective achievement of development goals, as this aspect is neglected or underprovided for. LCDF is relevant to the CD environment with regard to a range of basic services in the social (water and sanitation, education, health, energy, etc.) and economic (agriculture, forestry, tourism, etc.) spheres. Local CD environments have specialised elements, corresponding to the nature of the sector or activity, as well as generic characteristics and challenges. The ambition is to develop approaches and modalities that help tackle the pertinent systemic issues that create local CD market bottlenecks across a considerable number of sectors, themes and countries. In this context, relations between CD providers and users are also sometimes troublesome and unsatisfactory, on both sides.

Individual organisations on both the supply and the demand side lack incentives and opportunities to come together and negotiate more satisfactory ‘rules of engagement’ for the CD market that work well for them and improve development results. This happens because there are often inequalities among CD stakeholders as a result of unequal access to knowledge, time and resources. Unfortunately, in this case, stakeholders most at risk (especially those operating at sub-national level) are left exposed and unsupported, because there is a general lack of commitment by process initiators and funders to tackling these issues. The specific role of organising such negotiations and brokering solutions to shared problems needs to be performed by a ‘third party’ of some sort, a role that the LCDF initiative can play in different country contexts.

The ambition in this case is for the LCDF initiative to bring together ‘coalitions of change’ actors that can negotiate appropriate rules of the game for a growing LCD market, in order to enable them to thrive and produce better development results than is the case in most contexts. This, too, can be considered a CD service, even though it is different from what is normally conveyed by this phrase. In general, multi-stakeholder and brokering work is not adequately stimulated or funded.

⁵ The RAPID framework works systemically through key dimensions of policy influence including evidence, links, politics and the wider environment.

The LCDF facility/initiative would be positioned to do two things. It would aim to address systemic issues at national level and provincial level in order to create a conducive environment, which is a prerequisite for the development of a vibrant capacity development services (CDS) market. At the same time, it would aim to improve demand expression and quality of supply for CDS at sub-national level, where capacity gaps have been identified as a main threat to implementing effective reforms for economic growth and poverty reduction.

4.5 Summary

With regard to the four major paradigmatic areas of CD, LCDF could have impacts as follows:

- Using LCDF to position and facilitate CD service provision in the marketplace could increase the value-added of CD in terms of development outcomes and efficiency.
- Pulling CD funding to the sub-national level could facilitate the important links for improving benefits to local levels from the ongoing national government decentralisation processes and funding systems on the official development aid chain. This, of course, will depend on the type of government in place in each given context.
- Bridging the micro–macro gap between national-level policymaking and sub-national or local-level actions and practices, by working with ‘meso-level’ entities, could help with making national development policies relevant to local realities.
- LCDF’s intention to create multi-stakeholder engagements for change could reduce market bottlenecks across sectors, themes and countries, through the creation of ‘coalitions of change’ actors. The coalition of change actors will negotiate appropriate rules of the game for the LCD market (addressing systemic issues at national and provincial level and improving demand expression and quality of supply at sub-national level).

The next section presents the key findings of the desk review on approaches to supporting CD, as taken from the 10 major case studies. This overview aims to support the analysis already provided and to enable SNV to inform LCDF design with the experience of different models of approach.

5. Existing approaches to supporting capacity development

This section discusses key findings in terms of different models of CD approach in the different CD environments reviewed (through the case studies identified in the systematic desk study – explained in Section 2). As already stated, two processes ran in parallel: the field reconnaissance undertaken by five SNV country offices and ODI’s desk study. The field reconnaissance in the five countries (Tanzania, Cameroon, Peru, Vietnam and Montenegro) was based mostly on SNV’s ongoing work and commissioned studies, and used the analytical/diagnostic framework that was discussed during visits by the research team to each country. This report does not discuss in great depth the outcomes of these SNV country environment scanning processes because a parallel process to capture and include them in the overall strategic direction that SNV was developing was ongoing while the study was underway. Box 3 presents some of the issues observed in the SNV country reconnaissance studies.

Box 3: Examples of CD issues observed in the reconnaissance studies

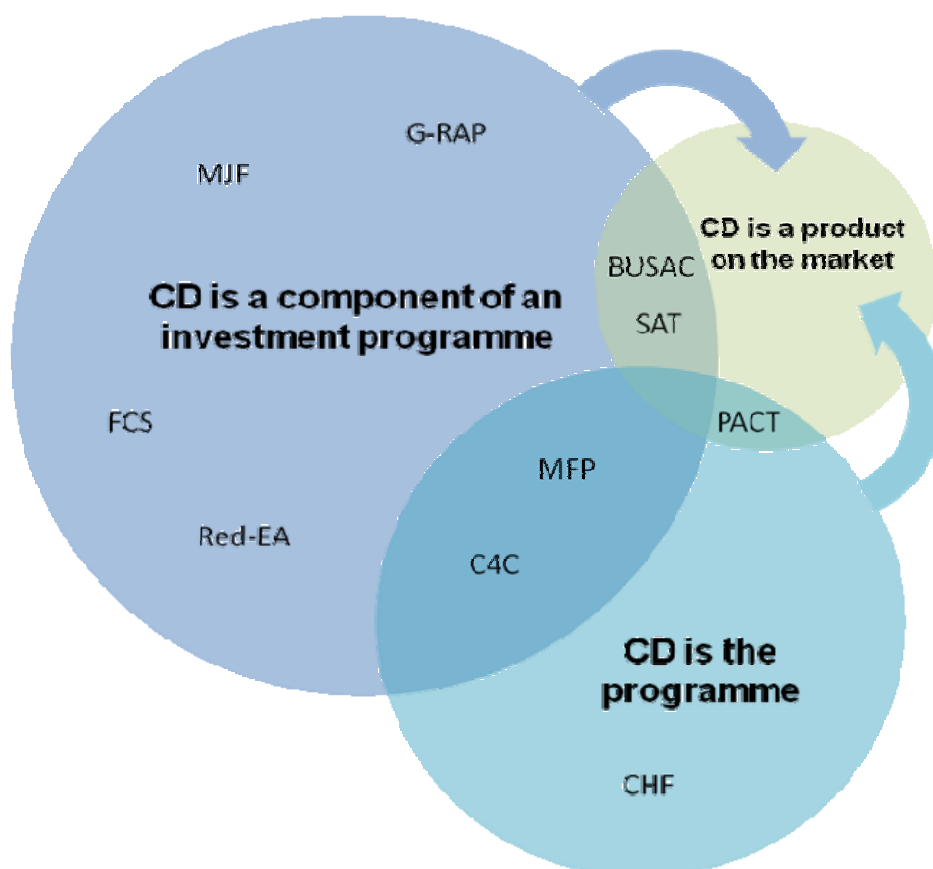
- Organisations working at national level spend more on CD than local organisations.
- Support services are usually pre-packaged at the national level and, as a result of being far away from implementation contexts, they are largely irrelevant.
- There is a fragmented, unclear and inaccessible market of CD support services for local CD users.
- There are complex and uncoordinated paying and buying relationships among CDS ‘purchasers’, ‘providers’ and ‘consumers’.
- Established providers tend to be few and concentrated in the one or two major towns of a country. Otherwise, the support environment is still poorly developed at sub-national level, even in most of the provincial towns.
- Quality and collaboration of the community of ‘national leaders’ in CD service provision in each given field or sector is poor.
- Linkages between national- and local-level CD providers, especially with regard to exchange of information and knowledge, quality and evidence-based policy influencing, tend to be poor or non-existent.
- There is a lack of proper information and coordination between CDS ‘consumers’, ‘purchasers’ and ‘providers’.
- There is generally poor attention to multi-actor engagement and medium-term ‘accompaniment’, especially at local level.
- Quality and accountability issues are not attended to in local CDS markets.
- Funding flows and conditions are not conducive to CD at the sub-national level, as they are mostly tied to investment programmes.
- Political and regulatory environments shape the nature of CDS.
- Government vision for CDS is a significant factor affecting CD support initiatives.

The 35 case studies reviewed in the desk study (Annex 2) showed that there is wide variety of understanding and support for capacity development in across the world, without easily identifiable patterns. As stated in the methodology section, the approach in this R&D phase, was therefore, to concentrate lesson learning on the 10 cases that had a wider and deeper resonance with (in terms of having many characteristics of) the LCDF ambition as described in the ToR and the diagnostic framework, without necessarily losing the population of other cases. These 10 case studies generate more issues which can inform the LCDF design than do the other cases in the original sample of 35; as such, they deserve much more analytical concentration. As shown in Annex 5, the main lessons for LCDF fell under: CD focus; characteristics of demand and supply; governance structure/organisational setup; funding sources/what is funded; and successes and lessons learnt (to illuminate the effectiveness of the various approaches in CD). These areas respond to most of the research angles listed in the ToR for the study, and are discussed in this and the three sections that follow.

This section discusses observations from the 10 case studies about the different CD approaches that were being used in different contexts. Three main ways in which CD is managed or ‘done’ emerge. These include CD as a component of an investment programme, CD as the programme itself and CD as a product in the development market. This typology significantly assists with an analytical understanding of how CD demand and supply dynamics are managed, organisational and financing decisions are made and governance and partnerships are developed in different environments. In other words, it helps clarify why different organisations manage CD for the CD purposes within their missions.

For most of the projects reviewed, CD is part of an investment programme. A small number of projects had CD as the main objective. There are very few examples of CD as a product in the marketplace. See Figure 2; the subsequent sections go into more detail on the various approaches.

Figure 2: Typology of CD approach



Note: FCS = Foundation for Civil Society (Tanzania), MJF = Manusher Jonno Foundation (Bangladesh), C4C = Coalitions for Change (Nigeria), G-RAP = Ghana Research and Advocacy Organisations (Ghana), MFP = Multi-stakeholder Forestry Programme (Indonesia), CHF = Canadian Hunger Foundation (retained original name, Canada), SAT = Southern Africa Trust (South Africa based), BUSAC = Business Sector Advocacy Challenge Fund (Ghana).

5.1 Capacity development as a component of an investment programme

CD as a component of an investment programme comprises initiatives where CD is one of the inputs or ingredients for achieving development goals. These goals can be sectoral, e.g. health and education or raising income levels, or thematic, such as voice and accountability, rights and

governance. In this case, CD is listed as either one of the activities or outputs of the programme or project, but not a distinct and measurable outcome. Examples include organisations such as RedEAmérica, Manusher Jonno Foundation in Bangladesh (MJF), Foundation for Civil Society in Tanzania (FCS) and Ghana Research and Advocacy Programme (G-RAP). FCS, for instance, aims to develop a vibrant civil society that engages in the productive process and promotes human rights. Box 4 shows how CD is located within FCS.

Box 4: CD as a component of an investment programme: FCS

Mission:

To provide grants and other capacity building support to civil society organisations (CSOs) to enable economically disadvantaged and vulnerable citizens to:

- Access information and understand policies, laws and their rights;
- Engage effectively in policy formulation and monitoring on poverty reduction;
- Contribute to social development and to constructively hold government and private sectors to account.

Aim:

The Foundation aims to establish an intermediary support mechanism for CSOs which will enable effective engagement in poverty reduction efforts as set out in Government of Tanzania policies: Vision 2025, the Tanzania Assistance Strategy and the National Strategy for Growth and Reduction of Poverty. The Foundation is one of the largest support mechanisms for civil society in Tanzania, and is committed to delivering grant aid and supporting capacity building initiatives as a means of strengthening effective engagement in poverty reduction.

Departments:

The Grants Department is primarily responsible for issues regarding grants. It is responsible for grants information dissemination through information sessions, grants application processing and contract management of the projects. The department is implementing these activities through site visits, information sessions in the regions and reports analysis.

The Development Department has the overall responsibility of developing and monitoring the Foundation's policies and procedures. It is a resource centre for the organisation. Specifically, the department's role is to make sure that the intended outputs and impacts of the Foundation's services are realised effectively through impact assessments, grantees' auditing, information gathering and dissemination, enhancing partnership and networks, conducting participatory research on CSOs, capacity development for CSOs and public engagement through public policy dialogues.

Source: www.thefoundation-tz.org/about-the-foundation.php.

The argument for most of these organisations is that CD is a means to an end. However, they control CD based on its contribution to tightly defined outcomes that are not CD itself; investment in CD is made only on the approval of the main investment programme and can only be used within it. When the investment programme has been phased out, CD activities also come to an end.

5.2 Capacity development as the programme

CD as the programme covers organisations that exist to provide or facilitate the provision of CD. In this case, CD is the programme, and is detached from projects at the immediate output–outcome interface level of the intervention logic. Examples include the CHF (formerly the Canadian Hunger Foundation) (especially the Building Community Capacity Project – BCCP) and SNV. Basically, the main output is CD, although organisations make it clear that this CD contributes to sustainable livelihoods (CHF) or improving production, incomes and employment (SNV). It includes government-supported capacity building or research institutes that are dedicated to providing training modules to a wide range of stakeholders on a combination of research interests and CD. Box 5 below, shows an example of the CHF programme that had a clear CD focus

Box 5: CD as the programme: CHF in Guyana

Guyana, like many developing countries, has not been able to maintain adequate social and productive services that reach the rural and urban poor. Government services have been retrenched. NGOs and community groups have been asked in many cases to fill growing gaps left by diminished government capacity. However, NGOs themselves lack the capacity to effectively deliver services required by their members and the wider populations of urban and rural poor. CHF is a non-profit organisation dedicated to enabling poor rural communities in developing countries to attain sustainable livelihoods. Its Building Community Capacity Project (BCCP) was designed to build capacity in Guyanese organisations so that they can become more effective and efficient in delivering their development services.

The BCCP was launched in 1996. The project focused on the capacity building of 20 Guyanese NGOs and has achieved dramatic results. The dynamic growth and performance statistics experienced by the NGOs testify to the level of success the CHF-BCCP model has achieved in working with the 20 local organisations. Since the organisations started to benefit from BCCP's assistance:

- Their membership increased from 19,500 to 31,870 – an increase of 63% over baseline data.
- The number of paid staff increased from 236 to 343 – an increase of 45% over baseline data. The growth in staff is a significant achievement considering that most of these staff are funded from the organisation's own resources and not tied to donor assistance.
- The number of beneficiaries increased from 109,655 to 296,485 – an impressive increase of 170% over baseline data.
- Programmes and services dramatically expanded – an increase of 120% over baseline data.
- Financial resources increased threefold.
- These organisations' services may now reach close to a third of the total Guyanese population as direct beneficiaries*.

* This statistic must be viewed in light of the fact that, to some degree, the organisations could be serving the same beneficiaries, which would make for the double counting of beneficiaries.

CHF-BCCP provided six types of support to participating organisations in order to achieve these results:

- Technical assistance from a Technical Support Team of Canadian and Guyanese consultants including support from the BCCP Technical Team;
- Training assistance through on-the-job training, seminars and in-house workshops;
- A 'recurring costs' facility that provided additional skilled personnel for key programmes of organisations, and on a selective basis, some operational costs;
- Equipment and material necessary to enhance organisational efficiency;
- Assistance in undertaking networking activities and establishing affiliations with organisations with similar programmes in Guyana, the Caribbean and Canada;
- Subproject funding assistance to expand key programmes or enter new programme areas which serve the strategic interests of organisations as well as the needs of target groups.

The main finding of the CHF-BCCP Lessons Learned study that was conducted on this capacity building project was that *the key to the success of the BCCP capacity building initiative was the development of an organisational coaching model which tailored each individual capacity building intervention to the specific needs and abilities of each organisation at any given time.*

Source: www.chf-partners.ca/downloads/bccp.pdf.

The 'CD as the programme' organisations also exist at regional and national levels. The Economic and Social Research Foundation (ESRF) in Tanzania, whose main objective is 'to strengthen capabilities in policy analysis and development management and to enhance understanding of policy options', is a good example.⁶ Some of ESRF's activities include joint research and short-term assignments pursued together with public servants and the private sector; work attachments provided for both junior and senior researchers; hosting visiting local and international scholars; and running short courses, trainings and seminars.

Organisations in this category are supported largely through core funding from institutional donors (e.g. the UK Department for International Development – DFID – or the Netherlands Directorate-General of Development Cooperation – DGIS) and also from private donors such as the Ford

⁶ See www.esrftz.org/index.asp.

Foundation or the Africa Capacity Building Foundation (ACBF). As such, they are for the most part subsidised and hence can afford to develop their CD approaches institutionally, improve CDS quality and have a brand/profile around particular CD themes. They are also easily able to support local organisations through mentoring approaches, as agreed with their major donors, within the flexibility that core funding provides. This is what makes them different from the local capacity builders, (LCBs) which rely on local market operations through projectised CD.

5.3 Capacity development as a product in the marketplace

The third category sees CD managed as a product in the 'marketplace' and hence not controlled by the agency that is facilitating or providing part of the CD. An example is Pact in Zambia, as shown in Box 6 below.

Box 6: CD as a product in the marketplace: Pact in Zambia

To map out and better understand the value chain for capacity building services in Zambia and Ecuador, Pact has implemented the following three phases of research:

Phase I: Market diagnostic

The first phase of the research targeted local NGOs and capacity building service providers, and was designed to facilitate greater understanding of local markets for capacity services. Particular efforts were made both to capture the 'as is' relationship between market demand and supply of services in the two countries, and to identify attributes of the desired 'to be' future state. Participatory data collection included an initial **market diagnostic survey** administered to local NGOs and local service providers to identify strengths, weaknesses, opportunities, threats and critical business issues related to the local capacity building service provider communities. Specifically, NGO participants were asked to comment on the availability of capacity building services, their experiences with local and international service providers, and their preferred service delivery mechanisms. Similarly, providers were asked to comment on the market for their services, experiences providing services and preferred delivery mechanisms.

Phase II: Mapping supply and demand

The second phase of the research was designed to dig beneath the perceptions of the various actors, and provide specific details about the operation of local markets for capacity building services. To this end, a comprehensive mapping of interactions within the marketplace was combined with data collection about trends in the buying and selling of services. This phase of the research included the following key activities.

The research team administered a **network mapping survey** to suppliers and consumers of capacity services in both countries. The survey followed the principles of Organisational Network Analysis (ONA), asking participants to rate the frequency of different types of collaboration that they engage in with other local and international development actors. In addition to capturing a snapshot of collaboration around capacity building, the survey informed potential market interventions by identifying the resources and critical connections that would help to weave a stronger network.

Public marketplace events were held in Zambia, March 2006, and Ecuador, September 2006. Operating along the lines of a 'silent auction' for capacity building services, service providers were invited to design service offerings, set up stalls and take questions from consumers representing local NGOs. Local NGO consumer participants were invited to identify services in line with their organisational needs, discuss services with providers and bid for appropriate services. These local NGO participants were empowered with in-kind vouchers for capacity building services that facilitated the 'purchase' of demand-based services. Following the close of the marketplace, the bidding and purchasing habits of NGO consumers were examined in detail.

Phase III: Intervention prototyping

The third phase of the research sought to identify prototype interventions with the power to address some core issues behind the market failure. Following the marketplace events, the Pact team conducted **focus group discussions** with suppliers and consumers on their experience. Focus groups were built around three key components – discussion of impressions and interactions during the event, dialogue about the results of the mapping survey and exploration of opportunities to improve local capacity building service provision.

This study led Pact to identify the main systemic issues in the CD market and to identify some of the necessary interventions as:

Capacity Building Accounts (CBAs) are small grants provided to local NGOs to obtain capacity building services from the provider of their choice. CBAs give local organisations greater control over their own organisational development, and help to foster a vibrant local marketplace that links those needing high quality capacity services with those capable of delivering them.

Linking NGOs with Capacity Services (LINCS) is a unique approach for mapping the needs of local organisations and connecting local demand for capacity building services with local supply. The centrepiece of LINCS is an event, modelled on a 'silent auction,' that brings NGOs together with local capacity building service providers in a real-time marketplace.

Service Provider Associations assist local capacity service providers to build social capital and access potential consumers, as well as other national and international actors in the value chain. Collaborating together, local providers are able to engage in activities that improve the standing and brand power of local organisations and individuals.

SAGE Market Monitoring is a tool to assess demand and supply for local capacity building services. SAGE is comprised of four key measures identified as catalytic for the development of local capacity service markets: service quality, assets, agility and efficiency.

Source: Pact (2006).

Pact used the value chain approach to understand systemic issues in the CD market and devise appropriate interventions with a view to eventually having Pact as just one of the suppliers. However, given that the reference was a research study, it is not possible to ascertain the sustainability of the successes that were achieved, for instance, if there was evidence of sustainability of the shifts in the networks among suppliers of CD at the local level. In addition, Pact is itself an international organisation that is subsidised through grants; it does not rely on the local market for survival. It is Pact's approach in Zambia and Ecuador that is of interest for this category.

This category includes the typical market-based CD providers and users that exist in both the private and the NGO sectors. These organisations rely on the market and are often subcontracted by organisations in the first category (CD as a component of an investment programme). If they find good contracts, they can provide CD services at subsidised rates to those in the 'CD as the programme' category. In most countries (such as Cameroon and Tanzania), therefore, organisations in this category do not have a single identity: they can adopt either private sector or NGO characteristics, depending on the market. In Vietnam, however, the government is able to reinforce registration rules, which are followed rigidly. In other words, the incentives to register as a private sector CDS provider are stronger in Vietnam than in Tanzania and Cameroon.

5.4 Mixed approaches

Many projects operate using a range of approaches, for example the Southern Africa Trust (SAT), Business Sector Advocacy Challenge Fund (BUSAC of Ghana) and the Multi-Stakeholder Forestry Programme (MFP of Indonesia). In the case of SAT, for instance, the objective is to enable policy dialogue: a significant proportion of the investment programme is in CD, as shown in Figure 3, and SAT purchases some CD on the market (this refers both to clients' proposals with CD provisions and to purchasing CD on behalf of CSOs).

Figure 3: Investments in SAT: Number of projects per strategy, February 2008

Source: www.southernafricatrust.org/Grants_Disbursed2.html.

The BUSAC case study has objectives that have CD as part of a programme of changing the rules of the game in the private sector (see Box 7 part 2 in particular).

Box 7: BUSAC activities with CD as a component

1. Improved business sector engagement in policy formulation and implementation

- Surveys and studies to gather evidence in support of private sector policy negotiations with central or local government;
- Monitoring and evaluating the implementation of central or local government policies which affect the private sector; and
- Seminars, workshops and meetings to facilitate policy dialogue within the private sector, and between the private sector and central or local government.

2. Strengthened business sector representative organisations

- Advice and support in strengthening new private sector representative organisations, including branches of national organisations in advocacy action;
- Skills training in policy analysis and advocacy, linked to an advocacy action;
- Assistance with strategic planning linked to an advocacy action;
- Developing and strengthening networks and consortia of private sector organisations for direct advocacy actions;
- Pairing arrangements with foreign organisations, to strengthen the advocacy capacity of the applicant; and
- Applicant and private sector

Note that such initiatives have to be closely and directly linked to advocacy for the private sector. Also note that this strengthening cannot include physical capacity building such as purchase of land, buildings, vehicles or equipment, nor will it contribute directly to wages, overheads or other routine running costs.

3. Better public understanding of the role of the private sector

- A radio 'soap' dealing with the challenges of setting up a small business;
- Newspaper articles on policy issues critical to the enabling environment for business, such as the impact of local government licensing rules and taxes; and
- Presentations to community groups on the benefits of forming trade or business associations, and advice on how to do it.

4. To improve management of private sector activities

- Promoting understanding of the Labour Law;
- Addressing issues related to access to services from the government of Ghana; and
- Addressing issues of working standards at the workplace such as safety or other amenities.

Source: Data solicited from DFID Ghana.

In the case of BUSAC, the rules of the game are not necessarily about CD service provision in the private sector market, but rather about the functioning of private sector policy within Ghana and where CD is useful for getting actors together to transform as well as implement already changed private sector policies. As a result, BUSAC is categorised as having 'CD as a component of an investment programme'. It also stretches into 'CD as a product in the marketplace' because most CD services are procured via the 'marketplace' on the BUSAC website, and mainly by CD users that include CD in their overall grant application for the advocacy actions they plan to do.

The Coalitions for Change (C4C) programme in Nigeria, on the other hand, overlaps between 'CD as a component of an investment programme' and 'CD as the programme'. C4C identifies and supports coalitions of interest across civil society, government, the private sector and the media. Such coalitions are then supported to work on issues that engage their stakeholders and that have the potential to lead to institutional change (e.g. on corruption in the oil industry). It develops and implements a series of specific issue-based projects around these hot and multi-interest sectors. These investment projects/programmes are in turn meant to drive change in the institutions – rules and norms that are beyond organisations – in order to tackle two of the principal constraints to Nigeria's achievement of the MDGs: the mismanagement of public revenues and weak formal accountability. The inherent focus of the programme is to develop capacity to engage different stakeholders, but not necessarily through use of CD available on the local 'market'. This was also the case for MFP in Indonesia.

5.5 Summary

Looking at the typology of three main approaches to CD, the following findings emerge:

- Where CD is a component of an investment programme, CD is a means to an end. CD is controlled based on its contribution to external outcomes and investment in CD occurs only on the basis of the main investment programme and can only be used within it. CD activities come to an end when the programme is phased out.
- Where CD is the programme, organisations can develop their CD approaches institutionally, improve CDS quality and brand around particular CD themes. They can also support local organisations through mentoring as a result of the flexibility provided by core funding.
- Where CD is a product in the marketplace, organisations rely on the market and are often subcontracted by organisations with CD as a component of an investment programme. Organisations in this category can adopt either private sector or NGO characteristics, depending on the market.
- Some organisations adopt an approach that is a mixture of the above categories.

There is a strong relationship between the location of CD within an organisation, as discussed in this typology, and the characteristics of demand and supply, CD funding strategies and governance and management. The following three sections discuss these other elements (also the focus of the R&D phase), drawing on the 10 case studies.

6. Existing approaches: Supply or demand

In terms of demand orientation for the 10 case studies, several factors were considered for CD interventions on the demand or supply side,⁷ depending on whether the organisations in question had CD as a component of their investment programme, or as their main programme or as a product in the marketplace. Here, we look in particular at the ways in which the organisations articulate demand expression and the relationship between demand (as expressed by intermediate organisations that work with communities) and communities themselves.

It is important to emphasise that it was not possible to fully articulate demand and supply dynamics in different CD environments because this analysis was based mainly on the desk study rather than on visits to the selected programmes and projects. Demand and supply dynamics were better understood through Pact's market-focused study on Zambia and Ecuador. Here, we focus on demand and supply interventions as observed through the desk study and by means of a reflection on the few field visits that were conducted.

6.1 Articulation of demand

The articulation of demand for CD where CD is a component of a main development programme was based mainly on various types of capacity assessments.⁸ This makes sense in view of the fact that the capacity areas in which organisations are assessed are those where capacity is required in order to achieve specific investment objectives, within the 'time-bound' articulation of results of the investment in question. In the case of G-RAP, for instance, grantees needed to fulfil certain organisation competencies, as shown in Box 8 below.

Box 8: Use of assessment tools to establish need for CD in G-RAP

There are two lists of criteria for G-RAP eligibility at pre-qualification stage (27 criteria) and full qualification ('organisational competencies', 24 criteria). The pre-qualification criteria include five essential criteria, and 22 criteria which are to be scored from '5' ('fully demonstrated') to '0' ('not demonstrated'), giving a total maximum score of 80 points (the assessment includes three main financial criteria that are scored between 0–20, not 0–5). The full qualification criteria are scored on a similar basis, giving a maximum possible score of 100. It is noted that: 'assessment is meant to be a developmental process. While pre-qualification criteria (are obligatory), it is not expected that all grantees demonstrate excellence for all organisational competencies'. The implication is that the use of the scoring system is obligatory, to be applied by the Programme Management Team when appointed, though 'in dialogue with prospective funders and ... transparent'.

Source: Brown and Atampugre (2007).

The problem with such standardised capacity assessments is that, given that they tend to be obligatory and set as a condition for access to funding – as in the case of G-RAP – they alter the incentive structures and hence influence the expression of demand for CD. In the context of project granting, even if the recipient organisations are obliged to follow the programme procedure, in some cases these create tensions between the managing agents of the programme and those that perceive themselves as requiring not CD but rather programme resources to get on with their job.

On the other hand, in situations where CD is the programme, such as CHF, the expression of demand is uncovered through long-term accompaniment of CD users, where the supplier acts as an animator and works towards the emergence of demand expressions that are closely related to

⁷ Organisations involved were not necessarily using the 'demand and supply language' and hence the analysis is based on our interpretations of what would happen to demand and supply.

⁸ 'A *capacity assessment* is an exercise undertaken to appraise the *existing capacity* of an individual or collective entity to perform key functions and deliver expected results. Thus, a capacity assessment links latent capacity with performance' (UNDP 2005).

the clients' real CD needs. These organisations also provide funded 'learning-by-doing' activities in order to find out how CD support is working in practice and if there are other CD needs. TA is hired only to support specific CD needs that have been identified jointly by the CD animator and the client.

For organisations operating in the market, the way CD demand expression is facilitated depends on the nature of demand and supply in the particular CD service market. For instance, in their research work in Zambia and Ecuador, Pact conducted a participatory market diagnostic survey, using questionnaires that generated information on the strengths, weaknesses, opportunities, threats and critical business issues regarding local capacity building environments. These issues were drawn from answers to questionnaires administered to both the service providers and the clients in a particular environment.⁹ This exercise was followed up by a mapping of supply and demand using a 'network mapping survey' and the setting up of 'public market events' or 'silent auctions'. The networking mapping exercise generated information on the different types of collaboration in which providers and clients engage, both locally and internationally. This gave a snapshot of the networks available in the environment as well as guiding intervention strategies towards the development of stronger service networks on both supply and client sides. The 'silent auctions', on the other hand, were actual events, where suppliers set up their products and clients were given resources and allowed to negotiate and bargain for the services they needed.

This method of market diagnosis and demand and supply mapping is innovative. It was possible to avoid standardising in-demand interventions through the creation of stronger networks among local organisations. This is methodologically more amenable to a systems approach than are OD-focused organisational assessments. However, the setting up of 'silent auctions' may cast some doubts: these seem somewhat artificial, as they need external facilitators to help negotiations take a certain form, which would not be the case if these negotiations followed their natural patterns.

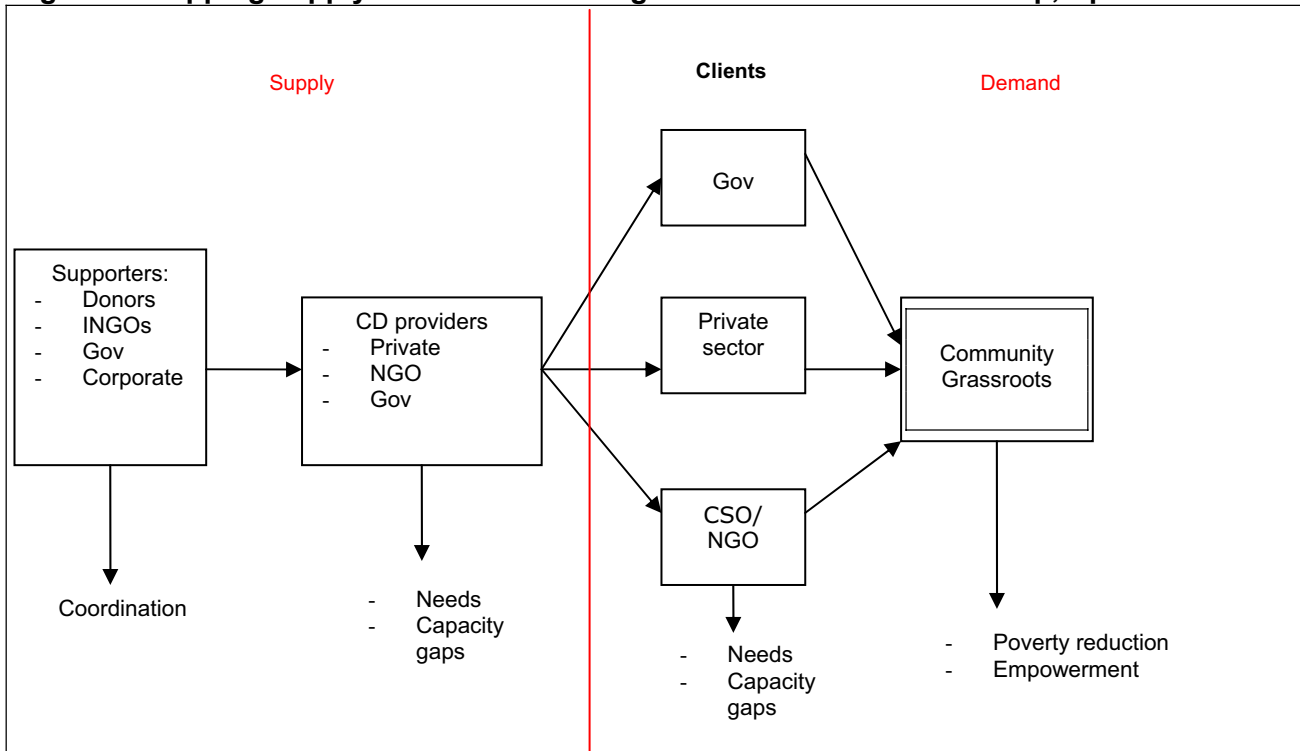
In the BUSAC case, it is not 'silent auctions' that are created: rather, an information hub or 'marketplace' is developed on the BUSAC website, which is accessible both for suppliers and for users of CD services.

