

Financing of Capacity Building By PSO

*Conceptual and
methodological framework*

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1. Introduction

1.1 Developing the framework

PSO finances capacity building by making funds available to Dutch private organisations to support their capacity building activities in southern countries. This document aims to sketch a conceptual framework for such financing and covers the general aspects of capacity building, rather than policy aspects concerning selection of countries, regions or sectors/themes.

There is a clear link between past policy developments (within PSO), and the discussions that have taken place outside PSO. In the past PSO primarily financed the placement of Dutch experts, for several years, to provide ‘technical assistance’. However, at the beginning of the 1990s there was an intense – international – public discussion concerning the effectiveness of such technical assistance, and current practice was criticised for various reasons¹. PSO therefore changed its course somewhat and looked for other ways to support capacity building rather than simply providing Dutch experts to assist these projects. These changes regarding technical assistance continued, and in 1998 PSO published an internal policy document entitled Modalities of Personnel Cooperation, whereby several new methods of technical assistance could be financed by PSO.

By 2000 the discussions concerning technical assistance were brought into the Dutch political arena, and the government drew up a new policy framework. The UNDP also supervised the publication of progressive insights, as described in a new ‘second Berg report’².

In the meantime PSO members had started to reorient their strategy and decided to transform PSO into an umbrella organisation for capacity building. The focus was therefore intentionally changed. Traditionally PSO’s intervention logic has always been based on the following process:

Financial means and services for:
=> transferring personnel
=> providing technical assistance
=> leading to stronger human resources and development

¹ The criticisms were largely published in the so-called Berg report. Berg, E.J. (1993) Rethinking Technical Cooperation; Reforms for Capacity Building in Africa. Regional Bureau for Africa, UNDP and Development Alternatives Inc. UNDP: New York.

² Fukuda-Parr, S, Lopes, C. & K. Malik (eds.) (2002). Capacity for Development – New Solutions to Old Problems. UNDP/Earthscan: London.

In this sense PSO used to take the intervention, i.e. the placement of personnel, as the starting point of a project or programme. Questions such as relevance, effectiveness, efficiency and sustainability were all related to this. In fact the expected activities of the posted staff formed the starting point for a project or programme application. Although the usefulness of the placement remained central, this approach did not allow for an optimum choice to be made, within a given context, for the best possible capacity building instruments. Based on the new strategy it is PSO's intention to turn this logic around, i.e.:

Sustainable development:

<= need for more sustainable capacity building

<= achieved through advisory services, exchange training schemes, etc.

<= made possible through funding of expertise and other costs

This new 'logic' takes developmental relevance as its starting point, focusing on the analysis of developmental issues, problems and the target group at the beginning of a project or programme. Analysing the relevance and feasibility of the project/programme activities, as well as the capacity required by the partner organisation and the need for technical assistance, all follow in a logical fashion.

1.2 Objectives of the policy document

In its four-year strategy document (2003-2006) PSO defines capacity building as its main objective. PSO's business plan details this further, in terms of indicators, approaches etc. Within its structure as an umbrella organisation, PSO covers a wide range of members and approaches. Opinions on capacity building vary per organisation – to some the aforementioned developments are relatively new, while others have been moving in this direction for some time. With regard to future developments surrounding the funding function of PSO, it is important that current practice be formalised and that the freedom to experiment be created.

This policy document aims to: ***provide a conceptual framework for structuring, defining and guiding consultations on financing of capacity building between PSO members and PSO staff.*** The preparation and analysis of applications for financing should therefore answer questions such as: does this project need capacity building in a form that PSO can finance? Is the approach clear and appropriate for sustainable capacity building? Does the use of PSO funds fit into this approach and the wider PSO objectives?

This document therefore forms a conceptual framework for operational choices. There is no intention to explicitly pre-judge certain initiatives, but rather to encourage organisations applying for funding, as well as PSO, to substantiate their operational choices clearly, and to accept accountability. Readers

will not find any checklists of do's and don'ts, but a framework for dialogue between staff, members and partners, where members and partners need to show that financing for the proposed activities fits into this new framework. This applies to activities taking place as part of a collaborative venture with a single organisation, as well as activities that cover several organisations, e.g. a programme-based approach³. In principle this document covers all PSO financing of capacity building, although other considerations may also play a role in the humanitarian aid and youth programmes⁴.

However, this conceptual framework is not carved in stone and will continually change to reflect new insights. Criteria will be refined, strategies developed and experiments carried out using new instruments. Increasing the learning curve forms the focal point – learning from evaluations and interaction between partner organisations, clients using PSO funding and the PSO organisation as a whole.

