

https://dspace.org/

Significance of Project Identification and Formulation to Sustainable Capacity Development Interventions

Boelen, Martijn G.J.

2011-11-22
http://hdl.handle.net/10539/10818

Downloaded from a DSpace repository. https://dspace.org/

Significance of Project Identification and Formulation to Sustainable Capacity Development Interventions

Martijn G.J. Boelen

Research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Management (in the field of Public and Development Management).

February 2010

Abstract

Capacity Development interventions can lack effectiveness if the intervention is not aligned with the abilities of the receiving organisation. Triggered by the personal experiences of the researcher, this research paper explores which issues must be dealt with in the identification and formulation phase of a Capacity Development project. The purpose of this study is to come up with an overview of these issues to assist all practitioners in this field to formulate potentially effective and sustainable project plans. From the literature review it was concluded that the issues can be grouped in three categories: the vision of the receiving organisation and issues internal and external to this organisation. It appeared that particularly the learning culture and the abilities of management to change the organisation and lead the staff are very important issues that must be properly sorted out before the project can start.

From the field research it appeared that weaknesses in the receiving organisation with regards to the issues that came out of the literature review had indeed a negative effect on the results of the researched project.

One of the most important conclusions of the research is that the identification and formulation phase should not be underestimated and that the success of the project depends largely on a proper and thorough approach in this stage. The most attention must be paid to all circumstances *surrounding* the actual technical capacity that will be developed. Main recommendation for the target group of this research is therefore to take enough time to gather information in this phase and adapt the project to the abilities of the receiving organisation which should become clear as a result of this information. It might even be necessary to have a project to strengthen these abilities preceding the actual Capacity Development intervention.

Declaration

I declare that this report is my own, unaided work. It is submitted in partial fulfilment of the requirements of the degree of Master of Management (in the field of Public and Development Management) in the University of the Witwatersrand, Johannesburg. It has not been submitted before any degree or examination at any other University.

Martijn G.J. Boelen,
6 December 2010.

Acknowledgements

Many thanks to all the people that enabled me to complete the Masters Programme and submit this research report.

Annet and the children for missing me many evenings and weekends when I was following classes or preparing for assignments and exams. My promise to them is that this is the last Masters I will complete.

Katy, Reshma and Henry for giving support and motivation and for making time before, in between and after classes interesting and fun too.

Gerhard Pienaar and others at the EC delegation for supporting the research.

Schalk Human and others at National Treasury for organising all interviews and for being open and honest about FMIP-II

Dumisani Ntombela for agreeing to supervise this research report.

And the rest of the Block Release group 2008 and P&DM staff and faculty for giving me an invaluable insight into South African politics, society and public policy.

Table of Contents

Abstract ii
Declaration iii
Acknowledgements iv
List of Figures and Tables viii
List of Acronyms ix
Chapter 1 Introduction 1
1.1 Introduction 1
1.2 Problem statement 2
1.3 Purpose statement 3
1.4 Research questions 4
1.5 Limitations 4
Chapter 2 Methodology 5
2.1.Introduction 5
2.2 Research approach 5
2.3 Data collection method 8
2.3.1 Introduction 8
2.3.2 Primary data 9
2.3.3 Secondary data 9
2.3.4 Sampling 10
2.3.5 Selection of sources of data 11
2.4 Validity and reliability. 12
Chapter 3 Literature Review 13
3.1 Introduction 13
3.2 Project management 15
3.2.1 Introduction 15
3.2.2 PMBOK 15
3.2.3 United Nations Development Programme 17
3.3 The international context 18
3.4 Capacity Development 22
3.4.1.Baser and Morgan 22
3.4.1.1 Capacity, Change and Performance 22
3.4.1.2 Systems approach to CD 24

3.4.1.3 Concept of capacity 25
3.4.1.4 Conclusion 28
3.4.2 UNDP Primer 28
3.4.2.1 Approach towards CD 28
3.4.2.2 Conclusion 30
3.4.3 World Bank 31
3.4.4 Conclusion 31
3.5 Organisational learning and learning organisations 32
3.6 Systems theory in organisations. 38
3.7 Leadership in organisational Change 39
3.8 Knowledge Management 43
3.9 Conclusion 47
3.9.1 Overview of issues 47
3.9.2 Building the model 52
3.9.2.1 Discussing the model 52
Chapter 4 Presentation of Data 57
4.1 Introduction 57
4.2 Description of the studied programme 58
4.3 Relevant context 58
4.3.1 The European Union as a donor. 58
4.3.2 Relevance of Public Finance Management 60
4.3.3 FMIP – II 62
4.4 Relevant data from secondary sources 63
4.4.1 The Financing Agreement 64
4.4.2 The Inception Report 66
4.5. Collection of primary data 68
4.6 Presentation of Collected data 69
4.6.1 Province A 70
4.6.2 Province B 74
4.6.3 Y Municipality 78
4.6.4 Z Municipality 80
4.6.5 The PMU 81
4.6.5.1 The Capacity Development Officer 81
4.6.5.2 The Programme Director 84

4.6.6 The Delegation of the European Commission 89
4.6.7 Combining all primary data 94
4.7 Discussion of FMIP-II 94
Chapter 5 General Analysis 98
5.1 Introduction 98
5.2 Combining theoretical model and findings from empirical research. 99
Chapter 6 Conclusions and recommendations 107
6.1 Introduction 107
6.2 Answering Research Question 1 107
6.3 Answering Research Question 2 108
6.4 Answering Research Question 3 108
6.5 Recommendations 109
6.6 Conclusions 112
References 116
Annex 1 List of interviewees 121
Annex 2 List of interview questions 122
Annex 3 National Treasury Organisational structure 127
Annex 4 Project Management Structure 128

List of Figures and Tables

List of Figures

Figure 1 Capacity Development Cycle. 18
Figure 2 Analytical framework 23
Figure 3 Elements of capacity 26
Figure 4 Integrated approach to CD 29
Figure 5 Four core issues influencing CD 30
Figure 6 Organisational Learning Matrix. 36
Figure 7 Four models of learning 38
Figure 8 Initiatives Contributing to Effective Change Management 40
Figure 9 Schematic overview of discussion in literature review 47
Figure 10 Aggregate issues for inception and formulation phase 56

List of Tables.

Table 1 Overview of trends in primary data……..93
Table 2 Conclusions on Category “Vision” ……100
Table 3 Conclusions on Category “Internal” - part 1……....101
Table 4 Conclusions on Category “Internal” - part 2……102
Table 5 Conclusions on Category “Internal” - part 3 ……103
Table 6 Conclusions on Category “Internal” - part 4 ……104
Table 7 Conclusions on Category “Internal” - part 5 ……105
Table 8 Conclusions on Category “External”……..……106

List of Acronyms

ANC	African National Congress
CAS	Complex Adaptive System
CD	Capacity Development
CFO	Chief Financial Officer
DFID	Department for International Development
DPLG	Department: Provincial and Local Government
EC	European Commission
ECDPM	European Centre for Development Policy Management
EU	European Union
FMIP (-I, -II, -III)	Financial Management Improvement Program (-I, -II, -III)
GNP	Gross National Product
HR	Human Resources
KM	Knowledge Management
MEC	Member of the Executive Committee
MIP	Multiannual Indicative Programme
MFMA	Municipal Finance Management Act
MFTAP	Municipal Financial Management Technical Assistance Project
NT	National Treasury
OAG	Office of the Account General
ODA	Official Development Aid
OECD	Organisation for Economic Co-operation and Development
PFM	Public Finance Management
PFMA	Public Finance Management Act
PMBOK	Project Management Body of Knowledge
PMS	Performance Management System
PMU	Programme Management Unit
RSA	Republic of South African
TA	Technical Assistance
ToR	Terms of Reference
UNDP	United Nations Development Programme
WB	World Bank

Chapter 1
Introduction

1.1 Introduction

The research topic finds its roots from the researcher's personal experience and past frustration.

The research report is to explore different issues to be addressed at the initiation and formulation phase of a capacity development to create its sustainability. Based on the personal previous experience of the researcher , there is a strong conviction that the most important period in a life cycle of a capacity development project is the initial formulation phase. For this reason, this study focuses particularly on the formulation phase of capacity development projects and not on the actual issues that arise during its implementation. Important issues of research will be:

a. the relationship between donor and recipient. As depicted in the Surinamese example there were other, political, reasons for starting the project, which were not solely aimed at actually improving the tax administration, as, described in the project plan.

b. the scope of the capacity development, especially the capability of the organisation where the capacity will be built to absorb this newly developed capacity and use it in an optimal way. In this respect, issues like organisational learning will be discussed.

In essence, the "capacity" on which the research will focus relates to the ability of organisations to properly address problems and issues that arise in the realm of their responsibility. A capacity development intervention should focus on the improvement of this ability. But at the same time, some ability should already be present to enable the intervention to be effective. The development of this capacity through projects should focus largely on the people in the organisation; as it is people that act. Organisations in essence are just concepts that should allow the people to create the most value possible within the defined strategy and mission of this organisation. Organisational learning therefore relates to the way new knowledge and skills are created and how they are put to use in the organisation to improve its performance.

Leadership is very important in this, as this type of learning in the context of a capacity development requires no less than proper change management, and the latter needs leadership.

As mentioned earlier, the main theme in the research is to find out what the preconditions are for sustainable capacity development interventions. The research consists of two parts, firstly a literature review into the different subjects related to this main theme. The literature review is concluded with the formulation of a model which consists of an overview of elements that need to be taken into account when a capacity development intervention, generally in the form of a project, is formulated.

The second part of the research is an empirical research into a capacity development project that is funded by the European Union and is implemented by The South African National Treasury. This empirical research allows the researcher to describe how a Capacity Development intervention is set up in practice. Next to that, it will enable a comparison between the model mentioned above that was formulated based on the literature review and the approach in “real life”. This comparison will lead to conclusions about the relevance of the issues mentioned in the theoretical model for the identification and formulation phases of CD interventions.

1.2 Problem statement

Capacity development projects funded through international development cooperation can lack effectiveness when the initial formulation of the project, its governance and the planned outcomes do not match the learning ability, strategies and overall capability of the receiving organisation.

As the example in the introduction tries to clarify, outcomes are sometimes measured against the performance goals of the funder (a certain amount of money needs to be spent on a certain type of project) instead of those of the recipient.

It is however essential for the sustainability of the enhanced capacity to align the activities in the project to the organisational capability of the receiving organisation to actually deploy the (newly) acquired capacities properly. If these capabilities appear to be absent, this could ultimately mean that the CD intervention should only start if these capabilities are built first. In this respect, issues such as organisational learning and organisational effectiveness should be taken into account. In the experience of the researcher, project evaluations are predominantly focused on the delivery of the planned "tangible" outputs of the capacity development project and sometimes even more on the quantity of the tools that are involved, such as training and technical assistance. Performance indicators of such projects should however not only focus at these quantitative indicators like the number of people trained or the hours of technical assistance provided, but more on their effectiveness. Therefore, research needs to be done to identify issues that need to be addressed in the formulation phase of a project to lay the best possible foundation for an effective capacity development project and that ensure that the capacity is developed in such a way that the receiving organisation will actually be able to improve its outcomes. These issues will focus on the capabilities, the infrastructure and other organisational structural issues such as the organisational design and human development policies, as well as the learning capacity of the receiving organisation. With this, this research fits perfectly with the goals of the Paris Declaration (OECD, 2005), particularly where these goals relate to the increased effectiveness of developmental projects.

1.3 Purpose statement.

The purpose of this study is to develop an overview, based on relevant literature, of critical elements that need to be focused on when a capacity development project is formulated. These elements will all contribute to a high level of potential sustainability of the capacities that are developed, by focusing primarily on the capabilities of the receiving organisation. The research intends to test the extent to which these elements have played a role in the formulation of a large capacity development project in South Africa, funded by the European Commission - the largest international donors that contributes to many capacity development projects- and implemented by the Department of National Treasury.

1.4 Research questions

The following questions will be the basis of the research:

1. Which factors influence the formulation of a capacity development intervention?
2. What issues define the ability of a receiving organisation to improve its effectiveness by deploying the acquired capacity as developed in a capacity development intervention?
3. How can a capacity development intervention be aligned with the capabilities of the receiving organisation, which issues need to be addressed?

1.5 Limitations

The limited time allocated for this research project will have an effect on the scope of the study. The conclusions from the field research will only have a direct significance for the project included in the study and cannot be generalised. A study that would provide more general statements should have a much wider scope, including several international donors, with different projects in different countries in different regions.
Due to the limited time, this study can only focus on one donor organisation in one country, in this case South Africa.
As a result, issues that could have an impact on the conclusions of the study like cultural issues or the external political environment are out of scope. The frame of reference of the donor organisation and the learning that took place in this partner is only briefly touched upon.

1.6 Conclusion

This chapter set out the issues around the initiation and formulation phase of a capacity development intervnention. Next to that, the chapter set out the problem statetement, reasarch approch and limitation of this study.

Chapter 2
Methodology

2.1.Introduction

The research was of a qualitative nature, using existing literature and other sources of secondary data. The findings from these sources were used to gather primary data on the identification and formulation phase of the FMIP-II project. This was done through in-depth interviews with key people involved. In this section this methodology and the collection of data will be further explained.

2.2 Research approach

In the research, the literature review will take an important place. The design of the research can therefore be typified as a combination of documentary and qualitative analysis of existing research as discussed in available literature and in-depth qualitative interviews.

In the literature review, the components on which the research report is built will be discussed. From this discussion several more subjects such as organisational learning will be derived. These subjects will be discussed too in order to come to an all encompassing framework. This will be in the form modal that includes issues that need to be addressed before a project plan for a capacity development project is finalised and the actual implementation commences. The list could also include an overview of preparatory work that needs to be done by the receiving organisation before the project can start in order to create a most optimal environment that facilitates an effective and sustainable implementation of the project.

Next to the literature review, field research has taken place. This field research focused on a capacity development project funded by the European Commission, one of the most important ODA funders in South Africa. In close cooperation with the Delegation of the EC in Pretoria, it was decided to take the “Financial Management Improvement Programme – II” (FMIP-II) project as the object of research for this report.

This project, executed by The National Treasury is aimed at improving the Financial Management ability of provinces and municipalities through the development of tools, but also by capacity development in those provinces and municipalities.
This field research consisted of the collection of primary data through semi-structured interviews with people involved in this project and of analysing all kinds of documents that related to the project.
The conclusions on the empirical data will give a good idea how the practical approach to capacity development interventions is, particularly in the identification (or inception) and formulation phase. These outcomes can, in the final analysis, be compared with the outcomes of the literature review, which will potentially provide proof of the validity of the theoretical model. In Chapter 4 this empirical research will be elaborated upon.

This approach is in line with Smith et al. (2005) when they stated that “the use of qualitative data means that conclusions about theoretical approaches are established inductively, and results can be compared to known characteristics associated with established theories, rather than beginning with these characteristics and searching for evidence of their presence.” (p.97)
As the research particularly focuses on the identification and formulation phase of a CD intervention and the abilities of the receiving organisation at that moment in time, the aim will not be to evaluate the implementation of the intervention, but rather on describing the events that lead to the project plan and the roles different parties played therein. It is inevitable however that some conclusions and recommendation can be regarded as evaluation of the process that was followed by the different parties in the FMIP-II project identification and formulation phase.

Qualitative research, according to Labuschagne (2003, p. 100) deals with the “character” of a certain issue, there is an “emphasis on processes and meanings”; data that is collected through qualitative research generally describes “situations, events and interactions” related to a “small number of cases and people”, in-depth and detailed. Savenye and Robinson (2003, p.1046) focus on “understanding of human systems” as the key issue in qualitative research. They approach qualitative research from “the perspective that humans construct their own reality; and an understanding of what they do may be based on why they believe they do it”. In their

research into a definition of qualitative research, Johnson et al. (2007) found seven different issues related to such a definition:

1. An “emphasis on how qualitative methods have a direct concern with accessing the actor’s subjective, culturally derived, meanings in order to explain their behaviour; trying to develop an understanding of the meaning of a set of actions.” (p.28)
2. The role of the researcher is very important, as he needs to reflect on his objectivity and the way he interprets his experiences in the field when developing an understanding of the actions he observed.
3. Qualitative research is generally a “bag of tools” that can be used whenever it suits the research questions.
4. In the use of qualitative research, greater in-depth insight is gathered when compared to quantitative research. It “enables access to key processes pivotal to understanding organizational members’ behaviour” (p.31)
5. In essence, qualitative research is only valid as a means to define hypothesis that can be used in quantitative analysis; “all that qualitative research can do is provide directions in which to initially look” (p. 33)
6. Qualitative research is inherently lacking rigour and is unreliable “due to its subjective nature” (p.34)
7. It is a collection of tools that cannot be classified as quantitative research.

Johnson et al. see these seven findings as proof that qualitative research has no “generally accepted meaning to an array of important stakeholders” (p. 37). They basically conclude that it is very difficult, if not impossible to “judge what is perceived as “good” qualitative research”.

From this short literature overview it becomes clear that qualitative research is about observing, describing and explaining behaviour of people and organisations that are subject of the research.

This fits perfectly with the topic of this research. The research questions aim at finding out specific behaviour of role players, both individuals and organisations in the formulation of Capacity Development projects. The research is aimed at trying to answer issues around specific events that can happen when these types of projects are developed and project plans are formulated. Not only that, the research will link these findings to the effect that the activities deployed during the programme

implementation phase will have on the receiving organisation, particularly where they relate to its learning capacity. In order to get answers on these types of questions, it is necessary to not only study documents that laid down the final outcome of these processes in the form of project plans, but also to engage with people and ask their opinion and experiences with these issues in a particular circumstance.
Qualitative research is therefore the most appropriate research method to use in order to answer the research questions.

2.3 *Data collection method*

2.3.1 Introduction

Labuschagne (2003, p.101) describes different kinds of data collection methods that can be used in qualitative methods research:

- " In-depth, open-ended interviews;
- Direct observation; and
- Written documents, including such sources as open-ended written items on questionnaires and personal diaries."