6.2 Relationship between intermediate organisations and communities

The other important element of LCD demand that was evident in the case studies was the relationship between demand as expressed by intermediate organisations that work with communities, and communities themselves. In situations where there is a weak link between the services provided by the organisations acquiring capacity and the communities with which they work, the legitimacy of CD is questionable. In some service environments, such as Tanzania, most CSOs emerged as the result of an environment of dissatisfaction with state performance in the 1980s and early 1990s; hence, services are not necessarily those mandated by communities. This legitimacy is a critical aspect of demand. In particular, as indicated by TRACE (OD Training and Facilitation Centre), a local capacity building agency in Tanzania, many of the NGOs that emerged were made up of former government employees, who had no knowledge of the sector but rather sought an opportunity to pursue a more financially rewarding career. Such organisations tend to have no proper identity and do not identify with the values of civil society.

Figure 4 shows the nature of service environments as drawn up in Vietnam to explain the legitimacy of demand and supply.

⁹ The questions covered availability of capacity building services in the environment, experience with local and international providers and preferences of capacity building services (to provide for LCBs or to receive for LCB clients).

Figure 4: Mapping supply and demand during Vietnam field visit workshop, April 2008

In Figure 4, the capacity gaps that are identified on both the CD supply and demand sides are located in wider contextual issues. For instance, in order to unpack the systemic issues on the CD supply side around providers from the private sector, local NGOs and government, analysis must go beyond these suppliers to discover how donors, international NGOs (INGOs), government and the big corporate sector (especially in Vietnam) are shaping or conditioning their services to the CD suppliers. Given that most funding for CD suppliers comes from these broader actors, capacity challenges are closely intertwined with systemic issues at this wider level. On the demand side, the key issue is that intermediary organisations have their own needs, which are often different from and not informed by the grassroots organisations with which they are working. In this case, in order to articulate CD demand, it is important also to unpack the relationships between intermediary organisations that access CD from CD service providers and the grassroots communities. Otherwise, what is called 'demand for CD' might not be rooted in the needs of the grassroots organisations, which are the ultimate beneficiaries of a properly working CD service for poverty reduction.

In situations where CD is a component of a development programme, most CD is purchased on behalf of the clients or, otherwise, identified suppliers are subsidised to provide the service. The G-RAP case is a good example here. The Pact study of Zambia and Ecuador also identifies this as a critical systemic problem in the local CD market.

Where CD is the programme, such as is the case for CHF, supply is stimulated either through subsidies or through free provision by the Canadian government to CHF. This enables CHF to provide subsidised and free services to CHF partners/clients, although CHF is also in control of the CD programme (by way of facilitation methods, etc.) This was also the case for G-RAP, where IBS (Innovative Business Solutions Inc.) and SNV provided services for research and advocacy organisations (RAOs) at subsidised rates, even though the choice was said to be in the hands of the client.

In the case of BUSAC (a more market-based initiative), a list of CD suppliers was put on the website and clients are able to identify the CD supplier of their choice and to include the cost of

services in the grant budget to BUSAC. This too is a way of stimulating supply of services, because all suppliers are doing is providing details of the services they are able to offer; they then negotiate and sign memoranda of understanding (MoUs) with interested service users on the demand side. BUSAC has also provided CD support to interested suppliers in specific fields, to sharpen their skills so that they can offer quality services to BUSAC demand-side clients, in order that overall investment objectives can be reached.

Pact proposes setting up Service Provider Associations to assist local capacity service providers to build social capital among themselves and access potential consumers, as well as other national and international actors in the value chain. Through collaboration, local providers can share information. The fact that this has not yet taken place suggests the existence of an incentive structure. For example, for the private sector, time spent attending association meetings could be a disincentive. However, this could be addressed through a proper value chain analysis.

6.3 Summary

In terms of the articulation of demand expression for CD:

- Organisations where CD is a component of the main programme base articulation of demand mainly on capacity assessments, because the areas of assessment are those that will have impacts in terms of the achievement of specific investment objectives. However, such assessments tend to be set as a condition for funding, thereby altering incentive structures and influencing expression of demand for CD.
- Organisations where CD is the programme uncover demand expression through long-term accompaniment of CD users, also providing 'learning-by-doing' funding.
- Organisations operating in the market facilitate demand expression depending on the nature of demand and supply in the relevant CD service market. For example, Pact in Zambia and Ecuador conducted a participatory market diagnostic survey followed by a mapping of supply and demand and 'public market events' or 'silent auctions'. Such methods reflect a more systems-based approach, although the setting up of a marketplace might represent a deviation from the natural patterns of negotiation.

In terms of the relationship between demand (as expressed by intermediate organisations that work with communities) and communities themselves (to ensure that demand for CD is rooted in the needs of the ultimate beneficiaries):

- Organisations where CD is a component of the main programme purchase most CD on behalf of the clients or identify suppliers which are subsidised to provide the service.
- Organisations where CD is the programme stimulate supply either through subsidies or through free provision.
- Organisations operating in the market stimulate supply of services (through the establishment of web-based marketplaces, for example) and also sometimes provide CD support to interested suppliers in specific fields. Pact has proposed Service Provider Associations to assist LCS providers to build social capital among themselves and access potential consumers, although this has not yet occurred (which suggests the existence of an incentive structure).

Having looked at the three different types of organisation with regard to demand and supply dynamics, the next section goes on to analyse the characteristics of the 10 case study organisations with regard to funding issues.

7. Existing approaches: Funding issues

According to the ToR, the main LCDF design issues with regard to financing strategy and modalities are: what is actually financed under CD; for what kinds of costs; during what kind of timeframes; with what kinds of conditions; in what kind of volumes; and with what kind of recipient contributions. The purpose is to find some common parameters that guide these decisions in different organisations to form the basis for LCDF design. Here, we look at the 10 cases under study with regard to the following factors: i) what is funded under CD; ii) degree of links to activity/investment funding; iii) duration and evolution of funding; iv) contribution to own resources; v) funding modality; vi) flexibility of funding decisions; and vii) accessibility of funding.

7.1 What is funded under each capacity development approach?

The case studies, as analysed in Annex 2, show various trends regarding the CD approach each organisation pursues. This analysis is represented in Figure 5 below.

Figure 5: What is funded in different CD approaches?

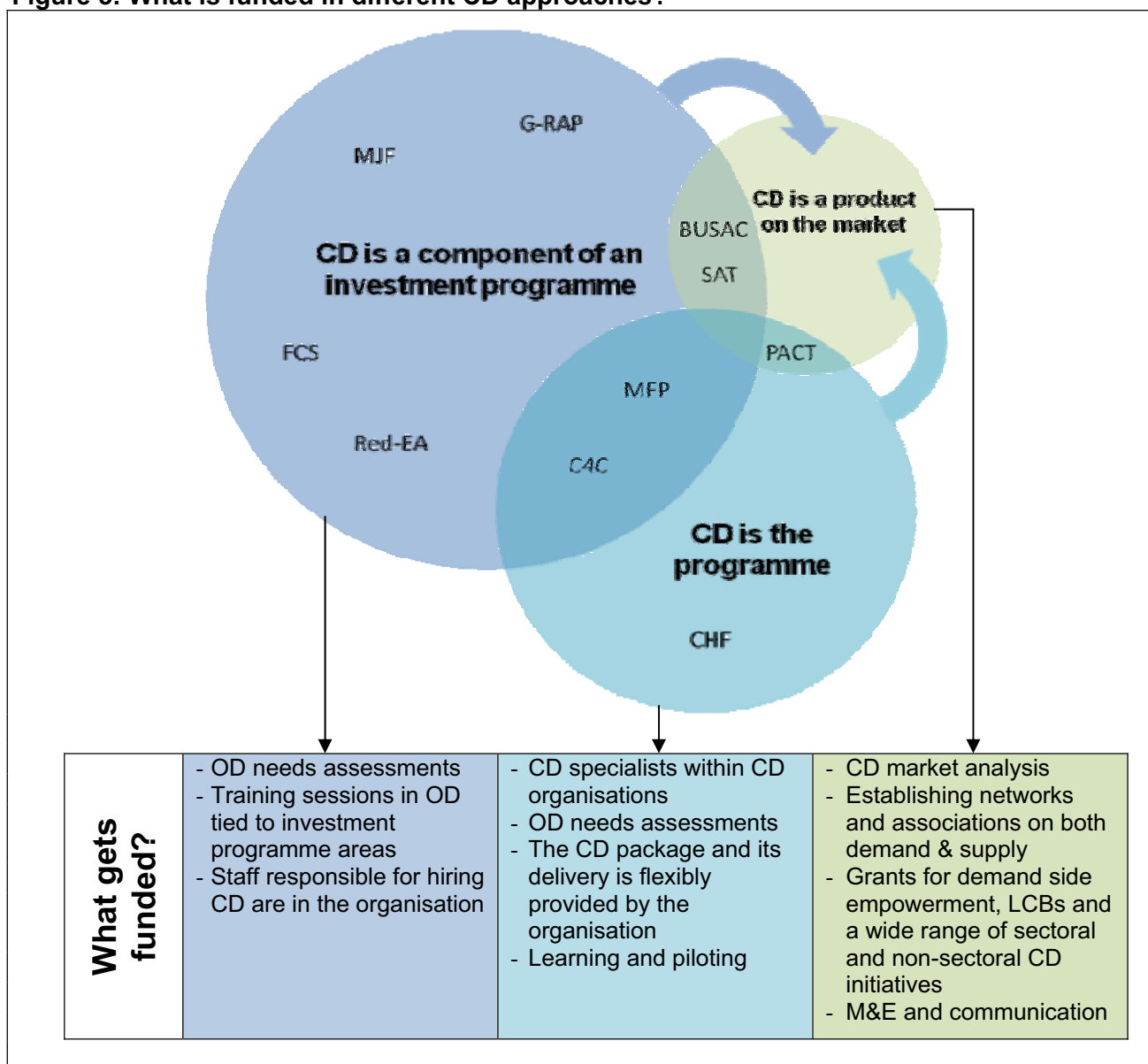


Figure 5 shows that, for the case study organisations where CD is a component of an investment programme, the main financing goes towards OD needs assessment exercises; training sessions and workshops around the OD area or the sectoral/thematic area that the main programme/project is addressing; and salaries for CD staff employed by the organisation. Some of the CD is purchased from suppliers (individual consultants or firms).

There are many examples of this among the case studies reviewed. For instance, FCS in Tanzania planned a minimum of two training programmes for 175 grantees per year around tailored training products related to the grant-making programme. FCS has a development department that manages this training and purchases some of the CD services from the market. Organisations such as TRACE are an example of contracted CD providers. Since CD is part of the main programme, it is difficult to identify the actual costs of CD provision, except for the CD provided to the lower band of organisations, which are assisted in OD to enable them to register as CSOs. The other known cost is in the form of a budget regulation that 30% of grant money should be committed to human resources development. This came about as a result of an organisational assessment exercise that showed inadequate professionalism in project management, poor financial records and poor reporting among grantees.

In Figure 6, the G-RAP example (which is also part of CD as a component of a main investment programme) shows the spread of costs across various kinds of OD plus institutional development type CD activities

Figure 6a: ICB expenditure in G-RAP for Round 1 grants

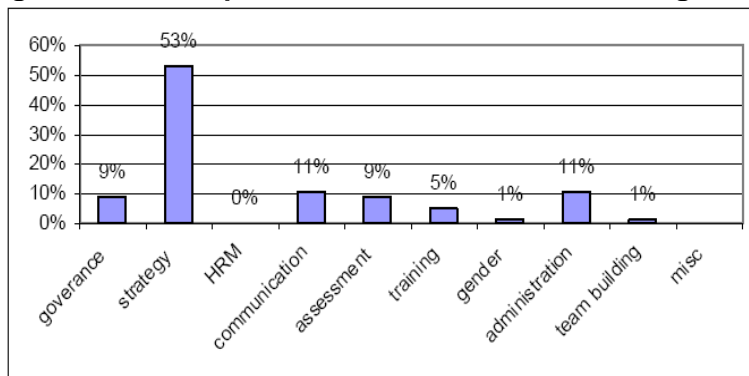


Figure 4 – shows RAOs very high focus on governance, strategy and ICT (communication).

Figure 6b: ICB expenditure in G-RAP for Round 2 grants

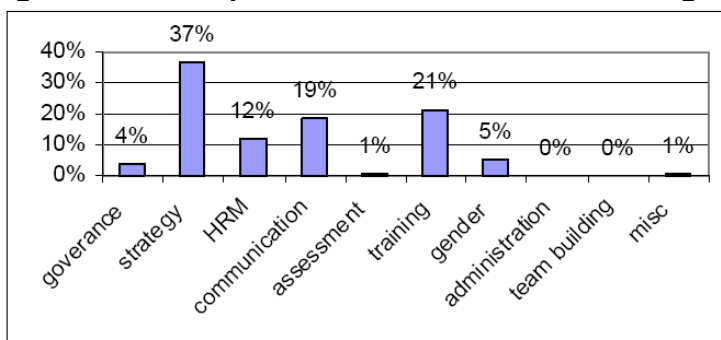


Figure 5 – continued the prioritization of strategy and communication: less focus on governance and a shift to HRM, and especially training.

With the exception of WANEP – who were not capable of implementing their planning - all RAOs following proposals outlined in their ICB Workplans.

Source: Evans (2008).

Figure 6 shows expenditure focused mainly on ‘strategy’, which included strategy formulation (values, mission, vision, strategic goals and objectives); strategic planning (implementation of annual plans); organisational culture (day-to-day processes and activities of an organisation); and leadership (mentoring, coaching and awareness raising). The other high expenditure was on communication (including information and communication technology – ICT – and web design) and governance (working with boards so that they understand their roles and establishing

accountability mechanisms). It should be noted, however, that this expenditure went on already well-performing RAOs that did not really require capacity building, except in terms of the provision of resources to enable them to get on with their strategic activities. The review mission actually recommended that institutional capacity building (ICB) grants for these organisations stop (Brown et al 2008).

In terms of what exactly is paid for under CD, there were wide variations among the organisations studied. For instance, whereas for CHF staff recruitment and equipment procurement were paid for as part of CD under 'organisational support', BUSAC would finance the use of any of the client's existing equipment used to implement the advocacy action as stated in the proposal. In this case, the related running and depreciation cost of the organisation's equipment is included in the budget line 'overhead and indirect costs'. Otherwise, the purchase of own equipment is not eligible for funding by BUSAC, as it is considered that other projects exist that can meet the demand for structural strengthening of the organisation.

In the case of organisations where CD is the programme, funding covers CD specialists within the CD organisations, OD needs assessments and the various CD activities themselves, depending on the needs assessed. CHF was creative in providing funding for 'learning by doing', which took the form of small funds relative to the CD issue being learnt which the demand-side clients would use to experiment with what they were learning and be motivated to sustain change. They would then apply for programme investment support from other funders. Using TA, CHF also provided CD support in areas (e.g. strategic planning) that helped weaker organisations become eligible for funding from programme investment funders. In other words, although the focus was on CD as a product, this was closely linked to investment programmes, without CHF providing investment funding (except in a pilot phase).

Where CD is a product on the market, as shown above, a wide range of purposes can be funded on both the demand and the supply side, but all from a very intentional strategy to first understand the CD service market in a particular context. This observation is drawn largely from the Pact and BUSAC case studies. The Pact study showed that it is important to fund market diagnosis and network mapping processes in order to understand how market dynamics are working on both the demand and supply side. Other activities funded included: facilitating the development of networks and associations; providing some grants to empower the expressed demand and support LCBs; and developing a monitoring and evaluation (M&E) system. It is important to note that all these exercises are presented as 'funded' in that they carry a cost of the CD service, although it is a cost to Pact and not directly to the client organisations in the market. The market approach makes costs of catalysing the market clear.

BUSAC funds the creation of a marketplace to stimulate both demand and supply sides. According to BUSAC, the purpose of this is to provide a platform where potential applicants that are seeking help can find information about relevant service providers and about other private sector operators that can help to solve problems. The incentive on the BUSAC side is that this helps clients to submit high-quality applications for advocacy funding and to implement planned activities. CD service providers, on the other hand, provide information about their services to be posted on the BUSAC managed web-based marketplace to find a market for their services. Therefore, BUSAC facilitates information provision that stimulates both demand and supply in the marketplace without interfering (and without funding the interaction itself), except in that there is a policy that suppliers and clients should sign MoUs on their agreement to work together. This is submitted to BUSAC together with the proposal for advocacy funding, in which CD is a budget item.

Lastly, the Pact study refers to M&E of CD support through this marketplace approach, and also communication, but does not give examples of how this would happen. It is envisaged that the facilitating organisation, or LCDF institution, would meet the cost of M&E, knowledge development and communication. These are discussed again in the proposals and recommendations.

7.2 Links to activity/investment funding

There is a general trend in terms of links between CD and investment funding in that, where CD is a component of an investment programme, CD is linked directly to the investment programme and not provided separately. This was the case for FCS, MJF, SAT and all the other cases listed under this category. Where CD is the main programme focus or a product in the marketplace, CD services were detached from the investment programme, except in the case of 'learning-by-doing' grants for CHF. In this latter case, the detachment occurred in the context of CHF enabling client organisations to strengthen capacity to access investment resources from investment funding sources.

The differences within the CD as a component of an investment programme category were to do with whether CD funds were released to client organisations together with investment funds or separately. For instance, in G-RAP, OD funds were released to RAOs together with investment grants; institutional capacity development (ICD) funds were retained and managed by the Programme Management Team (PMT) because they were used to facilitate networking among RAOs.

The most common services across the board were those dealing with capacity to handle funds properly to deliver development objectives and with proposal writing. For example, many local-level organisations were seen as not yet eligible for investment funding because of their minimal capacity or low organisational development. Many see their applications for grants rejected (e.g. to MJF or FCS). In other words, their basic OD capacity needs to be strengthened before they can qualify for support.

7.3 Duration and evolution of funding

In FCS and MJF, CD clients are a mixture of a few good performers and many new organisations, which require registration, board formation and strategic plans, mostly motivated by the conditionality from donors that, unless they are registered under national laws and are able to produce strategy documents, they will not access funding. These kinds of organisations access one-off support geared at enabling registration.

FCS has created four bands for grants. These include strategic grants (for mature organisations that do not need CD except for strategic institutional support and enabling environment), medium grants, rolling small grants and registration development grants.

The general trend is that organisations at strategic grants level have more flexibility in choosing CD providers. This flexibility is not there at registration grants level, where much of the CD is in OD. Organisations at the lower level also require support in financial management in order for them to be entrusted with management of grants. They hence start with one-off grants, for six months to a year, before they can access longer-term grants.

In terms of evolution of CD funding, as organisations move up the ladder from being OD-type funded organisations (the majority) to being more strategic and core funding models of investment funding, the nature of the CD support that they require also changes. This cannot be taken as a trend that holds in all situations, however, as it also depends on donor perceptions of what areas of CD are important for implementing the investment programme. For example, although the G-RAP programme was started based on the assumption that the RAOs involved had already developed the capacity to deliver the programme, donor-informed OD assessments were conducted and a great deal of the CD budget went into OD capacities rather than institutional development.

7.4 Organisations contributing their own resources

Among the 10 case studies, only BUSAC showed evidence of match funding with ‘own contributions’ for CD on the demand side. In this case, the policy is that the organisations contribute 10% of the action applied for,¹⁰ except for small organisations that are deemed to be not in a position to afford this. These organisations therefore access 100% of the budget from BUSAC, through the Outreach Facility (see Annex 5).

BUSAC also provides tailor-made training (e.g. a week-long course on private sector regulations) to CD providers in specific areas so that they can, in turn, support clients that are working on advocacy in these areas. In other words, they need capacity themselves in new areas where advocacy is required before they can support clients on the demand side. What is not clear from the desk research is whether these courses are funded fully by BUSAC, or suppliers pay for them in full or they are subsidised.

The Pact study made a proposal for own contributions for CBAs, whereby NGO participants generate CBAs from their own existing funds, or receive donations from donor organisations, which they use as CBAs, or seek ‘sponsorship’ from private sources or provide a ‘top-up’, where they generate 5–10% of the required amount and donors meet the rest of the budget. These ideas have not yet been tried in practice but are worth exploring for their applicability to different market contexts. The creation of CBAs is likely to have its own systemic challenges to be addressed in the particular CD market.

7.5 Funding modality: Through local intermediary organisations, INGOs or market processes

The general trend in the aid effectiveness agenda, as stipulated in the Paris Declaration, has resulted in a shift from project to programme aid, including SWAPs and direct budget support. With regard to working with civil society and the private sector, this has led to increased support to demand-side policy engagement as a counterbalance to reforms within the public sector. The other motivation is to improve harmonisation around the civil society agenda and reduce transaction costs.

This has resulted in the growth of funding to civil society and private sector actions through local intermediary organisations, most of which are set as new institutions that can handle grants to many organisations working in the sector, such as FCS and MJF. Using this modality of support to civil society and private sector, donors fund CD as a component of an investment programme, as observed in the case studies, but the strengths and weaknesses of intermediaries as a modality for the investment programme as a whole also apply to the CD components within them, as summarised in Table 1 below.

Table 1: Intermediary organisations: Advantages and disadvantages

| Strengths | Weaknesses |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Greater outreach to diverse LCBs and clients in CSOs, the private sector and local government • Capacity to offer CD as part of a compact programme (e.g. MJF) where impact is made directly on an existing investment programme • CD using tailor-made approaches suitable to the level of clients (e.g. the FCS banding system) | <ul style="list-style-type: none"> • More bureaucracy if local organisations want to relate to donors and have to go via the intermediary • In case of rigid bid or tender systems: not able to reach niche areas. CSOs or private sector organisations may seek to adapt to system demands rather than keep their original mission |

¹⁰ Given that CD is applied for as a budget line within each proposal, the 10% own contribution to the total budget of each proposal includes contributions to the CD element of the actions.

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • There may be greater coordination and learning among participant clients – networks for LCD providers or clients • The intermediary can provide a formal platform for national resource mobilisation and dialogue with national and regional bodies – enhanced advocacy power • Enhanced brand name of the intermediary organisation can pull funding from many new donors that are not willing to engage directly with in-country processes | <ul style="list-style-type: none"> • Prone to conflict of interest where the intermediary is both providing CD services and offering grants • Intermediary staff can be biased towards certain LCD providers or clients; there is a higher risk of nepotism or ‘clientelism’ since they are not as independent as external agencies • Tension may arise between the intermediaries and the clients they are supposed to serve/represent, since there is a shift in power with donor funding |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Source: Adapted from Scanteam (2007).

As indicated in Table 1 above, increasing outreach to many organisations using existing intermediary institutions is possible but will carry the same weaknesses that intermediaries face when they are used to support investment programmes. For example, most intermediaries rely on tendering processes, with set eligibility criteria, in order to achieve their outreach. This can significantly undermine creativity, as a significant component of CD, among CSOs and the private sector as they seek to access funding. This implies that the LCDF initiative would need to develop its own institutional identity in order to retain the flexibility that is required to stimulate vibrant local CDS markets.

In the case where CD is the main programme, such as for CHF, the use of own staff as CDS providers can disguise the actual cost of doing business in the local market (e.g. Pact study findings). However, they can be used creatively to develop initial programmes that can then be registered appropriately as local institutions, having developed granting capacities and quality of CD services (e.g. Care International management of FCS and MJF). INGOs tend already to have their own well-developed systems for delivering programmes.

The other downside with provision of CD services through this modality is that it creates competition between the fully subsidised or funded organisation (e.g. CHF) and local service providers that are not subsidised, in terms of both core institutional and business delivery. As in the case of G-RAP, what showed on the Ghana market were lower prices for SNV and IBIS against higher prices for local CD providers. The local CD providers could not compete with the subsidised INGO-type CD provider rates, which thus undermined the growth of the local market for CD. As discussed in the proposals later in this report, however, these market challenges could be used positively to reconfigure the operations of the CD market in order to improve quality of CD services as well as to pull CD to sub-national levels.

In situations where CD is a product in the marketplace, the preoccupation is to make the market work. This modality of financing presupposes that a CD institution can be set up that can support demand expression and the supply side with a view to reducing its actions over time. The Pact study on the creation of provider and demand-side networks, and eventually having Pact’s role as just one of the providers, is a good example of this modality. This model relates closely to the LCDF financing modality.

7.6 Flexibility of funding decisions

The case studies show various ways of ensuring flexibility in funding decisions built into the various mechanisms. For example, SAT uses three ways of ensuring flexibility in the programme, including: i) closed calls for proposals in addition to open calls; ii) unsolicited grants; and iii) discretionary grants. In the ‘closed call’ for proposals, SAT calls for proposals from certain targeted organisations whose work fits in with the priority areas identified by the trust. This runs in parallel with the ‘open call’ process, which involves publishing a public call for proposals in the region.

Proposals are then assessed based on set eligibility and other tendering criteria. The open and closed calls together take a minimum of 85% of the trust's annual budget: the split between them is decided by the Board, based on the mission at hand. This means that the trust can use the closed call window flexibly to involve strategic organisations if they are not easily identified using tendering procedures.

The 'unsolicited grants' window provides space for organisations that have neither responded to the calls for proposals nor been invited by the trust to submit applications for grants for particular activities to approach SAT for unsolicited support to programmes that have a regional impact. This allows client organisations to propose their own areas of work that fit broadly within the trust's mission. A maximum of 10% of the trust's annual budget is put to these initiatives (the Board decides on the exact percentage to be committed to this budget line each year).

Lastly, the 'discretionary support' window, which takes a maximum of 5% of the trust's annual budget, provides flexibility to the trust to support unexpected situations for which partners require a quick response. This support is available only to organisations with which SAT has an existing partnership.

Another modality of ensuring flexibility of granting is through the creation of 'activity funds' (MJF) and 'responsive funds' (CHF), which are managed and used by country directors to enable them to respond to CD situations that require immediate support without having all the time to call for committee meetings for approval.

Box 9: MJF's proposal for an Activity Fund

As per government regulation, MJF can provide funding support only to organisations registered with the NGO Affairs Bureau (NGOAB) or the Department of Social Welfare. While this takes care of most of the work that MJF does in the priority programme areas, it leaves MJF little flexibility to work on a long-term basis with other organisations such as trade bodies, research outfit or government bodies. Besides the above, many organisations do not qualify for MJF funding owing to weakness in their financial system or lack of understanding of concepts of rights and governance. These organisations need extra support through capacity building till they reach that level of ability to access funding MJF or other funding. Moreover, an important part of MJF work is to build alliances and network with a diverse group of CSOs and individuals. Often, these organisations need a one-time funding support, which is also not possible under the present NGOAB restriction. There is also a need to support advocacy on MJF priority issues such as Right to Information, Child Rights, Worker Rights, Violence against Women, etc.

The Activity Fund is for those organisations that fall outside NGOAB rules of registration. This fund will enable MJF to go into service contracts with trade unions, research bodies or individuals, government training institutes, etc. MJF would also like to work with regional organisations to address some of the common issues that affect the lives of people across and between borders, such as safe migration, trafficking, water sharing, etc. Most importantly, it will give flexibility to MJF to work with government bodies and training institutes so that MJF is able to address and support the supply side of work, which is of critical importance if MJF is to have any impact on governance and improving the lives of the poor. The Activity Fund will be mainly used for the following purposes:

- Capacity building of innovative organisations that do not initially qualify for accessing MJF funding
- Research and documentation
- Information, education and communications
- One-off funding support for events, advocacy, etc.
- Support to organisations without NGOAB or Department of Social Welfare registration
- Collaboration with government institutes such as training institutes
- Support to regional initiatives that are in line with MJF programme priorities

Source: MJF Annual Report (2006).

Greater flexibility is also built into a programme when a 'core funding' method is used for organisations that perform well. For instance, in the case of G-RAP, the agreement with the well-performing grantee organisations is based on broad objectives and not detailed activities. The reports on performance are provided at outcome and impact level rather than activities and specific

outputs. More details of this modality are discussed in the proposals of this report, given that it relates to some of the possible strategies that the LCDF initiative can adopt in the design.

7.7 Accessibility of funding

The case studies show that CD funds are accessible for clients on the supply and the demand side, depending on the nature of the CD approach, as shown in Figure 5. In situations where CD is a component of an investment programme, such as for FCS and MJF, CD is accessible depending on the funding band to which the organisation belongs. Organisations receiving 'strategic grants' in FCS, for instance, do not need CD support, except in the areas of professional leadership development and other institutional-focused areas; organisations at the 'registration' stage require OD-type CD (e.g. training in proposal writing) in order to be able to scale the ladder and access grants for policy-influencing actions. In other words, where the organisation is in relation to the investment programme in operation determines accessibility to CD resources.

The nature of the investment programme itself is also important. For instance, in order to mobilise a critical mass of CSO and private sector organisations in Bangladesh to influence government change on the Right to Information Act, MJF provided CD support to many organisations on the content of the right to information laws. This is the only way they could get engaged.

A significant finding in terms of accessibility to CD funding is that most organisations, especially those who have CD as a component of an investment programme, use tendering or calls for proposals. The tendering process tends to bring forward organisations that demonstrate competencies in the area of the investment as well as in capacity areas. However, CD funded on the basis of tendering is suspected of distorting the incentive structure, and bringing forward organisations that are interested in investment funding itself and not CD (e.g. the G-RAP case cited above). This could be avoided through the signing of MoUs between CD suppliers and clients, as in the BUCAC case, but this cannot change the incentive issues that are part of the systemic problems around CD provision. This is where approaches such as the CHF-BCCP case are better, in that CD is provided as a comprehensive package driven by demand but demand expression is allowed to take different shapes over time and still be supported. In other words, the CD provision market should simulate services of many kinds, all backed by funding, and not only one type of service. It should also provide for long-term accompaniment to the demand side, so that it can respond to the changing nature of this demand for individual organisations.

The next section looks at the characteristics of the 10 case study approaches with regard to governance and management issues.

7.8 Summary

The case studies show various trends with regard to **what is funded** under CD. Where CD is a component of a programme, financing goes towards OD needs assessments; training around the main programmatic area/s; and salaries for CD staff employed by the organisation. Some CD is purchased from suppliers. Where CD is the programme, funding covers CD specialists within CD organisations, OD needs assessments and the various CD activities. There is some 'learning-by-doing' funding and support to weaker organisations to become eligible for funding. Where CD is a product on the market, funding can cover: methods to understand market dynamics; network development; empowerment of expressed demand and support to LCBs; M&E development; marketplace creation; and information provision

With regard to links to **activity/investment funding**, there is a general trend. Where CD is a component of a programme, CD funding is linked directly to the investment programme and not

provided separately. Where CD is the programme or a product in the marketplace, services are detached from the investment programme, except in the case of 'learning-by-doing' grants.

In **duration and evolution of funding**, as organisations move from 'registration' level (one-off grants) to 'strategic grants' level (more flexibility), the nature of CD support changes, although this can depend on donor perceptions of what areas of CD are important.

Only one organisation (BUSAC) showed evidence of **contribution of own resources**. The Pact study proposed own contributions: this has not yet been tried but is worth exploring for its applicability to different market contexts.

With regard to **funding modality**, where CD is a component, donors use intermediary institutions, which mostly rely on tendering processes. This can undermine creativity. LCDF must develop its own institutional identity in order to retain flexibility to stimulate vibrant local CDS markets. Where CD is the programme, own staff can be used creatively. INGOs tend to have their own well-developed systems for delivering programmes. However, this creates competition with local service providers that are not subsidised. Nevertheless, these market distortions could be used positively to reconfigure the operations of the CD market to improve quality of CD services as well as to pull CD to sub-national levels. Where CD is a product on the market, the preoccupation is to make the market work. This modality presupposes that a CD institution can be set up that can support demand expression and the supply side with a view to reducing its actions over time. This model relates closely to the LCDF financing modality.

The case studies show various ways of ensuring **flexibility in funding decisions**, for example: closed calls for proposals as well as open calls (to involve strategic organisations not easily identified using tendering procedures); unsolicited grants (to provide space for other organisations); discretionary support (to allow flexibility in responding to unexpected situations); 'activity funds' or 'responsive funds' (for support similar to discretionary funding); and 'core funding' for organisations that perform well (which relates to possible strategies for the LCDF design).