1.3 Structure of the policy document

This document uses the following structure to clarify this conceptual approach. Section 2 briefly describes the main elements (objectives and criteria) that make up the concept of capacity building, including references to internationally recognised definitions. Section 3 discusses the starting points and criteria referred to by PSO in its business plan, which define the initial boundaries. Section 4 covers the dimensions of capacity building in more depth, showing how these dimensions can support the capacity building process in various ways. These, and other, strategies are detailed in Section 5. Finally, Section 6 shows how PSO funds can be used to mobilise expertise and other resources in order to implement these strategies.

³ Other operational guidelines can be found in the PSO memoranda on Programmes and Sector Plans (1998 and 1999 respectively), the PSO application formats (2002) and the PSO Framework for Monitoring and Evaluation (2003). Specific procedures will be adapted to reflect changes arising from this current document.

⁴ With regard to these two special programmes readers are referred to the relevant policy documents (Personnel Cooperation Within the Framework of Humanitarian Aid (1998) and the PSO Youth Programme (2000).

2. General definitions of capacity building

The international development community uses many definitions of capacity building, e.g.:

*'A process by which individuals, groups, institutions, organisations and societies enhance their abilities to identify and meet development challenges in a sustainable manner.'*⁵

*'A process by which people and systems, operating within a dynamic context enhance their abilities to develop and implement strategies in pursuit of their objective for increased performance in a sustainable way.'*⁶

*'Interventions that aim to strengthen the ability of an organisation (or group of organisations) to improve their performance. The stress is on improving the capacity of the organisation, not just the capacity of the individuals who work within them.'*⁷

*'The process by which individuals, groups, organisations, institutions and societies increase their abilities to: (1) perform core functions, solve problems, define and achieve objectives; and (2) understand and deal with their development needs in a broad context and in a sustainable manner.'*⁸

These definitions include elements that PSO needs to take into account when formatting its concept of capacity building. These main characteristics can be summarised as follows.

Firstly it is important to note that capacity building concerns 'increasing, or improving opportunities to ...'. This implies that capacity building aims to *strengthen the functioning of the organisation (their existing primary processes)* or to develop new strategies/activities. This means bringing local capacity one step further, not taking them over. It does not mean implementing their core tasks and primary processes, but giving (groups of) organisations the means with which to carry out their mandate and achieve their objectives more effectively and efficiently.

The emphasis expressly lies in the fact that capacity building does not take place inside a vacuum, but in a broader, dynamic institutional and social context. Both planning and implementation of capacity building interventions will need to take account of external influences on the context within which such (groups of) organisations operate.

Note too that the definitions conclude that the term 'capacity', and the strengthening thereof, not only concerns individuals, but primarily organisations as autonomous entities and, even broader than the system within which they operate, the entire institutional community. Working towards capacity building of local organisations and networks of organisations therefore means investing in one, or

⁵ CIDA. 1996. Capacity development: the concept and its implementation in the CIDA context. Hull: Policy Branch, CIDA.

⁶ IFRC. 1998. Framework for National Society Capacity Development. Geneva: International Federation of Red Cross and Red Crescent Societies. Geneva: IFRC.

⁷ Burnett, N. & L. Martyn Johns, 1999, Guidelines for skill sharing and capacity building. VSO International.

⁸ UNDP, 1998. "Capacity Assessment and Development", Technical Advisory Paper III.

more, of the following levels: human resources development (HRD), organisational development (OD) and institutional development (ID). It is important that the various definitions adhere to the process-like and systematic approach. In fact this means that capacity building is no longer a one-off activity, but covers a longer period of time and a wide range of interrelated activities.

Finally, the definitions give terms such as 'sustainability' and 'ownership' a central role. Sustainability can be seen in terms of the organisation where capacity is being strengthened, but also in terms of the development processes that are being supported. In this context ownership refers to the necessity that organisations and networks guide the capacity building process themselves, otherwise it will not work effectively.

3. Demarcation of capacity building for PSO

The PSO business plan describes the general objectives over the next four years (2003-2006) within the framework of its funding role. PSO has already stated a number of starting points that determine the direction of the financing for PSO capacity building instruments.⁹ The following demarcation is used, based on the criteria given and the aforementioned main elements of the PSO concept for capacity building.

3.1 Objectives

Over the next few years PSO will primarily focus on capacity building of civil society organisations and those networks that contribute to the structural alleviation of poverty. Sustainable structural poverty alleviation is addressed within PSO via five policy lines (basic social services, civil society, economic empowerment, good governance and humanitarian aid). The capacity building interventions financed by PSO are organised by individual partner organisations, or by networks of local partners, thus supporting activities that are incorporated within a wider development strategy of a local organisation or network.