Qualitative research revolves around people's opinion, thoughts and impressions. It therefore makes sense that "data from open-ended interviews consist of direct quotations from people about their experiences, opinions, feelings and knowledge" (p.101). Next to that, Labuschagne also describes the type of data to be expected from observations: it takes the form of "detailed descriptions of participants' behaviours, staff actions, and the full range of human interactions" (p.101).

Document analysis produces "quotations, or entire passages from records, correspondence, official reports and open-ended surveys" (p.101) that can be used as input for the research.

This view is supported by Van der Velde et al. (2004). They consider the oral interview as the "most suitable data collection method, as research concerning the exact opinion of an individual about a subject must be asked directly" (p.103).

Savenye and Robinson (2003, p.1046) add two other methods to this list, particularly case studies and historical analysis. All the methods will yield “highly detailed rich descriptions of human behaviors and opinions. Next to that they particularly note that researchers should be reminded that qualitative research is “conducted in a natural setting, without intentionally manipulating the environment”

2.3.2 Primary data

The primary data in this study will be collected through in-depth interviews. These are a “dialogue between a skilled interviewer and an interviewee. Its goal is to elicit rich, detailed material that can be used in analysis” (Mahoney, 1997).

There are four ”important advantages to the use of these interviews (Van der Velde et al., 2004, p. 104):

1. It generally generates higher response than questionnaires;
2. More topics than in any other method can be addressed;
3. Follow up questions can be asked, which allows the generation of more background information; and
4. They can generate a relatively large amount of information in a relatively short time.”

There is however, according to Van der Velde et al., at least one big disadvantage to conduct interviews, which is the analysis of the data as the respondents will each answer the question differently. Next to that there are many more, particularly related to researcher’s bias and the influence of the interview environment.

2.3.3 Secondary data

Secondary data will be sourced from the organisations and individuals that will be part of the research. These data will come in the form of:

- Documents relating to the formulation process of the projects;
- Reports and strategic plans used by the donor;
- Strategic plans, planning instruments, organisational structures and other relevant documents used by the receiving organisation.

2.3.4 Sampling

As a discussed earlier, due to the limitations of this research report, sampling was done in what Johnson et al. (2007, p. 25) call purposive sampling “where the aim is not to establish a representative sample but rather to identify key informants whose context-specific knowledge and expertise regarding the issues relevant to the research are significant and information-rich”

The choice for the municipalities and provinces and the people within that are interviewed was done with the purpose and limitations of the research in mind.

Although within the realm of the FMIP-II project many activities are taking place inside NT too, the main focus of the research presented in this report is on the capacity development activities that will be take place in the different provinces and municipalities.

Two provinces and four municipalities (two in each province) are part of FMIP-II. The selection criteria to decide whether a province or municipality was to be included in FMIP-II are very important, as these had a large impact on the formulation of the programme, as was also highlighted in the inception report. The latter hold the memo (PKF, 2009, pp 147-152) in which the selection process is described.
The following selection criteria for provinces were used:

- Focus on provinces that serve poorer households
- Quality of audit outcomes
- Budget: size and composition
- Spending capacity and service delivery for Health, Education and Welfare
- Vacancy rate

For municipalities the following criteria were used:

- Supply chain management policy implemented
- Audit outcomes (qualified or unqualified)
- Budget (size and composition)
- Efficiency of revenue collection

- Budget and Treasury office, this was an essential condition for a municipality to be selected. Such an office had to be present to start building the necessary capacity.

The provinces and municipalities where ranked according to a weighted total of mentioned criteria. In principle, municipalities and provinces ranked as the weakest were selected on the condition that they had a budget and treasury office. This was opposite e.g. to the World Bank's MFMTAP that focused on the largest municipalities and metros.

2.3.5 Selection of sources of data

The aim in the process of collection of primary data was to gain insight from the people directly involved with FMIP-II in the provinces and municipalities. As described in section 2.4 semi-structured interviews with these people were held. A number of criteria were used to include individuals in the list of interviewees:

1. The direct relationship of a person with FMIP-II
2. Availability of knowledge on the inception and formulation phase of FMIP-II
3. Would an interview be practically possible
4. The political dimension
5. The total group of respondents should be able to give insight on all aspects of the research.

In close consultation with the programme director of FMIP-II it was decided that interviews would be held with the resident advisors of the two provinces and of two municipalities. Furthermore, there would be interviews with the capacity development expert in the PMU and himself. Ideally, this group would have included representatives of the local and provincial departments. It was deemed politically not desirable however to include them. For the same reason it was agreed that the names of the provinces and the municipalities would not be disclosed in this research report. The resident advisors were only allowed to cooperate anonymously. With the EC delegation it was agreed that the policy officer responsible for FMIP-II would be part of the research.

2.4 Validity and reliability.

Reliability relates to the instrument that is used for the measurements that lead to data and the accuracy with which and how a concept is measured (Van der Velde et al., 2004, p. 50), issues of repeatability are important in this respect; "the measurement must be systematic and not coincidental".

"Validity in qualitative research involves determining the degree to which researchers' claims about knowledge correspond to the reality (or research participants' constructions of reality) being studied."(Cho and Trent, 2006, p.320).

Neuman (2006) puts it differently, "Qualitative researchers are more interested in authenticity than in the idea of a single version of the truth". (p.196). In this respect they will focus on giving a real picture of a situation that is "true to the experiences of the people being studied". The core principle of validity for validity for qualitative researchers is "to be truthful, i.e. avoid false or distorted accounts".

When we relate these concepts to the methodology proposed for this study, the reliability relates particularly to the people interviewed (primary data) and the documents studied (secondary data). The reliability will be ensured as a result of the fact that both people and documents will be provided by highly acclaimed sources, being the international donor organisation or its partners.

The validity of the data will be dealt with in the set up of the interviews. These interviews will be set up in such a way that a proper level of detail that will allow the establishment of a good view on the reality is ensured. Next to that, the interview environment that will be created will motivate the interviewees to express their real opinions. Issues like confidentiality where necessary and objectivity from the interviewer will be important factors that will enable this proper environment.

Chapter 3
Literature Review

3.1 Introduction

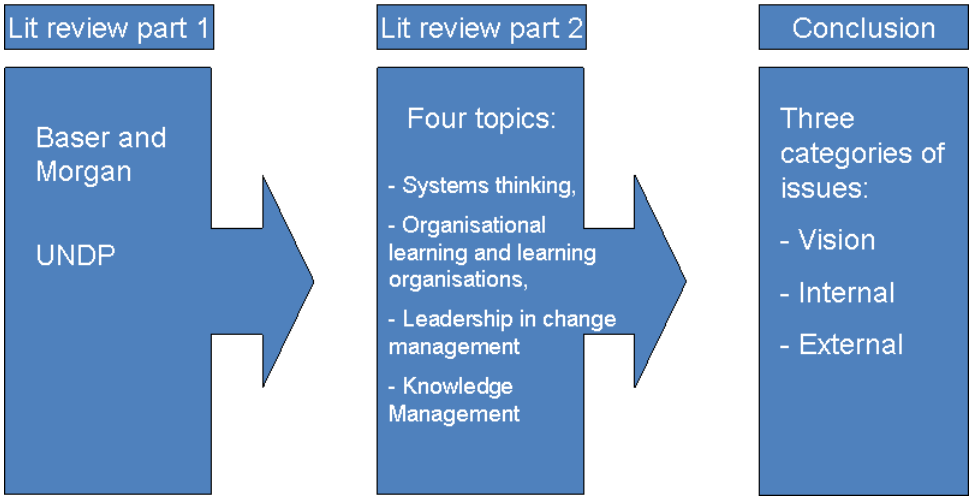
In this literature review the theoretical foundation of this research report will be laid down. As discussed earlier, the research will focus on the identification and formulation phase of capacity development interventions that take place in the form of a project. The research questions focus particularly on identifying different elements which should be taken into account during these phases of a capacity development project to potentially increase the effectiveness and sustainability of the project. As became clear from the introduction, the Paris declaration (Organisation for Economic cooperation and Development [OECD], 2005) is one of the reasons to address the issue of effectiveness of these types of interventions, particularly where it discusses the effectiveness of development aid. In the Paris declaration all partners, both donor and recipient countries, agreed that aid should be spent more efficiently. This particularly relates to donor funds used for capacity development. This agreement is an important driver for the discussion on CD interventions. The relationship between donor and recipient is therefore an important part of the discussion. The literature review will start off with a short introduction to project management to sketch the relevant environment for the topic. After that, the Paris Declaration is discussed, as this agreement guides the relationship between donors and recipients. This second part will be followed by the main part of this literature review, the discussion of “Capacity Development”.

There are many books and articles written on the subject of Capacity Development. However, many of them focus primarily on the tools that can be used in capacity development. It would take many pages and would not always be very exciting reading to describe this body of literature, particularly as the deployment of different tools is not always necessarily the most important issue to be dealt with in the formulation phase. Furthermore, the limitations of this research report inhibit such an extensive discussion. There are two very recent and comprehensive studies however that cover all important literature, represent the major streams in the thinking around Capacity Development and give a coherent overview of the state of the field.

These two studies and their conclusions will therefore be taken as the focus of this literature review. The first study report is *Capacity, Change and Performance* by Heather Baser and Peter Morgan (Baser and Morgan, 2008). The second is the UNDP Primer *Capacity Development* (UNDP, 2009).

The first part or the literature review on the subject of Capacity Development will therefore be a discussion of these two documents and the reasons why they are so important.

In the second part of the literature review, four topics that are derived from the discussion of the two reports will be discussed: Systems thinking, organisational learning and learning organisations, leadership in change management and Knowledge Management.. This approach will enable not only the formulation of an aggregate list of elements that should be taken into account when a capacity development project is undertaken, but also a categorisation of this elements into three distinct groups: Vision, Internal and External. This list of items, presented in the form of a model, will be used to guide the empirical research and to answer the research questions.



Finally, due to the nature of the subject, the literature review will be predominantly descriptive. As a result of that, the opinions of the different authors in the literature used, might seem as conclusions in different parts of the literature, but are not to be regarded as such. The conclusions are presented in the last paragraph of this chapter, where the different opinions discussed are pulled together.

3.2 Project management

3.2.1 Introduction

Capacity development interventions are almost always presented in the form of a project or a programme. For that reason, the literature review starts off with a quick presentation of at the theoretical approach to project management. The intention is not so much to get into the details of this subject, but to support the scoping of this research report. The discussion of the different project elements starts with the Project Management Body of Knowledge or PMBOK (Project Management Institute [PMI], 2004). As this document basically represents all knowledge that exists globally on the subject, it is a very good source to use as the foundation of a good understanding of project management. Furthermore, the UNDP and the EC project approach in CD interventions will briefly be discussed.

3.2.2 PMBOK

“A project is a temporary endeavour undertaken to create a unique product, service or result” (PMI, 2004, p. 5). From this definition it becomes clear that any type of project is firstly temporary, meaning that it has a clear beginning and a clear end and it has a specific goal to reach.

Project outcomes can therefore be planned in advance. Not only that, all the steps that should be taken from the beginning of a project to reach the goal in the end, can be figured out from the start. The PMBOK distinguishes several clear steps, or phases in the life cycle of the project. It is however important to remember that a project starts somewhere and ends somewhere else.

The PMBOK starts off with a discussion of the reasons to use the format of a project to organise certain work. There is, according to the PMBOK, a very clear relationship between the organisational strategy and projects that are initiated within an organisation. A project allows an organisation to realise one very specific issue within the strategy, for which there normally would not be enough resources available in the normal operation to achieve that goal within a limited period of time. This link with the organisational strategy is very important, as will be discussed later in this literature review. This relationship basically means that projects never stand

on their own, but should always be embedded somehow in the overall strategy of the organisation. This should not be any different for CD interventions.

Project management in that respect is the “application of resources such as knowledge, skills and techniques to project activities to achieve the project goals”. Project management happens through “the application of different project management processes such as initiating, planning, executing, monitoring and controlling”. (p. 8)

Without going too deep into the issue of project management, it is valuable for the context of this research to highlight two important aspects that, according to PMBOK, play an essential role in successful projects.

The first is to have a good view of the relevant environment of the project:

1. “cultural and social, understanding of how the project affects people and how people affect the project. This relates also to economical, educational, ethical and other issues that have an influence on these people.
2. International and political environment; and
3. The physical environment of the project.” (p.14)

The second important aspect is that leadership and interpersonal communication skills play an important role in project management. Projects, and particularly CD interventions, happen, in a change environment and as will be discussed later, interpersonal skills are of a very high importance in such cases.

To make projects manageable, they are divided in different steps. All these steps together form the project life cycle. In theory, each part of this cycle starts where the previous step finished. In each phase, there are different processes that can happen. Next to that, each phase in principle produces some kind of deliverable to be used in the next phase of the life cycle.

The PMBOK grouped all processes that could play a role in the management of any phase of a project into five process groups: “Initiating, Planning, Executing, Monitoring & Controlling and Closing” (PMI, p.38). These processes in themselves are not project phases, but happen in each phase of a project. For the purpose of this research however, this distinction is less important, as the purpose of the

discussion is to illustrate which activities need to take place in order to start a CD intervention in a project environment.
In the context of this research particularly the processes in the initiation group are interesting. In the PMBOK several activities that are covered by the initiating process groups are mentioned (pp. 43-44):

- Formulating the organisational needs and requirements;
- A feasibility study can be performed;
- Alternatives are discussed;
- A description of the project objectives is developed;
- The project scope is identified;
- The deliverables are defined;
- Relationship with the organisational strategy is discussed;
- Necessary resources are defined;
- Initial assumptions and constraints are documented;
- Stakeholders are engaged to increase level of acceptance.

All these different activities are essential for CD interventions too. Summarizing the different initiating activities however is not enough. The way they are executed, discussed or implemented is essential for proper and sustainable CD projects. In the other parts of this literature review the content of these activities will be discussed. As indicated earlier, in this section the context of the elements was laid out.

3.2.3 United Nations Development Programme

The approach as depicted in the PMBOK is relatively similar to the project approach of the United Nations Development Programme [UNDP] in the UNDP primer on Capacity Development (UNDP, 2009).
The UNDP distinguishes five steps in the Capacity Development Circle (figure 1):

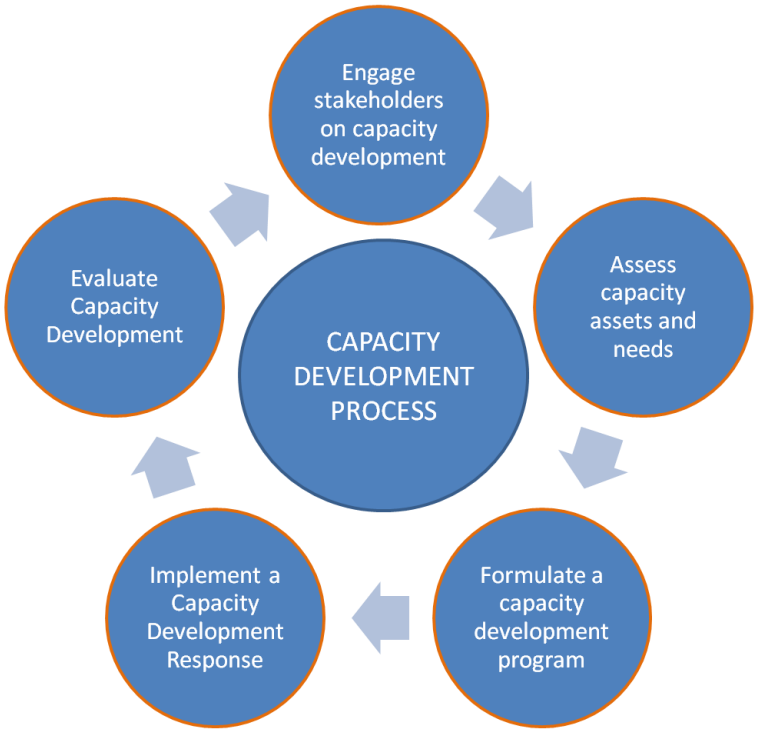


Figure 1 Capacity Development Cycle. (UNDP, 2009, p. 21)

1. Engage stakeholders to achieve commitment and where necessary ownership for the intervention. At this stage issues of accountability and responsibility are discussed.
2. Assess the existing capacity and needs to set a baseline for the intervention
3. Formulate a Capacity Development response
4. Implement the response, preferably through existing channels
5. Evaluate Capacity Development.

3.3 The international context

This second section of the literature review deals with the international context of capacity development interventions. As a lack of proper capacity in the form of knowledge and skills is considered as “one of the most important problems that prevent the Millennium Development Goals to be met” (OECD, 2006, p.3), CD has been, is and will always be in the spotlights of international development cooperation. It is therefore important to give a brief overview, before the issues of CD as such are discussed, what the common view of the development partners on CD is and how these partners should operate together in theory.

The last and most important international agreement on the issue of aid in general and on CD and other subjects in particular is the Paris Declaration on Aid Effectiveness (OECD, 2005)

In the pre-amble to this Paris Declaration, the signatories –basically all donor countries, recipient countries and international organisations- declared that all aid must be delivered more effectively in order to achieve the Millennium Development Goals and that recipient countries must be supported to strengthen their development performance. Six areas where defined in which aid effectiveness would be increased. The second is "Increasing alignment of aid with partner countries' priorities, systems and procedures and helping to strengthen their capacities." (p. 1)
This places CD very high in the priority list of the declaration. It is one of the most important areas of which the parties agree should be addressed.
In order to address all the agreed areas properly, the signatories agreed on a number of "Partnership Commitments" (pp. 3-8):

a. "Ownership: Partner countries (read: recipients) exercise effective leadership over their development policies, and strategies and co-ordinate development actions
b. Alignment: Donors base their overall support on partner countries' national development strategies, institutions and procedures;
c. Harmonisation: donors' actions are more harmonised, transparent and collectively effective
d. Managing for Results: Managing resources and improving decision-making for results
e. Mutual accountability: Donors and partners are accountable for development results."