Accessibility of funding depends on the nature of the CD approach. Where CD is a component of an investment programme, CD is accessible depending on the organisation's funding band and the nature of the programme, and mainly through tendering processes. CD funded on this basis is suspected of distorting the incentive structure and attracting organisations interested in funding itself and not CD. A more successful approach might entail CD provision that simulates services of many kinds, all backed by funding, and not only one type of service, as well as long-term accompaniment to the demand side.

This section covered at the three different types of organisation with regard to funding issues. Section 8 will analyse the characteristics of the 10 case study organisations with regard to governance and management issues.

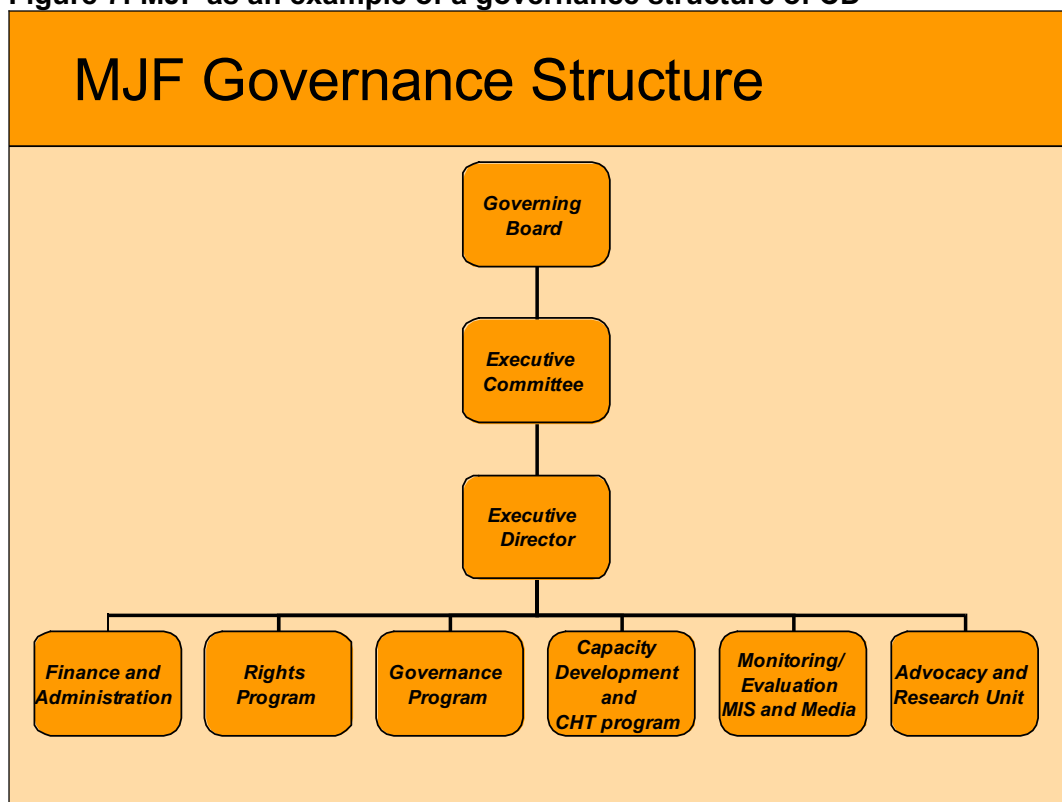
8. Existing approaches: Governance

In terms of governance, Section 8.1 first gives a brief overview of the governance structures of the three different types of organisation. Following this, the key dimensions for analysis of the 10 case studies include: i) breadth of ownership and complexity of the initiative; ii) composition roles of governing boards; iii) committees and sub-committees and their roles; iv) role of the secretariat and donor positioning; v) financial decision making; iv) regulatory environment; and vii) ownership of the programme and representation of clients.

8.1 Governance structures of the three approaches

Case studies show variations depending on the CD approach (CD as a component of a programme, CD as a programme on its own or CD as a product in the marketplace). The governance structure of MJF and G-RAP are an example organisation with CD as a component.

Figure 7: MJF as an example of a governance structure of CD



Source: MJF Annual Report (2006).

As shown in Figure 6, MJF's CD service management is largely internal, and focused on OD and achievement of development objectives. The advantage of such positioning is that the CD service provision is linked tightly to achievement of objectives under the various projects of the programme. In MJF, the CD team was involved in developing core trainers for mid- and field-level workers and will provide training to 1260 staff in 2007. Non-MJF partners were included in some of the CD training sessions in order to develop a common understanding on rights programme implementation at grassroots level.

CD as a component of an investment programme is tailor-made for different levels of organisations and phases of projects. For instance, in MJF, it is closely associated with the implementation of a total of 127 projects from 2002 to 2007 in various areas of Rights and Governance (as shown in

Figure 8 below), committing a total of £13.5 million (excluding MJF operational cost) and covering 62 of the 64 districts in Bangladesh. In terms of coverage, therefore, this approach to CD has the capacity to handle very wide coverage, as was also evident in FCS in Tanzania.

Figure 8: MJF programme areas enhanced through CD

| MJF Support in Programmatic Areas | |
|------------------------------------------------------------|------------------------|
| Programmatic Areas | No. of projects |
| Violence Against Women | 20 |
| Rights of Marginalized and Poor | 34 |
| Worker Rights | 16 |
| Access to Justice | 7 |
| Child Protection and Development | 14 |
| Right to Information | 7 |
| Improving local Governance | 9 |
| Governance Performance Monitoring | 7 |
| Socio Economic Development of Chittagong Hill Tract | 9 |
| Others including Corporate Governance | 4 |
| Total | 127 |

Source: MJF Annual Report (2006).

Success in this approach to managing CD is defined in terms of achievements of the main investment programme itself, as shown in Box 10 below. In other words, CD management does not have its own identifiable outcomes, except as imbedded within the outcomes of the investment programme, making attribution to the actual quality of CD service provided difficult to ascertain.

Box 10: MJF programmatic successes enhanced through CD

- Draft Law on Domestic Violence has been prepared and submitted to the Law Commission for review.
- Activities of the organisation working in the shipbuilding yard have brought about a fundamental change in the areas of 250,000 workers' (in ship breaking industry) safety and security. 2000 workers received ID cards from the government.
- 9765 children received health care (provided through the government and NGOs) and 2771 children received psycho-social counselling.
- 655 children were withdrawn from hazardous child labour (providing job placement through skills-training and or enrolment) and 775 children are now working in a conducive workplace with safety measures like goggles, fewer working hours, etc.
- 4000 children are enrolled in school in one of the remotest areas of Chittagong Hill Tracts.

Source: MJF Annual Report (2006).

The G-RAP example, where the focus was on ICD but the advisor for ICD was also part of the PMT, shows the disadvantage that governance of the main programme can have on CD management. In this case, the CD service provider being within the G-RAP structure meant that other non-CD programme management issues took 66% of the CD advisor's time, leaving only 34% for actual ICB-related activities (Evans 2008). In other words, in terms of time use, administrative functions easily take priority over actual CD service provision in a governance arrangement whereby CD is a component of the main programme.

In the case where CD is a programme, such as for CHF and SNV, management is also within the organisation's structure, focusing as a whole on delivering good CD. This CD is detached from

project funding, although CHF provides some support for ‘learning-by-doing’ project support (as explained above). The organisational structure tends to use the common international or local NGO model, with field offices in developing countries which then relate to local organisations. In the CHF case in Guyana, the BCCP was such that the field office was carrying out CD with 20 local organisations (networks and individual agencies), which had their own members working under them. The advantage of this governance model is that the quality of the CD service provided is managed closely, as it is the main output and outcome of the programme.

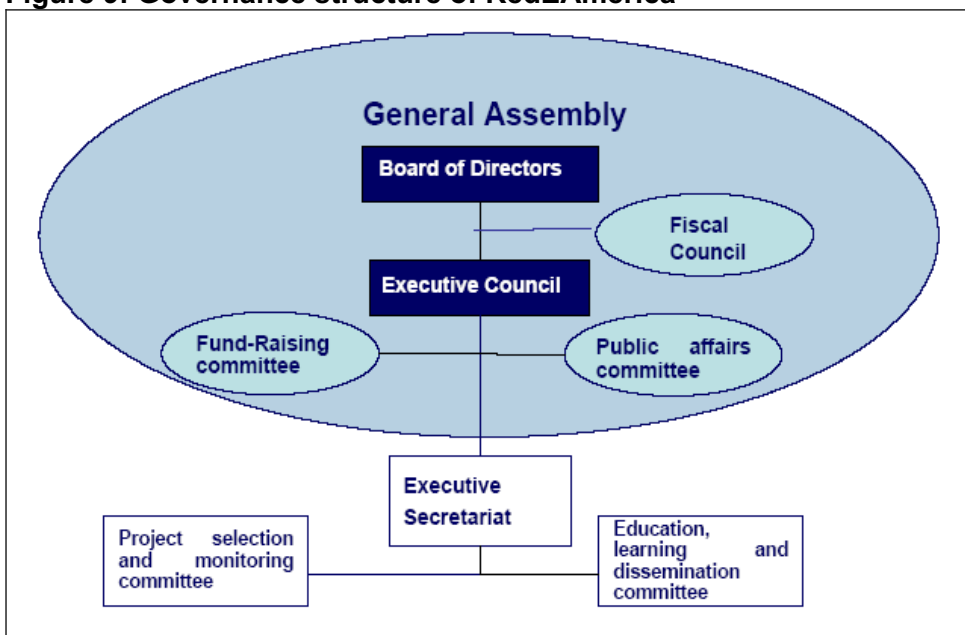
The key issue with regard to governance for organisations that provide CD as a core business is the level of decentralisation of CD decisions at headquarters versus field offices, and the influence of field offices on the strategic directions adopted at headquarters. The desk study could not unpack this adequately, but the CHF case study project in Guyana suggests that field directors have the scope to support CD as it works in their context, and to use the discretionary ‘responsive fund’ to support unplanned CD demands. The extent of influence of headquarters CD specialists on local-level CD providers was not easy to determine from this study alone. SNV may have a great deal of its own experience in this area, which could be brought into this analysis.

The case studies did not have a clear example of CD on the market. Pact and BUSAC often used CD providers in the country’s market and linked CD providers to the demand side. Their governance structures did not have a direct relationship with how they worked in the market, but the BUSAC model reflected organisational setup issues, discussed later in the report.

8.2 Breadth of ownership and complexity of the initiative

The case studies showed that the broadly owned and less complex nature of programmes such as RedEAmérica affects the nature of the governance structure adopted. The RedEAmérica objective of ‘scaling up and bridging private sector activities to influence public policies around grassroots development’ (RedEAmérica 2007) is well understood by all stakeholders, and they all commit to a structure that can help them achieve those objectives, as shown in Figure 9 below.

Figure 9: Governance structure of RedEAmérica



Source: RedEAmérica (2007).

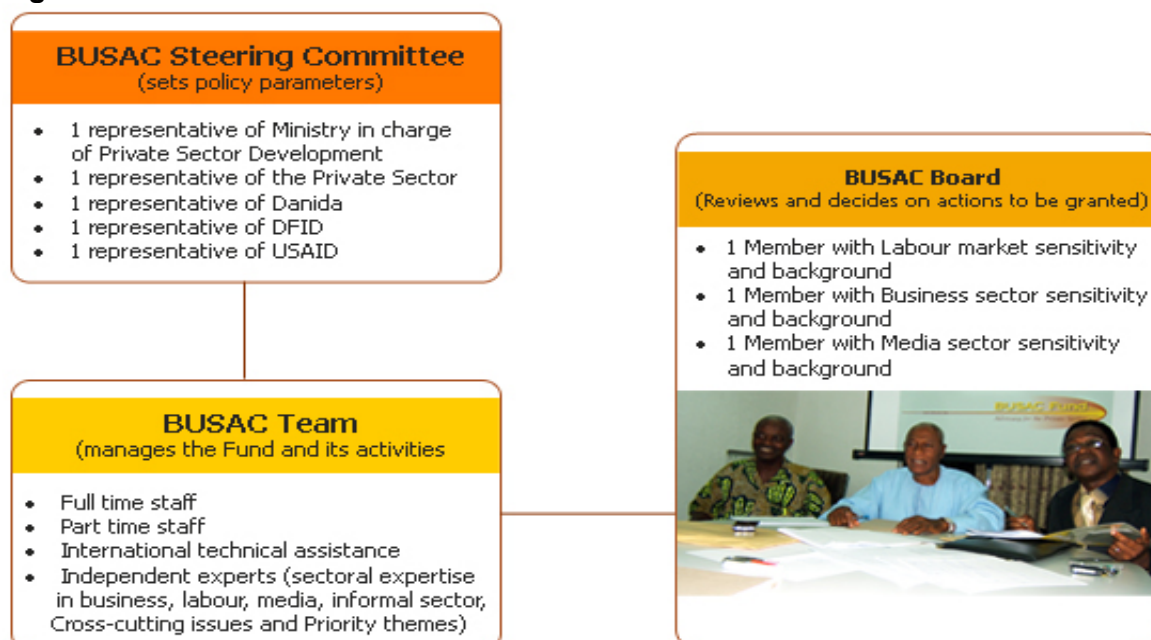
As shown in Figure 9, organisations that have a broadly owned objective tend to use general assemblies and elected councils and boards of directors to run the programme. The main

preoccupation for these initiatives is to ensure transparency and accountability in many directions, so that resources are secured and objectives achieved as popularly agreed. They use many committees to achieve these objectives.

On the other hand, the more complex initiatives are often understood and engineered by only a very few individuals (which could be donors themselves and individual staff in those donor organisations), such as in C4C in Nigeria, MFP in Indonesia and BUSAC in Ghana. These organisations tend to have more sophisticated governance structures that ensure accountability as well as provision for the drive of the central idea within the initiative.

The governance structure for BUSAC in Figure 10 is narrower, with a Steering Committee, with three donors that 'own' the idea, a Secretariat and a Board. As demonstrated by FCS in Tanzania¹¹ and MJF in Bangladesh, the structure changes as the central idea obtains broader buy-in, and can be taken forward with a focus on just transparency and accountability, as discussed in the popular idea model above.

Figure 10: Governance structure of BUSAC



Source: www.busac.org/mainsite/abtBUSAC/team/board.php.

8.3 Composition and roles of governing boards

In terms of board composition, there are variations that appear to be directly associated with the level of ownership and complexity of the programme and therefore the skills and the credibility of the members called for in the board. For instance, MJF is guided by a Governing Board (GB) at policy level; the GB approves all higher-level policies and operation manuals, and also sets grant size limits and approval levels.

G-RAP's overall programme is managed by a nine-member Programme Board (PB) comprising individuals from civil society, parliament and donors, which are the main interest groups. The PB leads on strategy, policies and priorities for the programme and its external relations. In terms of specific roles of the Board, see Box 11 below.

¹¹ For example, at the start of FCS and MJF, Care international as an International NGO took a leading role and, after some years, these organisations became independent foundations.

Box 11: Role of G-RAP Programme Board

Remit: Overall management and strategic direction of G-RAP, supporting the programme aim of promoting a culture of transparency and accountability in Ghana to enhance pro-poor policymaking and the equitable management of public resources, all in line with the requirements of internal good governance.

Recruitment: Chair of Funders Committee – FC; RAO representatives [2 – nominated by RAO Convention]; eminent Ghanaians [4, nominated by FC on recommendation of RAO Convention]; Parliament [2 members of Finance and Public Accounts Committees, nominated by Committee Chairs, representing both majority and minority parties]. (Quorum: 5 members.)

Non-voting observers where appropriate, as agreed by the membership.

Tasks:

- Three main tasks: programme oversight and steering; selection of grantees; strategic planning.
- Overall prioritisation of funds spent (core grants, Special Initiative Facility grants).
- Chair and Vice-Chair selected from own membership.
- Commissioning strategic reviews (liaison with FC).
- Grants sub-committee nomination selected from own membership.
- Sets criteria for grants allocation and monitors application.
- Oversight of grants sub-committee (not RAO members).
- Allocates and awards grants (core grants and issue-based strategic issues grants), on recommendation of sub-committee.
- Strategic planning using the Strategic Issues Meeting/Special Initiative Facility (through a strategic planning sub-group).
- Initiates strategic issues meetings and events, where appropriate, in association with RAO representatives, RAO community, DPs and PMT.
- With the support of the PMT, formulation of a disclosures policy for all members of the Board, employees and hired consultants.
- With the support of the PMT (acting as a Secretariat), feedback to FC on activities of G-RAP at a level appropriate to its needs.
- Able to co-opt non-voting members.

Routine activities: Board meetings minuted (normally open circulation).

Tenure: 2 years, renewable for a period to be agreed between PB and FC. It may be appropriate for tenure in the next phase to cover the full funding cycle, from 2009–2014. (Donor and partner representation may rotate annually, to be decided by FC.)

Meets: at least twice a year, possibly more often (according, inter alia, to the reporting requirements of grants selection).

Source: Brown (2007).

Board composition is also influenced by the level of government interest and the political sensitivity of the initiative in question. For example, the BUSAC Steering Committee shown in Figure 10 has representation from the ministry in charge of private sector development in Ghana. In the case of G-RAP, there is parliamentary representation on the Board because of the critical nature of the budget and links to the Ghana Poverty Reduction Strategy (GPRS) and direct budget support, on which G-RAP focuses.

The more sensitive programmes, such as MFP in Indonesia and C4C in Nigeria, started not necessarily by setting up governing boards but with leadership and a ‘sparring partner’ role played by the donor until positive aspects of the programme could be demonstrated and appreciated by government. The MFP is now moving into establishing independent and locally owned Community Foundations since positive results have been demonstrated.

8.4 Committees and sub-committees and their roles

The case studies show that committees are set up as subsets of a governance structure in order to perform particular functions on behalf of a governing board. For example, MJF in Bangladesh has an Executive Committee (EC) comprising three individuals from within the Board, which provides assistance in more specific issues like proposal appraisal of macro-size grants and strategic guidance. These individuals are selected specially for their understanding of grant management and rights and governance. For example, one of the MJF EC members is Director of Transparency International Bangladesh: his own organisation works on transparency issues as a focus for improving governance in various countries.

G-RAP has a three-person Grant Selection Sub-Committee which is made up of those chosen from among the Board membership. Beneficiaries of G-RAP cannot be members of the sub-committee because this committee manages grant proposals based on criteria set by the Board. There is also a Funders Committee (FC), comprised of the four participating donor representatives, who play an advisory role, with special responsibilities in fiduciary risk management and managing M&E.¹²

In the G-RAP arrangement, the hiring of expert consultants (including CD providers) is the responsibility of the Grant Selection Sub-Committee, assisted by the PMT (as a Secretariat). The advantage is that the grants committee assesses proposals and can easily identify organisations that require CD support in order to enhance their performance. However, this is more of a needs analysis, and does not imply that the organisations in question express their demand in this form. Unlike in the 'CD as a programme' model, e.g. CHF, the CD advisor working directly under G-RAP management does not devote much time to accompanying grantee organisations and facilitating the provision of tailor-made CD as is the ambition of LCDF.

In the case of BUSAC, which has a narrower structure owing to narrower ownership of the idea, as discussed above, it is the Steering Committee (composed of five members) that is responsible for setting policy parameters. This ensures that BUSAC continues to advance the development and poverty reduction objectives of the donor partners set out in the GPRS. It has final authority over the policies and funding priorities of BUSAC, including the balance between different categories of grant, approves the BUSAC Rules and Procedures and meets quarterly. In this case, it is the Board (with three members) and Secretariat that work on grants and CD services. The CD services are managed by the Secretariat, as explained further below.

8.5 Role of the secretariat and donor positioning

The secretariat plays a critical role in the various governance models discussed above. In almost all cases, however, the secretariat (called different names, such as the PMT, permanent staff of a programme, etc.) technically supports the board to deliver the programme, including management of some aspects of the grant-making procedures and processes, and CD. The trend is to have the board or steering committee set the policy parameters within which the secretariat operates.

The significant finding for this study is that, within the board parameters, the role of the secretariat varies across the different programmes. The variation also follows the trend of complexity of the issue at hand at a particular phase of the programme. The same applies to the position of donors, which play the roles of main drivers of key ideas on the initiative, advisors in a funding committee and custodians of main fiduciary parameters, given that they often have to be accountable to other stakeholders themselves (e.g. to parliaments in their home country).

¹² For details see www.g-rap.org/docs/GOV%20Allocation%20of%20Tasks%2080128.doc.

For MJF, for instance, the Senior Management Team (SMT), comprising the heads of units, meets every week to make decisions on day-to-day affairs and higher-level issues, and then makes recommendations to the GB.

In terms of donors, there have been trends ranging from hands-on involvement, such as in C4C, with a dedicated donor staff member or members, to hands-off involvement, such as in MJF and FCS. The main concept emerging from these cases is that donors get involved in details at the start of an initiative. In some cases, these roles have been played by INGOs that have demonstrated depth of understanding of the issues as well as OD capacity themselves. For instance, MFP in Indonesia recruited six regional facilitators (LCBs) who worked selectively with local actors (NGOs, private sector, etc.) that had promising ideas but lacked OD skills, like proposal writing, starting with small grants. These were supported by a team of dedicated DFID staff at national level, who provided support to sub-national LCBs (expertise on community-based forestry management, setting up networks, poverty analysis, communication strategies and learning). After seven years, MFP has moved into supporting 'self-governed' Community Foundations in various regions of Indonesia.

8.6 Financial decision making

Within governance structures, the case studies show two main models of decision making on finances: using a funding committee (such as in G-RAP, MJF and RedEAmérica) and subcontracting financial management to another firm specialising in fund management. In very few cases, the fund is managed by a secretariat: this concerns mainly cases such as CHF, where CD provision is part of the same organisation.

An example of the model where finances are managed by a fund manager (FM) is BUSAC: a Ghana-based FM was contracted by the Danish International Development Assistance (Danida) and works for COWI A/S (Consultancy within Engineering, Environmental Science and Economics: a Danish consulting firm) within the wider Danida-sponsored Business Sector Programme Support Project in Ghana. The FM is responsible for the operations of BUSAC, including outreach and public information; design and operation of grant application and assessment procedures; disbursement of grants; monitoring of grantees; administration of the joint funding mechanism; and financial reporting. The FM assesses applications for grants against criteria approved by the Steering Committee. The FM concludes grant agreements with successful applicants and arranges for the provision of CD awards to assist emerging organisations to submit applications. The FM proposes a BUSAC Manual of Procedures for approval by the Steering Committee, including periodic amendments, and acts as Secretariat to the Steering Committee and BUSAC Technical Board.

The key observation to be made in this case is that the advantage of using funding committees (such as in the case of G-RAP) is that there is assurance that the committee has a clear vision of the programme. However, as discussed under financing above, there is potentially a conflict of interests between supporting organisations on CD and managing investment grants.

The specialised organisations, such as COWI in the BUSAC case, are technically certified to manage specialised programmes and the incentive to deliver good results is very high, such as to their own branding, for example. They do a great deal of background work on behalf of the Board, Steering Committee and donors. The disadvantage in using FMs contracted outside the organisation's governance structure is that the key lessons from managing a programme could be lost, as the FM may be documenting only lessons to do with funding itself and not the overall development programme. It is important therefore to have a robust learning system within the LCDF facility, and to subcontract fund management to specialised agencies. Fund management can take up the time required to facilitate the growth of markets for capacity development.

8.7 Regulatory environment

In the case studies, the regulatory environment was critical to informing the setup of financing of CD and grants. In the case of MJF, for example, the Bangladesh NGO Bureau enforced a regulation that all CSOs supported with foreign funds had to register with the bureau directly. This implied that the strategy of reaching out to many CSOs with MJF funds had to rely on networks to engage with 'unregistered groups of CSOs' that were important for improving governance.

The regulatory environment also affects the design and operations of boards and councils in the various countries. For instance, in setting up FCS, Tanzanian Company Law provided the framework and guidance on what the Board and Council had to do and how they had to act. Irrespective of how much funding a donor contributes, in order to have any decision-making power over the appointment of the Board, they had to join the Council. Each member of the Council had to pay US\$100 as liability for the company (see Wiseman 2004 for more details on the setup of FCS).

The Vietnam case study, presented at the May workshop, argued that the growth and operation of the non-state sector engaged in CDS provision is constrained by an incomplete and complicated regulatory framework. For example, Vietnamese NGOs are expected by government decree to go through three steps to register, which takes from six months to two years. This has kept most private and CSO-based CD providers out; public service providers are favoured by the law and are subsidised heavily by the government.

8.8 Ownership of the programme and representation of clients

The review of the G-RAP programme (Brown and Atampugre 2007) outlines clearly the main dimensions of ownership and their challenges. For instance, the involvement of two elected RAO representatives (as demand-side clients) on the Advisory Board was seen as indicative of an element of RAO ownership. The emphasis on ICB has also been presented as necessitating RAO 'ownership', through the creation of networks of RAOs.

The second dimension was donor exit strategy, and the possibility of a new institutional arrangement to take the programme forward under a trust fund arrangement. This was also the notion behind MJF, FCS and MFP programmes, where donors take an active role at first and then gradually release control to the developed local institution.

Brown and Atampugre (2007) further argue that the notion of 'ownership' is open to interpretation and hence it would be inappropriate to interpret it too literally, particularly with regard to beneficiaries. Any such interpretations are likely to lead to conflicts of interest in the financing and management of a programme.

The notion of ownership has four implicit meanings in terms of government–donor relations (Johnson and Wasty 1993, cited in Killick 1998), which can be applied to LCDF thinking on 'ownership' or 'local governance' as follows. The **first ownership dimension** is based on 'the locus of programme initiation', where it is argued that ownership is very weak or nonexistent when the programme has been started by external actors rather than by the actors whose capacities are to be increased or improved. In the context of LCDF design, the visits to Cameroon, Tanzania and Vietnam, in which ODI directly participated, and the presentations of all five countries (these three countries and Peru and Montenegro) at the May 2008 workshop in The Hague, showed that LCDF thinking is not a result of broad country consultations on how to deliver CD better in the local environment. The visit to Vietnam, for instance, showed that, despite the fact that Vietnam is the most advanced in market analysis and discussions of LCDF types of CD and institutions, the participating CD providers argued for deeper ownership by Vietnamese organisations and

stakeholders. There is hence more LCDF buy-in yet to happen in countries where LCDF will be set up.

The **second and third dimensions** in Johnson and Wasty's typology relate to 'the intellectual conviction' of the local organisations' key staff (technocratic dimension) and 'the level of leadership direction' from top management of local organisations. The LCDF initiative, as perceived during ODI interactions with SNV during the R&D phase, shows a sharp intellectual conviction among staff that this is the way to make CD work and to also make progress in SNV's own way of investing in CD. It also shows strong leadership from SNV headquarters. However, this intellectual conviction at the local (country) level does not include the exact nuances of how it would work in practice and the impact it would have on current SNV delivery channels and staff roles. The nature of leadership required for this initiative was neither clear nor ascertained at country level. ODI's view is that LCDF will require a different kind of leadership at country level from the kind that implements the current SNV programmes.

The **fourth dimension** relates to how broad-based the participation of stakeholders is beyond the local organisations themselves. As discussed above, the broad country-level population of leading CD providers and clients with which ODI had the opportunity to interact demands further consultations. The population participating in the workshop in Tanzania, for instance, recommended a cautious approach to implementing LCDF in the country's complex aid environment.

Brown and Atampugre's (2007) review of G-RAP in Ghana is also insightful in recommending the need to distinguish ownership of the fund from ownership of the activities funded. In the case of G-RAP, despite a claim by the donors not to be interested in owning the fund, the mechanism interfered excessively in the aims and activities of the organisations funded. It was clear that they were deeply interested in ascertaining the uses of the funds and the value for money implied in these uses. This is a position that all donor-funded programmes, including LCDF, are likely to hold, as they have to answer to their own taxpayers, or DGIS in the case of SNV. However, local organisations can govern LCDF as well as own the activities it performs, as a negotiated process with the funders.

In view of these 'ownership dimensions', therefore, the idea of 'self-propelling' and 'independent' LCD funds, as indicated in the ToR, has to be revised into a modest approach that adopts different dimensions of ownership in a progressive manner from the start. SNV would have to develop a strategic programme for broadening the understanding of LCDF among different organisations. This does not mean that the LCD initiative is not owned *per se*, but not all aspects of ownership have been addressed and SNV retains control of those dimensions.

Furthermore, the ToR point to another significant related principle in the governance/ownership assumption: that independent financing of CD support enables local actors to procure services they need and which address the specificity and complexity of issues that they face (instead of receiving standard training programmes aimed only at partial solutions and steered from a distance by national actors). As noted in the case study review, this independence of financing was not common among CD support mechanisms. It should therefore be taken as a LCDF innovation that will be promoted for the value it adds to the CD provision industry as a whole.

8.9 Summary

In terms of **governance structure**, for CD as a component of a programme management is often internal, which means service provision is linked to achievement of objectives. It can handle wide coverage, but its quality can be difficult to ascertain, and administrative functions may take priority over service provision. Where CD is a programme, management is within the organisation, and the structure involves field offices, which then relate to local organisations. Quality is managed closely.

Key issues are level of decentralisation of CD decisions and influence of field offices on central-level strategic directions. The case studies did not have a clear example of CD on the market.

Breadth of ownership and complexity affect the nature of the governance structure. Those with a broadly owned objective tend to use general assemblies and elected councils and boards of directors, with a main preoccupation in ensuring transparency and accountability, so that resources are secured and objectives achieved as popularly agreed. The more complex initiatives are often understood and engineered by only a few individuals (often donors and their staff). These tend to have more sophisticated governance structures that ensure accountability as well as provision for the drive of the central idea. The structure changes as the central idea obtains broader buy-in, and can be taken forward with a focus on just transparency and accountability, as above.

Variations in **board composition** appear to be associated directly with the level of ownership and complexity of the programme and therefore the skills and the credibility of the members necessary. It is also influenced by level of government interest and the political sensitivity of the initiative. The more sensitive programmes often start with leadership and a 'sparring partner' role played by the donor until positive programme aspects can be demonstrated and appreciated by government.

Committees are set up as subsets of a governance structure to perform particular functions on behalf of a governing board. There are various structures for this, depending on the organisation concerned, the type of organisation and the broadness or otherwise of ownership of the idea.

In almost all cases, the **secretariat** technically supports the board to deliver the programme. The board or steering committee sets the policy parameters within which the secretariat operates. Within these parameters, the secretariat's role varies across the programmes; this variation also follows the trend of complexity. The same applies to the **position of donors** (main drivers, advisors or custodians).

There are two main models of **financial decision making**: i) using a funding committee (assuring a clear vision of the programme but possibly leading to a conflict of interests between supporting organisations and managing investment grants); and ii) subcontracting financial management to another firm (where the incentive to deliver good results is high, but the key lessons from managing a programme could be lost). LCDF must have a robust learning system and subcontract fund management to specialised agencies.

The **regulatory environment** is critical to informing the setup of financing of CD and grants. It also affects the design and operations of boards and councils in the various countries.

With regard to **ownership**, LCDF needs to see more buy-in in countries where it will be set up; additional nuance in implementation and impact; and a different kind of leadership at country level from the kind that implements current SNV programmes. There is also a need to distinguish fund ownership from activity ownership (to minimise donor interference): local organisations can govern LCDF as well as own the activities as a negotiated process with the funders. As such, LCDF should follow a modest approach that adopts different dimensions of ownership in a progressive manner from the start. In addition, independent financing of CD support, which enables local actors to procure the services they need, should be taken as an LCDF innovation that will be promoted for the value it adds to the CD provision industry as a whole.

This report has now analysed the case study approaches with regard to supply and demand dynamics, funding issues and governance and management. The next section draws on the analysis presented on the different findings in the case study CD environments to suggest some guiding principles that could inform the LCDF design.

9. Recommendations for local capacity development initiatives

This section presents recommendations for LCD initiatives, in particular the following issues: i) the LCDF ambition; ii) changing CD demand and supply dynamics; iii) dealing with suppliers and users; iv) value for money; v) knowledge management and networking; vi) quality assurance; vii) funding; and viii) governance.

9.1 The LCDF ambition

The ToR for this study started by questioning whether SNV's basic assumptions were right, especially with regard to growing need/demand for LCD; lack of payment capacities; lack of adequate supply; and the need for more demand-driven services and to bridge the micro-macro divide. The idea was for the R&D to critique LCDF as an adequate (potentially) effective and efficient response and conceive alternative scenarios/logics/elements to address identified gaps. SNV further sought to find out whether the specific formulation of objectives, key strategic directions and parameters of the LCDF concept could be strengthened, and how this would happen.