For PSO capacity building serves a higher purpose: supporting organisations so that **they** are better able to fulfil their particular mission, aimed at structural alleviation of poverty. The starting point for PSO is the fact that the support given is used to **strengthen the primary processes** of local organisations (either individually, as single organisations, or in groups of organisations/networks). PSO considers the primary process of organisations to include all tasks, activities and systems that contribute to the realisation of products or services achieved by the organisations, as defined in their mission statements.

In addition to strengthening the existing primary process, it may also be necessary for an organisation (or group of organisations forming a network) to modify and redefine their mission and strategy regarding these main processes. PSO considers this to be part of the category 'strengthening primary processes'.

With each intervention one will need to consider what the primary process (of the partner or sector) consists of and what the actual added value of PSO financing would be, with regard to strengthening this process. PSO-funded interventions may not purely focus on implementing or maintaining the primary process of an organisation or network (i.e. sector). Exceptions include humanitarian emergency situations¹⁰, such as disasters, structural post-conflict situations and, under certain conditions, health care in AIDS-affected areas.

⁹ PSO interprets the term 'instruments' as inputs, intervention opportunities, financing possibilities etc. The term replaces the previously used 'modalities'.

¹⁰ If there is insufficient local capacity, or if this cannot be trusted, then PSO will also work via its own network of member organisations and clients.

However, temporary support for maintaining the primary process may be a necessary condition in strengthening that process. PSO can only support this type of situation if it is incorporated into a wider strategy for capacity building and if clear objectives are formulated.

PSO may also provide temporary financing for a specific learning process, if implementing that primary process also forms a learning process for the organisation (i.e. learning by doing). The learning process therefore forms the capacity building, according to PSO's definition. Naturally the sustainability of that process would need to be clearly specified. An example might be when an expert, together with local staff, conducts the first in a newly developed series of training sessions to the target group, or when financing is given to a network of partner organisations to develop and produce the first in a series of publications aimed at further capacity building of these organisations.

3.2 Criteria

Sustainability

The PSO-financed support for capacity building should lead to a sustainable strengthening of the local partner organisation's capacity, thus forming a permanent improvement. The PSO contribution is therefore, by definition, temporary and should not lead to dependency. Also from the viewpoint that the PSO contribution should achieve an added value for the current primary processes, PSO financing should not be used simply to keep such processes and structures in place. Financing of recurring project costs and core funding falls outside the scope of PSO's mandate.

Ownership and specific applications

One of the main points for PSO is that capacity building should be aimed at a self-managing process: ownership should remain with the local organisation(s), from the initial analysis through to implementation and final evaluation. Partners and member organisations play various roles in the capacity building process. The relationship between partner organisations and Dutch member organisations and clients is not always symmetrical. This can also influence ownership in a negative way. The process should focus on achieving a more balanced relationship, so that the partner has more say in the process and retains control of its own development.

In practice this generally means that the activities being financed are based on a thorough analysis of local needs. The local partners carry out this analysis, possibly with external assistance. Local partners therefore manage the resources (personnel or financial) made available by the member organisation or client, thus maintaining maximum focus. Partner organisations should also be recognisable as representatives of underprivileged groups or as entities that support and defend the interests of such groups.

Context analysis

As previously mentioned, capacity building does not take place in a vacuum. Both planning and implementation of capacity building interventions need to take account of external influences and their effect on the context within which organisations (or networks) operate. A proper prior analysis of the context is necessary before a good assessment of the capacity building needs can be made. This not only concerns the broader (sector) development processes, but also the institutional context 'outside'

the relevant organisations, e.g., government policy, developments in the market sector, or donor policies.

Local mobilisation

The aforementioned analysis not only applies to the various *stakeholders* that operate within a specific context, but is also required in order to gain an insight into the local capacity available within this context. PSO's business plan describes how it plans to change from an organisation that primarily finances the placement of northern expertise, into one that uses a wide and flexible range of instruments to achieve capacity building. PSO therefore prefers to mobilise local and regional capacity rather than transfer northern expertise.

Process and programme-based approach

Capacity building often falls within several dimensions, e.g. HRD, OD and/or ID. In some cases the limited meaning of capacity building – just the HRD dimension – is not even necessary, but the available capacity needs to be made more efficient and effective (more focused on human resource management, HRM), or attention may need to focus on matters concerning specific aspects of the internal organisation. The actual work may concern various items ranging from the capacity to analyse the problem, or to determine strategy and planning, through to maintaining external contacts, implementing activities with target groups, evaluation, feedback etc. The emphasis in capacity building is therefore particularly on the term 'process'. Capacity building is not a one-time activity but covers a longer period and a whole range of interrelated activities.