Capacity development particularly plays a role in the Alignment Commitment. And although the commitments particularly related to the way development capacity is strengthened, one of the agreements is particularly relevant for this research:

> "[22.] Capacity development is the responsibility of partner countries with donors playing a support role. It needs not only to be based on sound technical analysis, but

> also to be responsive to the broader social, political and economic environment, including the need to strengthen human resources." (p. 5)

This is essential information for this research, as in this small paragraph, all parties agree that it is the recipient who is in charge and the donors only playing a support role. It is this support role that is very interesting and needs some further research, as where does the responsibility of the partner countries end and where does the support from the donor begin? Particularly as in other parts of the Paris Declaration it is clearly stipulated that public sector reform is an essential part of effective development. Reform means change but change to what, who sets the standard?
In the fifth commitment of result driven development the Paris Declaration gives some indication how the role of the donor can be limited.

> "45. Donors commit to link country programming and resources to results and align them with effective partner country performance assessment frameworks, refraining from requesting the introduction of performance indicators that are not consistent with partners' national development strategies."(p.8)

So when the performance is assessed, the recipient country is leading for as far as the measurement of this performance is concerned. And moreover, the donors will not introduce their own performance indicators.

Several years later, in 2008, the progress on the implementation of these commitments was evaluated. All parties agreed that, although the principals were still very valid, there was insufficient progress to report.
In the Accra Agenda for Action (OECD, 2008) which was agreed to speed up the delivery on the agreed goals, the following actions were agreed to "strengthen capacity development" (p.2)

> “a) Developing countries will systematically identify areas where there is a need to strengthen the capacity to perform and deliver services at all levels—national, sub-national, sectoral, and thematic—and design strategies to address them. Donors will strengthen their own capacity and skills to be more responsive to developing countries’ needs.
>
> b) Donors’ support for capacity development will be demand-driven and designed to support country ownership. To this end, developing countries and donors will i) jointly select and manage technical co-operation, and ii) promote the provision of technical co-operation by local and regional resources, including through South-South co-operation.
>
> c) Developing countries and donors will work together at all levels to promote operational changes that make capacity development support more effective.”

In short, this means that all parties agreed that the developing countries decided which capacity will be strengthened and how, they will assume ownership on any activity related thereto and technical co-operation will firstly come from the region and not from the donor country. This is very clear language. The development countries clearly want to take the lead and be more autonomous in deciding what capacity to develop and how. At the same time, the donor countries can basically “sit back and relax”, although they should change themselves in being “more responsive to developing countries’ needs”. This last point is very interesting. Whereas the common general opinion in many western countries is that developing countries “don’t know what they want”, the roles are suddenly turned, and donors should be more aware of “what the developing countries need.” This again is an interesting situation. Particularly now that an economic recession has set in there is enormous pressures in most developed countries to lower the budgets for development aid. In some countries that happens automatically, as the budget for funding is directly linked to the GNP, which is significantly lower in many countries. There is popular demand to spend all available government funds in the donor country itself, rather than to give it away. Particularly as many people believe that money is spent wrongly, for the wrong causes or by corrupt governments. In those circumstances it is not very easy to maintain full ownership on the spending of development aid as such, but also on the areas in which it will be spent.

The last comment basically means that donor countries cannot propose their own development agenda's or attach any conditions to the funds. As an example, there are donor countries that place much emphasis on principles of good governance in the recipient countries and make that part of their own development aid strategy. However, good governance is not only a very broad notion, for most development countries this is a very difficult subject. And many of them see this as unwanted interference in internal politics. This issue will be discussed later as it emerged in the interviews during the collection of primary data.

3.4 Capacity Development

This section is the centre of the literature review. The subject of CD will be discussed, not by citing or paraphrasing a long list of articles and books, but to focus on two very recent study reports: Baser and Morgan (2008) and UNDP (2009), completed with a recent viewpoint from the World Bank.

3.4.1.Baser and Morgan.

3.4.1.1 Capacity, Change and Performance

Baser and Morgan wanted to focus their study report on a – as they call it – "niche" (p.7): the connection between capacity, change and performance. If one looks at these three words however, the solution to CD issues seems strikingly simple. These three words describe exactly what CD is all about. It is not just about capacity, where "capacity" in general is described as the ability to do something. This relates to learning, not only of people, but also of the organisation in which the capacity developed the concept of learning organisations and organisational learning (and the difference between the two).

It is also about change: development can only happen if there is a change compared to the existing situation, in this case particularly in the capacity that people have. But not only that, change means much more. It also means an inductive environment for change internally, where issues as management style, infrastructure and stakeholders are important, but also a subject as resistance to change suddenly starts to play a role and the way this should be dealt with. Next to that, change in relation to CD must be focused at learning as indicated earlier.

Last but not least, performance is the third essential element. It is no use to build capacity and change the organisation if this is not geared at improving the

organisational performance. Baser and Morgan deliberately take a introspective look at CD when the try to identify what needs to happen in an organisation to really allow CD to happen, before an external party such as an international donor comes to support this and automatically influence the view on what needs to happen. Baser and Morgan (2008, p.8) highlight the complexity of all these issues when they state that “capacity itself emerges from the interplay of a myriad of contextual, managerial, economic, social and human factors”.

In their study report the authors discuss the issues of capacity development in light of 16 different case studies from different countries around the world. In their discussion of these cases, Baser and Morgan use an analytical framework that quite clearly depicts the interrelationship between the different important issues mentioned earlier. Although this framework is not directly used in this research report, it is included below as it clearly depicts the way the topics are related.

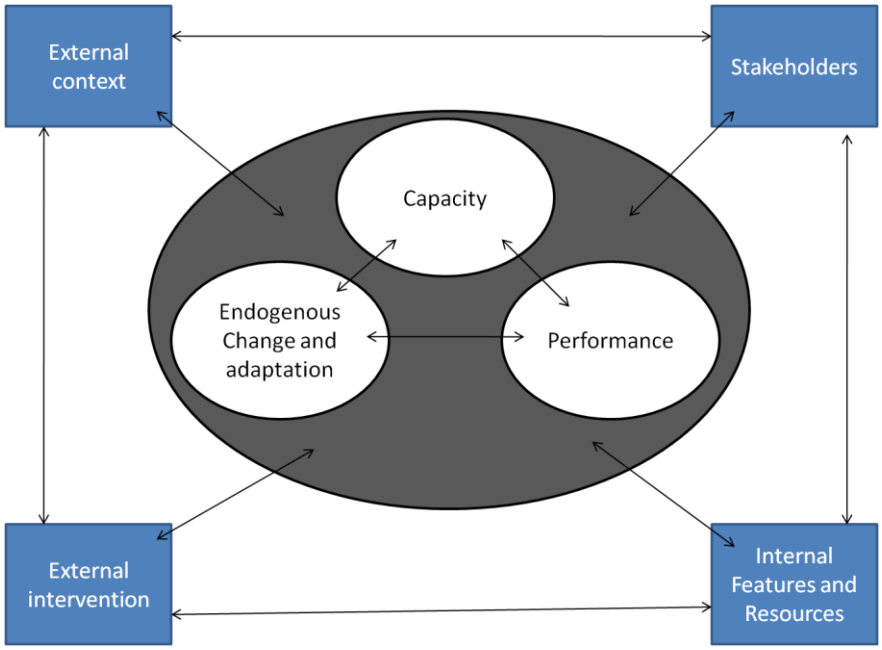


Figure 2 Analytical framework (Baser and Morgan, 2008, p.11)

Baser and Morgan formulated three (p.11) “key assumptions for this framework:

- That capacity issues need to be seen in relationship to the socio-political dynamics of the context within which they take place
- That capacity, change and performance are interrelated in complex ways; and

- That external interventions are important but only one contribution to the capacity development process”

These assumptions are essential for a proper discussion on CD. Baser and Morgan emphasise that capacity development should first be looked at from an internal perspective. What are the existing abilities of an organisation to increase capabilities? What are the abilities to change and increase performance? Figure 2 clearly indicates that external factors such as an intervention by a donor can influence these abilities. The question is however till what extent. This issue will be addresses later.

3.4.1.2 Systems approach to CD

Baser and Morgan (2008, p.15) indicate that their approach to capacity development is the “theory and practice of complex adaptive systems (CAS)”. Their choice for this approach lies in the fact CAS theory “gives the potential ability to explain how and why complex human systems unfold as they do” (p.15). This is particularly important according to these authors as the “nature of development issues is changing [and] most interventions now come with much uncertainty about goals, means and people involved.”

CAS is a form of systems thinking. This choice is essential, as Baser and Morgan take an approach that is very appealing, but seldom used in the discussion of CD. It is however a very good approach as it appreciates the complexity of the issue of CD interventions. Next to that it is very useful for this research report as it indicates that CD should be looked at in a very broad perspective thus allowing for the identification of a wide array of elements essential for sustainable CD interventions.

Baser and Morgan describe CAS theory as assuming “that all people function within a complex number of human systems and that thinking about the way these systems shift and move can help us explain individual, group and organisational behaviour” (2008, p.16). Four ideas are “key to this (p.16):

1. It focuses more on processes than structures as way of managing;
2. Systems are seen as functioning on the basis of the interrelationship between people, groups structures and ideas;
3. Complex systems evolve on the basis on interactions between a large number of elements, capacity can emerge out of these interactions;

4. Human systems have an in-built tendency to self-organise. It is this system that drives capacity from within the system itself".

In order to deal with these ideas, it is very important to assess what is inside the system and what is not, what is part of the context.

The authors prefer this CAS approach as it tries to look at "flow, movement and the recurring behaviours and patterns of a system as it evolves" (p.17). This in contrast to other development approaches which focus on just one element of organisation.

Essential for CAS is "understanding and changing feedback loops as the best way to manage the structure and dynamics of a complex human system".

In section 3.5 of this report systems thinking will be further discussed.

3.4.1.3 Concept of capacity

Baser and Morgan are very reluctant to give a definition of "capacity", as there does not appear to be consensus in the literature around this concept. The general definitions are at an aggregate level and/or look at organisations delivering on their mandate. This ignores the human element in the creation of extra value in an organisation. Sure, for many people CD is about skills development and training of individuals, but to the authors, this seems misplaced as at the same time "the mindsets, motivations and hopes of individuals remain crucial contributions to capacity, no matter how complex the system is" (p.24). Social and organisational patterns matter a lot in this approach and empowerment is very important for CD.

To allow a more encompassing approach to capacity, Baser and Morgan defined five core capabilities. These capabilities are "ongoing processes that emerge out of the system that enabled it to survive and create value" (p.25). This focus on capabilities can, according to the authors," help provide more operational and specific ways to approach the broader concept of capacity". This capability approach also supports the basic premise of this research report. External CD interventions should be aligned with the existing capabilities of the receiving organisation to increase to potential sustainability. For this a broad focus on the organisation is necessary and not, as Baser and Morgan also contend, a "narrow focus effort at improving project and programme implementation" as many interventions try to achieve. Particularly as the capabilities are all encompassing and not limited or separated from each other, they overlap. The five different capabilities were formulated on the basis of the cases studies that the researchers used for their study report.

They clearly cover the essential issues that need to be looked at when the issue of capacity and its development is discussed.

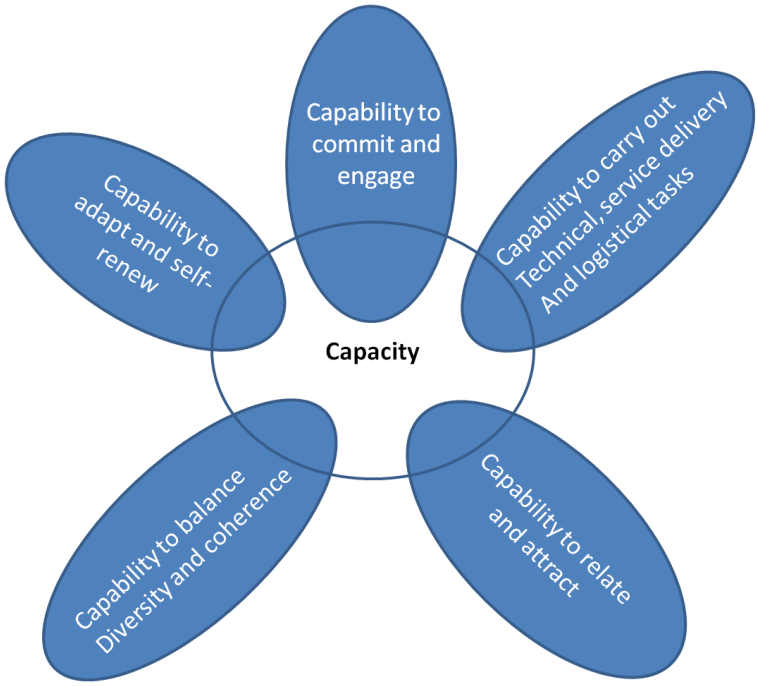


Figure 3 Elements of capacity (Baser and Morgan, 2008, p.26)

Baser and Morgan describe the five capabilities as follows. A brief discussion of all five is important as they define the core foundation of proper CD interventions and hence will provide direction for the answers to the research questions.

1. Capability to commit and engage

This capability is core to the CAS approach. It relates to the willingness of an organisation to "commit and engage in development efforts" (p. 27), and the presence of "collective drive, confidence and ambition to build capacity". It goes beyond "just" taking ownership. Particularly the absence of this capability has a negative effect on the success of any effort or intervention in that direction. Organisations that are stuck in their behaviour lack this capability. Baser and Morgan are convinced however that this capability can be developed by giving the organisation space and political protection. This capability, according to the authors, is "the least understood by external actors" (p.28). Many programmes focus at the technical capabilities and the seeming lack of commitment or "political will" frustrates the funders. However, the "deeper explanations –usually political cultural, psychological, social – do not lend themselves easily to the conventional 'needs assessment or capacity analyses" (p.28).

This is very recognisable. Many practitioners in the field will know the experience that the needs assessment first and foremost focuses on technical capabilities and available infrastructure. If organisational issues are discussed, they do not exceed a discussion of the organisational structure for accountability reasons. A thorough investigation of the existing organisational and managerial culture or an evaluation of the relevant political environment very rarely takes place. According to the very valid ideas behind the first capability, the conclusion could be justified that that all other issues that are part of such assessments are less relevant if the relevant internal en external environment for the planned intervention is not taken into account from the start.

2. Capability to carry out technical, service delivery and logistical tasks.

Many players in the development field are most comfortable with this capability, as it relates to the actual technical expertise to deliver tangible products or services, it gives the more "instrumental perspective on capacity and shifts the attention away from politics and power" (p.29). This capability also includes the notion of the organisation which "technical and logistical capabilities are crucial to generating results over time" (p.30) and also includes notions such as strategic planning and management.

3. Capability to relate and attract resources and support

Next to the technical abilities discusses in the previous capability, the third one encompasses the capability of an organisation to build, "manage and sustain key relationships needed for the organisation to survive" (p.30). This is particularly important in cases where organisations need to compete to receive and maintain necessary resources in order to sustain its activities. This capability also has a large political component to it. This situation also impacts, according to the authors, the way the capacity is developed, with, as they found out in their case studies, potential negative effects.

4. Capability to adapt and self-renew.

This capability relates to adaptation and change, which includes inter alia: "to improve individual and organisational learning, to incorporate new ideas and to map out a growth path." (p.32).

5. Capability to balance diversity and coherence.

When building new capacity or improving the existing, organisations have to be very careful to balance their organisations in the sense that one capacity is over emphasised. There must be coherence between all capacities and they should be balanced. It is for example no use to build a world class technical capacity within an organisation that is very weak on the managerial side. The authors found that organisations that managed this issue well were good in “communicating, building connections, managing this diversity and manage the paradox” (p.33)

3.4.1.4 Conclusion

Baser and Morgan have taken a very appealing approach. It is actually the approach that is very close to the line of thinking that has led to this research report. For this reason, the discussion of their study was deliberately more elaborated than average. They clearly pointed out that capacity development is an organisational systems theory issue. There are many different elements and variables that play a role in achieving sustainable capacity development which are all interrelated and interlinked and overlap in some respects. Balancing all these issues is the essence of proper CD. Next to that, in essence, nobody should forget that CD happens in the recipient organisation itself first. The capabilities of the organisation are the point of departure. External interventions can be very useful or in some cases even essential, but they should always take the level of core capabilities of the organisation itself into account.

The theory that the authors tried to explain holds several subjects that are very important for this research report and need to be further studied. This closer study will enable the collection of more information valuable for answering the research questions.

3.4.2 UNDP Primer

3.4.2.1 Approach towards CD

In their latest document on CD, the UNDP explains their approach towards CD. It is quite a practical document, particularly because of the many annexes and examples, but is also very useful to deduce the basic assumptions or theories that informed the UNDP of this approach.

As the UNDP is the most important global player in the development sector and in many ways a trendsetter, this document is very relevant for the research.
At the start, the UNDP also indicate that there are many ways to define CD. What is manifest for the UNDP is that CD has to do with transformation; a CD intervention can only be regarded as such when it "brings about transformation that is generated and sustained over time from within." (p. 5).

> "Capacity development is about transformations that empower individuals, leaders, organizations and societies. If something does not lead to change that is generated, guided and sustained by those whom it is meant to benefit, then it cannot be said to have enhanced capacity, even if it has served a valid development purpose."(p.5)

UNDP identifies 3 overlapping and interacting major areas that influence CD.