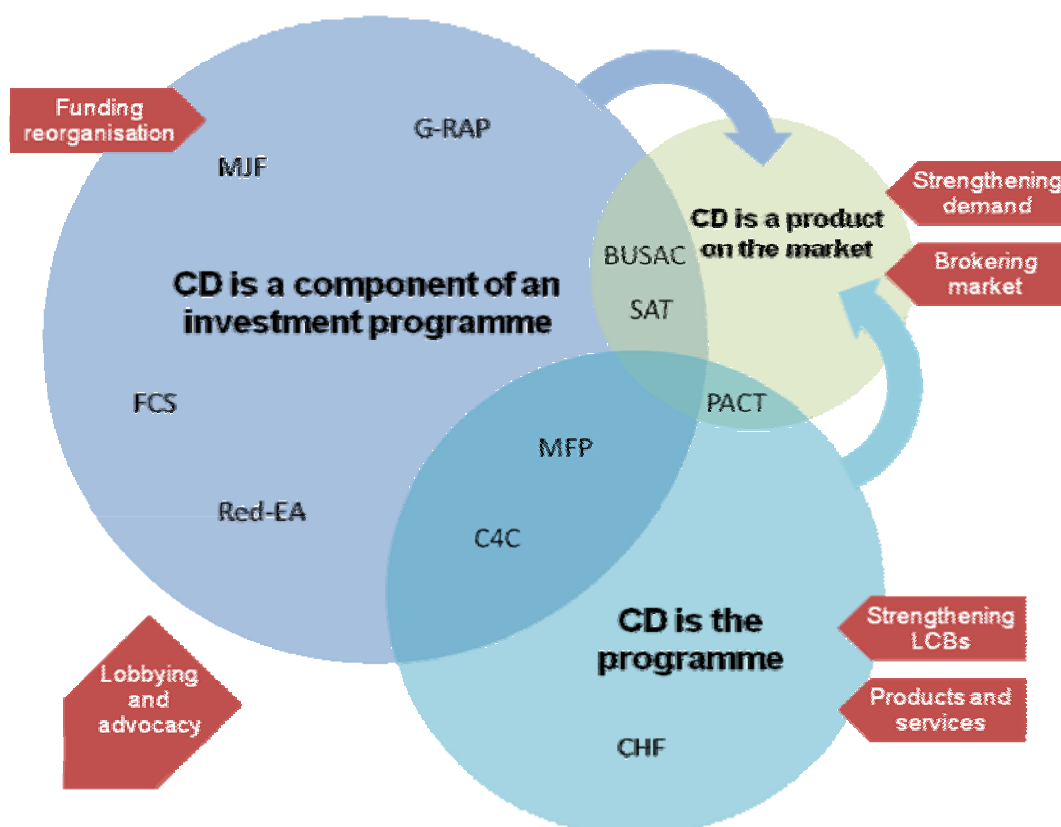
The findings from the R&D phase confirm the growth of demand for CD, especially the need for SNV to use LCDF to contribute to the paradigmatic shift from the largely 'training-focused' TC and CD investments that are in place despite the strong consensus to focus CD on systemic issues. LCDF as a concept needs to downplay the 'funding' component and focus more on building coalitions of change, multi-stakeholder actors that can facilitate a change in the rules of the game and unlock the local markets for CD. This needs to happen at the same time as LCDF is used to provide support for proper demand expression and quality of supply of CD services in these markets.

It should be clearly acknowledged in the LCDF design that, by adopting the ambition of pulling CD focus to the sub-national level, where value-added will be closer to the MDG actions of many organisations than would be the case at national level, LCDF will have to actively support the emergence and development of local CD providers, at least in the short and medium terms. This very deliberate intervention will create suitable conditions for the growth of the CDS market at sub-national level, which are otherwise skewed towards national-level actors.

The visits to the five developing countries and the workshop in May 2008 led to the identification of seven key systemic issues around various CD environments. However, given the diversity of interpretations and methods used to generate these issues in the various case study countries, it is not possible to claim that the issues identified have adequate depth. As a result, it is not prudent for this report to conclude definitively that the seven systemic issues are the only key dimensions of the LCD environment that shape the demand and supply situation and that will shape LCDF strategies in a specific context.

The 10 case studies in the desk study do not show variations in the environment in terms of systemic issues *per se*, but rather illustrate how these systemic issues are managed depending on the approach to CD adopted by different organisational initiatives. In other words, we can distinguish a typology of situations to which LCDF initiatives would need to respond. It was evident that organisations that have CD as a component of the programme engage in CD assessment that focuses mainly on OD and less well on engaging stakeholders. This typology was usefully used to characterise demand and supply in the various environments, funding modalities and governance logics. Most of the lessons learnt were discussed in the previous section. However, as Figure 11 demonstrates, it is possible to locate major areas where LCDF interventions are required and the types of those interventions.

Figure 11: Framework for intervention in the local CD market



As shown in Figure 11, five main interventions could be made in different places in the CD environment, depending on the nature of these environments and the kind of organisations involved. In the ‘CD as a component of an investment programme’ arena, intervention strategies will aim at funding reorientation, because most CD funding is tied to investments and results in inefficiencies of the CD market. The idea would be to get most of these organisations to purchase services in the CD market rather than relying on their own staff. In the marketplace, the aim will be to empower the demand side rather than purchasing CD on behalf of the demand-side actors.

In the ‘CD as the programme’ arena, where we have CD provider organisations such as CHF and SNV, the aim would be to support the nature of ‘products and services’ so that they relate better to demand expression, and to move to reflect/communicate the real cost of doing CDS business. In this way, the type and size of subsidies made will be streamlined and be targeted at stimulating the local market. The aim would also be to grow more and strengthen local CDS providers at the sub-national level.

Interventions in the ‘CD as a product in the marketplace’ arena will aim at brokering the market through better information flows, facilitating branding of good local CD services and networking on both the demand and supply sides, for example. There would be also a good level of CDS provider support in this arena, as suggested in the Pact study and demonstrated in the BUSAC study, where existing suppliers needed support in order to sharpen their CD services in a particular area.

The other significant factor to consider is the broader factors making up the regulatory environment. These factors featured in the case study discussions above, and the diagnostic framework developed during the R&D phase is able to assist in exploring them in the local environment. The intervention aim would be to create mechanisms for advocacy and lobbying so as to promote an enabling environment. In environments such as Vietnam, LCDF would provide ways of supporting organisations such as the Vietnam Union of Science and Technology

(VUSTA)¹³ and the NGO Resource Centre to work on advocacy initiatives that can target such things as 'cost norms' in favour of sub-national and private sector/CSO-based CDS markets.

9.2 Intervening to change capacity development demand and supply dynamics

Although it is possible to define the key intervention areas as strengthening demand expression; brokering the market; strengthening supply; working on product and quality development; and reorientation of CD funding, as discussed above, CD environments are likely to be more complex than these dimensions are able to inform us. The LCDF initiative attempts to resolve the systemic challenges to CD that create bottlenecks in the market for CD at sub-national levels, as well as support the processes themselves, both directly and indirectly. In this formulation, it is critical to identify systemic issues that affect demand and supply interactions and to intervene correctly.

The approach found in the literature that can best help identify the specific demand and supply dynamics, and how to intervene in these without making things worse for the targeted actors and the CD environment, is the value chain approach. Proper positioning of LCDF in the local CD market is even more critical because stimulation of demand and supply for LCD in favour of sub-national-level activity will happen as a result of interventions that do not aim to make a profit and instead aim to improve progress towards the achievement of development goals in general. This aim was also articulated in the Latin America reconnaissance paper on LCDF. This implies, however, that the value chain approach has to be adapted to help to achieve this aim rather than the profit-making aim, for which it was designed and is largely used.

This LCDF position (where the sub-national-level market is to be developed with funding and without profit for the LCDF facility) also has to go beyond basic value chain thinking to account for political economy issues (who is deciding on what actions, what are the power dynamics, who is gaining and losing as a result of these decisions). This is because of 'collective action' problems, which carry with them different motivations of different actors to access the pool of aid-based funding, which do not all support the objectives of the LCDF programme. Unless there are mechanisms for understanding these political dynamics built into the LCDF design, they can undermine progress towards the achievement of a thriving LCD market in ways that are to do with neither the quality of CD services nor levels of funding from donors.

According to Michael Porter's model of value chains in the market of any product, the aim is to develop a clear competitive advantage and create shareholder value (NetMBA Business Knowledge Center 2008). A typical organisational value chain is comprised of primary activities (main demand and supply dynamic changing activities) and support activities (those performed to sustain change or indirectly support primary activities). If these activities are run efficiently, the value obtained should exceed the costs of running them – in other words, customers should return to the organisation and transact freely and willingly.

As indicated in the basic assumptions, the LCDF ambition is based on neither a cost recovery nor profit-generating investment, except for the individual CDS providers, which will likely exhibit market behaviour. As indicated earlier, these providers often play a hybrid game of being both a professional business and a charity service provider, because of the incentives associated with each identity. LCDF can change some of this behaviour but should make this the core aim of the programme. LCDF can benefit from applying the logic of the value chain analysis in order to avoid

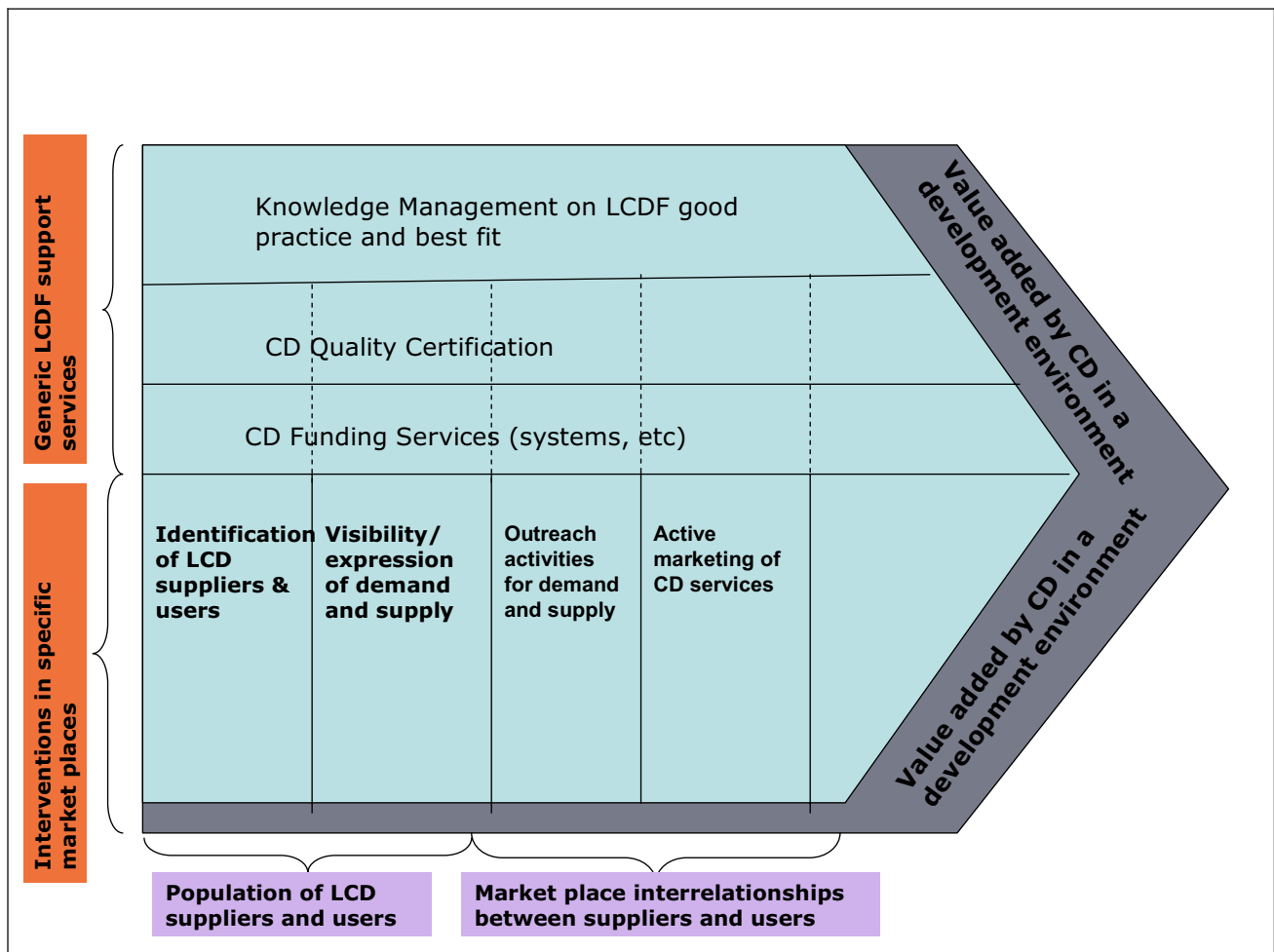
¹³ As reported in the Vietnam reconnaissance report, VUSTA an umbrella organisation with a membership of 400 Vietnamese NGOs representing the interests and independent voices of local intellectuals, NGOs and the poor in Vietnam. Also acting as a bridge builder, VUSTA connects NGOs and social organisations with state management bodies and other political and social organisations from the central to the local level. VUSTA has branches in 43 provinces out of a total of 65. VUSTA is an active player in conjunction with international and national development agencies in advocacy activities for the improvement of the enabling environment for CSOs.

pitfalls that arise from intervening in wrong places or ways, while trying to ‘do good’. The ‘market’ placement of LCDF necessitates strategic interventions in different places of the LCD market.

The proposed LCDF value chain, as illustrated in Figure 12, has ‘interventions in the specific market arenas’ and ‘generic LCDF support services’ on the vertical axis. The specific interventions are those that will be used in specific contexts to change the dynamics of CDS provision in those markets. The generic support services can be centralised and provided to all markets in a country where LCDF is being implemented. On the horizontal axis are activities to do with understanding the population, enabling better demand and supply expression and facilitating better linkages.

All the dimensions in Figure 12 cover activities that have to be performed to catalyse local CDS. The main ones include dealing with the population of providers and clients on the demand side, ensuring value for money and increasing visibility. The intervention approach in each case is to address systemic issues that are associated with poor market performance in these areas. This can be done by using the diagnostic framework (Annex 4) to create a general understanding of the CD environment, and a more detailed survey-based interaction with actors themselves on both the demand and supply side, using methods recommended by Pact (mainly network mapping and focus group discussions).

Figure 12: Value chain typology



Source: Mainframe adapted from NetMBA Business Knowledge Center (2008); authors own concepts used.

9.3 Dealing with population of suppliers and users

Identifying the population of LCD service providers of variable qualities and skills that are in the market, and the population of CD users, which are NGOs, local government, the private sector and others: This will likely fall along specific development sectors or themes. The R&D workshops conducted in various countries came up with a general picture of service providers and users at national and sub-national levels, for instance. This led to the observation that established providers tend to be few and concentrated in major towns. In the Pact study, this process was part of the 'market diagnosis' and involved a survey administered to both suppliers and users. The questions involved basic information on years of existence, number of staff and size of budget, and then included specifics of the CD services that they provide or receive and their assessment of these.

Increasing visibility in the market: On the demand side, it is the nature of demand expression that is important, and the workshops conducted in Cameroon, Tanzania and Vietnam as part of this study showed the difficulties in understanding 'real demand' as opposed to needs analysis carried out by external actors. Similarly, information on suppliers was lacking, except the few suppliers that operated at the national level. The Pact study used a 'network mapping survey' to map out the different types and frequency of collaboration among clients and CD suppliers, and between these and other actors at local and international levels. The results of network surveys can show the visibility of both users and suppliers by looking at the density of their existing connections and networks.

Increasing or improving the distribution and outreach of CD activities in a particular market: These activities improve accessibility of LCD service at the sub-national and district levels. This activity was being carried by the 'CD as a programme' providers in the case studies, e.g. CHF. They were generally underperforming in the service environments that were reviewed.

Promotional activities that LCDF can perform to increase interaction and successful transactions between CD suppliers and clients in the marketplace: In the case study, the LINCOS programme that Pact developed in Zambia and Ecuador relates to this component. As discussed, the Pact programme created 'silent auctions' in the service environment and provided CBAs to service users (demand side), which empowered them to choose the service provider of their interest as well as bargain for lower prices in an open market.

9.4 Achieving and maximising value for money

The 'margins' in Porter's value chain model (see above) are the profits that a firm or production chain produces in the market. In LCDF, there will be a mixture of actors, with some driven by profit margins as an objective (both on the supply and the client side) and others driven by social development goals. Evaluation of the effectiveness of LCDF will be of the resultant impact on poverty reduction goals in the framework of the MDGs from both of these perspectives, but driven primarily by social entrepreneurial behaviour. This is not new: public-private partnership interventions also have this hybrid nature in their conceptual and operational frameworks. The Peru reconnaissance report argued for 'return on investment' rather than cost effectiveness.

9.5 Knowledge management and networking

The second series of activities in Porter's model of the value chain, as shown in above, includes 'support activities'. These activities assist performance generically and hence are the CD activities performed centrally, such as knowledge management, quality and product improvement, technological interventions – for example, use of the internet. BUSAC's use of the internet and 'marketplace' on its website is a good example of use of technology to facilitate the private sector development market in Ghana in general.

Pact proposes setting up Service Provider Associations to assist local capacity service providers to build social capital among themselves and access potential consumers, as well as other national and international actors in the value chain. Through collaboration, local providers can share information. However, the fact that this has not been happening in the Zambia and Ecuador environments or in Vietnam and Tanzania suggests that there are incentive structures that need to be identified and changed.

The MFP study in Indonesia showed that six national facilitators, and one facilitator in each of six regions across the country, developed local networks and brokered relationships that rebuilt trust between alienated groups. They provided technical and organisational support, facilitated shared learning among programme grantees, built up strategic policy evidence and analysis and provided a platform for local and national policy advocacy. The facilitators were also able to help grantees think more critically about the nature of their work, and whether they were representing poor people's interests effectively. Networking should therefore be a key support function for LCDF.

Brown et al (2007) in the G-RAP case study, however, caution against putting emphasis on the formation of networks as a strategy for its own sake, and where this formation of networks is used as a condition for access to grants. They argue that, in the G-RAP case, RAOs are natural competitors, which leads to two dangers. The first is the danger of forcing RAOs into unhealthy and unrewarding collaboration, where a more productive strategy would be to fund one organisation on a 'winner-takes-all' basis. The other is of disrupting markets for services where alternative providers are already competing effectively. They argue that the important question about collaboration, partnerships and networking concerns the value-added of the relationship, which is more likely to come from RAOs with complementary skills choosing to come together than from trying to force alliances between RAOs with different interests.

9.6 Quality assurance/certification

One of the main systemic issues that leads to organisations working with their own identified LCD suppliers or even growing their own is quality assurance in LCD services. All the cases studied had developed their own quality standards for their LCD providers. These standards were not available on the market and had to be enforced through bidding systems. Because bidding processes are costly, organisations tend to use already identified providers, regardless of market changes.

Pact developed SAGE Market Monitoring as a tool to assess demand and supply for local capacity building services. This uses four measures identified as catalytic for the development of local capacity service markets: service quality, assets, agility and efficiency. To what extent this model would be useful for enabling market-located quality assurance, whereby donors and users of LCD would find the LCD providers that they require, could not be explored in the desk study. Nevertheless, quality improvement of CD services is another important generic LCDF function.

The main LCDF stakeholders will be the coalitions of change actors which, in each particular local environment, will seek to deliver change around a sector, a set of sectors or a theme, and the various organisations that are involved on both the demand and supply sides of the change issue. The value chain logic, as discussed, will enable appropriate choices to be made in intervening without undermining the value of CD in the overall sector market.

9.7 Funding for capacity development

This study has shown various techniques for supporting demand expression and supply in the underdeveloped LCD market with inexperienced clients. These included the banding of funding, whereby the more experienced are supported with ICD funding and inexperienced organisations

are supported through 'learning by doing' (CHF), 'activity funds' (MJF), 'outreach facilities' or 'unsolicited and closed call proposals' (SAT). It is important for LCDF to be able to respond flexibly to changing market dynamics and for it to fund actions that build capacity in the market. It is envisaged that there will always be a twin-track approach: an advocacy track and a CD track, which links CD directly to investment programmes that are funded by both CD and non-CD donors. The advocacy track, working largely on creating an enabling market environment around the specific areas, could be facilitated through LCDF by directly supporting advocacy organisations on both the demand and supply side. These advocacy activities could also be facilitated in the market, so that advocacy funders rather than the LCDF facility can provide direct support. For example, BUSAC uses the organisational facility to link service providers of a particular type to relevant demand-side organisations. This service could be extended to advocacy organisations and funders.

LCDF by design will have to actively support emergence and growth of local CD providers in the short and medium term in order to be able to successfully grow better demand expression, through provision of information, for instance, and quality of CD suppliers at the sub-national level. The use of the value chain analysis tools, however, will ensure that this intervention is informed with an understanding of gainers and losers from particular interventions and that positive bias towards sub-national market activity results in systemic changes to the market in those places. The LCDF design will build the ability to generate sustainable local markets through the development of networks on both the demand and supply sides within its mechanisms. The networks will become centres of knowledge and information to sustain the market at the sub-national level, with competence that is not shielded from national and global forces but that has positive value within the local market, through offering lower but profitable fees, for instance.

As discussed, LCDF will support mainly activities in the local market but will also draw on the positive elements of CD support as a component of an investment programme and CD 'as the programme'. In view of SNV's overall objectives and client needs, it is possible to specify certain quality characteristics for the forms/types of CD that might be supported through LCDF.

The LCDF initiative, as informed by evidence used in this research, will maximise outreach through the use of flexible CD support, making use of existing large civil society and private sector programmes (e.g. FCS and MJF) that are currently using CD as a component of their investment programmes but not purchasing it from the market properly. These would become the demand-side potential market for sharpening expression of demand. For instance, MJF and FCS are already covering more than 50% of Bangladesh and Tanzania, respectively. The main challenge for LCDF is to grow the supply side that is linked to this demand side in the marketplace, which means strategic investments in supplier associations, market branding and other support services, as determined by the value chain analysis. The banding of CD support services on both the demand and supply side would help to prevent LCDF from having an elite focus.

Different mechanisms for stimulating and learning around quality of CD services have been explored in this study. The main mechanisms identified include formation of 'suppliers associations', which can help to improve branding of services; quality certification; offering of special courses on specific supply issues as informed by demand and direct linkages with the demand side; and the idea of setting up stalls. Learning is a critical component, one which can be encouraged in networks as well as managed by the LCDF facility itself.

The main determining factor for supply interventions has to be the nature of demand expression, although it is also true that some of the LCD suppliers of the CHF type would be useful for enabling demand expression before other suppliers can provide relevant CD services.

The discussion on funding services above shows that many LCDF funding decisions would have to be informed with the aim of 'supporting a thriving market', as is the ambition of LCDF. Therefore, most of the CD services to be funded under LCDF will be those in relation to the 'CD on the market' typology, but the focus will also be on developing good-quality services that reflect

principles of the 'CD as a programme' category. The main source of CD resources will come from the 'CD as a component of a programme' category, as the value-added of LCDF reorients the funding flows of donors to the sub-national level. This is because most funding for development comes for investments in health and education, etc. In the LCDF case, the aim should be to link LCDF initiatives with ongoing donor decentralisation programmes but also to drive towards having active CD providers in existence at the local level through the LCDF facility. In other words, the LCDF facility should aim to demonstrate clear value of CD suppliers that already exist in the local market so that investment-funding donors prefer these local providers to hiring CD services from capital cities or even from abroad. The BUSAC idea of creating a 'marketplace' could be useful for LCDF in doing this, with added dimensions of assisting with branding and facilitating networks, which BUSAC does not have.

It is envisaged that LCDF will facilitate both grant making of various durations and provision of core funding to organisations that have demonstrated sustained performance in CD provision. This would apply if certain kinds of organisations, mainly in the 'CD as the programme' category, require support to improve quality of products and services or to facilitate market quality at the sub-national level. Where the core funding model is used, the issues in Box 12 below are important.

Box 12: Core funding modality in CD

In a core funding arrangement, the nature of the relationship between the funding authority (and its secretariat) and the grantee is essentially one of ensuring that the latter proves their worth in relation to the minimum management standards demanded by the authority, as regards both financial controls and basic competence. Once the grantee is 'certified' (in the sense of proving its conformity to the requisite standards), the influence of the funding authority is severely limited. The onus is very much on the grantee to identify its objectives, and then to monitor progress towards their achievement. The funding authority should not interfere excessively, and the process element should be firmly in the hands of the grantee. Effectively, it is left to the grantee to decide how their objectives will be reached. Thus, the basic sequence is:

- The authority assures itself (in line with its 'due diligence' requirements) that the grantee has the systems in place to manage its operations, and does not pose a fiduciary risk; the systems in place are very much the grantee's own systems, though they do need to show their compatibility with the standards set by the authority.
- The grantee assures the authority that its objectives are broadly in line with the criteria set by the fund; in the present case, this would imply dialogue around the GPRS, and the aims of multi-donor budgetary support (MDBS).
- The grantee assures the authority that it can deliver on the objectives it has set for itself, at the requisite level of quality.
- At appropriate stages in the process, the grantee and the authority come together to discuss progress towards the attainment of the objectives, where obstacles lie, and what other actions the funding authority or others might take to facilitate attainment of the objectives; however, the grantee decides on the process of delivery.
- A few key indicators may be set – again, the onus would be on the grantee to specify these – but they need to be kept to a minimum to avoid the risk of micro-management by the funding authority or its representative; part of the dialogue between the two parties would be on the level of attainment of the indicators, and any changes that would need to be made.

Source: Brown and Atampugre (2007).

9.8 Governance of LCDF

The discussions here show that, in terms of the idea of concretising independent, locally owned funding mechanisms, the logic has to be based on making clear that ownership will move progressively from a simple model of local institutions owning activities and ideas, to more complex models, where they set their trust funds or equivalent that have their own configurations. MFP in Indonesia, for instance, took more than six years to develop independent Community Foundations. These are still supported by DFID, in several facilitation roles and the setup of sub-granting facilities.

If LCDF is to develop a degree of financial sustainability, it will have to draw on a market plan that takes on a great deal of CD as a component of investment programmes, which is where many resources are going at the moment. In terms of organisational identity, this will require the targeting of key organisations providing investment funding in the local environment (including decentralised funding sources from SWAs and local government) as stakeholders.

Some of the overall governance and organisational logics discussed in the report have focused on: status of CD in the programme; CD approach; breadth of ownership and complexity of the initiative; approach/influence of the relationship between board and secretariat; donor position; financial accountability; regulatory framework; need for use of special committees; representation of clients; and financial decision making.

Additional general principles to consider include:

- The risk that transferring responsibility will eventually rebound on SNV (this might be the case, for example, for advocacy capacity building programmes). Where the type of capacity building is contentious, and a potential cause of conflict (e.g. advocacy), governance structures will need clear 'firewalls' to insulate the funders from the consequences of decisions.
- The extent of 'governance resources' in the society in question – for example, the number of eminent individuals available and willing to devote their time to working with SNV, and the likelihood that those individuals will have conflicting interests in the field in which SNV wants to work.

Regarding transfer of ownership at the level of the governance structure, a great deal will depend on the capacity within society to take over this function. There are means to render the governance approach manageable, even where 'eminent resources' are limited and/or time is short – for example, using external consultants to advise the board.

Care needs to be taken where there is interest in involving the national government in governance in some way, particularly where there is a real risk of politicisation of the capacity building work in prospect. In general, involvement of the executive is probably to be avoided, and involvement of other branches of government (for example, the legislature) should be on a balanced basis. Involvement of the executive brings the programme too close to political decision making and ministerial interests.

9.8 Summary

A summary of the recommendations in this section is as follows:

- The **LCDF ambition** involves five main interventions, depending on environment and organisation type. These are: funding reorientation (CD as a component of a programme); supporting products and services and strengthening LCBs (CD as the programme); and market brokering and strengthening demand (CD as a product). Any intervention must take into account the wider regulatory environment, and create advocacy and lobbying mechanisms in order to promote an enabling environment.
- **Changing CD demand and supply dynamics** will require use of the value chain approach, and proper positioning of LCDF in the local market. The approach needs to cover political economy issues in order to tackle 'collective action' problems, and focus on changing the market behaviour of individual CDS providers.
- In **dealing with suppliers and users**, LCDF will need to: identify provider and user populations; increase visibility in the market; increase or improve the distribution and outreach of CD activities in a particular market; and perform promotional activities to increase interaction and transactions between CD suppliers and clients.

- **Achieving and maximising value for money** will require a mixture of actors; evaluation of LCDF effectiveness will deal with impacts on poverty reduction goals, in terms of 'return on investment' and (mainly) social entrepreneurial objectives.
- LCDF will need to cover 'support activities', which are those CD activities performed centrally, particularly **knowledge management and networking**.
- To enable **quality assurance/certification**, LCDF needs to use the value chain logic in order to intervene without undermining the value of CD in the overall sector market.
- With regard to **funding**, the use of the value chain will ensure that the initial LCDF interventions are informed with an understanding of gainers and losers and that positive bias towards sub-national market activity results in systemic changes. The development of networks on both the demand and supply sides will generate sustainable local markets.
- In terms of **governance**, among the key factors for consideration (as well as those in Section 8) are: financial sustainability (target key local providers of investment funding); risks involved in transferring responsibility (consider the capacity of the society and explore alternatives); and governance resources (take care when working with national government).

The next section goes on to look at partnership possibilities for LCDF within this context.

10. A partnership approach

An analysis of the CD environment shows that there are various sources of funding for CD, which would imply potential partnerships (although partnership needs to go beyond funding arrangements). The main focus for LCDF at this early stage is the Nordic Plus donors¹⁴ and possibly philanthropic organisations. LCDF may also benefit from the large donor grants that are the new trend for supporting civil society and private sector actions in developing countries (Pratt et al 2006). Partnerships could also be formed with local governments, which are now increasingly mandated with developing their local capacities, including focusing on civil society and private sector organisations, as part of the decentralisation agenda. This section explores these partnership possibilities for LCDF, looking first at general donor trends and then at implications of these for LCDF partnerships.

10.1 General donor trends and possibilities

The INTRAC (International NGO Training and Research Centre) paper on mechanisms and trends in official aid agency funding through NGOs (INTRAC, 2006) charts the various large grant funding mechanisms that have been developed and used by different countries over time. For example, Denmark, Norway and Sweden provide Framework Agreements, although the actual mechanisms are not necessarily the same. Other large grants include Partnership Agreements (Finland), Multi-Annual Programme Scheme (MAPS) (Ireland), the Co-Financing Programme' (MFP) (the Netherlands) and Partnership Programme Agreements (PPAs) (UK). The significant features of these large grants, which the INTRAC study helps to identify and which are of importance for LCDF, are the focus on a small number of 'home country NGOs' on a 'core funding basis', and multi-year arrangements. These NGOs in turn provide funding to their partners in the South, usually to umbrella organisations. The core funding arrangements can provide many lessons for LCDF at the international governance level as well as on how granting arrangements are developed, e.g. through use of independent firms that work on behalf of donors.

Other donors, for example DFID, are extending this way of working to country programmes, where a few intermediary organisations are set up to deliver on defined change areas. They are able to achieve greater outreach through these arrangements, although this implies significant investment of staff time into developing local management and governance arrangements, as was the case with FCS and MJF. As a whole, DFID uses a number of modalities to support civil society, including PPAs, the Civil Society Challenge Fund and various country programmes (such as multi-donor instruments, institutional funds), as shown below.

¹⁴ These include Denmark, Norway, Sweden, Finland, Ireland, Netherlands and the UK; in most initiatives, other donors, especially Canada, are also included e.g. on aid effectiveness.

Table 2: DFID support to civil society

| £328 million funding is broken down as follows: | | |
|--------------------------------------------------------|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Funding route | DFID funding 2004–05 | Brief description |
| Country programmes | £154 million | To provide funding directly from DFID country programmes to CSOs in country. Includes small-scale funding to individual CSOs and contributions to joint funds pooled with partners. |
| PPAs | £65.3 million | Strategic-level agreements between DFID and UK CSOs to encourage advocacy and policy dialogue, and to help large NGOs build the capacity of smaller CSOs (26 CSOs currently have these strategic agreements). |
| Civil Society Challenge Fund | £10.1 million | UK CSOs bid for funding to engage with small-scale aid projects, focusing on areas such as capacity building, advocacy and service delivery. |
| Development Awareness Fund | £6.6 | To raise public awareness of international development in the UK |
| Strategic Grant Agreements | £0.8 | To help UK CSOs without specific international development interest to make a contribution to poverty reduction. |
| Humanitarian and disaster relief | £91.2 | To support CSOs working in conflict prevention and to provide emergency response. This covers the Conflict and Humanitarian Fund and Disaster Relief. |

Source: UK House of Commons (2007)

As regards the increasing number of philanthropic initiatives, e.g. the Gates Foundation, Google, etc., the challenge will likely be the definition of results that LCDF is producing, including attribution of those results to CD. At the conceptual level, it will acknowledge that CD is necessary to efficiently produce results but it will be difficult to agree on the means-to-ends connection, as discussed above.