Capacity building therefore requires a phased approach. An important step in this respect is the introduction of the programme approach. In its business plan PSO aims to promote the development of programmes for capacity building and to phase out *stand-alone activities*. In general, programme-based activities are characterised by an approach where, in contrast to project-based systems, an investment is made in a long-term development process. There should be a logical cohesion between inputs, activities and objectives, as well as between the interventions of the various stakeholders. This concerns both the collaboration between the various partner organisations in a sector/region, as well as finding compatibility between donors. Where cooperation with one partner will emphasise the internal process, cooperation with several organisations will generally place more emphasis on institutional aspects.

4. Dimensions of capacity building

This section defines the dimensions of capacity building in more depth and indicates how the capacity building process can be supported in several ways. These strategies are detailed further in Section 5 and the PSO instruments for contributing to these strategies can be found in Section 6.

Before capacity building can be completely understood it is important that the various dimensions be described in more detail. PSO defines capacity building at three levels, i.e.

- a. Human resource development (HRD).
- b. Organisational development (OD).
- c. Institutional development (ID).

This definition is based on internationally used concepts which are subject to change, thus producing, for example, increased attention within organisational development for aspects such as the 'learning organisation' and 'culture'.

There are also a number of interpretation differences – the term 'institutional development', in particular, has many interpretations. Sometimes it is simply seen as another word for capacity building, while others define it in terms of 'rules of the game' and/or as more formal institutions such as banks or the government. Partly as a result of the PSO decision to focus on individual partners as well as on networks of partners (e.g. within a single sector), the terms HRD, OD and ID need to be refined further.

This subdivision can be seen as a further operationalisation of the capacity building objectives. The expected results of the PSO-financed activities (the outcome at the partner organisation level) can be described in the following terms.

4.1 Human resource development

PSO refers to HRD as meaning the improvement and maintenance of the quality of personnel resources within an organisation. This includes the way in which people develop and focus their knowledge, skills, attitudes and motivation within their daily routine – their work within the organisation. At this individual level capacity building concerns gathering information and insight, changing perceptions, assumptions, values, common sense, practical skills, attitudes and style. PSO divides HRD into three main categories:

a. Management

This includes knowledge development at the individual level, e.g. in strategic planning, facilitating group processes, management, increasing self-confidence, as well as encouraging participation, accountability and transparency.

b. Technical

HRD may also concern the more classical forms of HRD that aim to contribute to the transfer/development and use of the latest knowledge, skills and technology.

c. Attitudes and motivation

People's behaviour, including that of the working population, is not only determined by knowledge and skills, but also by their motivation, values, attitudes and expectations. HRD can focus on activating or changing these attitudes and motivation.

4.2 Organisational development

To PSO, strengthening organisations (or organisational development) means sustainably improving and strengthening the internal capacity of an organisation (or sections thereof), so that it is better able to achieve its objectives and fulfil its mission. This is not just about improving the quality of the staff, though this may be part of the strategy. PSO differentiates between the following characteristics of organisational development¹¹:

- a. Strategy and planning (long-term planning, converting the mission into specific targets and approaches);
- b. Learning capacity (the capacity to learn from experience, and from others, and to couple this to the organisation's own policy and implementation thereof);
- c. Structure (formal and informal distribution and coordination of roles, positions and responsibilities);
- d. Systems (internal processes that regulate the internal functioning of the organisation, i.e. administration, planning, budgeting, accounting, reporting, monitoring, evaluating and learning);
- e. Staff (all activities and procedures aimed at staff motivation, plus the commitment and development of individual staff skills);
- f. Management style (roles of, and rules for, managers and leaders, including the behavioural patterns of managers, quality, consistency, availability, management reaction time);
- g. Culture (an organisation's characteristic values, principles and styles);
- h. Financial management (fundraising/diversifying, increasing revenue, financial planning and responsibility);
- i. Networking (the capacity to maintain and coordinate relationships with stakeholders that are relevant to the organisation);
- j. Technical competence (the capacity and means to fulfil certain technical tasks, depending on the scope of the activities and the sector).

¹¹ This differentiation is a modification of the 7-S model by McKinsey, where the S (skills) is not included as this falls within the HRD dimension. The last four characteristics are considered by PSO to be additional characteristics regarding the internal capacity of an organisation.

4.3 Institutional development

Institutional Development (ID) is often defined as the general development and influencing of the broader context in which organisations operate. This may be a network, a sector, legislation (rules of the game), the political arena, a certain section of the population, the entire civil society, or the surrounding culture. Organisations do not exist in a vacuum, but relate to their wider surroundings, where they need to exist, exert influence and, where necessary, adapt accordingly. Only when organisations have become rooted into the wider framework and exert influence will they be able to remain in existence and make an impact. In this respect institutional development sets the conditions for strengthening individual organisations.