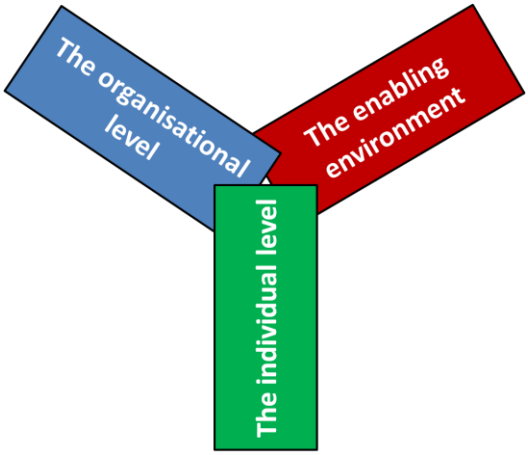


Figure 4 Integrated approach to CD (based on UNDP, 2005)

1. The enabling environment: "the broad social and system in which people and organisations function." (p.11)
2. The organisational level: the internal structure, policies and procedures. This is where the action happens by the different players. The better "resourced the better the higher the potential for growing capacity (p.11)
3. The individual level: these are the skills that individuals in the organisation deploy and where the opportunities that the environment and the organisation provide are used, thus developing the capacity of the individual.

Next to these three levels, the UNDP identified four core issues that have a great impact on CD at all these three levels.

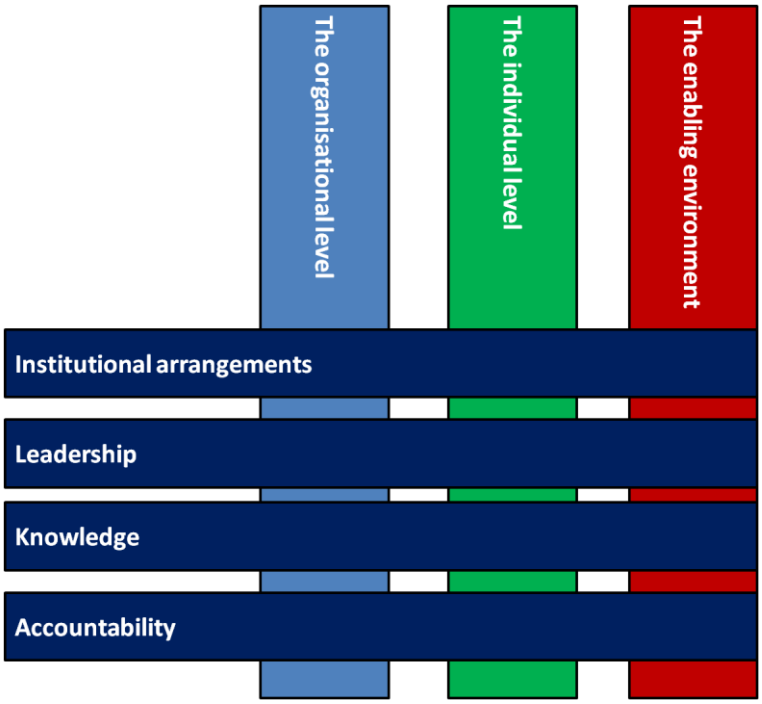


Figure 5 Four core issues influencing CD (based on UNDP, 2005)

1. Institutional arrangements: this relates to "all policies, procedures and systems that allow for effective functioning of an organisation." (p. 13)
2. Leadership: "the ability to influence people and to lead them to achieve their goals" (p.13)
3. Knowledge is at the basis of capacity. In CD perspective, particularly sharing knowledge. An enabling organisational environment is essential for this to happen.
4. Accountability: the focus is on the interaction between the public service provider and the recipient of this service, or more specific "it is about the willingness and abilities of public institutions to put in place systems and mechanisms to engage citizen groups and use their input" (p.13)

3.4.2.2 Conclusion

There are similarities between the UNDP approach and the viewpoints that Baser and Morgan expressed.

Particularly where they point at the fact that CD encompasses much more than just teaching an individual new technical skill, but needs an integrated organisational change approach. What is good about this approach is that it places an emphasis on the responsibility of the leaders or managers in an organisation to properly address the issue of CD. Same as with Baser and Morgan, an enabling environment must be present to allow capacity development to happen. Interesting would be to know what this enabling environment should look like and how this can be assessed. There is however a clear link with one of the capabilities described by Baser and Morgan.
An extra element that UNDP clearly adds to the discussion is the use and management of knowledge. This is a subject that also requires further study. It is however to be expected that this subject will also be mentioned in the discussion on learning organisations and organisational learning. However, it is considered so essential to CD, that it requires separate section.

3.4.3 World Bank

Thomas (2006) argues similarly. As director-general of the Independent Evaluation Group at the World Bank he critically evaluated the approach that the World Bank takes in respect of CD in Africa. His main conclusions are “that individuals are too often trained for specific tasks before the organizational framework has been reformed to allow them to use the training effectively” (p.1). He advocates an integrated approach to CD, where it is clear how “how well institutional rules of the game are linked with sustained performance of both organizational entities as well as individuals responsible for delivering results” (p.2).
According to Thomas, the World Bank should, with regards to CD interventions, not only assess the existing capacity more thoroughly upfront and monitor results, but also “the knowledge base needs to be strengthened, so that staff and clients can understand and build on links among the individual, the organizational, and institutional dimensions”

3.4.4 Conclusion

As mentioned in the introduction this section held the discussion of two important documents in relation to CD. By discussing these two documents, the area of CD and the elements essential to it were covered. Not only that, both the study report that Baser and Morgan wrote for the ECDPM and the UNDP primer have given a

good direction to base the direction of the answers to the research questions on. Furthermore, the conclusions are supported by an important evaluative body of the World Bank.
In order to get one step lower towards the formulation of the list of issues that have to be addressed in the formulation and initiation phase of a capacity development intervention, it is necessary to extract more high-level subjects from the documents discussed above.

These subjects are:
1. Organisational learning and learning organisations;
2. Systems thinking in organisations;
3. Leadership in change management;
4. Knowledge Management.

In the second part of the literature review , these subjects will be further discussed and elaborated upon.

3.5 Organisational learning and learning organisations

Although in general, most people use the terms “Organisational learning” and “Learning organisations” interchangeably, there are clear distinctions between these two notions. Örtenblad (2001) in his research on this subject describes different ways how in the relevant literature those two terms are kept apart: “a learning organization is a form of organization while organizational learning is activity or processes (of learning) in organizations. Learning organization needs efforts while organizational learning exists without any efforts” (p.126).
There is however a distinction between “old” organisational learning, where an individual learns as an agent of the organisation and “new” organisational learning, where the collective of the organisation can learn. Örtenblad also discusses the concept of organisation, in the sense that some parts of the relevant literature consider organisations as continuous change and adaptation processes too. Following this line of thinking, it would mean that there is no real difference between organisational learning and learning organisations. The distinction between the two is therefore only relevant if the organisational is seen in traditional perspective.

This distinction is very relevant for the research, particularly the questions “who is really learning”, or, as Örtenblad calls it “the entity of learning” (p.128). A certain distinct view on this issue defines the scope and direction of a CD intervention.
He describes three different entities of learning: The individuals, the organisation as an individual and the collective. This has, according to Örtenblad a direct link with the storage of the knowledge that is learnt: knowledge can be held inside an individual, between individual or outside individuals. This subject will be further discussed in section 3.8 of this report, where Knowledge Management will be discussed. However, this discussion is also important for defining organisational learning. He argues that for organisational learning to happen, the individuals learn as “agents of the organisation” (p.130) and must store their newly acquired knowledge outside themselves for the organisational learning to happen. In this way, ”knowledge acquired by the individuals is transferred to the organizational memory”. (p.130); the individuals and the organisation as an individual are the learning entities in this case. A learning organisation assumes that knowledge is always stored inside an individual and that learning takes place by interaction between individuals in an organisation. “The organization provides a climate that facilitates the learning of the individuals, and the managers are supposed to be coaches instead of directors.” Örtenblad (p.130).
Jones (2001) gives a short synopsis of relevant literature on the subject of learning organisations, particularly in a development context. He describes that much of the literature discusses what organisational learning entails, but that in general less attention is paid to the issues of how organisations actually learn and what processes are necessary for this learning to occur.
Based however on the literature that does exist, he concludes that there are six critical elements that “are essential for proper organisational learning (p.93):

1. An organisational culture which not only allows but actively encourages *questions* by employees at all levels;
2. The development throughout the organisation of the *skills* of critical reflection;
3. Regular and varied opportunities for *sharing* questions and reflection;
4. A continuous search for *opportunities for learning* from the organization's ongoing operations;
5. Taking *action* based on such learning; and

6. *Critical reflection* on the outcomes of action."

Jones describes (2001, p. 96) that managers have a continuous task to keep the organisation learning, or at least move to that point. At the same time, this creates a big problem, as most managers generally are so engaged in day-to-day work that any long term strategies, such as learning organisations, do not receive the proper attention.

Argyris and Schön (1996) are very clear on the issues of individuals learning as an agent for the organisation. To them, this is not the right way to look at organisational learning. They argue that when an individual does not share his knowledge, which is more often than not the case, the collective of individuals knows actually more than the organisation. The opposite is also possible. If an organisation has embedded previous experiences in structures and procedures, the organisation will know more than the individuals that work there. They suggest to look at organisational learning in terms of "organisational environments in which individuals think and act" and that it is possible to "describe the conditions under which, within an organisational environment, the thought and action of individuals yield organisational learning" (p.7). Without going too deep into organisational theory, it is important for this discussion that Argyris and Schön consider an organisation to be more than just a collective of individuals, or vice versa, not every collection of individuals constitutes an organisation. As a result, an action taken by an individual is not necessarily an action of the organisation. An organisation only exists if there are rules (tacit or explicit) governing the individuals in the organisation. "So long as there is continuity in rules that govern the behaviour of individual members, the organization will persist, even though some of its members may come or go" (p.9)
Within the context of this research, the latter is an important notion, as the research questions particularly deal not just with CD, but sustainable CD interventions. The authors' thoughts as set out above clearly indicate that for CD to be sustainable there must be a good organisational structure to support the learning related thereto. This also means that it is inevitable that this structure is part of the enabling environment of CD interventions and an important pre-condition.

Argyris and Schön link this relevant environment and the learning that is done by the individuals in the organisation through “artefacts” that hold the results of the learning: “work plans, policies, protocols, guidelines” (p.16)

Another important issue discussed by Argryis and Schön is single- and double loop learning. This issue is important for the research as it explains the level at which the CD needs to take place. Single loop learning is “instrumental learning that changes strategies of action or assumptions underlying strategies in ways that leave the values of a theory of action unchanged” (p.20). In double loop learning, “learning results in a change in the values of theory-in-use, as well as in its strategies and assumptions.”

This distinction is important for CD interventions. The organisational strategies most of the time are already in place before the intervention starts. Actually, it is one of the commitments in the Paris Declaration that all provision of aid is based on a strategy designed by the partner (or recipient) country. This in principal excludes double loop learning, or if it would include questioning of the strategy, the role of the donor would be different.

The last type of learning introduced by Argryis & Schön is “deutero-learning” which they describe as “learning how to learn” (p.29), where an organisation basically evaluate the previous attempts to learn and try to improve the relevant approaches according to the findings in a “continuous strive for perfection” (Kim and Chan, 2004, p. 101)

Linked to Argyris & Schön’s approach is Fulmer’s model for organisational learning. Fulmer distinguishes three categories (Fulmer, 1994, p.20):

1. Maintenance learning: “trying to discover better way of doing what your business already knows how to do.” This learning is generally short term focused as it negates everything that happens in the organisation’s relevant environment. It is related to single loop learning.
2. Shock Learning: is basically a response in the event of a crisis. Generally this type of learning is also short terms focused and might not get the best result for the organisation. However, sometimes a crisis is necessary to break through existing patterns and learn better from past mistakes.
3. Anticipatory learning: addresses both the long term consequences of actions taken and the best way to deal with the future.

Chahabaghi and Newman (1996) introduce four different ways of organisational learning, by distinguishing between the creators of new practices and tools and the implementers. In some categories these are the same people, but that is not always the case.

1. Transformational: learning through generating creative ideas aimed at creating new models, results from asking questions
2. Developmental: creators work with implementers during implementation phase
3. Behavioural learning and tool making: deals with learning by creating new tools to do the work and at the same time un-learn existing behaviours.
4. Incremental learning: learning takes place while the people work with new tools and techniques, a kind of “learning by doing”.

On the basis of the three theories discussed above, Lim and Chan (2004) developed an Organisational Learning Matrix, included in Figure 6.

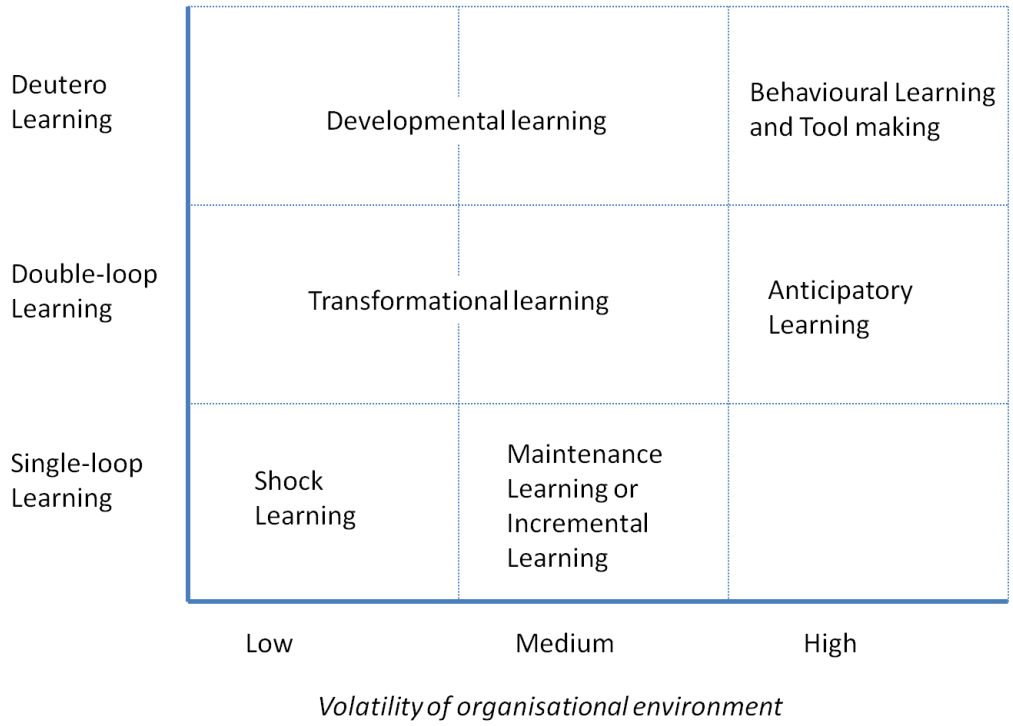


Figure 6 Organisational Learning Matrix. Adapted from Lim and Chan (2004, p. 103)

This matrix combines the different types of learning discussed by the authors mentioned earlier. Although this matrix was originally designed to use in

Several authors have done empirical research into factors that are necessary to let people in organisations learn. Jamali and Sidani (2008), in their research into Lebanese companies found that there are five different factors that give rise to learning in an organisation: “Employee participation, Learning climate, Systematic employee development, Continuous learning and constant experimentation and rewards for learning” (p.68). There is a significant overlap between these five factor and the six elements that Jones (2001) discussed.

Next to the three categories discussed earlier, Fulmer also discusses “how organisations really learn” (Fulmer, 1994, p. 21). To illustrate this more realistic view he designed the matrix included in figure 7.

The relevance of this matrix for this research report lies in the fact that it portrays very well different managerial approaches to learning that can be encountered in the organisations where the CD interventions is focused on. It is important, next to the different focus areas that derive from the discussed literature, to understand what can be experienced in reality.

1. “Because I say so”: this type of organisations has a strong leader that decides the short term direction on his own. People need to follow and learn while execute the command they received.
2. “As you like it”: much room for discussion and participation and different departments are left to perform their tasks the way they believe it is best. People learn by doing
3. “Change Master” Highest manager sets a future target without participation. People in the organisation are forced to learn to while aiming for this target
4. Inventing the future: anticipatory learning with a group of motivated individuals.

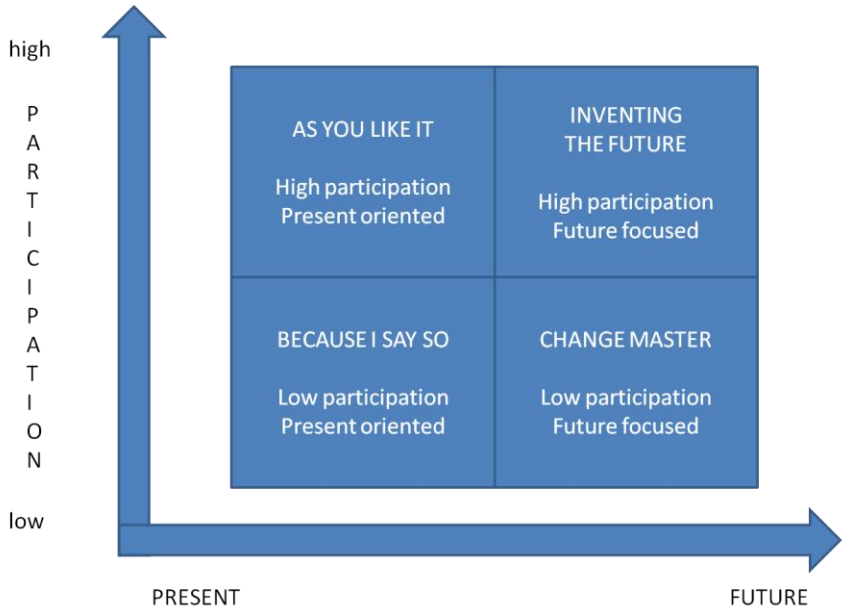


Figure 7 Four models of learning (Fulmer, 1994, p. 21)

3.6 Systems theory in organisations.

In section 3.5 the different approaches to organisational learning and learning organisations were discussed. Particularly those types of learning that contribute to the sustainability of an organisation are of special interest to this report, as the focus of this research is to define the ideal circumstances and the issues that need to be addressed to achieve that in a CD intervention.