The European Commission (EC) also provides for CD through various decentralised budget lines. Most of these are sectorally focused. However, a new budget line 'Non-State Actors and Local Authorities in Development', introduced in 2007, focuses on CD and is accessible by country actors. Eligibility is subject to organisations being registered. Furthermore, the EC proposals use a tendering system, which could mean that this is not fit for a systemic approach to CD. Tendering systems are good for achieving transparency of transactions, and can handle many applications because they do not involve much face-to-face interaction. However, they constrain space for innovation and can easily produce homogeneity in governance environments that would benefit from diversity of activities. SAT has done well here by working flexibly through both 'open and closed' calls for proposals, as well as unsolicited and discretionary instruments, as discussed above. All these increase potential for supporting innovation but are largely used in government donor environments.

The World Bank's main avenues for supporting CD are through projects where some of the implementation is subcontracted to national umbrella organisations and through the Community Fund. There are also significant investments in the Africa Capacity Building Fund, for example. These instruments will need to be explored further in terms of their approach to CD.

10.2 Implications for LCDF partnerships

The key learning point for possible partnership in some of these initiatives is that support of programmes such as C4C in Nigeria, FCS in Tanzania, MFP in Indonesia and BUSAC in Ghana for the private sector shows that a great deal of experimentation is going on with ideas as to how non-state actor CD can be enhanced. LCDF would be set alongside these experiments and eventual linkages for change.

The challenge is that this support still flows in particular policy directions, as stipulated in donor country assistance plans. This might indirectly incentivise CD as framed along the lines of a donor's own strategic directions, and not a de-linked programming of CD away from development activities, as LCDF thinking reflects. The general trend towards multi-donor support mechanisms might offer space for organisations to work more flexibly on the more generic 'home-grown' CD goals.

In this regard, the INTRAC (2006) study shows that donor agencies support civil society as a means to the end of development interventions, and there are those that see it as an end in itself. The 'means to an end' argument resonates with this study's typology of CD support as 'a component within an investment programme' or 'a programme in itself'. In this case, donor agencies that see civil society as an end in itself argue that civil society support will reinforce democracy and social and political pluralism. This then means that the larger the number of CSOs engaged, the stronger the countervailing force to state dictatorial tendencies. Where CSO support is a *means*, donors seek to build capacity of CSOs in order to help achieve specific results, in an instrumental approach. INTRAC (2006) argues that this more instrumental view of civil society is one of the reasons for treating NGOs as civil society, because they meet the requirements as subcontractors, whereas social movements are treated as less 'convenient' in delivering predetermined service packages.¹⁵

The main learning point for LCDF partnerships is that this will depend on how the donor agency supporting the large grant at international or country level approaches civil society or private sector and hence the role of CD. As discussed in the findings of this study, where CD is taken as an instrument for achieving investment programme results quickly, the LCDF strategy would be to push those investments to sub-national level as well as making them available on the market that LCDF facilitates, where quality, efficiency and value for money should be guaranteed or at least ascertained. In other words, these instrumentalist approaches could easily be aligned with the CD approach, but this will have to happen at value-added and efficiency level, rather than just in terms of long-term development implications. The agencies that see civil society and private sector development as both a means and an end in itself will likely also easily buy into CD principles that focus on systemic issues and market development. They should be identified quickly in the international and local environment and mobilised to champion LCDF along with SNV. They are the first group of candidates for the 'coalitions of change' actors.

The variations of CD actors at country, regional and global levels mean that there are various options/possibilities/implications in LCDF branding and in SNV joint initiatives. The main point of analytical departure that can help LCDF partnership decisions has been not the amount of CD funds that potential partners command but the CD approach itself. In most cases, potential partners will perceive CD as an instrument for supporting investment programmes, which is not entirely wrong but which undermines the focus on systemic issues. Agencies that are in this category are mostly stakeholders to be persuaded by the value of sub-national-level CD services that LCDF can improve through quality certification, branding and other interventions. Partners that will be among the coalitions of change actors for LCDF are those that are aligned with systemic thinking.

The next section provides guidance on how SNV could position itself as an international organisation that is responsible for implementing LCDF.

¹⁵ See this 'non-traditional CSO' discussion in Tembo and Wells (2007).

11. A role for SNV

The position of SNV as an international organisation responsible for implementing LCDF pertains mainly to the role combination that will be adopted, governance implications for SNV and the relationship between LCDF and other delivery channels.

11.1 Role combination

This study has shown that positioning of initiating organisations has various configurations over the different phases of a programme. In the case of the LCDF initiative, the focus on tackling systemic issues will come up against several forces, including the prevalent 'CD as a component of an investment programme' approaches, which measure success in terms of short-term deliverables which are not about CD itself. LCDF will have to identify some quick wins in particular contexts in order to counteract these forces. However, the key success outcomes will be reflected in the better expression of demand for CD at the sub-national level, quality of CD services provided and the functioning of the coalitions of change actors and actions.

Given that this is a new niche area, one for which our wide-ranging search for similar initiatives has not produced a clear-cut model (Pact and BUSAC are the closest), the initiative belongs to a complex category of programmes that require intellectual drive to come from the centre for a while, without smothering innovative ideas that can come unexpectedly from the periphery. The five SNV offices that participated in the May 2008 workshop are a key resource for this initial drive to develop LCDF. This means SNV will play a significant role in terms of intellectual debates in selling the LCDF brand. It is also recommended that SNV develop a communication strategy for the LCDF initiative.

The implementation of LCDF will have implications for SNV's current provision of advisory services, especially in the countries directly involved in implementing the initiative. This is because SNV advisory services will be competing with the growth of the CD market in LCDF environments. The best approach will be to avoid situations whereby SNV is considered as a cheaper but high-quality service simply because it has been subsidised. SNV has to calculate and disclose the full cost of providing services in local markets so that that these are linked to the value chain and assessed for the value they add to the local CD market.

The G-RAP ICD advisor, for instance, was able to calculate and value the services he was providing to RAOs, and noted that only 34% was spent on ICD – of which 8% was actual contact with RAOs. This can be converted to money values that fit with the local market and encourage fair competition with local service providers. The SNV objective will not be to make a profit but to be cost effective in delivering value to development in the form of CD. This does not mean that local CD providers should not make a profit, except if they are operating under an agreed MoU with LCDF management. SNV will have options to provide either back-up services in the local environment and improve quality in the process, or to play the accompaniment role in order to stimulate better demand expression in local markets. The latter role could be played if there are as yet no good CD providers operating in an animator role and drawing in other CD providers to provide one-off CD. The formation of CDS provider associations could help identify these different ways of engaging expertise in providing CD.

The case studies also show that a critical role for SNV will be to lead the positioning on LCDF within the prevailing regulatory frameworks of different countries. In some countries, this will mean that LCDF can directly support only certain organisations. MJF, for instance, operates under the NGO Affairs Bureau (NGOAB), which allows only registered organisations to receive foreign funds directly. Otherwise, they can access only one-off support for an arranged course or event. SNV will

have to play a brokering role with government, although this could also be built into the function of the LCDF local board: other board members might be better placed to provide this brokering support, either because they are eminent persons in the country or because they are politically more credible than SNV staff.

11.2 Governance and management implications

The LCDF mechanism is set to start on a new way of stimulating the growth of the sub-national market for CD services, with new tools and techniques. In this regard, the mechanism is sophisticated enough to require leadership and drive from SNV. The starting point could be a model that uses a strong secretariat and board members, carefully selected based on the expertise they bring to the LCDF initiative.

It is important to separate CD market facilitation from granting for 'learning by doing' and networking. This function can be given to a local grants sub-committee that works on the basis of policies established by the board and a strong secretariat.

In politically sensitive environments, it might be important to have SNV country offices work to gradually develop the institution, starting with issues that have a great resonance with a broad range of stakeholders. MFP in Indonesia, for instance, worked on forestry as a commodity, one which had great traction with citizens, government and private sector alike. It found safer ways of working, with the DFID country office playing the role of brokering relationships, and the intended governance-type change and institutions (Community Foundations) were developed incrementally. A number of dedicated staff employed by DFID Indonesia worked in the various regions of the country to facilitate these processes. In other words, the starting point might be a popular theme or sector, one which might have been depoliticised at the point of entry (as is the case with most sectors); 'the change the rules of the game for the market to work' agenda is developed based on laid-out value chain and drivers of change logic.

In order to implement LCDF properly, sufficient decision-making capability has to be decentralised to countries where LCDF will be implemented, as most of the good cases studied have shown. LCDF will grow out of learning and experimentation in most environments and sufficient decentralisation will support better responses to changing environments as well as accommodate 'error' as one of the significant ways of learning. This implies a need for strong leadership at country level in order to implement LCDF properly. It will be necessary to have both standardised M&E systems, which can be developed for the international LCDF initiative, as well as local versions that accommodate complexity as a significant way to learn and monitor change (Ramalingam et al 2008).¹⁶

11.3 Relationship with other delivery channels

The LCDF design, as discussed in this report, lends itself to SNV development of the knowledge management/brokering, networking and advocacy roles in addition to that of the advisory channel. As indicated in the value chain typology (Figure 12), the support functions are a key area for SNV to develop and build into the LCDF design. As regards networking, for instance, it is possible to integrate all the six functions and two roles of networks¹⁷ (Mendizabal 2006), which can enhance the primary value chain activities for each theme/sector around which the CD market and eventual development value is being developed.

¹⁶ See www.odi.org.uk/publications/working_papers/WP285.pdf.

¹⁷ Network functions include filtering, amplifying, investing/providing, convening, community building and facilitating; the two roles are an agent of change role or a supporting role. See www.odi.org.uk/rapid/projects/ppa0103/.

The difference will be that LCDF will be managed using a 'coalitions of change' approach, with various other players taking part. This means that SNV does not need to develop all the necessary support roles in LCDF, but instead should build into the design CD support for organisations that can carry out advocacy in specific areas or do knowledge management, e.g. resource centres or think-tanks. These actors will already be covering their costs of doing business from their investment programmes (e.g. think-tanks funded by government), except those where CD is the programme, which might turn their services into a fully blown market over time.

The LCDF design phase has managed to come up with important design parameters for implementing LCDF in different environments. The most important deliverables are the logics, the explanations of assumptions and the tools suggested for use in different CD markets.

This is a good opportunity for LCDF, as there is a growing dissatisfaction with training-based models of capacity building and there has been a shift towards addressing systemic challenges to capacity. Nevertheless, although the language looks the same, approaches are still very diverse, and this could constitute a threat to the growth of LCDF. A cautious learning process approach is therefore likely to penetrate the image conflicts around what CD actually means and how to make it work in practice.

SNV has the advantage of locating LCDF within the organisation's own paradigmatic change in working in the CD industry. However, visits to the different SNV country offices showed that there was still work to be done to create common thinking within SNV, beyond the core team that has shaped this study.

LCDF is a worthwhile endeavour and holds the potential to catalyse thinking on CD in international development in order to start tackling difficult questions. In sum, the R&D design phase has laid out some foundational tools and principles, which can inform strategies for moving into practice and will benefit from an effort to keep reflecting, learning and improving.

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Annex 1: Analytical description of LCDF

(version February 2008)

Local Capacity Development Financing Initiative

‘The critical importance of local capacity development service environments and financing for increasing impact and strengthening governance’

Summary

The capacities of national governments to develop and carry out adequate policies are attracting a new level and kind of interest. Local capacities are as critical for achieving development impact and governance ambitions. But they generally receive less attention. If the capacity development environment for local organisations is not addressed more adequately, this will become (and in fact already is) a major impediment to achieving national and international development ambitions.

In many environments there is a small number of good providers of capacity development services for local actors. These providers however tend to operate in national markets determined by donor and national priorities and related fund flows. The service environment in provinces and districts is generally weak and fragmented. With ongoing (conventional) approaches of both official donors and most INGO programmes there is a considerable tendency of reproducing such fragmented approaches

Further analysis in this document indicates that there is not sufficient attention to the overall dynamics of ‘enabling / service environments for local capacity development’. On the basis of first research data and field reconnaissances (still ongoing) the note identifies (tentatively) 7 specific systemic challenges. It then starts to outline the contours of an initiative that would aim at addressing these using innovative forms of financing in a considerable number of local settings and in a considerable number of countries.

The present note is an interim product. It is actually the first serious write-up of this initiative. It serves two purposes: a) to orient the further investigations and b) to start engaging with other actors that are knowledgeable and potentially interested in the issue and the initiative.

Focus of the initiative

International and national ambitions to reduce poverty and achieve development results for the poorest quarter of mankind are being scaled-up. Accordingly, the capacities of national governments to develop and carry out adequate policies are attracting a new level and kind of interest. (DAC-G0VNET, 2005).

This new thinking is also applicable to the development of capacities in civil society, private sector and government at sub-national (meso and micro) levels. However, while donor attention is increasingly focused on national governments, ministries and agencies, the capacity development needs of (groups of) organisations at sub-national levels are insufficiently addressed. In particular, the overall enabling environment for effective local capacity development services does not receive the attention it deserves. This is resulting in a capacity gap at the level where implementation of the MDGs has to take place.

The Local Capacity Development Financing (LCDF) Initiative addresses this issue. It recognizes that a weak capacity development environment for local organisations will (increasingly) become a major impediment to achieving national and international development ambitions.

Sketching the environment

In most environments the amount and quality of local (micro and meso) level organisations has significantly grown over the last 20 years. This concerns local governments (provinces, Districts and below) and their specific units and departments, as well as NGOs and civil society actors, and also private sector organisations, including chambers of commerce, business development service providers etc. The need for capacity development support and specific tailor-made services among this population of meso-level actors is growing due to new responsibilities and higher demand of citizens; however the provision of such support services lacks behind and is developing into a significant bottleneck for development progress. Typically the following situation and systemic challenges occur:

1. The organisations that provide good quality capacity development services to meso-level organisations are often very limited in number. Typically there are 3-7 'leaders' in any particular field in a country (water, education, forestry,) Almost without exception such organisations are vested in the one or two major cities of a country and operate on the basis of funding by international organisations or government programs/projects. So their agendas are determined by national priorities and considerations ('urbanisation'). These providers are a hybrid group of private sector and NGO organisations, working on both consultancy and a project/program basis. Typically they operate on fees of 50-250 Euro a day and have between 5 and 50 staff. A certain degree of specialisation usually exists, e.g. in business development services, rural development, decentralisation and governance, forestry and environment etc. But there is usually a considerable overlap in working methods.
2. At a lower level, within 'provinces' and 'districts', usually a considerable number of much smaller and less developed organisations exist. The more serious ones have 2 to 10 staff. They may have started as locality based and/or membership organisations, but have developed some technical cadre and professionalism. Their fees are between 10 and 100 Euro a day. They typically focus on a broad range of activities, determined by financing opportunities: water, decentralisation, health, agriculture, micro-credits, HIV-AIDS, education, etc. It are these organisations that do most of the work in local capacity development with district level and micro organisations such as farmers associations, parents associations, water users groups, women groups, local entrepreneurs, youth clubs, etc. etc.
3. In productive economic sectors there are specific commercial services around value chains. These may range from business development, to trading and specific niches in relation to the market chains concerned (such as forestry, agricultural commodities and tourism). Also these organisations often have both market based and subsidised (project/donor based) activities.
4. Typical local (capacity development) services are:
 - Punctual 'technical' services, for example in design of infrastructure, financial management, ICT etc.¹⁸
 - Training and organisational strengthening, for example in planning, project management, finances, ICT, human resources management etc.
 - 'Accompaniment' (accompagnement) of clients for longer duration, helping them to gradually improve their performance, working relations and internal functioning.
 - Introduction of specific innovations or practices, with often a combination of technical and organisational / multi-stakeholder work.
 - Facilitation of multi-stakeholder processes and collaboration.
 - Advocacy and policy influencing

Systemic issues and challenges

The following are key systemic challenges encountered in the local service environment¹⁹:

- A. The **local provider community in provinces and districts** (as sketched under 2 and 3 above) **has important limitations and challenges**: coverage of local communities / clients is patchy, the financial basis is weak (often strongly project based and thus time bound), opportunities for professional development are (very) limited, knowledge support is limited. Often they provide service delivery in isolation from national strategies and are not well linked to best practices. Professional quality of staff is growing as more and more qualified people are available nowadays.
- B. The **community of leading providers in the country** (as sketched under 1 above) usually provides for adequate services and roles in accordance with prevailing standards in the national and international market / community. However their role in sustainable local capacity development is limited. They do local work as far as they are hired for that by international or national organisations. After these contracts/projects they usually withdraw from that specific locality/region. They are often busy to survive in the national arena, and maybe quite successfully so. But their **focus on outreach and knowledge dissemination is often limited**.
- C. The **demand orientation is a serious challenge** across both categories of providers. Most work is done for clients that can not afford to pay and is thus based on funding by third parties. Almost inevitably such parties start to play a role in setting priorities and orientations of the providers. There are some interesting experiments/experiences with inducing more demand-power (for example with voucher systems). In the private sector (business development services) a higher degree of contributions and a more entrepreneurial attitude of clients is often required. Also where decentralisation really progresses and structural funding becomes available at lower levels, some degree of local market can emerge (often the top-end of the lower market).

¹⁸ Technically not necessarily part of 'capacity development'.

¹⁹ Present formulation based on two field reconnaissances in progress, to be finetuned and deepened in further work presently in progress and to be discussed the coming months.

²⁰ Signals that in more advanced environments (such as LA) room does indeed emerge for that?

- D. **Knowledge development and sharing as well as professional development is a critical issue.** Relevant knowledge and practices are often available in a country, but usually in isolated pockets. Leading professional actors are not yet in the position or do not have the ambition to address the outreach and scale challenges. Also many donor programs focus more on central government capacities or on specific program outcomes than on the capacities in the broader society and/or the creation of an on-going enabling environment for local services.
- E. **Quality and accountability is a key issue.** In development in general and also with regard to service providers and service environments. The diversity of financing relationships and specific financier objectives and modalities tend to make local service environments highly intransparent to the users/beneficiaries. Provider quality varies wildly. It is difficult for clients to assess the quality of providers and of specific services. Contractual relations are focused on financiers (upward accountability), not on clients (downward accountability). Leading professional organisations indicate that accountability and professional quality is a main component in improving service environments (Cameroon, Tanzania visits).
- F. In local capacity development, **multi-stakeholder facilitation or brokering has proven to be a powerful** in many circumstances and varying professional fields. Building individual organisational strength in a very uncertain and changing environment is very difficult and often not too effective in terms of on-the-ground results. Working on improved relationships and partnership between key actors can create conditions for and be an impulse in developing organisational strength of individual actors. However multi-actor facilitation and brokering **roles are difficult to establish and to tender.** The development of multi-actor work as a specific workfield often deserves attention, both professionally and financially.
- G. The systemic issues sketched above will not be addressed automatically as aid budgets increase over the coming years. **Donor support and funding** increasingly flows exclusively to and through the national state at expense of decentralized levels. This contributes to capacity development at that national level, and in some countries the benefits filter down to some levels of local government. However, it does not sufficiently provide resources in a suitable form to help improve local capacity development environments. **INGO support and funding** reaches out to civil society actors and makes meaningful contributions through these. Much of this support, however, is focused on individual organisations or aimed at promoting specific projects/programs. The development of an effective local service environment is not at the forefront of concerns here either.

All in all, attention to enabling environments and systemic barriers at the local level is not adequately addressed by either official donor or most INGO programmes. There is therefore a high chance that **fragmented and ineffective approaches to local capacity development will remain the norm**, thus limiting the scale and reach of improvements in development results.

Creating dynamics for 'break-throughs'

The above systemic issues are faced in various environments and across sectors. The LCDF initiative(s) seeks to select specific environments and to achieve breakthroughs in these that will foster a significantly stronger local capacity development service environment and market, supporting scale of poverty reduction and improved governance.

Such initiatives will have to be tailored to the local situation. Further reconnaissances and research are still ongoing to understand the variations of settings. Nevertheless it seems that a first idea of a 'repertoire' for such initiatives is emerging. The below description is really very tentative and a first try only. It serves as a basis to continue further research and conversation. The idea will develop the coming months and years. Not the least by engaging knowledgeable and potentially interested actors.

Content-wise each local initiative will have to select a set of (evolving) **impulses** in the quality of demand-supply interaction. And relationally it will be made possible by an (evolving) **partnership** that seeks to join efforts and to help create conditions by orienting fund flows and conditions.

Note: Because of the growing understanding of the systemic issues that we face in improving 'local capacity development service environments', we start to consider other elements for financing and other financing strategies than we were doing at earlier stages. The (implicit) focus was on grant-making for capacity development processes themselves. We now start to look at other financing modalities than grant-making and to consider financing improvements in the enabling environment rather than the capacity development work (only). We now want to sharpen our rationale and focus: what are the problems that limit the effectiveness of local service environments and what/how can we finance to address those?

CONTOURS OF LOCAL INITIATIVES (tentative - evolving)

-Usually a combination of sector(s) and/or region(s) in a specific country; may also be supra-national. -

Focus

Improved local capacity development service environment for impact and governance. In each setting choose a set of concrete development targets, changes and change processes that one wants to contribute to. In or across a number of specific sectors / working fields.

Impulses

- Knowledge sharing: generating and disseminating approaches that work – linking the professional leaders with the broader community
- Capacity building program of promising local providers. Equipping them to become more attractive and competitive. Allowing them to pull money and programs down and increase their own volume of work.
- Introducing/strengthening quality standards and accountability.
- Financial impulses for:
 - a. Capacity development of providers
 - b. Demand
 - c. Market and program development
 - d. Matching funds
 - e. Innovation
 - f. Multi-actor processes
 - g.

(As indicated, during next steps of the RandD work principle financing options and strategies need to be explored much further.)

Partnership

Develop an alliance with development organisations and donors to support the initiative and support the impulses and also orient their general work, including funding flows, to foster local demand-supply dynamics. Joining the partnership gives you an opportunity to contribute to the impulses, but also requires/invites you to foster the development of the local service environment in all your activities related to the sector and/or region concerned.

Organisation

The possible forms of organisation will be further investigated and can vary considerably depending on the environment. It is however deemed likely at this stage that a small independent initiative will need to be created in each environment, that can act as an independent broker and initiator in realizing the impulses and operating between relevant parties. This small entity can also be the 'channel' for specific financial impulses. Financing will be strategic and empower other actors and combinations of actors to take the lead on certain impulses. As far as more detailed grant-making facilities are considered, these will generally be outsourced to specific entities or run separately by certain members of the partnership.

It may also be considered to locate the initiative with an umbrella organisation or similar entity with a generic role.

Timeframe

Improving service environments is a medium-term effort. Time frame will be 10-15 years.

Funding

Contribution of partners, international donors/foundations, contributions by clients, private (corporate social responsibility) funding.

Status of the initiative

This is a first write-up of the initiative. The idea will be developed, transformed, (re)oriented and finetuned in the coming months and years. SNV is committed to be a lead partner and has made financial allocations for that. But it wants and needs to do this together with others and seeks to engage an interesting and possibly diverse group of partners.

A number of further investigations and field reconnaissances are planned for the coming months. ODI has been contracted to do significant research and be a content and strategy consultant to the process. Conversations with knowledgeable and interested actors are presently starting up, both in the field reconnaissances and more generally. A workshop will be held in the 2nd half of May with field and international representation. This may lead to the establishment of a think-tank that will guide the further development of the idea. A report on the RandD phase will be submitted by end of June. In July, SNV management will take further decisions on how it will take the initiative further.

Appendix: statements orienting RandD work on the LCD(F) Initiative

The following concepts and orientations guide the research and development activities currently being undertaken (an improved analytical framework and research agenda is under development):

1. The ideas on LCDF are evolving. In the box below the summary of the idea as formulated in December 2007 is provided. With growing understanding of the 'systemic issues' that we face in improving local service environments, we now start to consider a broader range of funding options, as sketched in the main text. But much of what was assumed in December remains relevant or may prove to become relevant again.

Summary of LCDF idea as developed by December 2007

Aim: Through this channel, SNV aims to increase access to funds for local capacity development in a way that empowers local actors and allows them to acquire tailor-made services, geared towards their needs.

Why: In the period 2007 - 2015 the demand for capacity development support from local-level actors will continuously increase. A significant share of those actors will not be able to obtain such services on the commercial market. At present, this is even the case in

relatively advanced economies such as South Africa, Brazil, Mexico or India. There is little reason to believe that this pattern will change in the coming years in the countries SNV is working in. There will thus remain a strong reason to provide subsidies to local capacity development support in the fight against poverty.

Rationale: Locally governed LCD funding mechanisms are a potentially adequate institutional vehicle for bridging the micro-macro divide and for giving local actors enhanced capacity development options. They can be an adequate tool to empower local actors and stimulate macro policies and enabling environments to facilitate local results. Independent financing of capacity development support enables local actors to procure services they need and that address the specificity and complexity of issues that they face (instead of receiving standard training programmes aimed only at partial solutions, and steered from a distance by national actors).

For whom: Such financing windows may give an impulse to both the supply and the demand side. The optimal balance will need to be determined on the basis of an understanding of the local 'market'. It is expected that with the growing quality and volume of local supply, funding can increasingly be used to promote demand.

For what: LCD funding can only be used for capacity development activities and are deliberately kept separate from programme funding (for implementing development activities) as provided by NGOs and international donors. SNV's experience is that advice and programme implementation need some degree of separation, in order to avoid dependency/overpowering of local actors.

For what specifically:

- Funding is aimed at forms of capacity development oriented at poverty impact and improving governance at meso level: to empower local actors and stimulate macro policies and actors to be relevant to local results.
- It can be generic, or oriented towards certain sectors or types of organisations.
- It will be used for services by local suppliers only (not international consultants).
- Recipients of funds meet certain criteria to be further established (such as limited own capacity to pay for CD services, but the ability to make a contribution).

Principles of ownership, governance and operation: LCDF funding mechanisms will be stimulated or created with local and international actors and will probably be self-propelling, governed by an independent board and thus locally/regionally owned. More specifically:

- A LCDF mechanism is governed by actors in the countries and regions concerned.
- Allocation is impartial, competition open and against transparent criteria.
- Administrative and financial accountability are firmly established
- Fund management is independent and done by multi-actor boards. (??? JU)
- Allocation principles will be adjusted to evolution in demand and supply

Results: The results of SNV's LCDF delivery channel will most likely be measured in terms of:

- Number of countries where funding mechanisms are established with adequate governance structures.
- Co-funding attracted.
- Number of clients served at the local level.
- Number of local capacity builders involved.
- Results achieved by clients and local capacity builders.
- Turnover through these LCD funds.

Evolution over time: Since activities under this channel have not yet been developed or piloted, SNV's thinking is expected to evolve over time and the strategic orientations will grow in depth and detail while SNV plans, operationalises, experiments and scales up this kind of activities.

SNV's role: SNV will act as a co-initiator and will develop concrete propositions for assuring quality criteria. Other actors (both national and international) will be involved from an early stage. SNV will assure that the LCD funding mechanisms will be independently governed. They will not be owned or governed by SNV. Eventually, the LCD funding mechanisms are ideally/possibly to develop into independent and 'self-propelling' set-ups. On the basis of their proven relevance and success, they will attract funding from other sources. SNV's initial financial support can therefore be seen as seed-money, but needs to be substantial enough to develop a certain scale of operations and attract further money on the basis of proven practice. This may very well be a financing option for RNEs over a longer period.

Possible 'vocation' of the LCDF channel: Use funding to strengthen supply and demand of meso-level capacity development in order to: increase development impact (BASE and PIE), strengthen micro-macro linkages and 'governance for empowerment', and directly support development of local society and relations (as compared to most present aid that is oriented towards / flowing through the central state).

Possible combination of levels: In order to reach out at the local/meso-level, funding mechanisms will usually have to operate within a country or possibly a region of several countries. It is SNV's ambition however to help establish a 'family of funds' that have shared principles and quality characteristics. Such family of funds is expected to attract interest of large international parties that may be interested in supporting it. The overall set-up may therefore combine a national/regional and an international level.

2. The focus of the work is on services and support that focus on increasing the clients' 'capacities'. This is distinct from services oriented to providing funds, or purely technical support or implementation services (such as contractors, banks, input providers etc.). We recognise, however, that capacity development services and more technical services are often intertwined.
3. We are concerned with a broad range of both national and meso-level capacity development service and support providers, operating at levels and in roles between the purely national/macro and the micro/community (this may coincide with the administrative entities of provinces and districts). And on the demand side we are concerned with their clients – users of capacity development services – at the community and meso-level.

4. SNV uses an advanced notion of capacity development that includes but goes beyond the conventional elements of training and organisational strengthening, to deal with multi-stakeholder-processes/brokering and institutional development / policy influencing activities. We have learned that for capacity development efforts to lead to effective and sustainable performance improvements and impact, all of these elements need to be catered for.

Capacity development services are usually combined with sector/business specific knowledge, and benefit from this feature. In many environments the following practical fields of work are important contexts for capacity development: water and sanitation, education, health, business development services/market linkages, agriculture, tourism, forestry and environment, and decentralization. Also, of course, generic capacity development services exist, for example on ICT, planning systems, communication, financial management etc.

5. In line with the above capacity development approach, we deliberately use the phrase service environment, or enabling environment for capacity development, to indicate our concern with the systemic factors that influence the delivery of effective and sustainable improvements in capacity to meso-level actors and below.
6. Initial investigations have shown that we deal with a very hybrid population of private sector and NGO organisations, some even combining features of both legal statuses. Most of these operate in both the fee-based (tender) market and the project-based (NGO) market. Combinations of commercial businesses and not-for-profit organisations in all kinds of mixtures can be found.
7. We have specific interest in, and give importance to, micro-macro linkages as well as multi-stakeholder engagement. Both have proven to be essential in effective development processes, but are often neglected.
8. Sources of funding: currently, these are largely restricted to local users, businesses, ODA/SWAPs, INGO/NGO projects and programmes, and decentralization programmes.
9. Modalities of provision of or support for such services that exist at present include: provision for free, paid, part of a 'vertical partnership', project/program based, and based on a network/mutual exchange arrangement. (STILL IMPROVE)
10. In terms of governance and management of initiatives, we want to explore various options that gradually develop forms of governance within the country or region (both below and above country level). In view of the challenges and the characteristics of the environments this may require a position that is independent, or located between the government, NGO and private sectors. We want to consider possibilities for supporting enabling environments sector-by-sector as well as those for supporting several sectors or working cross-sectorally (for example in specific regions of a country).