PSO's main focus is in capacity building of organisations. Whereas HRD and OD are generally practical issues that can be planned and monitored in the short term, ID is more vague, and broader, thus usually a long-term process that is seldom under the direct control of a single organisation. PSO does not invest directly in institutional development, but primarily tries to strengthen the ties between organisations and their interactions. For that purpose PSO divides ID into a number of dimensions:

- a. Strategic harmonisation (between various organisations working within a certain region or sector, working towards a collective policy towards third parties)¹²;
- b. Operational harmonisation (between various organisations of programmes and collective programme development);
- c. Learning capacity (exchange of knowledge and experience between organisations within a network that leads to learning processes, whereby policy, and the implementation thereof, is influenced within various organisations in the network);
- d. External influence (the capacity to look for the dynamic context and (perhaps collectively) exert influence towards third parties to defend certain interests, help define policy and to stand up for (human) rights vis-à-vis governments, multilateral institutions, donors, private organisations and other NGOs. These third parties may also be less tangible resources, such as the market, or legislation in the wider sense).

¹² The previous section describes how PSO differentiates the dimension 'networks', which is defined in terms of more general coordination. This differs from influencing the institutional context itself through clearly targeted, mostly collaborative agreements between several organisations, as described below.

5. Capacity building strategies

Capacity building, as defined in the previous sections under the framework of the PSO financial programme, can be achieved using various strategies, all of which have their own particular advantages and disadvantages. The following sections briefly describe the most important strategies that PSO uses in its programme. The possibilities and limitations are briefly explained for each strategy. An association matrix is included at the end of this section in which the three dimensions of capacity building are compared to the eight capacity building strategies used by PSO.

This summary does not exclude the fact that there may be other strategies that lead to the creation or development of capacity, and which may also be suitable for PSO funding. Experiments with new strategies and the feedback thereof is important in allowing PSO to achieve a continual learning process and further policy development. Implementing any strategy, including those mentioned here, will depend on its meeting the aforementioned criteria and main elements of capacity building.

5.1 Exchange

The exchange of knowledge, experience and personnel form a possible strategy in achieving capacity building. However, care must be taken to ensure that there is real interaction and that the knowledge made available by other organisations is embedded into the capacity building process. This form of exchange requires a clear overview of how the knowledge is distributed, e.g. if this exchange/transfer occurs within a larger programme where capacity building plays a central role. In fact the term 'exchange' really means *peer-to-peer exchange*, where staff from similar partner organisations exchange experience, knowledge and contacts in one of the following ways:

- a. Working visit by one or more staff members during a short trip to a similar northern or southern organisation/company;
- b. Secondment of one or more staff members during a short trip to a similar northern or southern organisation/company;
- c. Participation by one or more staff members in a conference or seminar;
- d. Virtual exchange, disseminating knowledge and lessons learned via various communications media (e.g. Internet, publications, video, radio).

5.2 Facilitation

Facilitation can take place at various points in the capacity building process, e.g. the initial problem analysis may require the assistance of an independent external expert. Facilitation often assumes that the capacity to clarify the questions (as well as to provide solutions) is available within an organisation or network of organisations. By encouraging this knowledge dissemination and development process a facilitator is able to mobilise the knowledge and capacity that is already present. The facilitator functions as a catalyst for knowledge exchange and development. This may be focused on a limited subject within the organisation (e.g. how to strengthen financial sustainability) or concentrate on a more integrated organisational development approach by analysing the entire organisation.

The fact that participants from the organisation are involved in this process means that they will recognise and accept the conclusions and plan of approach more readily, and that this will therefore be better matched to the working process. This commitment often makes it easier to make changes in an organisation. However, this method is often a time-consuming process requiring more general support than just the placement of an external consultant. The learning processes within an organisation also often concern the ways in which people in the organisation function, both staff and management, so this approach is often considered 'threatening'. Management commitment and giving staff the 'freedom' to express themselves are crucial to this type of process.

5.3 Coaching

Coaching is usually seen as an intensive form of personal supervision that acts as a catalyst in developing individuals or a team. Coaching is almost always used to achieve personal growth and development. The results gained therefore concern the functionality of individual staff and/or the organisation.

These results can range from working faster or more effectively, to being better able to make well-founded decisions (e.g. via a second opinion from the coach) regarding work processes, individual approaches, working with external contacts or making policy decisions. Where teams are concerned, this also means creating a team spirit (the 'we' feeling), where trust is a basic prerequisite.

The coaching process is bidirectional and is much more effective if it occurs on an equal basis. This is why a coach should have a modest attitude towards the trainee. Modest because the trainee has to do the actual work and is therefore 'number one'. This modesty should be expressed in ways such as: working together instead of giving orders, openness and unconditional respect, rather than passing judgement. However the coach needs to be very clear and, where necessary, even be somewhat confrontational.

To summarise, PSO understands coaching to mean a structured form of support for an individual or small group of staff within an organisation or network (supervision/peer supervision) via a supervisory expert or staff member with relevant expertise from a peer organisation.