Senge and Fulmer (1993) specifically looked at double loop learning and anticipatory learning as two examples of learning that focus on the future and are highly participatory. They link these two types with the notion of systems thinking. The principle of systems thinking is essential in CD interventions as was discussed in section 3.3. It allows moving beyond a short-term vision on an organisation as "systems thinking grows with the discipline of seeing "the big picture" (Senge and Fulmer, 1993, p. 24). It is an antidote for people who feel helplessness, and see things as 'it is the system, we have no control' ". Systems thinking helps to see "patterns that lie behind events and details, which makes it possible to simplify the world."

For CD this means that it is important that when a project is formulated, the complexity of the organisation and the system within which the organisation functions is taken into account. Not only that, also the complex systems that are present inside the organisation have to be considered.

Only when the “patterns” are clear, double loop learning, necessary for sustainable organisational learning can take place.

3.7 Leadership in organisational Change

Any CD intervention means change in the receiving organisation. The extent of the change might vary, just as the parts and members of the organisation that are affected, but the management of this change is very important.

This section will focus on the leadership that is necessary to bring about change in an organisation, or with respect to this research report, leadership that has to be available in the receiving organisation to properly implement the CD intervention.

Hellriegel and Slocum (2004) consider the management of change as one of the most important competencies of an effective organisation. In this respect they refer particularly to what they call deliberate or planned “goal-oriented organisational change” (p.410). Of the approach to change that the authors discuss, the “Organisational Development approach” (p.411) is the most relevant for this research report. This approach focuses highly on the employees in an organisation, their involvement in the change process and developing their problem solving abilities. It emphasises “asking employees to examine why the existing structures and systems are not meeting the challenges facing the organisation” (p.411). From the focus of this research report this approach means that in the inception and formulation phases not only management of an organisation should be included to ensure ownership of the project, but also the people that do the actual work and who will be “subjected” to the CD intervention.

This approach is, according to the authors, very useful for leaders in a change environment where an organisation needs to be built that holds “a strong set of values and a strong culture”. Both of these elements are important factors for organisational sustainability.

Figure 8 displays the characteristics of effective change management as defined by Hellriegel and Slocum. Next to these characteristics they defined three conditions for any change programme to be successful (p.412):

1. “organisation’s members must be the source drivers for the change, and not party external to the organisation;
2. Key organisational members must recognise the need for change; and
3. There must be a willingness to change”

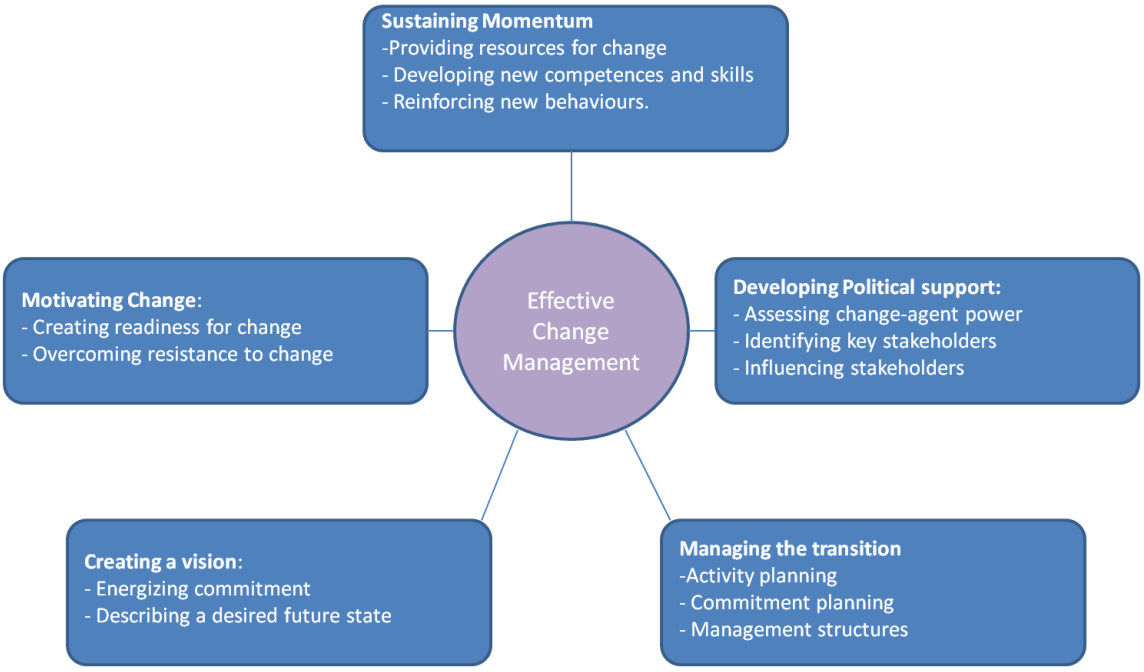


Figure 8 Initiatives Contributing to Effective Change Management (adapted from Hellriegel and Slocum, 2004, p.413)

In the inception phase of any change project, also including CD interventions, a proper organisational diagnosis must be performed. Not just to formulate the baseline against which progress in the project can be measured later or to find out what the focus of the change should be, but also to assess the 'change readiness' of the organisation and the people in it and their capacity to change.

People's readiness depends on "perceived personal risk from change" and the "degree of satisfaction with the status quo" (p.414). Next to this, "employee expectations regarding the change effort plays an important role in their behaviour" (p.414).

In CD interventions this capacity to change is very important. Very often the change in capacity occurs while the day-to-day work continues, placing a heavy burden on available staff. If their capacity to deal with this burden is not properly assessed and dealt with, the effectiveness of the project will suffer.

One of the signs of a lack of capacity is resistance to change. This is one of the most important issues a leader in a change environment has to deal with.

Hellriegel and Slocum discuss two types of resistance:

1. "Individual resistance" (p.415), where people in an organisation for various reasons and in very different ways resist the proposed change

2. “Organisational resistance” (p.419), where the nature of the organisation, e.g. its design or culture, is not supportive of the change. A very important issue, particularly for CD intervention, in this type of resistance are resource limitations.

From this discussion it is clear what some of the issues and problems are that have to be addressed during a change management programme and how this should be managed. But what type of leader is necessary to steer the organisation into the right direction? And in the context of this research report, what type of people should lead an organisation that is part of a CD intervention?

Gill (2003) after extensive research built a model that “proposes that the leadership of successful change requires vision, strategy, the development of a culture of sustainable shared values that supports the vision and strategy for change, and empowering, motivating and inspiring those who are involved or affected” (p.307). This type of leadership leads to both alignment of the people in the organisation so that they know what they do and how the contribute to the whole, and secondly to adaptability of the organisation, which is necessary to be able to change at all. In his model, Gill addresses four traits that leaders should display to be able to properly lead a change process (pp.311-312):

- “Thinking, the intellectual or cognitive abilities to perceive and understand information;
- Meaning; in the sense that leaders should be able to give people in the organisation meaning and sense of purpose in their work.
- Feeling, the ability to respond to others in an appropriate way and use personal power rather than positional power or authority
- Doing, conveying the message and communicating.”

If this model is applied in a CD intervention situation it basically means that it is absolutely very important who is in charge of the process that leads to the development of new capacity. Such a person should be a proper leader, not simply somebody implementing a new system or new approach, but a person that knows how to bind people behind a common strategy and who can align the necessary change that needs to happen with the shared values of the organisation.

Next to a leader's personal traits and abilities the style in which he deploys them adds to his effectiveness in change situations.
Young and Dulewicz (2006, p.384) list, based on extensive literature research, three styles of leadership observed in change processes.

1. "*Goal oriented*: the leader sets direction and behaves in a way in which he/she plays a significant role in directing others to achieve the key goals required;
2. *Involving*: the leader's shows more significant focus on involving others in both setting direction and, largely, in determining how goals will be achieved; and
3. *Engaging*: behaviours focused on facilitating others in achieving both the nature of the direction and the means of achieving the necessary goals."

The authors discuss which of these three styles would be most successful. Their conclusion based on different research is that although research is showing that the involving style is most widely deployed in change situations, it is not possible to state that it is the most appropriate style. The effectiveness of the leadership style is, according to Young and Dulewicz, very context specific.

Interesting questions in that respect would be if an outsider, e.g. a consultant hired by the donor, could be the change leader, for instance within the context of a Project Management Unit.
There is no evidence in Gill's model that such a person would necessarily fail. It could be considered that somebody who has not been part of the organisational culture nor has been working with the same values will have a much tougher time to change the organisation than somebody who used to be part of it. However, the opposite is also true, an outsider does not have pre-set opinions on people and issues in the organisation and is more or less and independent person that can potentially gain the trust of all organisational members. Furthermore, his style and approach should be most appropriate for a CD intervention in that particular organisation. What is important is that the choice of the change leader brings its own dynamic to the change process and should not be thought of lightly.

3.8 Knowledge Management

The subject of Knowledge has been mentioned several times already. Knowledge is one of the key notions in a discussion of Capacity development. In general, two types of knowledge can be discerned. Firstly knowledge that is (Awad and Ghaziri, 2004, p.3) “in people’s heads”, dubbed tacit knowledge and secondly knowledge that has been laid down “on paper, in databases or document”, which is called explicit knowledge.

Lubit (2001) indicates that tacit knowledge is the basis of success for any organisation, but to be successful, this knowledge “needs to spread within an organisation. Knowledge that cannot spread, remains the property of a few people, rather than of the organisation, and will have limited impact on the organisation’s ability to create value” (p.165). This section of the literature review will deal exactly with this subject: how can organisations best deal with the creation of knowledge and putting this knowledge to work to the benefit of the organisation. As the transfer or build up of skills through knowledge sharing is an important issue in capacity building, it is important to understand how this is best done and how recipient organisations can best benefit from this. It will become clear that for a sustainable effect of the CD intervention as good view on the knowledge management processes in the receiving organisations is indispensible.

There are different ways, or knowledge management processes that lead to the creation of the types of knowledge mentioned earlier. For CD interventions this distinction is important, as the definition of the knowledge necessary for the development of the specific capacity has a great impact on the methods used for the intervention.

Argyris and Schön describe these two types of knowledge as different “holding environments for knowledge” (1996, p.12). They add a third type, knowledge that is held in “the physical objects that [organisational] members use”. This last type of knowledge is very cultural related. Understanding the environment in which an instrument is placed, is knowledge necessary to operate the instrument correctly. This understanding can be gained in different ways, but mostly by grasping the context.

Next to these three types, the authors define a fourth type of knowledge, the theory of action, in which “organisations directly represent knowledge in the sense that they embody strategies for performing complex tasks” (p.12). This type of knowledge is “embedded in routines and practices which may be decoded even if the individuals who carry them out are unable to put them into words” (p.13).

For CD interventions this is relevant as by defining this theory of action, the authors basically indicate that next to two ‘classic’ types of knowledge there are a third and fourth. Particularly this last one can be of big influence on CD interventions. This implies that studying written material such as manuals and policies and interviewing existing staff about their individual knowledge is not enough. Apparently there are processes in an organisation that can only be covered by observation. The ‘theory-in-use’ (p.13) is important in that respect. This theory is about “action which is implicit in the performance of the pattern of any activity” (p.13). The only way to construct this type of knowledge is through observation of behaviour in an organisation. “Values, action strategies and assumptions embedded in (...) routine activities constitute [an organisation’s] instrumental theory-in-use” (p.14). The latter also includes “norms for performance, strategies for organisational value, and human resource instruments such as recruiting, career planning and rewards.” (p.14). As discussed before, these are all essential instruments for proper capacity building. The authors argue that these theories-in-use mostly remain tacit, largely because they are either indescribable or indiscussable. The theories-in-use can be indiscussable as they are not in line with the explicitly used theories, in which case discussing it “would be perceived as threatening or embarrassing” (p.14), although the authors are convinced that an organisations’ theory-in-use defines its identity over time.

In relation to CD interventions Argyris and Schön hit the nail on the head. It is not uncommon that project plans are formulated based on existing documentation and interviews with the people in higher levels of the organisation. However when such a project starts, it appears that the situation in practice is completely different than the theoretical reality depicted in the documentation. Not only that, but “the work floor” frequently indicates that “things are done differently than the boardroom decides” or that management philosophies do not match the actual behaviour of people or a just contradictory to the organisational culture. Making this theory-in-use concept a subject not to be underestimated when preparing a CD intervention.

Awareness of the importance of knowledge and the different types is one thing, but managing it is equally important.

Awad and Ghaziri (2004, p.3) are of the opinion that “the goal for an organisation is to view all its processes as knowledge process, (...), an [organisation] seeks to add value by identifying, applying and integrating knowledge as an intangible asset”.

They also articulate what knowledge management is not. Knowledge for instance is not information. Information can only become knowledge “when people use it in a way that adds value” (p.8) to it in the context of the organisation. Furthermore, knowledge management is just not about the capture of knowledge. Particularly as “knowledge cannot be captured in its entirety, problems involving collaboration, cooperation and organisational culture must be addressed before one can be sure of reliable knowledge capture” (p.9).

Firestone and McElroy (2004) discuss the relationship between organisational learning and knowledge management. They describe three categories in which organisational activities can be divided: “operational business processes, knowledge processes and processes for managing knowledge processes” (p. 176). These categories are related as the operational processes use the knowledge that is developed and acquired through the other processes.

When looked at it from this angle, there is a clear link with capacity development as acquisition of new knowledge is an important part of developing new skills and capacity. For that reason, the management of these knowledge processes is relevant for this research.

The authors discuss several sub-processes, of which particularly knowledge production is relevant in the context of this research. This process is made up of four sub-processes, of which “Information acquisition” and “individual and group learning” (p.177) are the most important sub-processes.

Knowledge production on its own however does not suffice. As was discussed in previous sections, the integration of knowledge in the organisation is essential to have a proper learning process.

This knowledge integration consists of four sub-processes, “all of which may use interpersonal, electronic, or both types of methods in execution:
(1) knowledge and information broadcasting;
(2) searching/retrieving;
(3) knowledge sharing (peer-to-peer presentation of previously produced knowledge); and
(4) teaching (hierarchical presentation of previously produced knowledge). “(p.177)

As a result of the creation of new knowledge, the operational processes of the organisation improve just like the performance of the organisation as a whole, which is a similarity with CD interventions. It is therefore correct to say that knowledge management and the surrounding processes are essential for proper CD.
Hong and Kuo (1999, 208) see the purpose of knowledge management “to integrate internal and external knowledge at all times in order to cope with environmental changes both within and outside the organization, to solve existing problems as well as to innovate for business expansion.” It is very essential, according to these authors that an organisation creates the right environment for knowledge creation to happen. This environment basically provides a “push” for an organisation and people in it to start learning out of their own and as a result create knowledge. Next to these “push” forces, the authors also identify pull forces, where the people in an organisation are more or less pulled together to learn and create knowledge in more formal setting, such as direct instruction. Hong and Kuo summarise these forces as “the pushing force is the approach through which the organization makes designs; while the pulling force is the approach through which the organization cultivates its employees” (p.210). For CD interventions this distinction can be important to focus the intervention. If the type of employee and the type of organisation makes it more logical to force employees to learn, that should be the approach. If an organisation however wants to let the employees learn on their own, a more pushing approach would be preferable. Concepts of job rotation and job enrichment play a role in this approach.

3.9 Conclusion

The discussion of the relevant literature is summarised in figure 9.

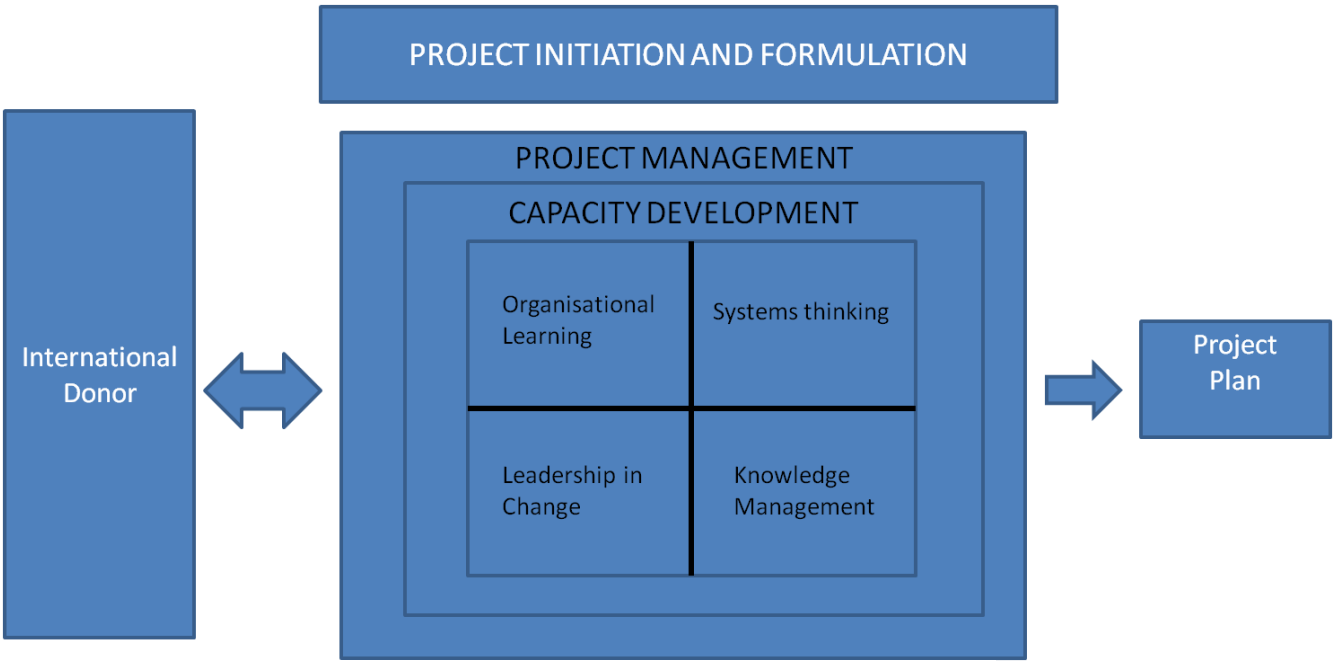


Figure 9 Schematic overview of discussion in literature review

In this concluding section the different elements discussed in the literature review will be pulled together. As a result, a list of issues that need to be addressed during the initiation and formulation phase of a CD project plan will be presented.