Annex 2: Overview of 35 case studies

| | Country, Location | Organisation | Nature of work (aims; sector; intervention type ...) | Nature of funding (donor info etc.) | Local context | Source | Miscellaneous info |
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| 1 | Southern Africa/SADC | Southern Africa Trust (SAT) | Primarily: service delivery to CSOs; monitoring and analysis. | Via intermediary: donors (e.g. DFID) to CSOs via (Northern mostly, but increasingly more Southern) NGOs. Some direct support 'perceived need to enable stakeholder reconciliation' (Southern NGO intermediary e.g. SAT). | 'CSOs have not effectively and directly utilised platforms for discussion of aid effectiveness that have emerged in recent years'; 'limited participation of key interest groups. | SAT 'Aid Effectiveness: Trends and Impacts of Shifting Financial Flows to Civil Society Organisations in Southern Africa' (2007) | SADC Windhoek declaration (2006) – home-grown version of Paris declaration; facilitation of capacity building. Donors calling for increased involvement of CSOs in the processes of aid and effectiveness. |
| 2 | Ghana | Ghana Research and Advocacy Programme (G-RAP) | Primarily: Evidence-based research and advocacy; CD. OD and institutional development. | Four governments (UK, Canada, Denmark, Netherlands) allocate funds to G-RAP (intermediary) which are then distributed among target institutions that 'can contribute to the national policy dialogue with government, parliament, district assemblies, donors and non-state actors'. | Ghana's civic engagement in PRS is an influential factor. | www.g-rap.org | User access to advocacy and research materials, G-RAP notes, is often problematic: disinterested/don't know they can/don't know how they can access it. |
| 3 | Nigeria | Sages Consult, Lagos Nigeria. Mr Oluwole Komolafe, Managing Partner and Chief Executive | Consultancy: development research and analysis. Report/intervention: learning, M&E; grassroots capacities; institutional and organisational development. | Reported donors/funding: from own funds ('most dependable'); external sources (inc. NGOs); government (c.13%); and private sector. (Encouraged: government and bilateral donor agencies; fundraising and internal revenue generation.) | Transition from military autocratic rule to civilian democratic rule a factor. There had previously been no directly initiated capacity building programmes. | EBPDN. Sages Consult Limited, 'National Capacity Assessment Studies (Federal Government of Nigeria in Collaboration with the World Bank)' (2000) | Donors dissatisfied with apparent lack of transparency/accountability in beneficiary CSOs owing to poor recordkeeping, self-accounting and internal auditing of operations. Also witnessed 'lack of initiative in creating new funding vehicles'. |
| 4 | Guyana | CHF BCCP | Ongoing project (since 1997). Application of sustainable livelihoods analysis – | Funding from CIDA – d CHF (intermediary) then fed it down to 'a number of CSOs'. CIDA performs external evaluations on | View to Guyanese CS involvement with Guyana's PRS. Beneficiaries 'target communities in rural | EBPDN. Farrell, C, 'The CHF Capacity Building Approach' (2007); Direct correspondence | Sub-project initiative and funding – i.e. funding not only for programming but also for sub-projects therein. 'Sub-project |

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| | | | whatever the sector. Initially OD; then TA; capacity building and networking (i.e. with government bodies). CHF manages and implements the project. | projects before renewing their funding. CHF acts both as intermediary distributing some funds to local CSOs and CBOs, and as a <i>direct funder</i> using its own funds. Sub-project funds as mechanisms to support partners (see Misc.) | areas'. | with Ms Farrell. | funding should compose a significant percentage of total project funding (typically around 25% for a purely capacity building project). |
| 5 | Ghana | CHF Farmer Mechanisms in Extension and Research/Cynthia Farrell, Director Technical Services, CHF | Ongoing project: Training and TA; information dissemination. CHF manages the project; a partner organisation implements it. | Multiple donor partnership: Agriteam, Canada; Ministry of Food and Agriculture, Ghana; CIDA. CHF working directly with farming communities. | Part of CHF's wider 'SLING' project: Sustainable Livelihoods in Northern Ghana. Beneficiaries 'target communities in rural areas'. | EBPDN, Farrell, C, 'The CHF Capacity Building Approach' (2007) | 'Organisational development' includes activities to strengthen partner organisations ... Partners find this kind of support can help them reach the next level of development within their organisation. It ... is not always funded by other donors and is thus particularly valuable to growing organisations.' |
| 6 | Ethiopia | CHF Partnership for Food Security – PFS – Project/Cynthia Farrell, Director Technical Services, CHF | Capacity building; agricultural productivity and management; disaster prevention; institutional development. | Funding source: CIDA, Eric Sprott Foundation, CHF, donors. CHF acts as part funding source and intermediary. Collaborates with local partners: helping e.g. its 'main NGO partner' (Organisation for Rehabilitation and Development in Arnhara) to undertake institutional change. | Here we have mutual capacity building among NGOs, government and farmers groups in 'a variety of technical and institutional topics'. Beneficiaries: 'target communities in rural areas'. | EBPDN, Farrell, C, 'The CHF Capacity Building Approach' (2007); Direct correspondence with Ms Farrell. | CHF funding is most often [single-donor through CIDA] CHF adding in some of its own funds raised from some 25,000 supporters across Canada'. CIDA do have specific aid policy and focus areas, with which CHF must coordinate/ correspond. Other donors include (on smaller initiatives) IDB; ADB. |
| 7 | Bangladesh | Unnayan Uddog (UU) Child Sponsorship Programme, Rathindranath Pal | Input service delivery, training and education, TA; Organisational management/ development for CBOs and grassroots NGOs. CBOs/NGOs manage work, under UU guidance. | Multiple donors: individuals and corporations. Currently considering applying for challenge fund/social fund etc. Funds UU invest in training and capacity building for CBOs and grassroots NGOs. Unnayan Uddog 1) helps NGOs and CBOs in | Noted: Donors often exclude lower-level/grassroots CSOs despite their potential. Rural poor children the main beneficiaries – together with various stakeholders in training programmes, e.g. grassroots CSOs themselves. | EBPDN – Gave a general response in the context of their organisation. | Specifically education for children who are not enrolled in school, or who drop out as a result of extreme poverty. |

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| 8 | Asia (Nepal, Bangladesh, Cambodia) | United Nations Capital Development Fund (UNCDF) | Service delivery improvement. Local Development Programmes (LDPs) attempting to promote more effective infrastructure and service delivery from Local governments. Planning particularly linked to local government budgets – while encouraging participatory decision making. | training and fundraising; and 2) 'takes the lead' in making liaisons between donors and grassroots-level CSOs. | Source: UNCDF. Various innovations in funding: block grants to local governments; 'cascading' grants from higher-level local governments to lower-level local governments. Also <i>performance-based funding mechanisms</i> . | Gap between local government and its community – these projects attempt to bridge that gap. | UNCDF Case Studies Synthesis Report. | UNCDF works on the assumption that rural local governments have a key role to play in infrastructure and service delivery. |
| 9 | Pakistan, Sindh Province | Umer Welfare Trust (UWT), S. Bilal Hasan | 6-month project; community-sustained since 2005. Service delivery; TA; community development and mobilisation (renewable energy); latterly, facilitation of access to technology. | Single donor – a government agency promoting renewable energy. Project managed overall by CSO – Umer Welfare Trust. | 'Labour-class' destitute community the beneficiaries – renewable energy being promoted nationally. Community had been spending 10–40% of incomes on collecting and using 'traditional' energy resources. These caused health problems in the community, which further drained their income. The project is now self-sustaining. | EBPDN – direct correspondence. | Impact assessment report available. Further outcome – bridging gaps between community capacity, mobilisation and coordination. UWT still plays a liaison and grant-seeking role, to replicate this village model and with a view to potential existing technology 'hybrids'. | |
| 10 | Zambia | CARE International – City-Community Challenge Fund (C3) | Managed by CARE Zambia. Poverty eradication programmes to be undertaken by the rural poor themselves. Small, medium and larger projects involved. | Initially funded by DFID. Local grant-making programme, implemented also by CARE Zambia in partnership with local government – now funded by Urban Management Programme of UN Habitat. | Beneficiaries: low-income urban communities and representative local authorities. | Wiseman, K, 'Building Local Governance and Civil Society: Learning and Innovation from Local Funds' (2006) | This was a project initiated by DFID at the same time as the Tanzania CSP (now FCS Tanzania) and Manusher Jonno, Bangladesh. | |

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| 11 | Bolivia | Sida and Swedish Embassy CPC | <p>Participatory development: tailoring to local capacities rather than international donor standards. Communication, partnerships and engagement.</p> <p>Civic rights; education. For CSOs – institutional, organisational development and capacity building. Managed by UNDP (though this is not the norm); otherwise managed by CSOs themselves. Fund management depends on capacity of NGO: if it has little capacity or prior experience the Embassy will try to find an administrator to help the NGO manage the funds.)</p> | <p>Donors Sida, DFID, Danida. Funding directly to CSOs (not uncommon). Similar 'basket arrangements', e.g. with Danida, DFID, Netherlands, often happen. (Sometimes an application will be accepted by one of these <i>on the condition</i> that certain others join). At the other side, small local CSOs risk being 'drowned in funds' so these groups and individually) prefer to work with NGO networks with a common cause/sector.</p> | <p>Since political instabilities in 2003, Swedish Embassy decided to increase support to CSOs. CPC is a consortium of 18 Bolivian NGOs – working for civic rights and education and ID documents promotion. Because Sweden, DFID and Danida together support the Court of Elections (in charge of ID issues) and CPC, these two parties' discrepancies often force donors to become arbitrators.</p> | Gunnarsson, Maria, 'Civil Society Support Models' (Sida, 2007) | <p>Swedish Embassy holds continuous dialogue with Swedish NGOs in Bolivia also important – working with local NGOs helps to ensure there is no duplication of funds (e.g. Swedish NGOs receiving funds from Sida Sweden as well as country offices/Embassies).</p> |
| 12 | Colombia | Sida and Swedish Embassy Project and Consultancy Fund | <p>Capacity building; training; M&E; human rights and conflict resolution. Fund managed by Embassy; projects by CSOs (2003: 12 small human rights and conflict resolution projects were underway simultaneously).</p> | <p>Donor: Sida/Swedish Embassy. Ongoing funding programme. In Colombia Swedish support mostly goes through Swedish NGOs, UN agencies or international organisations: This is a project fund set up to directly support CSOs from the Embassy. 'The fund shall not be used for regular contributions to NGOs, Swedish of foreign institutions, or similar.'</p> | <p>Country Strategy for Colombia 2003–2007 – proposals for funding must be related to cooperation areas specified within this document.</p> | Gunnarsson, Maria, 'Civil Society Support Models' (Sida, 2007) | <p>Looking to strengthen and develop existing programmes as well as receive proposals from new ones.</p> |

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| 13 | Ethiopia | Sida and Swedish Embassy Swedish CSO/NGO Cooperation Programme 2004/5–2006/7 | Human rights, gender, child rights, reproductive health and environment projects; information/dissemination/ knowledge sharing. | Donor: Sida/Swedish Embassy. 9 Organisations (3 of which international) administer, coordinate and manage the programme. They (as intermediaries) are responsible for selecting 'sub-grantees', recipients/beneficiaries. These intermediaries also monitor performance and impacts, and submit regular reports to the donor. | Weak civil society sector to begin with: witnessed its strengthening. | Gunnarsson, Maria, 'Civil Society Support Models' (Sida, 2007) | Noted that 'this programme makes it easier for traditional CBOs to access funds'. Traditionally informal organisations, who have difficulty dealing with international donors, can deal more easily with 'national umbrella organisations'. |
| 14 | Mozambique, Niassa | Sida and Swedish Embassy long-term provincial development programme | Institutional capacity building; CSO participation and mobilisation. Service delivery. Interaction and dialogue with public and private sectors; improvement of economic and social conditions. | Donor: Sida/Swedish Embassy. Intermediary of sorts: Swedish Cooperative Centre (SCC) acts as implementing organisation. SCC is semi-operational: while some funding remains directly operational with SCC, just less than 50% is channelled (making SCC 'semi-intermediary') to other CSOs. Progress reports to Sida. | Based on country's PRS (PARPA). | Gunnarsson, Maria, 'Civil Society Support Models' (Sida, 2007) | Administrative burden of CS support pushes the Embassy towards the role of 'financial donor' – risk of losing important partnerships in CS. Generally, support is split into 4 main areas: public administration; private sector; infrastructure; and civil society. |
| 15 | Namibia | Sida and Swedish Embassy Small Grant Fund | HIV/AIDS; managed by UNAIDS (administrative work done by a programme officer at Swedish Embassy); community and institutional development and strengthening, capacity building, mobilisation, education, care and treatment. | Sida donor together with Finland, Netherlands and USAID. Direct funding to small organisations. (pros and cons of dealing directly with small organisations include access to lesser-known areas and 'drowning in funds' from basket arrangements). | Aim to link Swedish CS to Namibian CS. | Gunnarsson, Maria, 'Civil Society Support Models' (Sida, 2007) | Problem in how quickly CSOs become financially dependent upon support: 'Concluding and phasing out support is often cumbersome'. Capacity among CSOs remains weak, demanding significant time and effort. |

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| 16 | Indonesia | DFID Multi-Stakeholder Forestry Programmes | Service delivery; TA; networking and partnership building (community/CSOs and government); CD; shared learning; planning and (forest) management; efforts for community involvement in decision making. | Main funding from DFID £25m over 6 years (2000–2006). NGOs worked closely with throughout, but though funding is 'channelled through' NGOs they remain more <i>grantee</i> than <i>intermediary</i> . (Majority of funding to partnership building; some to government organisations; some to the private sector and individuals.) Local Trust Funds established, each region with 'seed money' of £100,000 to ensure availability of funding post-2006. NGOs, local business and other donors encouraged to cooperate in setting up and running of Trust Funds. Capacity building among NGOs also makes them a direct beneficiary of Trust Funds. | Forest policy increasingly confused 2001–2, especially on the issue of decentralisation: 'unclear separation of roles and responsibilities between Centre and Regions.' Background: reforestation programme of the early 1970s displaced many communities from their traditional lands; this rift deepened in the 1990s as the forestry service erected forest boundary markers. | ODI, 'Support Modalities for Civic Engagement with the State'. (2006); INSIST and Partners; 'Analysis of Multistakeholder Forestry Process in Indonesia' (2003); www.dfid.gov.uk case studies on Indonesia. | General Multi-stakeholder Process (MSP) challenged by poor urban families 'through a post-agreed land 'reclamation' in the forest areas'. |
| 17 | Nigeria – Lagos, Abia, and Kaduna states | Toki Mabogunje and Co (TMC) MSME (Micro, Small and Medium Enterprises) Project | Began 2005, is ongoing. Project Management Unit (PMU) resident in Abuja. Service delivery and technical assistance to micro, small and medium-sized enterprises. Successful scheme with MSMEs; TMC invited for a second round of funding. | Single donor: WB; small grants scheme. The grant was a BDS Fund (Business Development Services): intended to facilitate capacity building in service providers (such as TMC) in order that they might increase and improve their outreach to MSMEs. Direct recipient and beneficiary: TMC. The fund was <i>managed</i> by an intermediary – EME – based in the UK. | Donor focus – building capacity in local intermediaries | Direct correspondence with Mrs Toki Mabogunje (www.toki mabogunje.com) | Evaluation Report Available from the PMU. EME = Emerging Market Economics Ltd: www.emergingmarkets.co.uk |
| 18 | Nigeria - Lafia, Nasarawa | Toki Mabogunje and Co (TMC) <i>B/TC Project</i> | Project managed by TMC. Information sharing; Training; | Single donor: GTZ. TMC semi-intermediary; investing funds in the | Project 'experimental' - for donors as much as recipients and | EBPDN. Direct correspondence with Mrs. Toki | Evaluation Report Available. 'Donors experience had been that it |

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| | state | | Technical assistance; Service delivery; Research. (Establishment of a Business Information and Training Centre for MSMEs). | project it was managing on behalf of / for the benefit of MSMEs. | beneficiaries | Mabogunje (www.tokimabogunje.com) | takes at least 2 years to be cost-recovering. They were experimenting with a more private sector approach to the project. We exceeded all expectation by making it 80% cost-recovering in 6 months. |
| 19 | Nigeria | Toki Mabogunje and Co (TMC) Nigeria Growth Challenge Fund | TA; service delivery; training; facilitate training of BMOs; strengthen advocacy skills and mechanisms. | Intermediaries are currently bidding. Donor: DFID. Should TMC's collective win, TMC will manage the fund. | | EBPDN. Direct correspondence with Mrs Toki Mabogunje (www.toki mabogunje.com) | Nigeria Growth Challenge Fund: www.dfid.gov.uk/procurement/nigeria-nsip/61-tors-challenge-fund.pdf |
| 20 | Burkina Faso | Maison de l'Entreprise ('Enterprise Support Office') | Capacity building; networking; 'linking government initiatives with the private sector' in Burkina Faso. Specifically targeted: small and medium enterprises. | Donor: EU (Capacity Building programme for Enterprises). Implementation agency: Maison l'Entreprise: Funding is distributed as grants and credits and also converted into capacity building services, and technical assistance – implementation tools. | Need for strengthened competitiveness and improved transparency/ accountability | | Service cheques – subsidised payment allowing SMEs to contract training courses and other services from a supplier of their own choice. SMEs 'buy' these cheques from Maison de l'Entreprise. |
| 21 | Uganda | SNV | Capacity building; TA; OD – for the creation of District Promotion Centres. | Donor: UNDP. Intermediary in channelling funds to support clients in their transition from funded programmes into mainstream local economies'; SNV. Targeted beneficiaries. | | SNV Uganda concept note: 'Piloting the Local Capacity Development Fund' August 2007 | |
| 22 | Uganda | SNV | Fund intended to strengthen CSO district networks in capacity building. Intervention: capacity building; networking and communication. | Donor: Danida. Implementing intervention (in 9 districts): SNV. | | SNV Uganda concept note: 'Piloting the Local Capacity Development Fund' August 2007 | |
| 23 | Ibero-America; Increasing network | IberoAmerican Model Forest Network (IAMFN) | Networking; TA and service delivery; knowledge sharing; research and learning; | IAMFN Intermediary. Single permanent donor: CIDA (Voluntary Sector Fund) – but 'the CIDA resource' is becoming | Key stakeholders include local regional and national government representatives; private | EBPDN. Direct correspondence with Messrs F. Carrera and M. Barriga at IAMFN | No report available; books have been published examining local and regional case studies. IAMFN manages 18 Model |

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| | | | <p>communication; forestry in higher education. Ongoing process began 1990. Aim for an 'equitable distribution of the benefits to be derived from the sustainable use of natural resources'. IAMFN Regional Manager of Model Forests. Coordinates and manages the network from Costa Rica HQ. Each individual forest has a board of directors (CS, public and private sectors) which manages its own initiative.</p> | <p>limited. Of it, 60% Seed Funds go directly to MFs, and 40% gets to MFs indirectly, through intervention such as TA. Each individual forest's board of directors can also appeal to IFIs for direct funding. CSOs can receive direct funding from IFIs, as can IAMFN – 'this depends on the IFI'. Donor focus was on development, poverty alleviation, risk reduction and environmental issues (CC, Carbon capture, De/Reforestation ...)</p> | <p>sector involved in natural resources; CSOs: 'The community within which it is located essentially owns each model forest.' Targeted beneficiaries are all areas of society; but those who will benefit most are the rural poor and marginalised.</p> | <p>(www.catie.ac.cr; www.bosques.modelo.net; www.cuso.org)</p> | <p>Forests in 11 Countries from Latin America and the Caribbean, plus Spain. Noted that 'rural poverty is one of the greatest threats to the sustainable management of resources.' Regional management aims to lighten the networking workload: regional relationships between initiatives of participatory and collaborative landscape management.</p> |
| 24 | Zambia | PACT Capacity Building Services ZAMBIA LINC'S marketplace event | <p>Capacity building to address challenges (see 'local context' and 'misc'). PACT a central provider of services. Networking and communication; information sharing. Noted: 'international organisations play a predominant role in defining the capacity building options available to local NGOs' (through themselves or through their funding channelled to local service providers); Association of Service Providers resulted from the event including a directory of Service Providers and</p> | <p>Pact project funded by USAID (see 'Misc' for breakdown of funds*). Programme research shows: Myriad of donors (mainly international) to Zambia's CSOs – 3 main: WB; PEPFAR; and Global Fund. Individual project mechanisms vary. In the LINC'S event, 'The Pact research team attempted to catalyse the marketplace for capacity building services in the Zambian HIV/AIDS sector through demand-driven interventions, designed to reduce the stranglehold of international middlemen.' CSOs are heavily dependent on international funding and vulnerable to fluctuating donor policy and priorities:</p> | <p>General ineffectuality of national government: comprehensive response to HIV/AIDS needed external funding; massive increase in the number of CSOs in the 1990s – but large number of Zambian. Lack of CS regulation and a particularly enabling environment in the 90s led to many low-capacity NGOs lacking vision or consistency and being primarily concerned with survival.</p> | <p>PACT and USAID 'Building Dynamic Local Service Provider Communities: A Value Chain Approach' (2006)</p> | <p>German Development Service: 'by 2003, in a country of some ten million people, about ten thousand civil society organisations were registered'. Interventions are frequently supply- driven as a result of the predominance of international orgs as both funders and implementers. Actual local needs have often been overlooked; local knowledge left untapped and innovation and entrepreneurship has been stifled. * Funds, <i>indicative, based on sum figures taken from the 2006 Pact Annual Report: c. 24% direct programme activities; c. 66% subgrant activities.</i></p> |

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| 25 | India | National Innovation Foundation (NIF) | <p>common service evaluation.</p> <p>Institutional and organisational support; grassroots capacity building and facilitation; knowledge/info dissemination; awareness strengthening. National scope. Management by NIF – small unit of professional staff - now with Chief Innovation Officer and various National Coordinators. Partnership approach – <i>Innovation system</i> partnership including collaboration of public, private sector and CS actors.</p> | <p>'extremely competitive funding environment'.</p> <p>Publicly funded. Accountability rests 'on the Indian democratic tradition' – formally and informally; cost efficiency (through volunteering and probable relatively low admin costs) is likely to be quite high. Funding occurs in the form of <i>awards</i>, with competition country-wide. Initially funded directly from the government; now activities are financed by the interest earned from a US\$1million fund given in 2003. Despite this 'sustainable replenishment' this has led to a mix of activities biased in favour of cheaper devices and pursuits.</p> | <p>Established to coordinate and support NGOs such as HoneyBee Network; SRISTI and GIAN. These three plus NIF are the key players that provide support for local innovations. 'Serving the interests of economically poor people who are rich in knowledge.'</p> | <p>DIIS: Friis-Hansen E and H Egeylng, 'Supporting Local Innovation for Rural Development: Analysis and Review of Five Innovation Support Funds' (2006)</p> | <p>Beneficiaries include states of Gujarat, Kerala, Tamil Nadu, Assam, Karnataka – mostly people from rural areas/little formal education. 'Students, rural colleges, vocational training centers, grassroots functionaries in rural development and other departments, teachers, development workers and what have been terms Non-Governmental Individuals all play a part in the documentation and dissemination of the NIF "system"'. www.nifindia.org.</p> |
| 26 | Global | GTZ SSPF – Small Scale Project Fund | <p>Ongoing programme, administered by individual GTZ offices, managed by GTZ GATE office. Support for 'small innovations' information dissemination; knowledge sharing; capacity building, TA and facilitation.</p> | <p>Operational since 1987. The German Ministry of Economic Cooperation and Development (BMZ) made funds available for SSPs through GTZ. Funding is awarded on conditions of self-sufficient ability and potential; a significant, innovative, technological component; 'it must help improve the living conditions of the poor and strengthen their self-help potential'; assurance of independent local execution of activities.</p> | | <p>DIIS: Friis-Hansen E and H Egeylng, 'Supporting Local Innovation for Rural Development: Analysis and Review of Five Innovation Support Funds' (2006)</p> | <p>'The GATE funds management has access to a vast global network' Regarding the requirement for a 'significant technological component' – 'Appropriate technology fosters sustainable development' (www.gtz.de).</p> |

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| 27 | Latin America; initially, Colombia | CIAL (Local Agricultural Research Committee) | Capacity building; TA, Management: CIALs individually governed by a minimum 4-member committee; open community meetings held; active pursuit of accountability. Beneficiaries are targeted as small-scale but productive farmers – selected through a 'self-targeting system'. | Funding sought from formal research organisations and extension services as well as CBOs/through self-funding. Wide range of enterprise options plus wide range of funding options suggest good replenishment capacity. | CIALs are designed as research services, managed and owned by local communities. Well-scoped, 'focusing on participatory research agenda prioritisation/setting and subsequent implementation'. Initiative developed in 1987 to 'help participating farmers develop elementary experimenting skills, such as simple ranking techniques, control and replication functions, and recordkeeping'. | DIIS: Friis-Hansen E and H Egelyng, 'Supporting Local Innovation for Rural Development: Analysis and Review of Five Innovation Support Funds' (2006) | CIAL as a 'concept' rather than an organisation |
| 28 | Kenya | PFI-FFS Project | Amalgamation of complementary approaches: Promoting Farmer Innovation (PFI) and Farmer Field School (FFS) Project. Knowledge sharing and learning; facilitation of innovation; institutional development. Decentralised governance of activities. FAO Kenya office implements the PFI-FFS project. | Funded by UNDP; Administered by FAO. Funded groups are chosen on a basis of 'informed self-selection'. No application procedure – status of the innovator and subsequent support is granted through PFI-FFS selection and 'one's reputation within a community'. Innovators identified by national PFI staff and district extension staff – facilitators for the FFS groups. Initial funding was 2001–3 only but project has since attracted funds which ensure its continuation; with sets of approaches (see source) aimed at organisational and financial sustainability. | Necessity for raising awareness of the relevance for communities of local innovations and indigenous knowledge. | DIIS: Friis-Hansen E and H Egelyng, 'Supporting Local Innovation for Rural Development: Analysis and Review of Five Innovation Support Funds' (2006) | Self-selection criteria, including the desire to learn; willingness to commit time and responsibility to the group's activities; and integrity as rural producers, aim to remove 'free-riders' from the cycle who are more interested in easy-access external resources than learning and development. |

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| 29 | Tanzania | The Foundation for Civil Society (FCS) (formerly Civil Society Programme, CSP) | <p>CSP evolved into the 2003 – established FCS: organisational and institutional support mechanism; capacity building; facilitating networking; 'stimulates engagement in poverty reduction efforts'. Where CARE Tanzania under CSP was the management agent, overseen by DFID, it has no role in FCS. TRACE and the National Evaluator remain in their roles as Capacity Building Agent and grantee evaluator/organisational linkage facilitator (respectively). Now the Foundation and its components are governed by a Board of Directors, not DFID. Aims to build the capacity of CSOs to partake in policy dialogue and poverty reduction. 'Specific aims that go far beyond the rather simple disbursement of grants.' information dissemination; knowledge sharing, facilitation.</p> | <p>CSP, 'a competitive grant making mechanism', designed, managed and funded by DFID. Foundation has multiple donors but DFID still one of the 'principal funding bodies'. Others include SDC; DCI; Royal Netherlands Embassy; CIDA; Danida; Royal Swedish Embassy. And donate for specific projects – or 'generally' to FCS, e.g. the MoU is an agreement demonstrating commitment of development partners to support the implementation of FCS's strategic plan 2005–8. Five of the above agreed to this and accordingly provided funds. FCS is an intermediary – coordinates funding/donors and channels funds to downstream levels – directly operational CSOs, CBOs, communities. Small-grants considered 'turn-key funding in terms of representing initial support to CBOs to allow them experience in handling funds and implementing projects.' – more experienced; larger the funding. Competitive grants system: 'theoretically demand driven'</p> | <p>Donor aspirations embedded in support: 'the Foundation has grown out of an aid landscape in Tanzania where Direct Budgetary Support is an increasingly popular mechanism' and 'donors perceive their involvement in the foundation as in some way a balance to this'. Southern NGO satisfying donors' desires to move away from funding Northern NGO programmes and towards directly funding Southern programmes.</p> | <p>More detail of successful leverage of funds (etc) in Wiseman, K 'Letting the Baby Grow: Lessons in Establishing a National Local Fund for Civil Society' (2004); FCS, 'The Foundation News' (Dec 2006)</p> | <p>Question asked 'does the foundation see itself as an 'honest broker' or facilitator for CS?' 'General funding' from donor to FCS; Appeal for funding from FCS for particular programme; Offer/call for proposal for funding for particular/ designated donor programme (supply/demand -driven funding). Concerns about future/long-term funding: some believe it should 'build local philanthropy' and 'encourage donations from private and public sources'. It is important for FCS to be self-sustaining too, but only as far as it, as a channelling and coordinating CSO, is needed – unless at some point it reevaluates its mandate...</p> |
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| 30 | LAC | RedEAmérica | <p>Grassroots development particularly. Promotion of participatory and inclusive funding/donor process; learning and training – for corporations/foundations; mobilisation of the private sector and agenda setting with governments and national and international agencies. An intermediary directed at/from the donor perspective – focus on the donor's role in funding processes.</p> | <p>Initially proposed and funded by InterAmerican Foundation. It is a <i>Regional network of grant-making organisations in LAC</i>. Other Global networks that work in the region include WINGS and EMPRESA. Only brings together grant-making organisations that foster grassroots development and not organisations that are oriented around other issues. Members include 54 corporations, corporate foundations (etc) from 11 LAC countries.</p> | <p>Marsal, P, 'Exploring Possibilities for New Philanthropic Initiatives in Latin America and the Caribbean and for Hispanic/Latino Communities in the United States' (2007). See also www.redeamerica.org; www.wingsweb.org; www.empresa.org/web</p> | <p>Defines itself: 'An international development organisation consisting of corporations and corporate foundations involved in grass-roots development in the Americas. The network is self-governing, decentralised, member-based, project-centric and designed to facilitate and promote participation by non-member donors and other partners in philanthropic development work.'</p> |
| 31 | Ghana | RAVI (Rights and Voice Initiative)* | <p>Ongoing mission of the RAVI organisation. Financial resources and Capacity building support, in the form of: CSO support; organisational and institutional development; facilitation of citizen-government engagement (CGE) and people-centred advocacy (PCA). Focus on vulnerable, poor and marginalised. CBOs: demanding transparency and accountability from duty-bearers at district and</p> | <p>Single donor project: DFID ('accountable grant mechanism'). RAVI, 'a novel approach to funding CGE', funds both large and small CSOs. (but smaller CBOs are reached through larger intermediary CSOs.) Managed by a consortium of 4, ActonAid International Ghana; Participatory Development Associates; FRR; and Center for Democratic Development, AAIG is principal grant holder in the management agency*. RAVI is the '1st' intermediary in the process of a DFID initiative, from where funds might be channelled</p> | <p>Tobbin, M and C Marshall Eds, 'Supporting CBOs to do Citizen-Government Engagement' (2007); www.ravighana.org *see www.ravighana.org/reports. asp for reports containing extra financial detail; see www.ravighana.org/projects.asp for a list of specific projects currently under way</p> | <p>'Intermediaries are responsible for providing the necessary guidance for the CBOs they are mentoring.' They are expected to encourage/build alliances, partnerships, coalitions among grassroots CBOs; build capacity at district and community levels in a responsive way; increase local ownership; develop learning capacity and capacity for replication; reduce urban bias.</p> |

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| 32 | South Africa | Social Change Assistance Trust | <p>community levels. Overall responsibility of the RAVI initiative lies with a RAVI Steering Committee.</p> <p>Main strategy is to strengthen Local Development Agencies (LDAs). LDAs are accountable to the communities they serve through constitution and an annual general meeting. Capacity building in the context of effectively serving LDAs' own communities; TA; training.</p> | <p>to CBOs or travel to '2nd' intermediaries who will then work closely with smaller CBOs.</p> <p>Multiple donors – CSOs, corporations, foundations, government departments, IGO-funded programmes: SCAT 'is an independent fund-raising and grant-making development agency'. Support to partners from SCAT includes core grants, training and TA; grants for LDAs or NGOs that support them); and <i>matching funds</i> to encourage local fundraising.</p> | <p>LDAs began life as paralegal offices offering citizens advice during apartheid. Since the end of apartheid they 'have taken on broader community roles in areas such as conflict resolution and the promotion of education and community development.'</p> | <p>Synergos Institute: DuPree, A.S. and D. Winder, <i>Foundation Building Sourcebook: A practitioners guide based upon experience from Africa, Asia and Latin America</i> (2006)</p> | <p>'Foundations are usually advised to delegate the capacity building function to one or more specialized organisations' 'Peer-to-peer learning is often a key element in capacity-building for the nonprofit sector.'</p> |
| 33 | Brazil | Abrinq Foundation for Children's Rights Technical Management Capacity-Building Programme | <p>2-year (1996–7) programme: 1996 – awareness raising among grantees activities, aimed to raise quality of the response. Strategic planning, management, communications, marketing and fundraising. 1997 – management skills development, training, TA. Managed by Abrinq; implemented and hired consultants. Needs identified in first year were responded to in second year, including: work and education of children</p> | <p>On reviewing its <i>Our Children</i> Programme, it was considered that the programme, providing support to childcare organisations in São Paulo state, was not having the optimum level of impact. The decision was made to complement grants with capacity building activities to improve programme quality.</p> | <p>On reviewing its <i>Our Children</i> Programme, it was considered that the programme, providing support to childcare organisations in São Paulo state, was not having the optimum level of impact. The decision was made to complement grants with capacity building activities to improve programme quality.</p> | <p>Synergos Institute: DuPree, A.S. and D. Winder, <i>Foundation Building Sourcebook: A practitioners guide based upon experience from Africa, Asia and Latin America</i> (2006); www.fundabringq.org.br</p> | <p>Abrinq is The Brazilian Association of Toy Manufacturers; the Foundation was established in 1990 as a result of their concerns regarding welfare of Brazilian children.</p> |

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| 34 | Bangladesh | Manusher Jonno Foundation (MJF) | and adolescents; organisational social responsibility; shelter as protection – relations with community and the legal system. Advocacy; dissemination of information; network facilitation. | Managed by a consortium of organisations (inc CARE UK, CARE Bangladesh, Deloitte and LSE). Overseen by a steering committee. Capacity building among poor women and children; good governance and human rights promotion. Right to information. | Funded by DFID; now an independent foundation, self-sustaining with 145 Organisational partners and its own Senior Management Team. | Key beneficiaries poor and marginalised people. Difficulty involving the mandate of MJ – and requests of 3rd parties for potentially controversial intervention, e.g. politically oriented/ motivated. Need to 'channel isolated, unlinked efforts about human rights and governance into linked and aligned actions.' | Wiseman, K, 'Building Local Governance and Civil Society: Learning and Innovation from Local Funds' (2006) www.manusher.org | At issue is whether the project can make a smooth transition from management under CARE to independent management by a local grant-making institution. |
| 35 | Kenya | Ford Foundation (together with WB and NGOs) | Directly addressing long-term funding issues regarding CSOs: Establishment of community development foundations. Also: networking; institutional and organisational development; TA. | Community Development Foundations – funded by a number of donors including the Ford Foundation and WB. Kenya's Community Development Foundation raises international and local funds with the aim of continuing the capacity development of Kenya's CSOs. | Community development sector in Kenya is fast-growing but faces challenges - notably including lack of transparency/ accountability. | Malombe, J 'Community Development Foundations: Emerging Partnerships'. (2000) (informal paper) www.kcd foundation.org | Part of WB's Comprehensive Development Framework. | |