5.4 Research

PSO differentiates between two types of research:

- a. Research that *directly benefits* the capacity building of the partner organisation or the network;
- b. Research *on* capacity building processes of the partner organisation or network.

a. **Research that directly benefits capacity building**

Research can form a strategy for strengthening the primary processes of partner organisations. All organisations need information on which to base their operational decisions – in some cases this requires more in-depth research as well as skilful monitoring. If this is to provide a significant contribution to capacity building then it must be clear from the start exactly how the research results will

be used in order to strengthen the organisation or network of organisations. Where research organisations are concerned, a possible strategy would be to include just the strengthening of the research capacity, rather than implementation of the research itself.

b. Research on capacity building processes

In addition to research to be used by an individual organisation or network, research can also be conducted so that it contributes to the capacity building of third parties. Capacity building experience gained by partner organisations is often interesting and could be useful to others. However, this experience is often left undocumented. The organisation involved moves on to the next phase, where it is confronted with yet more challenges and problems, resulting in little time to take stock and learn from this experience or to produce proper documentation. In many cases there is insufficient funding for this work.

Documenting this experience in capacity building processes is felt by many to be an important strategy in achieving capacity building, both for the organisations concerned and for other organisations (either inside or outside the network). Analysing and reflecting on the capacity building process is a valuable strategy for PSO, and can therefore be financed.

5.5 Training

Training may concern the entire staff of an organisation, or a certain section of the staff, or just individuals within an organisation or network of organisations. Various forms of training are possible, including in-house and external company training and on-the-job training. In some cases training may take on a more educational form.

The value of training is generally recognised at various levels: gaining skills and knowledge, both in the interests of the organisation/network and in the personal interests of the trainee. Training can provide a tremendous 'boost' and a real contribution, as well as strengthening the mobility within the organisation and increasing the motivation of the staff members concerned.

Training courses need to be well matched to the practical situation and relevant to the tasks undertaken by the trainee. However, both implementation and training experience may be hindered if the necessary conditions are not met. Expected follow-up sessions and selection criteria for training participants need to be clearly defined. Training individual staff members in an organisation can also result in reduced staff commitment to the organisation.

The difference between training and education concerns the time period involved. In general PSO does not support education as a strategy, as there are other financial resources available with which to educate staff. However, there is a grey area between training courses and formal education, such as universities. In this respect short educational courses may fit into the PSO strategy, provided one can clearly define to what extent the knowledge obtained will be used within the partner organisation.

5.6 Advisory services

Advisory services may concern a specific fundamental aspect, such as the biological cultivation of crops. But advisory services can also be provided at organisational level, such as giving advice in creating, detailing and setting up a monitoring system, or may focus on supporting programme formulation of one or more partner organisations. This strategy utilises the specific up-to-date knowledge of an external consultant.

Advisory services often form part of a longer-term project, where the partner organisation is developing new insights based on feedback from an external consultant. Advice is thus provided at clearly agreed times, as input into a process that is supervised from within the partner organisation. This may include 'remote' (i.e. off-site) advisory services.

In many cases advisory services are combined with other strategies, such as research or training – each of which can positively strengthen the other strategies. A good analysis of the client's needs and transparent presentation of the considerations involved are crucial if the advice is to be used properly and achieve the desired effect.

One of the pitfalls is that advisory services may be directly linked to implementation if organisations are not (yet) able to implement the advice themselves. This can have a negative effect on sustainability. PSO is less likely to finance this.

5.7 Management

Activities within the primary process of the organisation, such as management, do not directly contribute to capacity building, yet management (as a strategy) plays an important role in capacity building within an organisation, as it can set the conditions. For example management (as a strategy) can be relevant in cases where local management is temporarily insufficient to guarantee that an organisation can maintain its primary process, while trying to strengthen its own capacity. However, such a period of interim management (or trouble-shooting) must be as short as possible, and the focus must remain on training local management staff, so that a more sustainable solution can be achieved.

A second form of such a temporary strategy concerns coordinating large programmes or sector plans, where it is important that capacity building processes are harmonised. This sometimes requires a temporary, separate coordination. Partly due to sustainability considerations, local partners should preferably undertake this coordination as part of their primary process. Here too the coordination should not be undertaken in isolation, but should be complemented by other strategies.

To summarise: since management and coordination do not contribute directly to capacity building, but primarily form the conditions thereof, PSO can only finance this strategy in a limited number of cases.

Finally, management can be financed in emergency humanitarian situations in order to allow aid to be given. PSO understands this term to mean the situation immediately following an armed conflict or a natural disaster. This also applies to assistance in the health care sector in areas seriously affected by AIDS. The aim should be to phase out the external management input by focusing on the transfer to local structures.