Below the different parts of the figure are explained by summarising the relevant issues discussed in the literature review and thus drawing a conclusion for each part.

3.9.1 Overview of issues

Project Management

It was discussed that the general foundation of each intervention is strict project management. Proper project management does not start at the implementation phase, but way before that, when the first ideas of a project are born. From that moment on there are many issues that need to be addressed. For CD interventions, the following are most relevant:

1. The project must have a clear goal;
2. A project is embedded in the organisational strategy, there is a clear link between this strategy and the goals of the project;

3. Dedicated resources, e.g. skills, knowledge, people, money, technology, are placed at the disposal of the project;
4. Project Management techniques are used, such as initiating, planning, executing and maintaining.
5. It is necessary to have a good view on the relevant environment of the project: cultural and social, political and physical;
6. The managers in charge of the project should have proper leadership and interpersonal relationship skills.
7. Stakeholders should be engaged as soon as possible
8. Part of the formulation phase is a baseline study of the existing capacity

International Context

Compliance with the Paris Declaration has some consequences for the initiation and formulation phase of capacity development interventions. Any intervention should:

1. Ensure ownership of the recipient organisation or country
2. Be aligned with national strategies
3. Be focused at improving results and performance of the organisation
4. Include mutual accountability, both with the donor and the recipient organisation
5. Respond to the relevant social, political and economic environment
6. Be aimed at strengthening human resources
7. Use existing performance assessment frameworks of the recipient country
8. Initiated based on a joint -between donor and partner- needs assessment
9. Engage as much local and regional resources as possible.

Capacity Development

This is the central notion of the research report. In the discussed literature several areas where highlighted that are essential to properly prepare a CD intervention.

1. Capacity Development, it is about improving the way organisation perform through training of individuals, but should also be about the humans behind the resource. Next to that it deals with transformations that empower individuals through a change process.
2. Capacity development interventions must have a broad focus

3. External CD interventions must be aligned with existing capabilities of the organisation
4. Five core capabilities should be present to increase the potential success of a CD intervention:
    i. Capability to commit and engage, deals with the reasons behind the presence or lack of (political) willingness, but also with the right organisational culture and the political environment
    ii. Capability to carry out technical, service delivery and logistical tasks, includes strategic planning and depicts the more instrumental perspective on capacity
    iii. Capability to relate and attract resources and support
    iv. Capability to adapt and self-renew; as capacity development is in essence a change processes, it is important that an organisation is able to handle this change.
    v. Capability to balance diversity and coherence: all capabilities should be balanced, no focus on the improvement of only one.
5. Three areas influence Capacity Development:
    i. The enabling environment
    ii. The organisation, through existing structures, policies and procedures
    iii. The individual, skills that people already have and the way the deploy them
6. CD interventions are influenced by existing institutional arrangements, leadership, knowledge and accountability.
7. A CD intervention should take an integrated approach, as all issues are linked to each other.

In the discussion of the literature related to Capacity Development it appeared that four subjects needed further discussion to enable a proper view on the relevant elements for sustainable CD interventions: Organisational Learning and Learning Organisations, Systems Theory, Leadership in Change and lastly Knowledge Management.

Organisational Learning and Learning Organisations.

The discussion in section 3.5 focused at discovering how organisational learning takes place and what the requirements for an organisation are to support this learning. This is relevant as those are the issues that need to be addressed in the initiation and formulation phase of a CD intervention project.

1. There can be three learning entities: an individual, the organisation as an individual and the organisation as a collective.
2. For organisational learning to happen individuals must store their knowledge outside themselves to transfer it to the organisation
3. A learning organisation stimulates the interaction between individuals for knowledge to be shared and learning to take place.
4. In a learning organisation, managers should be more coaching than directing.
5. A learning organisation should have an open organisational culture that encourages questions and reflection and support looking for opportunities to learn. Employee participation is imperative.
6. Part of the assessment into the learning abilities of an organisation is the managerial style as depicted in figure 7.
7. To benefit from learning, the organisation should be prepared to take action and reflect on the outcomes of this action.
8. For learning to happen, the organisation must be properly structured.
9. It must be clear if the learning that takes place during a CD intervention can be considered as single or double loop learning, as this impacts the approach.
10. Next to that, the type of learning should be assessed, as depicted in figure 6.
11. From systems theory perspective, particularly double loop and participatory learning should be used by organisation
12. The focus should be on the big picture and patterns in the organisation.

Leadership in Organisational Change

Although potentially a sensitive subject, the literature review clearly proves that it is an important subject that must be addressed when initiating and formulating a CD intervention.

The relevant issues that were discussed emerged from the literature are

1. The Organisational Development approach in change is the most relevant for CD interventions; this depends highly on the involvement of employees in the change process and its preparation.
2. Organisational members should identify the need and be the source drivers of the change to create willingness to change in the organisation.
3. An organisational assessment should be performed at the beginning of each project, also to assess people's readiness to change or the potential existence of resistance to the change.
4. Resistance to change must be discovered as early as possible to be addressed properly. Next to individual resistance, there is organisational resistance: the design or culture of the organisation does not support the proposed change, in this case a CD intervention.
5. A leader must have a vision and must be able to develop a culture of shared values in the organisation.
6. The ideal traits of a change leader include: Thinking, Attribute meaning, Feeling and Doing. Next to that a good leader has to be either goal oriented, involved or engaging. It depends on the specific situation which approach is most effective.

Knowledge Management

One of the features of capacity building is the creation of knowledge. This knowledge however, as discussed in section 3.8 is only valuable for an organisation if it shared and/or stored. The management of knowledge therefore is an essential, but often forgotten, element of any CD intervention. There are several issues in this area that need to be taken into account when formulating a plan for a CD intervention

1. Tacit knowledge is the basis of success for many organisation, but there must be an infrastructure to spread this knowledge to add value for an organisation
2. Next to tacit and explicit knowledge, a third category of knowledge consists of knowledge that is held in psychical objects that people in an organisation use. A forth category is knowledge embodied in organisational routines in practices.

3. For CD intervention it is important that at the beginning the existing knowledge is not only assessed, but also qualified as a certain type of knowledge, as each type requires a different approach during the intervention.
4. Focus of the CD intervention should be the “theory-in-use”, constructed by observation. This theory-in-use can differ greatly from the official, written down procedures and includes all types of norms and values, e.g. related to human resource practices.
5. Knowledge has to be managed in such a way that it is more than just information. This managing has to do with knowledge broadcasting, searching, storing, sharing and teaching. Next to that, creating the right organisational culture for it is an essential part of the management approach.
6. Knowledge management must take place in such a way that it contributes to the improved performance of the organisation.
7. Within knowledge management, push and pull forces can be distinguished. When an organisation uses pushing forces, it creates a direct learning environment for the employees. It can however also choose a pulling strategy, where the employees are motivated to learn on their own.

3.9.2 Building the model

In the previous parapraph the conclusion drawn from the literature review are discussed, combining these conclusions allows to construct a coherent and aggregate overview of areas that need to be addressed during the initation and implementation phase. A graphical overview is included in figure 10.

3.9.2.1 Discussing the model

Essential to the model is the fact that it depicts an *integrated approach*. Furthermore, in order to make the presentation of the different areas more clearly, the 15 areas are grouped into 3 categories. This categorisation is developed by the researcher and is en essential part of the conclusion.

This means that all issues must be addressed in coherence with other issues withing the same category, but also between categories. None of the issues can stand on its own.

The three categories are

1. Vision, which relates to the issue that an organisation and the people in it must know what the purpose of an organisation is before any proper decisions can be made on a capacity development intervention
2. Internal, this includes all subjects that need to be addressed internally in an organisation when a capacity development intervention is planned. Each of the areas within this category is a conditio sine qua non for the sustainability of the CD intervention.
3. External, CD intervention not only affect the organisation in which they take place, but also have there impact on or are impacted by the relevant environment.

The different categories hold the following areas that should be addressed during the initation and implementation phase, and any issues relating to them should be solved before the CD intervention project starts.

1. Vision

With the category Vision, three areas are included.

Strategy. The issue of strategy cut across the different subjects discussed in the literature review. Organisational learning can only happen if learning relates to the "big picture" of the organisation, and the structure of the organisation. The same goes for the leadership in the change process related to the CD intervention. This leadership must be in line with the organisational strategy.

Goal. Apart from the overall strategy of the organisation, a CD intervention must have a clear goal on its own, related to this strategy and in line with the organisational vision. This is not only an essential element of any project, as discussed in the literature review, but also to direct the learning the takes places during the CD intervention.

Increased Performance. A CD intervention should always be geared towards the improvement of the performance of the organisation. During the inception phase of the intervention is must become clear how this increased performance will be assessed and when it can be concluded that the performance has been increased. This area also relates to e.g. base line assessment, as it is impossible to measure improvement without assessing the current situation.

2. Internal

The category internal holds 10 different areas that should be addressed during the inception and formulation phase of a CD intervention

Resources. Both human but particularly technical resources should be available. These form part of the internal enabling environment of the newly developped capacity.

*Leadership.*From the discussion on change management it emerged that a CD intervention must have a clear leader or champion to drive the process. This leader is more than just a project manager. He must posses different traits to move people in the desired direction.

Needs assessment. Not only a base line assessment must be performed, but based on the vision it must be assessed what the needs of the organisation are to get to the proposed future state. It has to be assessed what the needs are.

Human Focus. From the discussion it emerged that too strong a focus on structural change in a CD intervention will never yield any results if the focus of the intervention is on the people that are a direct part of the developed capacity, i.e. the people doing the work.

Change Process. It is clear from the literature review that a CD intervention will have to deal with the same issues as any change process, particularly resistance. A proper change management process has to be identified in the identification and formulation phase. *Organisational structure*. From the discussion of all the different areas in the literature review it appeared that the structure of the organisation in which the CD intervention takes place must have an organisational structure that supports this development, but moreover that is able to use the newly developed capacity to its maximum.

Management style. Not only the way the change is managed during the CD intervention is important, but particularly the way management will foster the newly acquired capacity and allow organisational members to use this new traits. There is a close link with the human focus with a CD intervention.

Knowledge sharing. From the literature it appeared that it is vital for any organisation to share knowledge. A good view on how knowledge can be shared between

members of the organisation is essential for a successful CD intervention and particularly its sustainability.

Knowledge type. In the discussion on knowledge management is was also discussed that existing knowledge should be fostered and used whenever relevant. For that to happen, it should be clear which type of knowledge is predominant and to assess if this is particularly tacit knowledge, how this could be changed to support the learning.

Learning style. It appeared that each organisation has its own learning style. As it learning is an important part of a CD intervention, it is essential to align this intervention with the predominant style of the organisation.

3. External

Environmental scan. From the literature review it was clear that the organisational environment plays an important role. Firstly, the relationship with the international donor, if any, but secondly a CD intervention will always have to deal with the relevant environment of the organisation. A proper view on this environment is therefore essential for a proper CD intervention.

Stakeholder engagement. Linked to this, it appeared in the literature review that the relevant stakeholders should be informed and engaged from the beginning. It is no use to build new capacity within an organisation that is not supported by its environment.

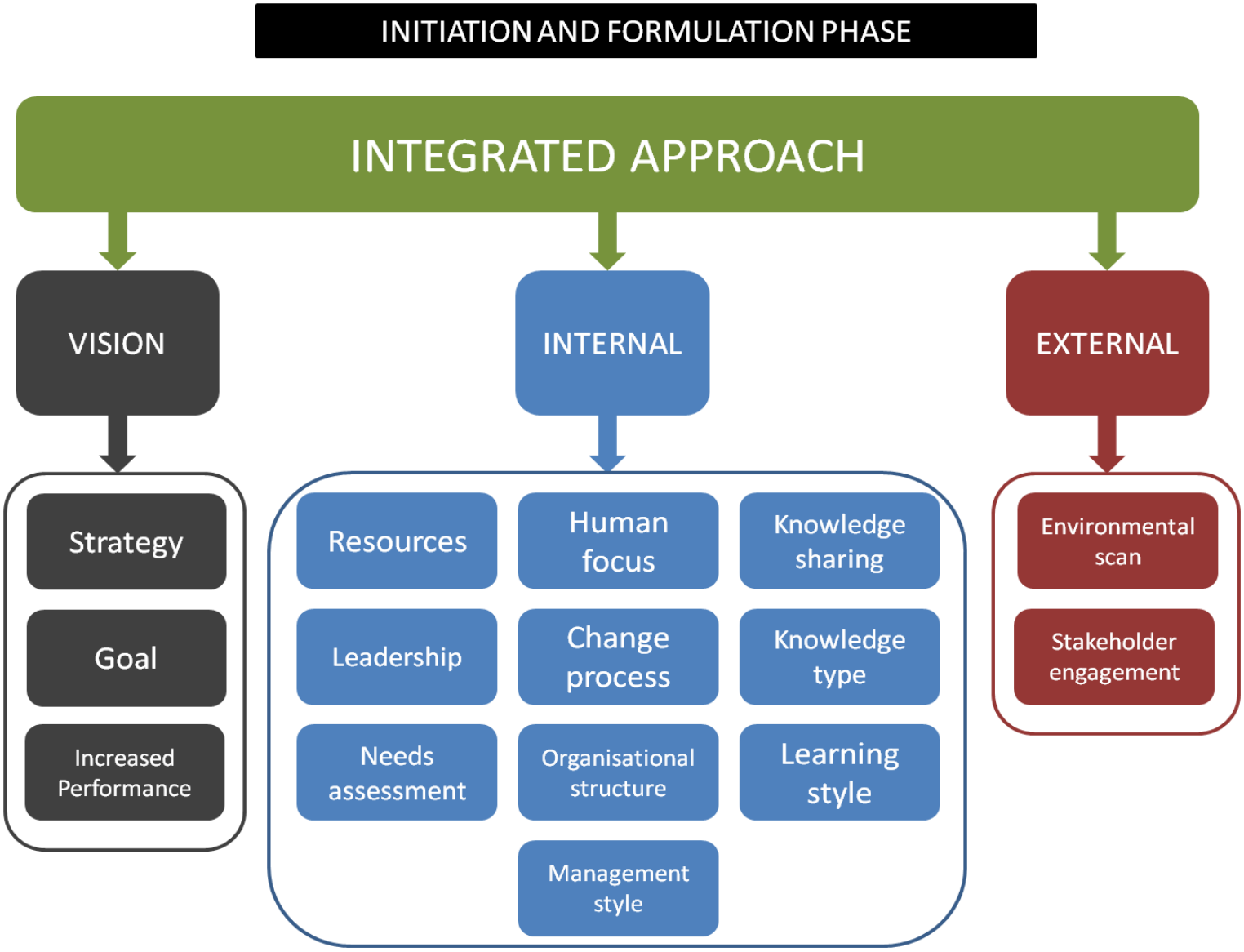


Figure 10 Aggregate issues for inception and formulation phase

Chapter 4
Presentation of Data

4.1 Introduction

This chapter presents the data that was gathered during the reasearch. The field research focused on the identification and formulation phase of the FMIP-II project. The secondary data is therefore sourced from relevant existing documentation on and related to this project. The primary data was gathered by conducting in-depth interviews with people who are directly involved in this project. These questions were grouped into five categories. This grouping aligns with the model (vision – internal – external) presented in figure 10 and is based on the findings in the literature:

1. Formulation phase of the project; the questions were aimed at finding out what happened around the formulation of FMIP-II in general and before or at the start of the projects in the municipalities or provinces
2. Organisation of the province/municipality; as discussed in the conclusion of the literature review, the internal structures, culture, policies and processes of the organisation in which the CD intervention takes place are very important. The questions in this second category were meant to obtain a view on whether the different local governments were prepared properly to fully benefit from the CD intervention that was planned within the realm of FMIP-II.
3. Management; from the literature review it appeared that attitude and skills of management has a big impact on the success of a CD intervention.
4. Environment. Issues like the local political and social situation can have an impact on the effectiveness of the project, or has to be taken into consideration when the project plan is formulated.
5. Other questions.

The raw data, i.e. everything that was said during the interviews, was cleaned based on relevancy to the subject of this report. Finally, the presentation of this data will follow the same five categories. This primary data is further combined, particularly to describe the content and context of the project, with the secondary data. The outcomes of the field research will be used in the next chapter to draw conclusions

on the relevancy of the theoretical model on issues that need to be addressed in the formulation phase of CD interventions, as presented in figure 10.

4.2 Description of the studied programme

As mentioned earlier, the subject of the field research is the formulation of a capacity development project funded by the European Commission. After a good discussion with staff members at the EC Delegation in Pretoria it was decided that the Financial Management Improvement Programme – II (FMIP-II) was one of the most suitable programmes to be subject of the research. In this programme, several provinces and municipalities are supported in implementing the PFMA (Public Finance Management Act) and the MFMA (Municipal Finance Management Act). These two acts were promulgated in 1990 and 1994, but had never been properly implemented yet.

4.3 Relevant context

4.3.1 The European Union as a donor.

The European Union, in South Africa represented by the European Commission (EC) and the different member states, is the largest donor of Official Development Aid (ODA) in South Africa with 70% of the total funds (EC et al., 2006) used for development in South Africa. These funds are allocated on the basis of the Joint Country Strategy Paper 2007-2013 (EC et al., 2006a). This Strategy Paper was developed in line with the Paris Declaration (OECD, 2005) which describes that, in order to improve the effectiveness of aid funds; the donors should align their strategy with the strategy of the partner country that receives the funds. This principle has been incorporated by the EU in the general principles of Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 (OJ L 378, 27 December 2006, p.41, the EU legislation in which the financing instruments for development were established.

The EU development policy towards RSA is laid down in article 10 of the aforementioned Regulation:

a) supporting the consolidation of a democratic society, good governance and a State governed by the rule of law and contributing to regional and continental stability and integration;
b) providing support to the adjustment efforts occasioned in the region by the establishment of free-trade areas under the Trade, Development and Cooperation Agreement between the Community and South Africa and other regional arrangements;
c) supporting the fight against poverty, inequality and exclusion, including by addressing the basic needs of the previously disadvantaged communities;
d) addressing the HIV/AIDS pandemic and its impacts on the South African society.