Annex 3: Key organisations

| Organisation | Acronym | Website/other appropriate | Comments |
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| Action of Churches Together | ACT | www.act-intl.org | Assistance in disaster emergency and conflict |
| African Capacity Building Foundation | ACBF | www.acbf-pact.org | established through collaborative effort of African Development Bank, WB and UNDP; partnership to build sustainable human and institutional capacity for good governance and poverty reduction |
| African Forum and Network on Debt and Development | AFRODAD | www.afrodad.org | equitable and sustainable development process; 'secure policies that will redress the African Debt Crisis based on a human rights value system' |
| Australian Agency for International Development | AusAID | www.usaid.gov.au | Govt: federally funded aid programme: economic growth, fostering functioning, investing in people, promoting regional stability and cooperation |
| Austrian Development Agency | ADA | www.ada.gv.at | (in German) Govt: |
| Bangladesh Legal Aid Services Trust | BLAST | www.blast.org.bd | Human rights and rule of law; make legal systems accessible to poor and disadvantaged; women and children |
| Bangladesh Rural Advancement Committee | BRAC | www.brac.net | Poverty alleviation and empowerment of the poor – multidimensional; 'holistic approach' |
| Botswana Institute for Development Policy Analysis | BIDPA | www.bidpa.bw | Research organisation – development policy analysis (research, capacity-building, assisting orgs and individuals) monitoring economic performance and disseminating results (Botswana) |
| Canadian International Development Agency | CIDA | www.acdi-cida.gc.ca | Govt: Multilateral programmes, geographic programmes, Canadian partnership programmes with voluntary and private sector. Poverty and sustainable development |
| CARE International | CARE | www.careinternational.org.uk | Aid agency fighting poverty and injustice: tackling causes not just consequences; lasting change in poor communities; lobbying, hands-on, research and publication... |
| Catholic Relief Services | CRS | www.crs.org | Relief community of US Catholic Community: HIV/AIDS, health, agriculture, education, microfinance, peacebuilding, emergency relief (formerly <i>Canadian Hunger Foundation</i>) Capacity building – institutional, organisational, training and technical development |
| CHF Partners in Rural Development | CHF | www.chf-partners.ca | Work with development agencies and institutions which are directly responsible for public resource management in Nigeria. Supply side: government and demand side: civil society |
| Coalitions for Change | C4C | www.coalitions4change.org | Independent research institution – international affairs |
| Danish Institute for International Studies | DIIS | www.diis.dk | |
| Department for International Development | DFID | www.dfid.gov.uk | Govt: partnership with govts, CSOs, multilaterals and the private sector: extreme poverty and hunger; education; sexual equality; |

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| | | | | HIV/AIDS, malaria and others; environment, global partnership; child death rates; health of mothers |
| Deutsche Gesellschaft für Technische Zusammenarbeit GmbH (German society for technical cooperation) | GTZ | | www.gtz.de/en | Promotes complex reforms and change processes; sustainable improvement of living conditions |
| Development Corporation Ireland | DCI* | | www.irishaid.gov.ie | *(Now Irish Aid) Govt: poverty focus, peace, justice, human rights, partnership. Works also with/in the donor community |
| European Foundation Centre | EFC | | www.efc.be | Promoting the work of foundations and corporate funders in Europe and the world |
| Ford Foundation | FF | | www.fordfound.org | Grant-making and loans that build knowledge and strengthen organisations and networks; peace, human welfare and the sustainability of the environment |
| Ghana Research and Advocacy Programme | G-RAP | | www.g-rap.org | often used as a model programme: grants to Ghana-based institutions engaged in pro-poor public policy research and advocacy. Strengthening civic engagement in Ghana's PRS. Four donor countries UK, Canada, Denmark, Netherlands |
| Impact Alliance | | | www.impactalliance.org | Networking of service providers (etc) 'Connecting Capacity for Social Change' |
| Institute for Global Dialogue | IGD | | www.igd.org.za | Research and analysis on international affairs, specialising also in 'critical challenges that confront South Africa, the region and the continent in a fast-changing global environment' |
| International Institute for Educational Planning | IIEP (of UNESCO) | | www.unesco.org/iiep | Training and research centre, specialising in educational planning and management; strengthening countries' capacity to plan and manage their own education systems |
| International Institute for Environment and Development | IIED | | www.iied.org | Research institute; sustainable and equitable global development; 'catalyst, broker and facilitator', helps vulnerable groups find their voice; environment but not at the expense of livelihoods |
| Kenya Community Development Foundation | KCDF | | www.kcdfoundation.org | Fundraising and grant-making organisation supporting non-profit organisations, organised giving and capacity building initiatives across Kenya |
| Labour and Economic Development Research Institute of Zimbabwe | LEDRIZ | | www.profile.org.zw/participatingorg/LabourAndEconomicDevelopment.pdf | Initiative of Zimbabwe Congress of Trade Unions; empower labour movement to influence decision-making processes and outcomes at national, regional and international levels |
| London School of Economics and Political Science; Centre for Civil Society | LSE CCS | | www.lse.ac.uk/collections/CCS | Academic establishment with several experts in the field of development and civil society |
| New Zealand Agency for International Development | NZAID | | www.nzaid.govt.nz | Govt: NZ govt agency – delivering NZ's ODA and advising ministers on development assistance policy and operations |
| Norwegian Development Agency | Norad | | www.norad.no | Govt: (to English language link) govt agency under MFA. Contributing |

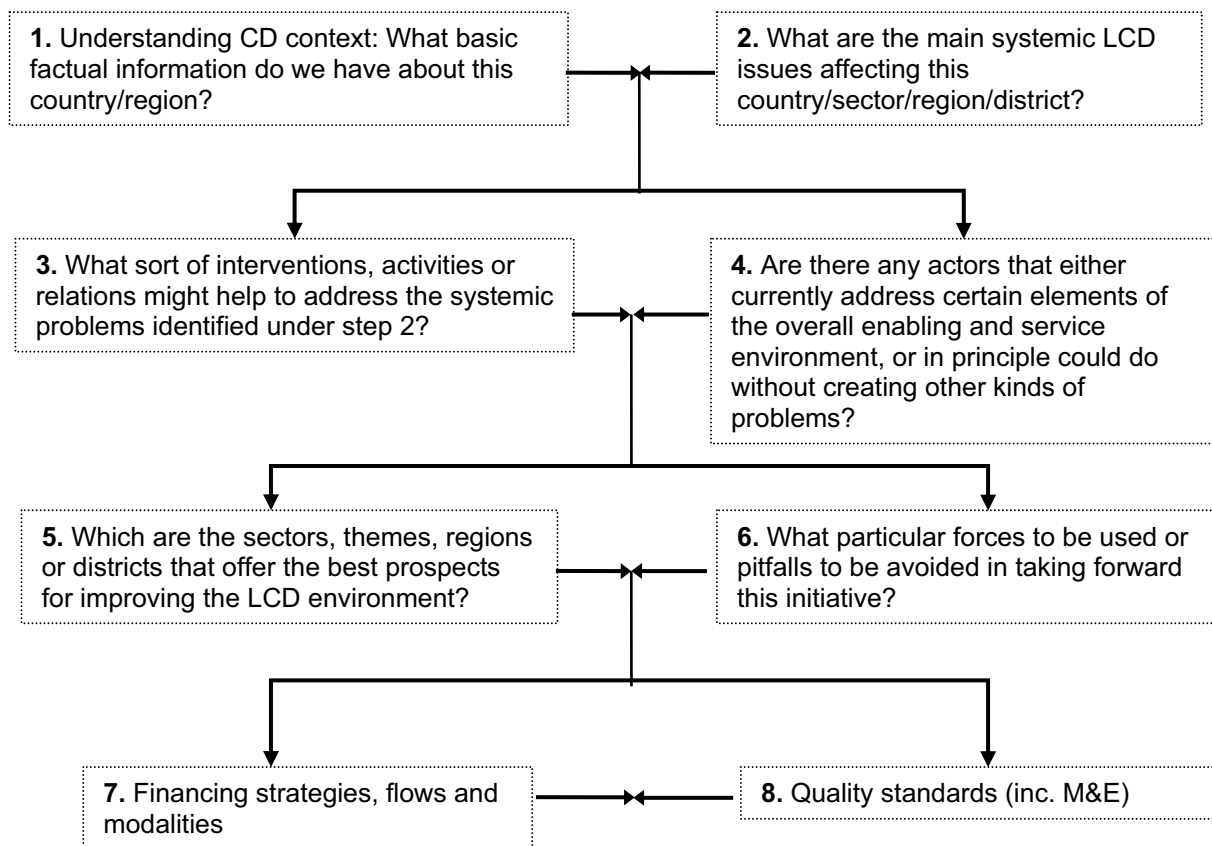
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| | | | | in international cooperation to address poverty. Effective management of development funds; M&E |
| OECD Development Assistance Committee | OECD-DAC | | www.oecd.org/dac | 'Principle body through which the OECD deals with issues related to cooperation with Developing Countries' |
| PACT – Building Capacity Worldwide | - | | www.pactworld.org | Capacity building and strengthening; technical assistance – governments, communities, institutions, grassroots |
| Participatory Development Associates | PDA | | www.profile.org.zw/participatingorg/LabourAndEconomicDevelopment.pdf | Private sector human development organisation – support for processes of empowerment, self-determination; communities, orgs and individuals |
| SADC Council of NGOs | - | | www.misa.org/documents/sadcngo.pdf ; www.bocongo.org.bw | Developing strategies for engaging with broader SADC agenda; ensure more systematic and substantive civic participation and involvement – social, economic, political development. |
| Scanteam | - | | www.scanteam.no | Analysis and advice (Oslo, Norway), development agenda - desk research and broad field experience, various technical backgrounds |
| Southern Africa Trust | SAT | | www.southernafricatrust.org | Deepen and widen participation in policy dialogue with a regional impact on poverty: support to orgs and processes with regional impact – voices of the poor, public policy development... |
| Southern African Development Community | SADC | | www.sadc.int | Poverty alleviation – coordinating development projects in order to lessen economic dependence; improve quality of life |
| Southern African Regional Poverty Network | SARPN | | www.sarpn.org.za | Promotes debate and knowledge-sharing on Poverty Reduction processes and experiences in Southern Africa. Participation and the dissemination of information |
| Swedish International Development Agency | Sida | | www.sida.se | Govt: (to English language link) overall goal: to help make it possible for poor people to improve their living conditions - reducing injustices and poverty, creating opportunities |
| Swiss Agency for Development and Cooperation | SDC | | www.sdc.admin.ch | Direct action, programme support (with multilateral orgs) - bi and multilateral development cooperation; humanitarian aid; cooperation in Eastern Europe |
| The Foundation for Civil Society | FCS | | www.thefoundation-tz.org | Previously the <i>Civil Society Programme</i> ; provides grants and other capacity-building support to CSOs working with economically disadvantaged and vulnerable citizens |
| The Jay and Rose Phillips Family Foundation | - | | www.phillipsfnd.org | Supporting and responding to emerging community needs – working with organisations and projects addressing unmet human and social needs |
| The Synergos Institute | - | | www.synergos.org | Partnership building; knowledge-sharing; network-building 'working to mobilise resources to bridge social and economic divides to reduce poverty and increase equality around the world' |
| Toki Mabogunje and Co | TMC | | www.tokimabogunje.com | Business Development Services, Lagos Nigeria. Experience with MSME projects and funding from WB. (Currently bidding for DFID funding) |

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| Training Centre for Development Cooperation (Tanzania) | TRACE | www.tracetz.org | 'Training and facilitation services to NGOs, CBOs, government institutions and other local and international organisations involved in development work'; works with Poverty Reduction, Human Rights, 'just and sustainable development in general' |
| Umer Welfare Trust (Pakistan) | UWT | - | Community mobilisation and TA; service delivery. Direct contact with communities and CBOs |
| Unnayan Uddog (Bangladesh) | UU | www.unnayanuddog.org | Training and development of grassroots CSOs, in particular to alleviate child poverty/facilitate education; bringing donors closer to 'neglected' smaller grassroots NGOs |
| United Nations Capital Development Fund | UNCDF | www.uncdf.org | 'contributes to the achievement of MDGs in Least Developed Countries through a variety of innovative approaches in both local development and microfinance' |
| United States Agency for International Development | USAID | www.usaid.gov | Govt: Independent federal government agency (receives overall foreign policy guidance from the Secretary of State) supporting long-term, equitable economic growth, 'advances US Foreign Policy objectives' |
| World Bank Institute | WBI | www.worldbank.org/wbi | Capacity development arm of WB. Sharing global and local knowledge to meet development challenges |
| Zambia Social Investment Fund | ZAMSIF | www.zamsif.org.zm | Social Investment Fund – consists of a Community Investment Fund, District Investment Fund, and Poverty Monitoring and Analysis |

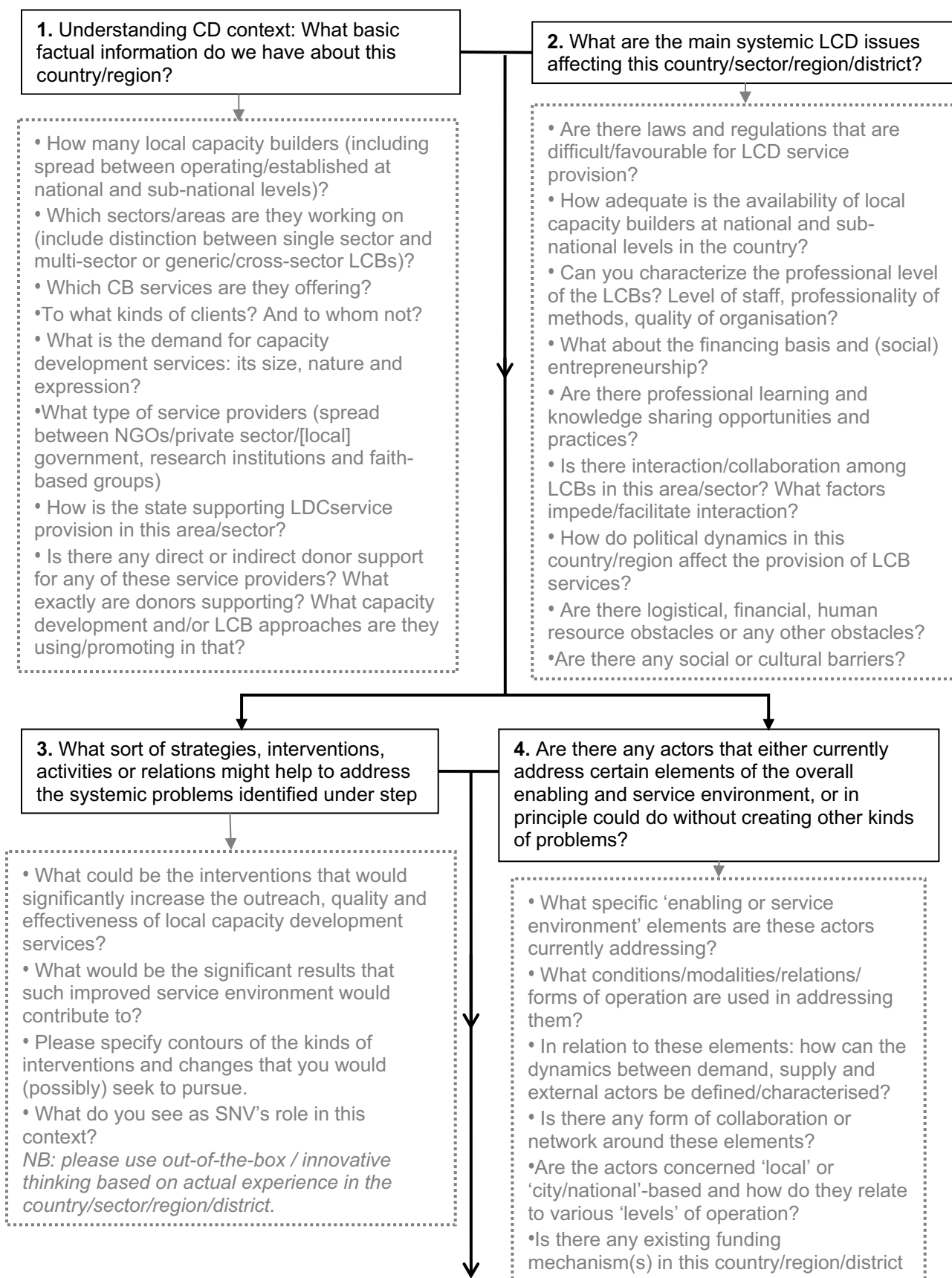
Annex 4: Analytical and diagnostic framework

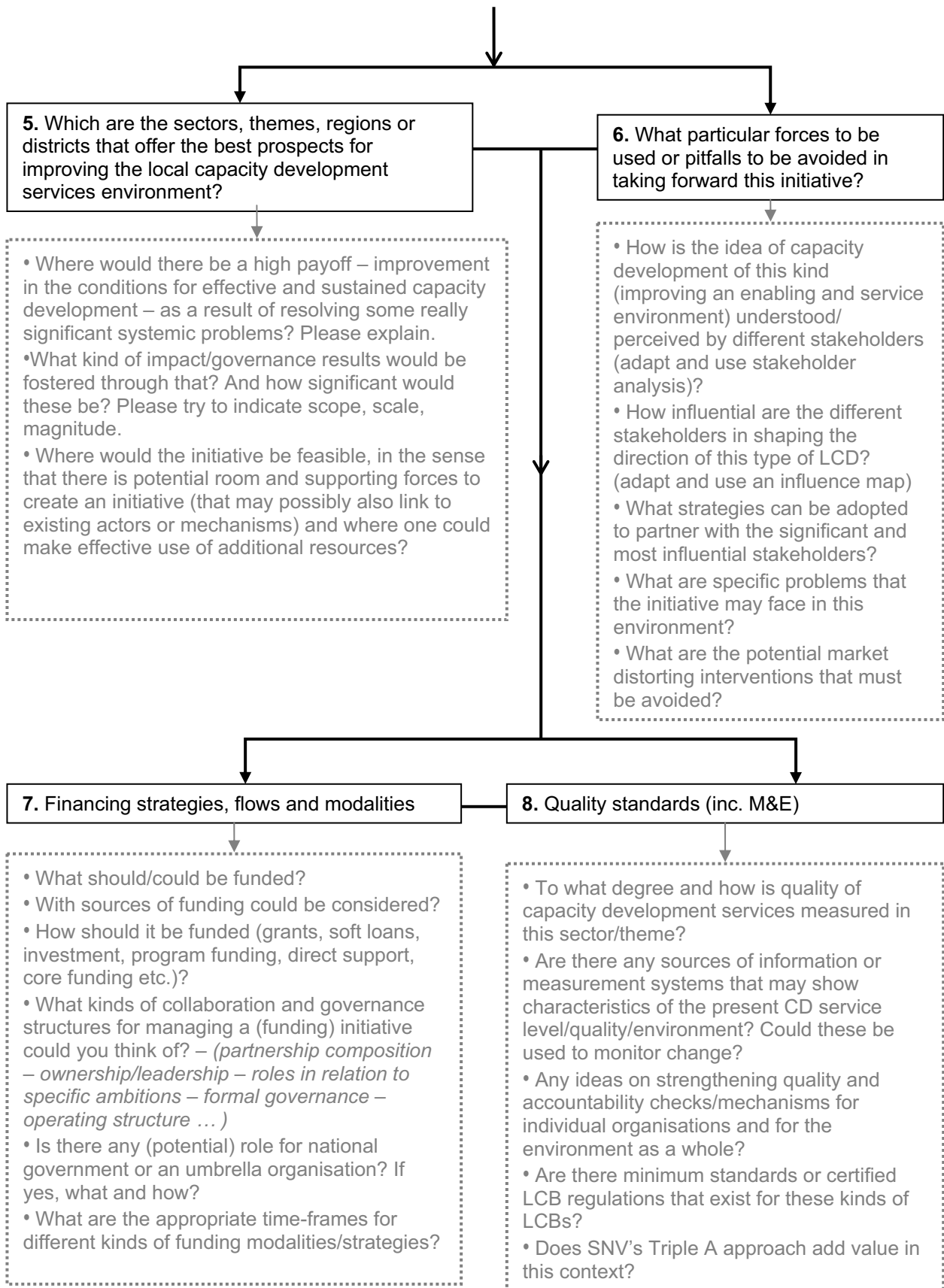
(version February 2008)

A. Elements of a diagnostic framework – Framework for assessing needs and opportunities, country by country (possibly also by specified sectors). Overview of 'header questions'.



B. Elements of a diagnostic framework – Framework for assessing needs and opportunities, country by country (possibly also by specified sectors). Please use questions to describe key phenomena, reasons, logics and perspectives.





C. Accompanying notes

For an in-depth understanding of the LCDF initiative, please refer to the SNV LCDF Initiative document (Annex 1). Otherwise, the notes below give some further guidance on how to interpret the information in the boxes, as numbered above.

1. What basic factual information do we have or know about local capacity development services in this country/ region/district?

This refers to available factual information, not assessment of quality of services, etc. A Local Capacity Builder in this context is (formal SNV definition): a national or sub-national (sometimes regional) organisation that provides a significant volume and quality of capacity development services to meso-level actors.

2. What are the main difficulties in the enabling environment or systemic problems affecting this [country, sector, region, district]?

These terms refer to features of the context for capacity development that lie beyond the responsibility/competence of any single organisation (service provider or user of capacity development services, although they affect the interests of all of them).

3. What sort of strategies, interventions, actions or relations might be used to address these problems?

For example: brokering roles, convening of multi-stakeholder engagements, facilitating knowledge sharing, securing agreement on quality and accountability standards and their enforcement – but do not allow these examples to preclude innovative thinking based on actual experience in the [country, sector, region, district].

4. Are there any actors that either currently stimulate or provide elements of the ‘enabling environment’, or in principle could do without creating other kinds of problems?

We seek to avoid duplication of roles or to pick up things that can better be done by others. Collaboration is essential for having systemic influence on the local capacity development services environment.

5. Which are the countries, sectors, regions and districts that offer the best prospects for an initiative of this kind?

In other words, 1) where would there be a high payoff – improvement in the conditions for effective and sustained capacity development – as a result of resolving some really big systemic problems? 2) How and where would such pay-off best contribute to development impact and improved governance. And 3) where would the initiative be feasible, in the sense that some actor(s) or mechanism(s) could make effective use of additional resources by playing the required role(s)?

6. What particular forces should we use or pitfalls should we avoid in taking forward this initiative?

It is important to not only see the helping forces, but also the possible downsides, pitfalls, resistance or dilemmas that an initiative may face and even provoke. Please try to be sharp.

7. Financing Strategies, Flows and Modalities

Thinking through the fundamental strategies (what kinds of money, under what kinds of conditions for what kinds of things to achieve what kinds of results?) is essential. But similarly the appropriate governance structures is a critical component of any funding strategy. This is in terms of the roles of various actors and ensuring credibility of the financing strategy. Any financing strategy has to satisfy both fiduciary requirements as well as facilitate the achievement of developmental objectives in the most effective and, credible and efficient way.

8. Quality standards and M&E

We need to think about ways of creating clarity and transparency on quality levels or standards. This also relates to questions of monitoring & evaluation of the initiative(s) you may want to undertake. Please try to think sharp and creative here.

Annex 5: Detailed case studies

1. Business Sector Advocacy Challenge Fund: Ghana (BUSAC)²¹

BUSAC was originally launched by Danida as part of the broader Business Sector Programme Support, but now attracts support from DFID and USAID. BUSAC aims to make an impact by enabling the private sector, including business membership organisations, trades unions and media, to influence public policy formulation by undertaking appropriate research, developing evidence-based policy positions and advocating those positions with government and other private sector institutions/organisations.



Vision and local capacity building features

- Aims to broaden the engagement of the private sector in policy formulation and implementation, to assist in removing bottlenecks that prevent a better running of the private sector and improve the image of the private sector within the general public through advocacy actions that will develop private sector advocacy capacity.
- Unique LCDF feature: intervention on both the demand and supply side of the market. On the supply side, service providers are certified by BUSAC.

Capacity development focus

- A broader engagement of the private sector in policymaking and policy implementation (at national, regional and local levels); strengthened capacity of representative organisations of the private sector to advocate for pro-business sector reform in Ghana (and in the long run support to the Ghanaian economy thus contributing to poverty reduction); improvement of the private sector by assisting to remove bottlenecks at all levels of administration but also within the private sector itself; and broadened public understanding of the role of businesses in society.
- LCD service providers are also assisted to understand the direction of CD, e.g. eight-day courses intended to enhance the skills of private sector consultants (service providers) who assist business associations in identifying issues/problems for advocacy; and planning and implementing/executing advocacy actions for improvement in the business environment for private sector development and growth.

Characteristics of demand/supply interventions

- Demand-led, in that LCD is closely attached to actions of grantees who sign MOUs to be helped by specific kinds of service providers that they choose to complement their own expertise. The BUSAC facility has a website with links and brief summaries of 104 LCD providers (companies, individual consultants and NGOs). Clients can link to these providers directly.
- The weakest associations and groups (informal sector, underprivileged people) are encouraged to apply. They can get special support from the Outreach Facility, an inbuilt facility of the BUSAC Fund, and/or will be able to make a simplified application.
- The Fund has a 'market place' that provides a platform for potential applicants who are seeking help and service providers and other private sector operators who can help interact to solve the problems, thus enabling them to submit quality applications for funding or to implement actions. It also provides visibility for future possible actions, easier identification of relevant expertise and a chance for better applications and actions.

²¹ See www.busac.org/.

- In order to preserve the confidentiality and ownership of the project by the initiator, a short summary of the intended action and the requested help is made available on the BUSAC Fund website.

Governance structure and management arrangements

- Overall responsibility for BUSAC is vested in a Steering Committee, which appoints a BUSAC Technical Board.
- Responsibility for day-to-day management is vested in a fund manager. The Steering Committee is responsible for setting policy and strategy, and will comprise all signatories to the MOU, with a rotating chair and secretarial support from the fund manager.

Funding source, what/how CD is funded, volumes involved

- Initiated by Danida, the Fund has received additional support from DFID and USAID. The programme runs until October 2009.
- CD support in the funds is in the form of a percentage of the total grant that the grantee includes in the application for hiring LCD services. The Fund also supports training of LCD providers.
- The BUSAC Outreach Facility is used by BUSAC management to proactively support the groups and associations, specifically addressing gender and other crosscutting issues (HIV/AIDS, environment, sustainable and democratic governance, child labour). This allows the BUSAC Fund to wholly (100%) fund actions for small and weak associations that may not be in a position to meet the 10% cost of the action. Actions amounting to less than €10,000 are eligible for this concession. This is based on the assumption that a small applicant may not have the management capacity to undertake a large action. The Outreach Facility also finances other actions, to enable small groups or associations or underprivileged people to access BUSAC Fund.

Success stories and lessons learnt

- See success stories on www.busac.org/mainsite/stories/.

2. CHF (formerly the Canadian Hunger Foundation)²²

CHF is a non-profit organisation dedicated to enabling poor rural communities in developing countries to attain sustainable livelihoods. Founded in 1961, since its inception CHF has implemented over 800 projects in more than 40 countries, helping thousands in Asia, Africa and the Americas to improve their daily lives and break the cycle of poverty.



Vision and local capacity building features

- HQ in Ottawa.
- Coverage: offices in Canada, Bangladesh, Pakistan, Sri Lanka, Vietnam, Ethiopia, South Africa and Guyana.
- Mission: To deliver effective, sustainable and transformational development through a 3 Dimensional Development/Sustainable Livelihoods Approach (SLA).
- Unique LCDF feature: providing tailor-made CD services to local organisations, trust building, coaching and mentoring. It has a comprehensive CD support programme.
- Difference from LCDF: does not seek to create a market for LCD from the start. The stimulation of the CD market is closely managed by the CHF CB specialists.
- LCDF can use these principles of carefully working with the demand side through long-term assessments and 'learning by doing' to enhance authenticity and strength of demand expression; and working on the supply side by distinguishing between long-term CD providers and those that have good technical skills in particular areas but few relational skills. These are both necessary but at different times and in different situations.

Capacity development focus

- Capacity building description: to assist and support partner organisations to improve their organisational capacity in order to build sustainable livelihoods for the rural poor.
- Approach: partnership with local actors, addressing capacities in the wider environment, two-way flow of knowledge and experience, coaching and mentoring (long time, soft and hard capacities of organisations).
- CD service package used flexibly, comprising technical assistance (in standard skills such as M&E, RBM, strategic planning, helping to achieve registration and developing marketing and promotional skills); organisational support (financial support to partner organisations: programme funding for equipment and recurring costs such as staff salaries); and subproject funding for trying out areas in which partner capacity is being developed. The last element is organisational development, which pertains to enabling organisations to deliver intended development results and organisational goals through a participatory process.

Characteristics of demand/supply interventions

- Demand side: partner organisations and networks in countries where CHF works. CHF starts by strengthening partner organisations in financial systems to ensure internal and external accountability standards and then goes on to provide demand-led CD. This is also a strategy for helping/creating incentives for client organisations to succeed in attracting investment funding for their projects so that CD is used in the practice of achieving their development goals.

²² Special focus on case study on Building Community Capacity Project (BCCP) in Guyana (1996–2007) developing 20 NGOs. Also see www.chf-partners.ca/.

- Supply side: LCBs are a team of organisational specialists on the CHF staff list, providing tailor-made services and development of trust and credibility of the services. Because CHF staff are the core suppliers, it is a fully paid for service within CHF.

Governance structure and management arrangements

- CHF manages the CB programme within its international structure, with emphasis on local staff managing country offices.
- HQ in Ottawa; a typical country office team is composed of three staff (one Canadian capacity building specialist who acts as project manager and two local specialists, one with a background in finance and accounting, the other in agriculture and business).

Funding source, what/how CD is funded, volumes involved

- Funded mainly by CIDA.
- For example, by September 2007, US\$10 million was available to Guyana's CSOs under BCCP.
- The funding for CB is split into three parts: i) capacity building funds: technical assistance, organisational support and organisational development (as defined above); ii) subproject funds for facilitating 'learning by doing' activities with local organisations (takes 25% of CB funding); and iii) the responsive fund, managed and used by the project director to have some flexibility to change and respond to issues as they arise within the organisations.

Success stories and lessons learnt

- Coaching and mentoring performed by in-country capacity building specialists is the key to the successful development of CSOs.
- Capacity building initiatives should include funding for subprojects (25% of total CB funding) as an important component of organisational development.
- Other important mechanisms that must be allowed for in a capacity building initiative include recurring cost mechanisms, meaning costs in adding to the human resource capacity of organisations and equipment support.
- The organisational selection process should not be so detailed and time consuming an operation that NGOs lose interest in participating in the programme.
- The balance between the outsourcing of expertise and the use of internal human resources is best found by bringing in external consultants only for the highly specialised tasks, such as the development of database systems.
- Organisational linkages have proven most effective at national level with, for example, other donors, the private sector or the government. Links to Northern NGOs or the development of NGO networks were not as effective as a capacity building intervention.²³
- An unplanned activity fund, called the responsive fund, is essential. The project director needs flexibility to change and respond to issues as they arise within the organisations. This degree of flexibility can prove critical to achieving other parts of the whole capacity building initiative. It is important to delegate this authority to the manager in the field.

²³ The idea was initially conceived as a vehicle for increased resource mobilisation, as well as institutional strengthening through the exchange of expertise and experience – a kind of 'big brother big sister' long-term relationship. The reality proved to be that these linkages were not necessarily sustainable. Financially, the Northern NGOs were not strong enough to assist a Southern partner, and the exchange relationships often turned out to be more of a 'one-off' occasion than a lasting relationship.

3. Coalitions for Change: Nigeria (C4C)²⁴

C4C places institutions at the heart of the endeavour, setting out to create an environment where government agencies and the public relate better with each other. The emphasis is on both government, as the supply side of service delivery, and civil society, as representing the demand side.