5.8 Implementation

Just as with management, in PSO's view, the strategy 'implementation' (i.e. taking direct responsibility for the primary process) does not lead to capacity building, and is therefore not generally financed. However, investing in implementation can sometimes be a prerequisite to allowing other capacity building strategies to be achieved or, as previously described, for going through a learning process. PSO therefore requires that implementation be embedded in a wider strategy and that the implementation interventions are of a temporary nature.

The only exceptions to this rule are situations where, from a humanitarian point of view, support is required due to a structural lack of local capacity. In such cases this strategy would only be temporary and should be accompanied by a clear phasing-out strategy.

5.9 Association matrix: dimensions x strategies

The following matrix shows, per dimension, the advantages and limitations of the various strategies. This matrix should be seen as a working model that can assist in selecting a certain strategy, or combination of strategies. The matrix implies no rules or regulations. As experience is gained and lessons learned, both within the PSO network and elsewhere, the matrix will be refined to incorporate these aspects.

	Human Resource Development	Organisational Development	Institutional Development
Exchange	Benchmarks can provide insight and can expose opportunities and threats.	Benchmarks can provide insight and can expose opportunities and threats.	As introduction, to generate trust. Can form the start of ID.
Facilitation	Less suitable, certainly for the 'technical' aspects. Input required that is not yet present within the organisation.	Knowledge is largely available within the organisation. Primarily suitable for the organisational process.	Knowledge is largely available within the organisation. Primarily suitable for the organisational process.
Coaching	Advice when people run into problems or need verification that they are on the right track. Especially after training, exchange or advisory strategy.	Often long-term processes in order to advise when people are at a loss, or to reaffirm / confirm that people are on the right track. Usually after training, exchange or advisory strategy. A form of follow-up, or remote facilitation.	
Research	When specific solutions are not available. Clear problem definition, as well as problem ownership, participation, with attention paid to follow-up. Can be useful to learn lessons for HRD processes.	Research results in advice. Attention to participation in organisation. Clear problem definition, problem ownership, with attention paid to follow-up. Can be useful to learn lessons for OD processes.	Research results in advice. Clear problem definition, problem ownership, participation, with attention paid to follow-up. Can be useful to learn lessons for ID processes.
Training	(One-off) external input required. Watch application of new knowledge and skills.	As a first step. Training can help an internal staff member to become advisor/facilitator/trainer/coach. Rest of the organisation needs to participate.	
Advisory services	(One-off) external input required. Mainly suitable for the 'hard side' of HRD.	Attention to follow-up required. Mainly suitable for the 'hard' side of the organisation.	A number of parties involved. Attention to ownership required, can provide (temporary) input if ID runs into difficulties.
Management	Can be a condition, in certain cases.	Can be a condition, in certain cases.	Can be a condition, in certain cases.
Implementation	Can be a condition, in exceptional cases.	Can be a condition, in exceptional cases.	Can be a condition, in exceptional cases.

6. PSO financing possibilities for capacity building

Organisations build their own capacity, and capacity building is usually a consciously planned process within an organisation or network. Many southern civil society organisations are perfectly capable of implementing strategies, such as those previously described, without outside assistance. However, in some cases these organisations will need external financial support. If so, this will have to be substantiated by the partner organisation.

Parties outside the organisation/network can support capacity building strategies through various channels. One of the possibilities is that these activities receive financial support from Dutch organisations via the PSO programme resources. This policy document contains a wide range of intervention possibilities that can be implemented using PSO programme resources to support strategies within the various dimensions of capacity building, as previously described.

In certain cases a variety of strategies will be used, and these are often achieved by using a range of instruments. For example, financial management capacity can be built up through advisory services, training or staff exchange schemes. Training courses can be followed up with flexible southern technical assistance or through an exchange visit. Everything depends on the local circumstances, e.g. on the local capacity available and the way in which the specific organisation learns.

A single instrument can help to simultaneously achieve various strategies. Within his/her tasks, a local staff member can learn several aspects: part management, part training and part facilitation. The relationship between strategies varies according to the needs of the partner organisation. Not all strategies can be combined, e.g. simultaneously acting as a facilitator and advisor involves a number of risks.

A matrix of associated strategies and instruments could be set up to provide guidelines to the advantages and disadvantages. However, this requires a far deeper insight into the lessons learned. In future these lessons will be documented and included in the dialogue concerning new programmes between PSO and its clients.

All financial possibilities should be seen within the framework of capacity building as described in Section 3. PSO differentiates between two main categories: (a) Deploying expertise; and (b) Funding of activities.

Selecting a certain input first requires careful analysis of the support, the expected effectiveness, efficiency and sustainability. These considerations are made by the partner organisation, in consultation with the Dutch applicant for PSO funding. The range of PSO inputs should be sufficiently flexible to meet the various needs of the partner organisation.