The EC, the member states and RSA agreed in the Strategy Paper that South Africa is a special country, all though it belongs to the group of middle income states and has sound financial resources; there is a great inequality in the country. However, in principle the government should be able to finance all projects currently funded by donors. The "real value added by ODA is not the finance itself, but what comes with it: best practice, innovation, risk-taking, pilot programmes, systems development, capacity building, and above all skills and knowledge" (EC et al, 2006a, p. 28).

The partners agreed on to focus on three main areas of development (p. 30):

1. "To promote pro-poor, sustainable economic growth;
2. To improve the capacity and provision of basic services for the poor at provincial and municipal level;
3. To promote good governance in both the public and non-public domains."

To achieve improvements in these areas, several instruments were identified, among others: political dialogue, trade and economic cooperation and (most important for this research report) development cooperation. The latter would take place by the allocation of grants by the EC or the different member states according to their own programming rules.

And lastly, six 'cross-cutting' issues were identified which should "be brought into all EU programmes" (p.31). Two of these issues are the most relevant for this report: *capacity building,* particularly in the lower spheres of government and *good*

governance, where proper management of public finances is mentioned as one of the most critical subjects.

The Joint Strategy Paper was followed by the Multiannual Indicative Programme (MIP). A MIP, according to article 19, paragraph 4 of Regulation 1906/2006 “shall set out the priority areas selected for Community financing, the specific objectives, the expected results and the performance indicators”. In other words, where the Strategy Paper deals with the agreed high level strategy, the MIP deals with the actual implementation of this strategy.

Although the MIP is a document developed by the European Commission, there should be some kind of agreement with the partner country. It is therefore safe to say that the MIP for South Africa has been agreed with the South African government and is the basis of the development cooperation relationship.

In the MIP two focal points are defined: employment creation and capacity building. (EC et al, 2006b), in the programmes that would be developed to address these two areas, the cross-cutting themes that were mentioned earlier play an important role in the “feasibility, design and implementation stages” (p.5) of the different programmes.

Extremely important is the fact that the MIP is “fully integrated with South Africa’s own development policy” (p.5), such as RDP, GEAR and ASGISA. This alignment is very important for the acceptance of the different programmes that would be funded from the EU funds.

4.3.2 Relevance of Public Finance Management

Public Finance Management (PFM) as such has been identified globally as an important issue for development. It is even mentioned as a separate heading in the Paris Declaration (OECD, 2005). Proper PFM is generally seen as a precondition for improvement of service delivery. If the accountability of the public funds is transparent and handled effectively, the government will have more money to spend.

Just like for many other countries, proper development of Public Finance Management is very important for the development of South Africa and is necessary to attain the goals formulated in all the development plans

As the South African government has placed the onus of service delivery (e.g. water, sanitation) with the lower levels of government, more specifically the municipalities, it

is of the utmost importance that particularly at that level the PFM is properly arranged. This was also one of the ideas behind PFMA and the MFMA.

At the same time, however, it was assessed that there were numerous issues with human capacity in local government, ranging from skills gaps, to underqualified (municipal managers) and underdeveloped planning capacity. (The Department: Provincial and Local Government [DPLG], 2008). According to DPLG, increasing staff qualifications in public finance (p.12) is one of the priorities. Improvement of Public Finance Management skills is also one of the strategic objectives for the period 2008 -2013.

The World Bank granted a loan to South Africa in 2002 to improve the skills and build capacity in this area, in 15 larger municipalities, including the metros. Although this project, the so called “Municipal Financial Management Technical Assistance Projects” included a loan, the agreement was not “based on financial need. Rather, the National Treasury was securing continued access to Bank expertise, management capacity, and implementation experience to support completion of the municipal sector restructuring exercise.” (World Bank, 2002, p.20). This programme was completed in 2008. In the final report, it was stated that all goals were met, and that there was under spending of the available funds. This is not a real surprise, as the project dealt with the large municipalities that had the disposal of enough skilled employees. This report also included some *lesson learned* that are relevant for this research: (World Bank, 2008)

1. “While technical assistance projects can provide key inputs to capacity building initiatives at the local government level, sustained efforts by key national agencies (such as the NT) are critical and essential to build on progress made
2. Capacity building of local government officials in a clearly determined reform area through mentoring and on-the-job inputs by resident international experts is a viable strategy
3. Capacity building needs to be designed to unfold in a systematic and ongoing manner to ensure realistic and measurable results.” This means that although the project ran for five years, this is not enough for to sustain the developed capacity for the long term.

PFM also features as an expect result in the MIP and is therefore part of the agreement between South Africa and the EU, more particularly in the focal area for Capacity Building:

"Improved public financial management, including adaptation of budgeting, reporting and accounting systems to accommodate decentralisation, and trained accounting personnel at local government level" (EC et al., 2006b, p. 11).

4.3.3 FMIP – II

The FMIP-II project is a follow-up to the first FMIP project, which was funded by the EC and ran from 1999 to 2005. In this first programme the emphasis was placed on the development of tools, such has handbooks, procedures and policies to support the accounting and reporting function in the PFM area. There are two documents that form the basis of the project: the financing agreement, concluded between the EC and RSA and which entered into force on the 15th of June 2006 (EC and RSA, 2006) and the inception report, developed by a consortium of organisations, but coordinated by PKF (UK) LLP and presented to the delegation of the EC in February 2009 (PKF, 2009).

The purpose of the FMIP-II programme, as included in annex 2 to the financing agreement, is aligned with the goals of the first FMIP:

> "The programme will support the strengthening of the government's financial management capacity (in management, standards, human resources and IT) at national, provincial and local level through supporting the implementation of PFMA and MFMA and from there initiate a professionalisation and capacity building process in government financial units at these spheres" (EC and RSA, 2006, p.17)

For the project, seven result areas were identified in the Financing Agreement:

1. Managing Programme Administration and Implementing Diagnostic Studies
2. Developing public finance management policies, standards and procedures
3. Developing human resource capacity and change management in National, provincial and local government
4. Roll-out of improved public finance management in provinces
5. Roll-out of improved public finance management in municipalities

6. Provide support to local and international networking on public finance management reforms (CABRI)
7. Provide support to the Office of the Auditor-General through training programme

These seven result areas were further detailed in a logical framework that was included in the inception report.
The field research that was done for this research report particularly focused on the capacity building aspects of the FMIP-II project and more particularly the inception and formulation phase of these parts of the project plan, which is more of an institutional and process look than an evaluation of the material part of the project.

The project is executed within the structures of the National Treasury (NT) and particularly within the Office of the Accountant General. However, a separate Project Coordination Unit (PMU) with its own resources was established to properly manage the project. In Annex 3 the organisation structure is included and Annex 4 holds the project structure.
The larger part of the project consists of the secondment of external technical assistance consultants to two provinces and four municipalities. The work of these TA consultants is coordinated and supported from the PMU.

4.4 Relevant data from secondary sources

One of the issues discussed in the literature review was the “theory-in-use” where reality on the work floor an organisation is different than presented in official documents. As is know from experience, this is not uncommon with CD projects. Project plan and reality can be far apart. As this research report is about the inception and formation phase of CD interventions, this section holds some data that relate to this phase from the two sources (the financing agreement and the inception report) on which the whole project is built.

4.4.1 The Financing Agreement

The Financing Agreement (EC and RSA, 2006) holds the formal conditions and rules around the financial part of the project. In the annex the technical details, but actually the high level project description is included.

Several issues stand out. These issues as depicted below are important as they describe the way the project is set up. This is relevant to understand the context in which the CD intervention had to take place. Furthermore, the primary data will basically describe the processes and discussions that took place before these documents were completed. The best way to display these issues is a summation.

1. There are two phases in the project: the execution, which must be completed before 31 December 2009 and the closing phase, which must end at 31 December 2011. Considering that the agreement entered into force in June 2006, it was know from the start that the whole project had to be implemented within 42 months.
2. The project is implemented by RSA but “under responsibility of the EC” (article 3.1)
3. All contracts that relate to the implementation need to be signed by both the EC and RSA (represented by NT in this case). Tenders for these contracts are (only) open for contractors established in one of the member states of the EU.
4. Implementation of the project is by the National Treasury through the office of the Accountant General (OAG).
5. Identified stakeholders are: other NT Division, the budget office, the office of intergovernmental relations and the office of the Auditor General. “The programme is designed after extensive consultation with the stakeholders”. The document however fails to specify if there were any more stakeholders than those mentioned.
6. The Project Coordinating Unit will be “attached” to the OAG.
7. A diagnostic survey on PFM has performed and indicates where the gaps are and indicates priorities for intervention.
8. Result area 3 (capacity building) is very focused on training, but also includes the development of a human resource development programme for certain parts of the PFM.

9. Result area 4 (rolling out PFMA to provinces), includes capacity building in the provinces to carry out their own PFM tasks, but also to improve their supervisory role over the municipalities
10. Main indicator for success related to capacity development is progress made in building capacity for PFM activities.
11. Lessons learnt from FMIP-I:
    - the intervention should be based on a proper diagnosis of the national PFM situation and not a “series of ad-hoc measures”
    - the programme should reach all levels of government
    - the reform process should be locally owned and driven
    - Clear monitoring criteria should be established
12. Needs assessment will be performed at provinces. A Technical Assistance consultant will be deployed to support the provincial CFO.
13. Technical expert will also be place in several municipalities which belong to the middle level for as far as their capacity to implement proper PFM is concerned.
14. All necessary technology will be provided by the Project Steering Committee, i.e. not financed from the project budget.
15. The government of RSA will ensure momentum for the project, the availability of adequate staff and the continuous involvement of the relevant stakeholders in the project.
16. The agreement was concluded under the following assumptions relevant for this research report :
    - There will be continuous high level policy support for the project
    - Stakeholders are prepared to participate in the PFM reforms.
    - It will be possible to secure skilled staff to work with the technical assistance on the project
    - All levels of government are able to absorb the support provided under the project
17. Next to these assumptions, several conditions for success were formulated:
    - The reform process is continued beyond the project period
    - No delay on the part of decision makers in the implementation of the project

- Stakeholders are prepared to cooperate and implement project
- The provinces and municipalities do not resist the implementation of the programme

18. Relevant conditions for sustainability:
    - Ownership by beneficiaries
    - Cross-sectoral sustainability (meaning there are many links with other sectors that enforce the sustainability of this project)
    - National policy measures (the implementation of PFM is not casual, there is a legal obligation for all layers of government to have proper PFM)
    - Many different (national) governmental departments are involved, who will ensure that the reforms will continue

4.4.2 The Inception Report

The inception report (PKF, 2009) for this project was prepared by a consultancy company, PKF, established in the United Kingdom. To arrive at this report, PKF made use of several local sub-contractors, among which Wits P&DM. The report

> "sets out the proposed approach to the project activities and identifies the risks and assumptions inherent in the programme. It provides an overview of the work completed to date and presents the project documentation and management procedures that have so far been implemented." (PKF, 2009, p.4)

This report is very much focused on the actual implementation of FMIP-II. Although the implementation as such is not in scope for this research, the report holds some relevant information that sheds light on the inception and formulation phase, i.e. the activities that took place to arrive at the report.

1. The actual activities contained in the Logical Framework have been amended since the financing agreement as a result of extensive stakeholder discussions.
2. The project time frame is only one year instead of the original two years
3. Full assessment of provinces and municipalities has not been performed yet, but is still necessary.

4. Performance outputs will show only progress towards the ideal end state, this final state will not be reached during this project due to the lack of time
5. Original plans and goals (assessed in 2003 when discussion on project started) are not relevant anymore
6. Municipalities and the provinces included in the programme are the weakest.
7. Full list of activities was finalised and approved by Accountant General after wide stakeholder consultation. The report however does not mention which stakeholders. The report gives the impression that only stakeholders within NT were consulted, and that the PSC had an important role.
8. PKF had several assumptions to the inception report, relevant for this research:
    - Provinces and municipalities that are selected are also willing to house a TA consultant
    - The TA receives adequate support from the province or municipality to carry out his tasks
    - Management in selected provinces and municipalities are devoted to improve service delivery and transparency
9. Assessed risks:
    - Absence of necessary skills in provinces and municipalities to implement all activities
    - Lack of necessary human resources overall in municipalities and provinces.
    - Skilled staff not available due to overload with day-to-day operational work
    - High rate of staff turn over
10. PKF did not really present strategies to overcome these risks, other than continuous monitoring of the situation and action when necessary and adjusting planning where necessary.
11. Terms of Reference where drawn up for and in consultation with each TA consultant after a brief orientation. This ToR holds detailed performance information.
12. The TA consultants report weekly to the PMU

13. Detailed job descriptions of the TA consultant are included in the inception report. These descriptions include not only provided technical assistance, but also building relationship, developing work plans, set up coordination between the province or municipality and NT, assist in the formulation of change management strategies, etcetera.
14. All TAs need to start with a baseline study or audit of the province or municipality when they start their work. This baseline study includes: skills, governance structures and PFM policies and procedures (e.g. budgetary, accounting, reporting).
15. In order to build new skills in the municipalities, an internship programme will be set up, in which graduates are trained to perform PFM functions in municipalities. This internship programme is financed from the project.
16. The risks assessed in the Logical Framework generally relate to the absence of staff or a lack of cooperation from municipal council or staff.
17. The MFMA implementation plan – template is included as one of the annexes to the inception report. This is a very interesting document as it represents the view of NT that is used for the implementation of MFMA as such; separate from the FMIP-II. The list holds an overview of organisational functions, policies and processes that need to be in place according to are prescribe by some act or national policy. Many issues start with “ensure that.” or “establish”, without providing an outline how this should be done. A view on the human factor is not included. E.g. 9.1: "Appoint skilled personnel and provide ongoing skills development” (PKF, 2009, p. 144) .This makes the template more a checklist than a plan for organisational change.

4.5. Collection of primary data

The primary data was collected through semi-structured interviews. For the interviews a list of question was prepared and sent to the interviewee. This list is included in annex 2. The interviews itself however were set up like conversations, although the researcher made sure that by the end of the interview all relevant topics had been discussed. The interviews lasted for an average of 60 minutes. With consent of the interviewees the interviews were recorded. These recordings were

later used to put the outcomes down in writing, in the form of answers to the questions. The document containing these outcomes was sent to the interviewees for comment.

4.6 Presentation of Collected data

As mentioned earlier, the list of questions that were used to structure the interviews has been included in annex 2. These questions were grouped into five categories. This grouping aligns with the model (vision – internal – external) presented in figure 10 and is based on the findings in the literature:

1. Formulation phase of the project; the questions were aimed at finding out what happened around the formulation of FMIP-II in general and before or at the start of the projects in the municipalities or provinces
2. Organisation of the province/municipality; as discussed in the conclusion of the literature review, the internal structures, culture, policies and processes of the organisation in which the CD intervention takes place are very important. The questions in this second category were meant to obtain a view on whether the different local governments were prepared properly to fully benefit from the CD intervention that was planned within the realm of FMIP-II.
3. Management; from the literature review it appeared that attitude and skills of management has a big impact on the success of a CD intervention.
4. Environment. Issues like the local political and social situation can have an impact on the effectiveness of the project, or has to be taken into consideration when the project plan is formulated.
5. Other questions.

The presentation of the data will follow these same categories. The questions themselves were either derived from issues discussed in the literature, or from the project documentation discussed in section 4.5. It should be mentioned however that not all questions were relevant for all interviewees, depending on their position. Furthermore, particularly in the interviews at the PMU and with the EU, other subjects were discussed that did not directly link to any of the pre-formulated questions. These subjects are included in the data as they are relevant to the research. For ease of reading, the findings are presented in a summative from, instead of a narrative, although the interview was in a discussion format. It should be

noted that the following subsection only include the data relevant for this research. In section 4.8 and further, this data will be analysed and the outcomes discussed.

4.6.1 Province A

In this subsection the outcome of the interview with Mr. John Dowling, the resident advisor in Province A are described.

A. Formulation phase

When John started in January 2009, the plan of action for the implementation of FMIP-II in Province A still needed to be completed. When this plan was finalised after two months, it differed in details from the inception report and the Terms of Reference that were drawn up earlier. John felt slightly limited by the fact that the inception plan and terms of reference were already completed when he started working. Particularly as support functions like HR and IT could have an important effect on PFM. However, this subjects were not included in the plan of action; hence he did not have the possibility to address this issue in the specific situation of Province A. As a result, the support system that would best enable proper PFM was not available in Province A.

As The FMIP-II resident adviser, he was only allowed to address direct PFM issues. Any other subjects that needed to be addressed, e.g. in HR and other support services, were highlighted as challenges, be there was no room to improve those.

The province had no clear view on its own priorities. Although at the start of the project it was made clear by NT to the province that, although the high level goals of the project were set, there was ample room for the province to add issues or sequence the planned activities to suit their internal priorities, there was no response.

The led John to be doubtful about the ownership of the project from the start. NT tried to get buy-in from Provincial Treasury before project started, but the latter did not make any efforts to find out how to best integrate FMIP-II in the normal operation. The Province saw the project as an add-on to its own activities, rather than an overarching potential improvement of all its activities. It was clear however, that a proper improvement of capacity to increase performance was necessary, as performance in the province was mediocre. Performance targets in the Provincial

Treasury are however not clearly formulated, as a result of which the potential effect of the efforts deployed in FMIP-II could not be clearly conceptualised.
As the FMIP-II project entails a huge change management effort, the resistance to change should have been assessed prior to the start of the project. This did not happen however. Neither was the potential for cooperation to effectively implement the project properly investigated. During the inception phase, no self-assessment took place, nor were people on the work floor included in the formulation of the project of the plan of action for province A.
Impacts were not defined. Outcomes and outputs were not formulated consistently. But more importantly, they did not reflect any progressive performance improvement. Instruments to measure any of those were not developed. As a result, CD as a change instrument was very difficult to plan.
Training was the most widely used instrument in CD, but due to a lack of strategic focus, the yield of the provided training was not clear.
Another problem that John faced was that people on the work floor, the actual focus group of the project, were not aware that an advisor would come, let alone that they knew what he intended to do. It took a lot of time to get them on board before any actual work could be done.
John is convinced that a more hands-on assessment of the situation in Province A before the inception report and the ToR were finalised would have been very useful. This would have enabled proper management of expectations and it would have made clear what could be reasonably achieved. The time frame for the project was set when he started, but it is not clear to John if a proper assessment of time needed was done.