Vision and local capacity building features

- Aims to accelerate Nigeria's progress towards achieving the MDGs. This it hopes to achieve by supporting and working with public sector institutions, leading to effective management of public resources and ensuring accountability.
- C4C establishes coalitions of interest groups from the public, private, civil society and media sectors, sharing a common vision of the need for development and engaged in reforms to improve specific aspects of public resource management.
- Unique LCDF feature: focus on governance issues as entry points to processes of institutional change connecting to the key structural constraints. This is an effective way of dealing with demand-side systemic constraints

Capacity development focus

- The programme takes an issue-based approach to improving Nigeria's capacity to meet the MDGs through institutional change within government to promote accountability and reduce mismanagement of public revenues. This approach identifies and supports coalitions of interest across civil society, government, the private sector and the media. Such coalitions should be supported to work on issues that engage their stakeholders and that have the potential to lead to institutional change.

Characteristics of demand/supply interventions

- Demand-side interventions around issues chosen but actively managed by DFID Nigeria. C4C currently has five issues as focal: Anti-Corruption, Nigeria Extractive Industries Transparency Initiative (NEITI); Monitoring Virtual Poverty Fund (MVPF); the Northern Nigeria Water Governance Initiative; Constitutional Reform Dialogue Mechanism (CRDM); Local Governance, Gender, Climate Change.

Governance structure and management arrangements

- C4C is managed by a Programme Advisory Panel (PAP), which comprises respected professional women and men from public, private and CSO sectors. The PAP provides high-level guidance on programme management and finance while also helping build partnerships and networks with relevant groups. The highly political nature of C4C demands that the Secretariat is supported by respected persons in the country.

Funding source, what/how CD is funded, volumes involved

- DFID is the donor for this programme and has dedicated staff working on it.

Success stories and lessons learnt

- Managing complexity: multiple SHs, divergent interests, engagement in different ways at different levels at different times.
- Skills and commitment: availability/sustainability.

²⁴ See www.coalitions4change.org/.

- Risk - political. This is about challenging powerful interests - multiple ministries, states and others.
- Impact: how do you know if it is working?
- Institutional change: processes are patchy, unpredictable, nonlinear, hard to quantify.
- Timeframe: institutional change is long term.
- Requires constancy and commitment.
- Combating fatigue/apathy at community and other levels.

4. Foundation for Civil Society: Tanzania²⁵

The Foundation for Civil Society is a Tanzanian non-profit company, designed and funded by a group of like-minded development partners. It was registered in September 2002 and started operations in January 2003. The Foundation aims to establish an intermediary support mechanism for CSOs in Tanzania which will enable effective engagement in poverty reduction efforts as set out in government of Tanzania policies.



Vision and local capacity building features

- A Tanzanian non-profit company, designed and funded by a group of like-minded development partners, and governed by an independent Board. It was previously known as the Civil Society Program (CSP).
- Vision: to become a sustainable model of excellence that contributes to the development of a vibrant, effective and innovative civil society sector that enables citizens to engage in the democratic process, promote human rights and contribute to poverty reduction and a better quality of life for all Tanzanians.
- Works on four main thematic areas: policy engagement, governance, safety networks and advocacy.

Capacity development focus

- Main CD objectives/areas: i) enhanced organisational (financial, technical and managerial) capacity of CSOs; ii) conducive environment for constructive dialogue; iii) CSS networking encouraged and strengthened; iv) positive image of the role of civil society.
- Owing to an organisational assessment that showed inadequate professionalism in project management, poor financial records and poor reporting, a policy of 30% of grant committed to human resource development was instituted. This means most CSOs undergo OD-type CD.

Characteristics of demand/supply interventions

- Mainly on the demand side by creating programmes that require LCD support. The aim is to provide tailor-made training to grantees to enable them to effectively carry out their activities but also to be able to sustain their operations and organisations even after the support from the Foundation comes to an end.
- On the supply side it takes two forms: i) development of five tailored training products related to the grant-making programme and to the needs of the CSOs. CD providers are subcontracted to work out appropriate programmes for clients according to the identified needs; ii) a minimum two training programmes to 175 grantees/year are planned and delivered by the subcontracted LCD providers.

Governance structure and management arrangements

- Independent Governing Board (GB), Council of Members and Grants Committees. Donors were on both GB and Council but now only on Council.
- A Secretariat is responsible for day-to-day activities, comprising grants, development and administration and finance departments.
- Grants department is responsible for managing grants: information dissemination, processing applications and management of contract projects. It implements these activities through site visits, information sessions in the regions and report analysis.

²⁵ See www.thefoundation-tz.org/.

- Development department develops and monitors policies and procedures. It makes sure that the intended outputs and impacts of services are realised effectively through impact assessments; grantee auditing; information gathering and dissemination; enhancing partnership and networks; conducting participatory research on CSOs; capacity development for CSOs; and public engagement through public policy dialogues.
- Administration and finance department is responsible for managing recurrent expenses and maximising value for money within the allocated budget. It has the responsibility of preparing financial reports and ensuring sources of funds. It is also charged with updating human resource systems and developing staff-related policies.

Funding source, what/how CD is funded, volumes involved

- Royal Netherlands and Norwegian embassies, SDC and DCI (Irish Aid). Offers grants to NGOs, CBOs, trade unions and media organisations on a competitive basis under selection criteria.
- The main programme grants are banded into four categories: rolling small grants (grants up to Tshs 5,000,000); medium grants (grants up to Tshs 35,000,000 per year for up to three years); strategic grants (grants up to Tshs 100,000,000 per year for up to three years); and registration development grants (one-off grants of up to Tshs 200,000 to assist in the registration process of CSOs). Aims at granting 275 grants per year.

Success stories and lessons learnt²⁶

- Successes:
 - Demonstrated convenience for donors as they deal with one organisation to reach many.
 - Good for donor coordination.
- Lessons/ challenges:
 - Low absorption capacity for donor funds.
 - Too much power vested in one organisation unbalancing the CSO sector.
 - No proper long-term plan after donor funding dries out (endowment explored but seen as complicated).
 - Current tax system not conducive to local philanthropy and donations from private and public sources.

²⁶ Wiseman (2006).

5. Ghana Research and Advocacy Programme (G-RAP)²⁷

G-RAP provides grants to Ghana-based institutions engaged in pro-poor public policy research and advocacy to strengthen their capacity and funding base, as a complementary mechanism to the Ghana MDDBS. G-RAP's principal – but not exclusive – focus is to strengthen civic engagement in the GPRS.



Vision and local capacity building features

- Seeks to increase the capacity of upper echelon research and advocacy organisations (RAOs), with proven competence, to inform and influence policy development around MDDBS and allied processes (e.g. the GPRS).
- Unique LCDF features: i) stimulating demand for different types of CD among local organisations; ii) understanding ownership and governance; iii) SNV role as a LCD provider owing to quality and subsidised fees (cost sharing); iv) dominance of OD type of CD.

Capacity development focus

- A concept broader than organisational development, since it includes an emphasis on the overall system, environment or context within which individuals, organisations and societies operate and interact (and not simply a single organisation).
- Organisational development (OD) + institutional development (ID). OD activities are those within individual RAOs whereas ID pertains to activities beyond individual organisations, such as networking and coalition building (e.g. anti-corruption coalition).

Characteristics of demand/supply interventions

- G-RAP's own CD specialist plus IBS and SNV provided CD support as contracted by PMT but not much was done on local LCBs because they were deemed expensive. The intervention in this case was subsidised CD provision via IBS and SNV. This contribution can also be perceived as the value-added of international CD support to local (country-level) CD.
- On the demand side, all RAOs had to undergo self-assessment as a prerequisite for receiving grants for ICB, technical assistance and their core programmes. In other words demand was in the form of 'needs assessment' and not 'expressed demand'. On the positive side, this enabled dealing with RAO executive directors who became leaders as a result of programme knowledge and not leadership skills; on the negative side, this created disincentives that therefore meant demand was not real demand.

Governance structure and management arrangements

- The governance structure of G-RAP involves a Funders Committee and Advisory Board. The Funders Committee comprises participating donor representatives and an eminent Ghanaian. It makes all decisions relating to disbursement of funds based on recommendations by the Programme Management Team. The Advisory Board comprises representatives of parliament and the donors, the eminent Ghanaian who also serves on the Funders Committee and two RAO representatives. The Programme Management Team is the Secretariat.
- Two M&E meetings were organised in order to enable ownership.

Funding source, what/how CD is funded, volumes involved

- Key donors: DFID, Danida, CIDA, Royal Netherlands Embassy. Funding is channelled to RAOs competitively and on a needs-assessed basis.

²⁷ See www.g-rap.org/.

- OD funding is attached to core funding of main G-RAP activities but ID funds are held in a central budget in the PMT: i) CD is 5% to 15% of total RAO core grants; ii) IBS/SNV subsidised services (producing 18 OD assessments, CD quality control and M&E) are at a cost-sharing rate of US\$150 per day. SNV/IBS CD implementation fees are US\$250 per day, lower than similar but not quality certified. Local private providers are at unsubsidised rates of US\$350–800 per day. All 18 RAOs preferred SNV/IBS services.
- G-RAP ICD adviser time was 66% on PMT activities and 34% on CD-related activities, with only 8% on actual RAO contact.
- CD activities actually funded include strategy (formulation: values, mission, goals and objectives; planning, organisational culture and leadership); governance (e.g. role of boards vs. executive director); communication (mainly upgrading ICT); human resources management (recruitment and appraisals); gender; team building; OD assessment and administrative systems.

Success stories and lessons learnt

- Successes: CD has enabled access of smaller organisations to core funding. Promotion of dialogue between organisations and donors.
- Lessons:
 - CD demand among local organisations requires longer time to articulate than is provided in 'projectised activities'.
 - Budgets for LCD for local organisations need to be given to demand side of LCD and in sufficient amounts.
 - Demand cannot be standardised to all organisations even if they look the same.
 - CD is a separate activity, one which requires a governance structure that gives it flexibility and room for creativity.
 - Different donors are likely to engage with different aspects of CD, not all elements.
 - Mentoring and coaching approaches to CD are likely to work better for already established organisations.

6. Manusher Jonno Foundation: Bangladesh (MJF)²⁸

Manusher Jonno Foundation began in July 2002 as CARE Bangladesh project; it registered with the Joint Stock Company and NGOAB as a local non-profit organisation in 2006. It is an initiative designed to promote 'human rights' and 'good governance' in Bangladesh.



Vision and local capacity building features

- Vision: 'the dignity and wellbeing of all people (especially poor, marginalised and socially excluded) are ensured by responsible, accountable and transparent duty bearers, the actions of committed and capable defenders and rights holders who are aware and mobilised to claim their rights and entitlements'.
- Unique LCDF feature: MJF has an interesting governance structure that depends on a strong Secretariat. However, the CD component is tied to specific programmes

Capacity development focus

- CD is part of the overall MJF mission, which is to financially and technically support a critical mass of public and private organisations working on human rights and governance. It is aimed at strengthening the human and institutional capacity of local partners so they can implement programmes more efficiently and effectively. CD is tailor-made and fit for different levels of organisations and project phases. CD is also provided for weak and grassroots organisations so that they can meet MJF funding criteria.

Characteristics of demand/supply interventions

- Demand and supply dynamics are shaped by the needs of organisations as assessed within the 10 thematic areas: Violence Against Women; Rights of Marginalised and Poor; Worker Rights; Access to Justice; Child Protection and Development; Right to Information; Improving Local Governance; Governance Performance Monitoring; Socioeconomic Development of Chittagong Hill Tract; Corporate Governance.
- MJF has own LCD providers in the various thematic areas, and engages with other LCDs only to supplement these skills. In other words LCD is managed within MJF.

Governance structure and management arrangements

- CD is managed by a dedicated Secretariat Unit. MJF as a whole is guided by a Governing Board (GB) comprising nine eminent persons of CSOs. The GB provides strategic guidance and approves yearly budgets, partner NGO funding and all MJF policies and procedures. It also oversees compliance with higher-level policies and the MJF Constitution.
- MJF has an Executive Committee (EC) made up of three of the GB members, which provides assistance in more specific issues, like proposal appraisal of macro-size grants and partner selection.
- A Senior Management Team (SMT) meeting is held on a weekly basis to take decisions on day-to-day affairs and higher-level issues; this makes recommendations to the GB.

Funding source, what/how CD is funded, volumes involved

- Multi-donor (DFID; Norway, from 2007), with interest expressed by other donors, e.g. Netherlands and Sida.

²⁸ See www.manusher.org/.

- Funding for CD goes to activities that enable partner organisations on the 10 thematic areas for rights and governance and networking and advocacy.

Success stories and lessons learnt

- **Successes**
 - Capacity development of partners has resulted in improved governance, efficient programme implementation and financial transparency. Non-partners are included in capacity development.
 - Efficient MIS system established.
 - MJF part of networks on key development issues such as land rights, workers rights, etc.
 - Lead in 'Right to Information' campaign and enactment of RTI law, domestic violence law, labour policies and procedures.
- **Challenges:**
 - Often accused of favouritism because of the inherent conflict of interests when managing both grants and CD in the same organisation.
 - Addressing vested interests is challenging.
 - Dealing with controversial political issues is inherent in governance and rights agenda.
 - Legal limits to involvement of some CSOs.
 - Is MJ a funding agency or a leader on governance and human rights?

7. Multi-Stakeholder Forestry Programme: Indonesia²⁹

The DFID Multi-Stakeholder Forestry Programme was a five-year bilateral programme working with the Ministry of Forestry and a wide range of other stakeholders throughout Indonesia to ensure that the policy environment for forest management enables poor, forest-dependent communities to manage their own resources to provide improved, sustainable livelihoods. The main emphasis of the programme is to support changes that are already underway among civil society, NGOs and the private sector and, in parallel, to help the government system to respond.



Vision and local capacity building features

- A programme in Indonesia aimed at addressing decades of poor governance (conflict, mistrust, alienation, poverty, forest degradation), using forestry as the entry point.
- Important role for CSOs and CBOs: £16m grants + £4m facilitation (2000–2006) to support civil society and government partnerships and focus on dialogue, policy reform, building capacity. Impact of approach includes: empowerment, trust, attitude and skills; new policies and regulations; better incomes; better resource management.
- Unique LCDF feature: combining grants with strategic facilitation on 'working together to bring about policy reforms leading to poverty reduction and better resource management'; no hardware delivery, e.g. construction of buildings, etc; transitioned donor-driven initiative to a locally owned family of funds managed by Community Foundations (CFs).

Capacity development focus

- Governance/policy reforms, using forestry as an entry point.
- Forest-dependent communities the main beneficiaries. Grantees include CBOs and NGOs (majority), universities, private sector, even individuals. Brings together many locally rooted organisations.
- Broad spectrum of activities: financial CB; advocacy and training (NRM); network development; mitigation of conflict regarding land use; investigation of illegal logging; participatory poverty analysis.
- Cooperation with government: national Ministry of Forestry.

Characteristics of demand/supply interventions

- Demand driven by letting thousands of organisations access funds for relationship building and then selecting a few that would bring about change.
- On the supply side, recruited six regional facilitators (LCBs) who worked selectively with local actors (NGOs, private sector, etc.) that had promising ideas but lacked OD skills (e.g. proposal writing), starting with small grants. A group of facilitators at city level to provide support to sub-national LCBs (expertise on community-based forestry management, setting up networks, poverty analysis, communication strategies and learning). These are crosscutting skill areas for supporting all sub-regional LCBs.

Governance structure and management arrangements

- DFID and an MFP secretariat.
- Transitioned into a national family of Community Development Trust Funds managed by CFs.

²⁹ See www.livelihoods.org/lessons/project_summaries/for3_projsum.html or www.odi.org.uk/RAPID/Projects/R0102/Summary.html.

- From MFP regional offices to local CFs with a vision of creating 'locally rooted non-profit organisations, with broad-based representation and governing boards, providing grants and other support to CSOs and CBOs engaged in strengthening voice and accountability on land rights and NRM'.
- Mechanism: 'transparent, competitive, accountable grant making to CSOs and CBOs'. Evolution away from usual 'donors'; provides opportunity for multiple funding: donors; CSR; government; citizens; private sector; to engage with donor-initiated CF movement.
- Makes it easy to target CSR resources to a specific menu of activities and build on existing networks, trust, local knowledge and local understanding, with clear mechanisms for accountability.

Funding source, what/how CD is funded, volumes involved

- DFID initiative for £25.1 million (14m as direct grants for CSO–local government partnership development, 2m as block grant to Ministry of Forestry for implementation of MOU between UK and Indonesia on illegal logging and supporting training and innovation, 5m on networking, communications, policy analysis and advocacy, 5m on staff salaries and running costs).
- Also funded regional information centres to gather information on environmental issues and make this accessible to citizens and organisations.
- Strategy: large number of small grants (three months low-cost planning) in early years (let a 1000 flowers bloom) and select fewer and larger later years, 86% to NGOs, 14% to government departments, research institutes, universities people's organisations, the private sector and individuals.
- The early phase gave time to develop administrative machinery, hire staff and develop granting procedures.

Success stories and lessons learnt

- Successes:
 - Improved livelihoods for communities.
 - New skills for NGOs.
 - Constructive relationships between individuals and organisations.
 - Transparency and accountability among forest managers.
 - New measures (statutory regulations) as enabling environment.
- Lessons:
 - Tying into an issue that is critical to the citizens as well as taking advantage of reform pressures/processes within government.
 - Information sharing is beneficial but different stakeholders have different 'information needs', which must be taken into account. Progress constrained somewhat by low professional capacity of programme staff – especially regarding communication and information activity.
 - Progressive policymakers (as individuals) matter.
 - Evidence from research (by CIFOR, World Bank and FORDA) made.

8. Pact: Building Capacity Worldwide³⁰

Pact was founded in 1971 as a membership organisation of US private and voluntary organisations (PVOs) to facilitate the distribution of small USAID grants to PVOs working in relief and development assistance. From the beginning, Pact had as a goal for its members to empower local organisations in order to attain sustainable development.

Pact currently operates 18 field offices in Asia, Africa and Latin America.



Vision and local capacity building features

- US-based organisation (HQ, Washington, DC).
- Coverage: 15 countries in Africa (Botswana, DRC, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Namibia, Nigeria, South Africa, Sudan, Swaziland, Tanzania, Zambia and Zimbabwe); six countries in Asia (Cambodia, Kyrgyzstan, Mongolia, Myanmar, Thailand and Vietnam); and four in Latin America (Bolivia, Brazil, Ecuador and Haiti).
- Mission: To actively build the capacity of local leaders, organisations and networks to meet pressing social needs in dozens of countries around the world.
- Unique LCDF feature: The experiment conducted in Zambia and Ecuador on 'building dynamic local service provider communities' reflects the LCDF ambition in all its dimensions except that Pact focuses on civil society and not on all kinds of local actors that the LCDF design seeks to involve.

Capacity development focus

- Pact's Capacity Building Services Group (CBSG), a consulting and action research unit, develops customised approaches to strengthening local non-governmental and municipal government institutions. It is devoted to 'mobilising local capacity' – supporting the development of local organisations that effectively identify and respond to social development needs and improve the quality of life in the communities they serve. Local issues are best addressed through local responses, and a flourishing civil society is a key component of this effort.
- The 'value chain approach' to analyse the systemic issues in the delivery of capacity building interventions.
- This approach makes it possible to facilitate better understanding of the failings of the current system, and identify promising initiatives and policy interventions that can be used to revitalise the way in which capacity services are provided in a particular service environment.

Characteristics of demand/supply interventions

- Using the value chain approach, the systemic issues on the demand and supply side of LCD are identified.
- Methodologically, Pact Zambia and Ecuador used a three-staged process: market diagnosis (to identify strengths, weaknesses, opportunities, threats and critical business issues on both the supply and the demand side); mapping demand and supply (identifying existing networks among providers and users and interactions between them and international actors); and intervention prototyping (identification of interventions with the potential to address some of the core issues behind the market challenges).
- Four initiatives were identified as promising for addressing systemic issues: Capacity Building Accounts (CBAs – small grants provided to local NGOs to purchase services of their own

³⁰ See Pact (2006) and www.pactworld.org/.

choice); LINC (linking NGOs with capacity services, using a 'silent auction' event mechanism); Service Provider Associations (bringing together service providers so they can strategise reaching out to the local market and improve services); and SAGE market monitoring (a tool used to assess demand and supply of local services focusing on quality, assets, agility and efficiency).³¹

Governance structure and management arrangements

- Pact is governed as an international non-profit making organisation, and CBSG is a unit within Pact.
- 16-member board and 17 staff at HQ (www.pactworld.org/cs/who_we_are/headquarters).
- Has regional and country offices that are led by regional and country directors and their staff (no staff number details available online).
- The Zambia and Ecuador study shows that, apart from planning strategic withdrawal from some of the LCB services in the market that LCBs should be taking over, there is no explicit plan to have the local market managed by another governance structure.

Funding source, what/how CD is funded, volumes involved

- CBSG is funded by Pact as an international organisation.
- The proposed model in the Zambia and Ecuador experiment is to fund processes of market diagnosis, mapping of demand and supply, the development of service provider associations and SAGE. In each of these processes, Pact plays a critical role in the first year and decreases its operations/visibility relative to the strength of the emerging local market and networks such as Service Provider Associations.
- Funding is also for setting up a grant facility for CBAs on the demand side (US\$2000–3000 per grant), although here four models are offered: i) self-paid – NGO participants generate CBAs from their own existing funds; ii) donations – CBAs are provided to NGO participants by donor organisations; iii) sponsorship – NGO participants seek sponsorship to pay for their chosen capacity services; and iv) top-ups – CBA funds raised through sponsorship by NGO participants are topped up by donors at a certain percentage (5% to 10%) up to an agreed maximum.
- Pact also recommends strategic investments to strengthen the capacity of LCBs which, because of systemic issues, are unsupported in the market. No example is provided on how this could be done.
- Funding is also required for developing appropriate M&E systems (no amount is suggested in the study).

Success stories and lessons learnt

- Six coordination/systemic problems were identified: i) disengaged policy decision making – international actors' domination of the local market environment, making decisions far away from points of implementation;
 - Needs/supply disconnect – needs and supply of capacity building services determined and imposed externally with little input from end consumers and little awareness of their needs.
 - Purchaser/consumer disconnect – capacity building services are often purchased, at inflated prices, by international actors on behalf of end user local organisations.
 - Stovepiped service provision – services are generally supplied by international actors or local providers contracted by international actors.

³¹ SAGE is a tool comprising four key measures to assess market demand and supply for local CB services: **Service Quality**: the extent to which local capacity service markets create value for NGO and local government customers; **Assets**: the extent to which service offerings reflect the full range of needs identified by the social development sector; **Agility**: the capacity of the service provider market to adapt to changes in demand or changes in the external environment; **Efficiency**: high-performing markets are characterised by healthy, sustainable local providers, rich communications within the provider community and a culture of collaboration and exchange across providers.

- Neglected impact evaluation – efforts to evaluate the success of capacity building initiatives are *ad hoc* and inconsistent, resulting in incomplete knowledge of ‘what works and what does not’.
- Unsupported local providers – although capacity building initiatives for local CSOs have been underway for a number of decades, attempts to build the capacity of local providers and provider have been limited.
- 9% to 12 % market efficiency in Zambia and Ecuador on HIV/AIDS CD services.
- Two LINCS (linking NGOs with service providers) events resulted in 77 CB services marketed at a discount rate compared with international rates. 20 CD providers formed an association in Zambia on HIV and AIDS.
- Lessons learnt:
 - CBAs can empower local NGOs as consumers of their own services, foster a demand-driven marketplace, create an efficient marketplace and enable NGOs to feel increased ownership for the purchased services.
 - LINCS services can enable data collection for market analysis on demand–supply interactions, build social capital through face-to-face interactions at the local level, enhance competition among providers in order to reduce inefficiencies in the market and strengthen local provider networks and bring in new actors.
 - Service Provider Associations enable ongoing interaction among service providers that generates and sustains social capital, builds market access and brand power of local providers and ensures sustainability of high-quality service provision for local NGOs.
 - SAGE raises the issue of sustainable local provider marketplaces to the global level, maintains a ‘finger on the pulse’ of developments in capacity marketplaces and facilitates market comparison and the tailoring of suitable interventions.

9. RedEAmérica³²

RedEAmérica is a network of 50 corporate foundations from 12 Latin American countries and the US aiming to reduce poverty through grassroots development. The organisation seeks to match member GBOs with the foundations of many prominent, international firms. The goal is to provide these GBO members with the adequate funding, local leadership and training necessary to bridge the gap between the top and bottom of the economic pyramid.



Vision and local capacity building features

- A network of funding bodies, and over 50 corporate foundations from 12 Latin American countries (Argentina, Chile, Mexico, Dominican Republic, Venezuela, Bolivia, Colombia, Peru, Brazil, Ecuador, Puerto Rico and Uruguay) and the US.
- Mission: to help reduce poverty through the promotion of grassroots development.
- Unique LCDF feature: use of networks to provide programmatic and CD support to members on both the donor and recipient side. It also has a unique way of achieving outreach and legitimacy on the demand side using grassroots organisations
- A very broad concept of grassroots development around which resources are mobilised and channelled to grassroots organisations. CD is provided within this context. The LCDF might not have the same simplicity of development focus because of its CD market focus.

Capacity development focus

- Facilitation of networking among organisations locally, nationally and across borders for knowledge, information and experience sharing.
- Corporate leadership initiatives that focus on alignment of corporations, foundations and institutes with grassroots development (GRD); scaling up impact; ensuring sustainability; resource mobilisation; exchange of best practices between second and third sector; creation of National Programme and Fund; new local institution/legal entity.
- Scaling up impact, having more national and international resources and partnerships for GRD projects, coordination among members, increased influence on public policy and the private sector and increased visibility of RedEAmérica.

Characteristics of demand/supply interventions

- The CD demand and supply dynamics characterised by needs of the network members who come from three main groups.
- In this formulation, all members have something to learn (donors learn how to do good GRD; community organisations learn how to manage finances, project proposals, etc.
- The network aim is to increase efficiency and effectiveness of grant funds for greater impact at the grassroots level. CD supply is derived from learning from network exchange and not a sole supplier of knowledge. The Secretariat has an 'education learning and dissemination committee to manage the CD facilitation process.



Governance structure and management arrangements

- The consortium uses country nodes (a network model of governance) rather than 'offices'.
- Each node governs its members towards the objectives/goals and activities agreed by the General Assembly of members. For instance, the node in Brazil has 11 members. It has a

³² See www.redegf.com/index.asp.

General Assembly composed of: Board of Directors, Executive Council, Fiscal Council, Fundraising committee and Public Affairs Committee. The General Council is supported by the Public Affairs Committee.

- The General Assembly is supported by an Executive Secretariat, responsible for facilitating network development and initiative management. Under it are the Project Selection and Monitoring Committee and the Education, Learning and Dissemination Committee.

Funding source, what/how CD is funded, volumes involved

- Applies a co-financing model that involves the Inter-American Foundation (IAF), the beneficiary communities and other national or international donors (e.g. IFC).
- For instance, in Colombia, the consortium co-finances more than 100 projects, investing more than US\$3 million, 30% of which comes from resources from international cooperation and 70% from national members' funds.
- The IFC provides support to the selected initiatives; from these funds, 95% is used to finance the initiative and the remaining 5% for project administration.
- The mobilisation of resources from national members is an important concept for ensuring ownership of the node.

Success stories and lessons learnt

- Unique networking aspect of RedEAmérica – networking across national and sectoral borders between donor bodies and programmes that encourage the same among recipient organisations and groups – for mutual information and knowledge sharing among same sector actors and those of a particular country/region.
- In Colombia, for example, the consortium is currently supporting 141 CBOs, located in 18 departments of the country. These communities have co-financed more than a hundred projects, investing more than US\$3 million.

10. Southern Africa Trust (SAT)³³

The SAT was established in 2005 and supports processes to deepen and widen participation in policy dialogue with a regional impact on poverty, to enable CSOs to be more engaged with the development and implementation of PRSPs.



Vision and local capacity building features

- Based in Johannesburg, South Africa.
- Mission to support CSOs in southern Africa to participate effectively and with credibility in policy dialogue so that voices of the poor can have a better impact in the development of public policies. It hence also addresses the aid absorption capacity of CSOs.
- SADC membership used to define the 'southern African region' but SAT is able to assist other countries outside this region if there is a compelling reason on a case-by case-basis. 14 SADC member countries are Angola, Botswana, DRC, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.
- Unique LCDF feature: CD operations at regional level and also the use of different categories of funding to do CD.

Capacity development focus

- Improving the capacity of civil society to engage in and influence public policies to overcome poverty and inequality.
- Civil society's knowledge base will be improved through more focused and targeted action research, better communication and linking and learning.
- Advocacy and lobbying, policy analysis, action research, networking and organisational development skills will be developed among CSOs.
- The credibility of CSOs' policy work will be improved through the promotion of professional, evidence-based policy work.
- Meaningful and effective regional civil society partnerships will be facilitated through networking and integration so as to be a credible and effective voice for the poor.

Characteristics of demand/supply interventions

- Largely demand interventions through use of solicited and unsolicited funding approaches.
- On the supply side, SAT is able to hire LCD providers on behalf of organisations that, for instance, have to attend a SADC regional event and need to learn how to influence governments around issues for the event, e.g. trade negotiations.
- Otherwise, for individual grants, the grantees themselves include CD in their applications for assistance and find their own CD suppliers.
- The main partners involved include NGOs (44% accessed SAT funds in February 2008), research or training institutes, businesses or business associations, government or intergovernmental agencies, media houses or associations, CBOs, social movements, campaign coalitions, faith-based organisations, labour organisations, grant-making organisations and programme consultants.
- SAT defines CSOs broadly, to include, for example, faith-based organisations, the media, popular movements, the private sector and other forms of constituency or interest-based organisation in society: essentially, 'non-state actors'. It focuses on supporting a wide cross-section of role players in civil society, representing different interests and constituencies that are focused on overcoming poverty.

³³ See www.southernafricatrust.org.

Governance structure and management arrangements

- SAT is governed by a Board of Trustees elected by members for a three-year term with the possibility of renomination.
- Trustees serve for a maximum of two consecutive terms. There is an inbuilt continuity and succession plan, with a third of trustees expected to retire in the fourth, fifth and sixth year.
- A sitting fee is provided to Board members, set at a rate determined annually by the Board. Individual Board members can decline the offer and or opt to nominate a charity organisation that will receive the equivalent amount of the fee.
- According to the Trust Deed, the office of trustee shall be vacated if a trustee fails to attend three consecutive meetings of the trustees without prior consent of the chairperson of the Trust.
- Management: SAT's day-to day-activities are managed by a Secretariat led by an Executive Director and 17 staff (web search on 16 July 2008). Among the staff are: a dedicated capacity building coordinator, multi-stakeholder policy dialogue coordinator, regional integration advisor, poverty reduction strategies policy analyst, communications staff, grants management staff and project assistants.
- See more details on www.southernafriatrust.org/Governance_Policy.html.

Funding source, what/how CD is funded, volumes involved

- SAT funding comes from various sources, including CIDA, SDC and international NGOs such as Oxfam, Action Aid and Trust Africa.
- Grants are primarily for policy learning and influencing projects.
- Uses three windows of CSO access to funding for their activities: i) solicited proposal (85% of total funds), comprising a 'open' call for proposals – through a public call (usually twice a year) for proposals and a 'closed' call for proposals – soliciting proposals from certain targeted organisations whose work fits with SAT's priority areas; ii) unsolicited proposals (not more than 10%) – for organisations in the region to approach SAT for unsolicited support to programmes that have a regional impact; and iii) discretionary (not more than 5%) – to support unexpected situations for which existing partners require a quick response. Used by the Executive Director with accountability to the Board.
- The Board decides annually on the exact proportions in these categories. In February 2008, for example, 17% of funding went to 'closed calls', 59% to 'open calls', 9% to 'discretionary' and 15% to 'unsolicited proposals'.
- Staff salaries, office space, telephone/fax and other administrative costs are funded only if they are related directly to the implementation of a proposed project. However, for closed calls, unsolicited proposals and discretionary funding, non-project-related salary and administrative costs are considered for funding. SAT does not fund purchases of land or buildings.
- For more details see www.southernafriatrust.org/Grants_Policy.html.

Success stories and lessons learnt

- Opening of civil society engagement spaces at SADC and AU levels has been a key success area for SAT.
- Support for innovative practices by networks and organisations, for instance, 'action learning' by the Khanya (Africa Institute for Community-driven Development), see www.southernafriatrust.org/docs/action.pdf.
- Another example of innovative projects that CSOs, through SAT support, use to engage in policy processes better is the FANRPAN project on use of the 'Vulnerability Index' to rate the impact of AIDS at household level in the region. See www.southernafriatrust.org/docs/p19%20africa%20xxx%20Oct%2019.pdf.
- Note: it was not possible to generate the CD process lessons from the desk study.