6.1 Deploying expertise

When considering using the instrument 'deploying expertise' there are three aspects that play a role:

- a. Local or international.
- b. One, or more partner organisations.
- c. Timeframe.

a. Local or international

The first aspect is to define whether the expertise required is already available, either locally or regionally. PSO prefers to use local expertise rather than deploying someone from outside the partner organisation's operating region. If the expertise required is not available in the immediate vicinity then an expert may be recruited from the northern countries.

b. One or more partner organisations

The second aspect is to discover whether the expertise is required by a single organisation, or by several partner organisations. If the latter is applicable, then a flexible deployment of expertise can be used, known as 'flex-TA'. This modality has an important advantage in that several organisations requiring this assistance can benefit from this support. This flexible technical assistance can also form an initial contribution to exchanging insights and experiences, since the expert will also be involved in working with other southern organisations. A flex-TA is available to the partner organisation at set intervals, thus also reducing an organisation's dependence on the external consultant. In the meantime the organisation will have to take responsibility for follow-up of the capacity building activities already implemented. A possible pitfall is that several, or none, of the partner organisations may feel that they 'own' the flex-TA. This point will need to be clearly agreed upon between the partner organisations and the person involved.

c. Timeframe

The third point to be defined is which form of expertise would be best for the partner organisation. The choice here is between a temporary posting as an employee in the organisation or as an external consultant. The expected timeframe required in successfully implementing this task plays an important role here. This period is largely dependent on the size of the tasks involved, but may never exceed three years. This maximum can only be extended if the necessity can be substantiated via clear reports and targets.

Short-term deployment of expertise can also be useful, for example for a period of 36 months, thus giving the organisation time to apply the support provided by the temporary expert in practical situations and to discover the pitfalls involved. Further support may be provided during a follow-up expertise session.

PSO special programmes: Humanitarian Aid and Youth

The deployment of expertise in humanitarian emergency situations and within the youth programme is also worth mentioning. These activities serve specific objectives, in addition to PSO's general capacity building objectives. The funding possibilities within these two special programmes are described in the respective PSO policy documents on Humanitarian Aid and the Youth Programme.

6.2 Funding of activities

This type of input is divided into two categories:

- a. Financing (the local costs) of capacity building activities;
- b. Financing (the local costs) of activities favourable to capacity building.

a. Capacity building activities

External expertise is not always necessary – sometimes assisting an organisation/network to develop or disseminate knowledge itself is all that is required. Funding certain activities that assist capacity building of partner organisations, or a network, is also something that PSO would consider. Examples include exchange meetings, visits to northern organisations and participating in seminars and conferences. The condition here is that these activities must contribute to the sustainable strengthening of the organisation's capacity. The partner organisation must commit itself to following up this knowledge. The partner/network should also make the selection criteria for participants clear – these selection criteria should take sufficient account of relevance, sustainability, effectiveness and efficiency of the staff member taking part on behalf of the partner organisation. PSO expressly wishes to leave room to allow experiments with new forms of activities, provided these fit within the boundaries defined in Section 3.

b. Activities favourable to capacity building

In certain cases it may be useful to fund activities that set the conditions under which capacity building is implemented by partner organisations. This type of input achieves an extremely low score with regard to sustainability, as there is no guarantee that financing, over a period of time, will be taken over by the partner organisation. PSO therefore divides these types of activities into three categories that may be eligible for funding:

- Implementing activities within the framework of the learning process;
- Counterpart financing;
- Work resources.

Implementation activities within a learning process

If it is important to the capacity building process that activities are implemented so that an individual, organisation or network can gain practical experience, then PSO may also finance these implementation costs. An example would be the production of an initial publication arising out of the learning process of an organisation, thus allowing the organisation to later produce such publications alone. The organisation/network must be able to substantiate the fact that they will be able to continue this activity after a limited period.

Counterpart financing

Counterpart financing offers local organisations the opportunity to have a local counterpart at its disposal, in addition to a development worker, without this involving any extra financial pressure. Considering the shift within PSO, from a focus on knowledge transfer to local knowledge development, this type of input is being phased out. The counterpart should have the necessary qualifications and experience. Compared to the development worker the counterpart cannot be someone who occupies a higher position in the organisation's hierarchy. There must also be clarity concerning the long-term commitment by the counterpart (e.g. through a 'bonding contract') to ensure continuity once the development expert has left the organisation. Funding a counterpart is only possible during the time that the PSO-financed expert is present, up to a maximum of three years.

Work resources

If essential resources are required for the capacity building process (e.g. computer equipment, teaching aids, etc.) then PSO may be approached for funding, provided these instruments are not isolated from other modalities. The local organisation will also be expected to make a financial contribution.