One of the basic assumptions in FMIP-II, that a HR Development plan was available, was not true. The people working in the provincial treasury department are well aware of the breadth of their individual function, but less of the impact of their work on the whole provincial government, let alone the link between the different functions.
When Johan started in the province, he found it peculiar that everybody appeared to be happy with the status quo and did not see any urgency to change. Initiatives (such as FMIP-II) were seen as somewhat unnecessary. John sees several potential causes for this: narrow compliance view on what the treasury function entails (follow

rules instead of proper management), a lack of effective and ongoing Performance Management System and a lack of appreciation by other departments what the role of the treasury should be.

B. The Organisation of Province A.

The province disposes of a basic infrastructure (PCs, office items etc.). John is very happy with that, as to him, that is one of the basics that has to be in order for a project to be implemented properly. Although the basics were there, it was not easy to start the capacity development, particularly as there was no proper skills audit of the people working for the provincial treasury, or any of the provincial departments before the project started.

No assessment of the organisational readiness had taken place, and the Provincial Treasury did not assess any risks or weaknesses in the present organisation prior the start of FMIP-II. However, it was quite clear to John that he province was lagging in its organisational lay out, this is even more surprising if it is considered that the financial management functions evolved in line with the implementation of PFMA; in other words, whenever the act prescribed a function, this function was created, there is no reason for this lagging.

Another difficulty that John encountered was the high mobility of employees. Pay grades are attached to certain functions. It is however difficult to earn more money within the same pay grade, the maximum is achieved quite soon. Hence it there is an implicit monetary reward in changing positions, which happens very often.

There is no conductive environment to give incentives of staff members due to a lack of suitable culture, ineffective Performance Management at managerial level and inability to address capacity constraints. In other words, if management does not know how well staff performs, it is almost impossible to give incentives.

The organisation does not have a clear policy for CD; there is no culture for on-the-job training. This could have a historical reason related to the transition after the end of apartheid, but is also linked to managerial inability.

John is not aware of any no knowledge management system, or any management of knowledge. Human resource development is very weak and not tailor made to the organisation in province A. As Johan has pointed out in the beginning of the interview, this is a serious problem. Within the context of PFMA, the Province needs to decide how to best deploy the resources for proper PF *Management*. It does

however not know how to do that. Managers should be deployed with a broader vision, but the organisation has no development plan to get this type of people.
Province does not have a real strategic plan. PFM is not part of any strategy and priorities were not set. And, as mentioned earlier, John is not supposed to address these issues.
It did not come as a surprise when John told that the Province does not really have a cultural that fosters learning. As an example he mentioned that there would be enough external organisations in the province that could help in setting up a proper PFM system, but any proposal to engage them would be unacceptable. This lack of learning culture has not been addressed or identified when the project started.
Performance Management System does not function. Officially there are performance contracts which include mission and vision, but they are not properly managed. For John this puts the whole Capacity Development plan in jeopardy. It brings on the question:"if you capacitate, for what?" If the planned performance is unknown and the current performance is unknown, it is hard to plan any development intervention. The issue of a PMS was not addressed before the project was started.

C. Management

Capacity Development in the field of Management would be very useful. John advocates the introduction of a new type of managers, which are needed as the role of a province in PFM is changing. Before the PFMA, all rules and regulations were written from a central control perspective, CD was aimed at teach people "the trick". In the PFMA, provinces themselves are responsible to choose the appropriate way of PFM in their specific circumstances. Currently, Management in the province is not able to do that. John only found out after he started, as there was no assessment of managerial skills and style prior to his arrival.
As there is no information on current level of performance in the organisation, management is not able to properly conceptualise the effect of any new proposal.
There is a hierarchical, not a functional approach in the organisation. Only managers can take decisions, in their absence no decision is taken.
There is a huge management cadre, but only top management manages the organisation, all other levels just wait for a higher level to tell them what to do.

D. Environment

There was never any attempt to make a situational analysis of the PFM function in the province. John sees this as one of the critical issues and its neglect is one of the reasons for underperformance. John further sees the fact that all departments in the province are linked has been under appreciated.

Political support in the province is not really effective, as most MECs don't understand the function of the treasury. The MEC for finance should have a special position, but this is not the case. Most decisions –also regarding PFM- are taken by majority and not by the MEC for finance. This is not helpful in improving the PFM function.

E. Other

The CD strategy that was mentioned in the inception report has never been developed; neither for the provincial government as a whole, nor for the people working for it individually.

In order to achieve at least some results in the project, the scope has been narrowed down already from the original log frame as included in the inception report. Two reasons: time and the fact that management in the province has much lower abilities than anticipated and even too low to implement the whole plan. John wished this assessment had been done before the project started and the approach adjusted accordingly.

In every interview the last question was: "if you had been in charge of the formulation of the project, what would you have done differently?"

John indicated that he would have taken a longer lead time, make a profile of what the ideal situation for the province should look like, but also of the existing situation, compared to that ideal. He would have involved national key experts in the field to judge the project plans before implementation started.

4.6.2 Province B

In this subsection the outcomes of the interview with Mr. Phillip Legoabe, the resident advisor in Province B are described.

A. Formulation phase

The focus of FMIP-II in Province B is on PFM. The project, just like in province A, is not looking at other issues outside this subject. Phillip considers this to be a large deficiency in the project. He uses HR development as an example. FMIP-II will have a huge impact on this issue, but HR development is currently virtually non-existent in Province B. Only some managers use the development plans, but there is hardly any follow-up. As there was no real involvement from the Province with NT when the project was developed, these issues were not properly addressed in the identification phase.

A lot of time went by between the original set-up of the FMIP-II and the actual start; hence the province claimed that all issues mentioned in the inception report were already dealt with by the province itself. As a result, the province proposed a separate ToR, but the subjects in the ToR were too distant from the FMIP-II principles.

The project started therefore with a conflict, where the province said that they did not need an adviser.

According to Phillip‘s opinion, the Province should have been involved much earlier with the project, this would have prevented much discussion and time loss and made his task easier. The discussion between NT and the province ended by adding some issues to the original plan. After this agreement, Phillip could start, but with three to four months lost in the project period, which is already short.

Ownership was not officially established, but grew during the implementation when CFO started to realise the benefits of FMIP-II and he became more involved and responsible.

There was a lot of resistance, particularly from top-management. They believed that with the full structure in place the existing organisation would be able to handle all requirements from PFMA. This resistance found its root cause in fear by top management that the Phillip would replace them. It took a lot of convincing and communication to make clear them that he is only there to support them.

The impact of FMIP-II on province B specifically is not really defined. The outcomes of the project can only be measured in progress towards an improved PFM due to short project period.

Currently there is a big discussion about the goals of treasury. MEC thinks that it should be “prosperity for everybody in Province B”, but management disagrees. For

FMIP-II this is an important discussion, as it relates directly to the vision and strategy of the PFM functionality and therefore with the capacity that should be built. Phillip follows this discussion closely and the impact this will have on his work. In the project plan, no attention is paid in project plan to issues such as management skills and other issues not directly related to the PFM.

The time allocated to the project was not enough. The original number of results areas was cut back from eight to three to ensure at least some yield from the project. When Phillip started, it was assumed that there would be enough people in the provincial treasury to do the work, and the adviser only needed to assist where necessary. But this assumption quickly appeared to be false as these people and the necessary skills were not available at the start of the project. As a result, Phillip's role changed from mere oversight to being actually involved in the day-to-day operation. Although he has no problems with this changed role, it is not a good development for the project, as the sustainability will be a big issue.

B. Organisation of Province B.

Phillip explains that there is no incentive or motivation scheme in place for staff, nor is there a properly implemented PMS. The organisation does not properly manage the available knowledge; there are no depositories of information, and also no culture of sharing knowledge or information.

After a while, Phillip noticed that there is only very limited sharing of tacit knowledge through on-the-job training. This has to do with the general attitude with organisation's management that "if someone is employed in a certain position, it means that he is qualified to do the job and does not need to learn more".

Phillip was amazed when he first heard this. It is no surprise that Province B does not foster learning. People who don't perform are isolated. The organisation lacks a coaching or mentoring culture.

Another setback for Phillip is a lack of (financial) resources for Capacity Development. The province has its own training institution that looks after the training needs of the province. This institute lacks resources and could only provide one training in 2009. Departments don't have their own budget for training, but has to use this training institution. In principle, all FMIP-II training would have to be financed from that budget too. To Phillip's satisfaction, it was finally decided that there would be a separate training budget for Province B, .financed from the FMIP-II budget.

Officially, the province has objectives to which performance indicators are linked and FMIP-II is linked to these indicators. But there is no culture of having regular project progress meetings. Phillip has introduced these meetings to ensure some alignment. This seems to yield positive results in the sense that people start to feel more involved with other departments. Furthermore, Phillip has tried to tie in the project work with the staff's day-to-day work to avoid overstretching.

C. Management

The same as in province A, no assessment of leadership or management styles took place before the start of the project. Through observations, Phillip got a good idea on the existing style; the organisation is very hierarchical and directive and his conclusion is that management skills should be part of the Capacity Development programme.

Currently, managers are not trained, as they too are supposed to have all necessary qualification to manage properly. People that appear not to be qualified are isolated, and not supported, let alone trained.

D. Environment

Before the project started, no situational analysis was performed. Phillip regrets this, as this lead to a very narrow focus. Political support is coming from the MEC for Finance, but only indirectly. Fortunately, Phillip is member of the executive management committee, which enables him to understand the whole organisation and make links where possible.

E. Other

The province has not developed a CD strategy. Until now, Phillip has not been able to do this either. This task is too huge for only one adviser; it would require many separate activities and specific knowledge and experience.

Phillip's final remark was that if it had been up to him, he would have involved the managers of the provincial departments in a much earlier stage of the project formulation.

4.6.3 Y Municipality

In this subsection the outcomes of the interview with Mr. Caspar Mbata, the resident advisor in Y Municipality are described.

A. Formulation phase

The project was discussed with Y Municipality before Caspar started his work; the municipality however did not have a say in hiring him. The NT required a municipal council decision before the preparations for the project could start.

After this council decision was taken, a meeting took place between NT and the mayor and senior management. Ownership was established by making the municipal manager responsible for the implementation of the council decision to participate in FMIP-II. Meetings were held with other top management to get them on board,

Caspar explained that in principle the project is implemented from the office of the CFO, but where and when necessary the project will move on to officials in other departments who deal with the budget process. Caspar can address all issues from planning to reporting and audits, but has to be very sensitive sometimes and most definitely has to stay away from politics.

Resistance at first instance was related to fear that Caspar came to take over a permanent position. When it was made clear that this is not the case, the resistance gradually became less. Although Caspar does not doubt the good intentions of the municipal council, he did mention that the NT used the “Finance Management Grant” as a carrot to get the municipality to join the project. This conditional grant is outcome-based and these outcomes relate to the objectives of the FMIP-II project. In other words, if X Municipality did not cooperate they receive less money.

B. Organisation

The initial (baseline) assessment that was done before the project started included issues such as the levels of competency of the staff, availability of other resources.

The initial assessment did not include the attitude towards Organisational development, composition of the workforce, current staff motivators, readiness for change and the attitudes of stakeholders. Caspar had to find the latter out during the implementation.

On-the-job training and “normal” training are the most important learning methods. Next to that, a special intern programme was introduced to build the necessary capacity. This intern programme is an integral part of FMIP-II to build the necessary and potentially sustainable extra capacity in the municipalities. Caspar is less positive about the managerial tools; no knowledge management system is available and no HR development strategy is developed. And although some training is done, X Municipality does not have a real learning culture. This has a negative impact on the sustainability and the quality of the outcomes of the project. A good thing however is that PFM is part of the municipal strategy, this means that all departments need to take the principles of PFM into account.

C. Management

There was no assessment of the leadership and management styles before the project started.

D. Environment

No situational or environmental analysis was done before the project started. Caspar does it along the way, he finds that not ideal. Political support was not assessed.
Caspar finds it unfortunate that no attention will be paid to changing the relevant internal environment such as management skills, organisation development etcetera.

E. Other

It is Caspar’s firm belief that the goals as envisaged in the inception report can be attained, but not within the project period. Such a major change needs at least three to five years.

On the final question, Caspar answered that if he had been in charge of the formulation of the project, he would have done an environmental scan to determine the readiness of the municipal organisation and have them allocate people with appropriate skills before the project had started. Unfortunately this was not done.

4.6.4 Z Municipality

In this subsection the outcome of the interview with Mr. Neketu Malatji, the resident advisor in Y Municipality are described. During the interview it appeared that Y Municipality is so small that many of the questions were not relevant, in the sense that there are no funds, nor staff to e.g. implement and maintain large IT systems and Performance Management systems.

In the preparatory stages, the CFO, Mayor and Mayoral committee were involved in identifying the bottlenecks for proper PFM. However, the competency of existing staff was not assessed. At that start of the project, Neketu clearly saw no determination with the staff to do a good job. Over time he learnt that this had to do with de-motivation which resulted from a lack of leadership and the absence of clear tasks.

Until a few years ago, the District municipality's IT system was used to support the PFM, but Z Municipality decided to acquire its own. This was badly implemented, as a result of which, there is actually no IT infrastructure at present. Most processes in the finance department were done manually when Neketu started his work as a adviser.

Another problem has was confronted with, was the fact that there is a number of vacancies in het finance department. For a small municipality it is difficult to attract and retain skilled staff. This shortage has had a negative effect on quality and accountability.

Neketu sees many difficulties in the implementation of a full PFM. On the other hand, the budget is so small that many requirements of MFMA do not really apply for Z municipality. A very positive outcome of the project thus far is that the management style of the CFO is changing. Where he was at a distance first, he is now more involved.

The municipality did not have a strategic plan at the start of the project. However, Neketu assisted the municipality to develop such. This had a huge positive effect on the motivation of the staff, as it gave them a sense of purpose and direction in their day-to-day work. Neketu is certain that the revised project plan with a lower ambitions will be attained

If Neketu would have been in charge of the formulation of the project, he would have focused more on the development of the existing staff. At the moment, the existing

staff feels neglected, as most attention is paid to internship programme. The interns get all kinds of training, existing staff none. Particularly as the current staff needs to mentor the interns, they are very reluctant to support this programme.

4.6.5 The PMU

4.6.5.1 The Capacity Development Officer

This subsection reflects the outcome of the interview with Ms. Catherine Shilubana, the Capacity Development Officer within the PMU.

A. Formulation

Catherine started the interview with some clear points. To her opinion, there was no proper assessment of the situation before the project was signed off with the EC. Furthermore, the provinces and municipalities should have been involved more in these discussions and finally, particularly the people on the ground that will be affected most should have been involved from the beginning. This all did not happen and had clear negative effects on the output and outcomes thus far.

Another issue lacked in the preparation phase was involvement at the proper levels. The project was designed top down, which many times in NT appears not to be what the people on the ground want. Catherine has the impression that is also the case with FMIP-II.

As discussed earlier, halfway through FMIP-II, several projects have been scaled down and the programme has been extended. This was necessary as it was clear that the original goals were too ambitious and needed to become more realistic. To Catherine's opinion however, this could have been prevented through proper assessments and communication from the beginning of the inception and formulation phase. Many of the issues that have emerged during the implementation phase could have been know from the start and appropriate measures could and should have been taken. She describes the start of the project as "fire fighting". The PMU was established very late and had to deliver all project documents within a few months. The feeling was "let's sign the documents and we will amend later". This is not the correct way to properly start a project. The EC was concerned about all these amendments, but all amendments to the Logical Framework were still covered by the original financing agreement, as this was formulated very broadly. What made it all

extra complicated was that all provinces and municipalities have to be approached differently; hence each had to formulate an action plan specific for his province or municipality. These plans are the actual backbone of FMIP-II, but in practice, this task however was too big for one person.

Catherine also explained the choice of provinces and municipalities that were included in the project. Although real assessment was not done, the MFMA implementation unit within NT advised on which province or municipality could use assistance in implementation of proper PFM system. The focus was on the weakest provinces and municipalities. In the future, all lower levels over government will receive the same support, but for that they need to be at the same starting position. FMIP-II is meant to provide this position.

B. Organisation

In none of the organisations, there was a real assessment of knowledge management. The Advisers are deemed to introduce procedures that will help local staff to continue to do things in an improved way. The improved knowledge should be included herein. Next to that, all lower levels of government are encouraged not to work in isolation and to try establishing and maintaining good relationships with other provinces of municipalities that deal with the same issues and to share solutions.

An underpinning HR strategy that should support the capacity built through FMIP-II. is not developed in any of the departments. E.g. in many cases job descriptions form the basis of the performance review, but are at the same time very outdated. In order to improve that and give management tools to increase the level of performance it has been advised to introduce key result areas in performance agreements. Catherine is a big supporter of this approach, however, not all provinces and municipalities even have performance agreements in place.

To make it more complicated, talent and people development is not known in the provinces and municipalities. One of the reasons is that all provinces and municipalities lack skilled people and do not have a person dealing with these issues on a daily basis.

Catherine sees this as a great deficiency in the project, and one that should have been addressed before the start of FMIP-II.

C. Management

Catherine describes that leadership and management in provinces and municipalities is more political than in NT. There is always a risk that a project will not succeed due to a lack of consultation, in the sense the people show resistance when they are not properly involved. Another reality the project had to deal with in the formulation phase was that qualifications and skills are not always the most important reason to appoint a person in a certain position.

In provinces, many managers are political appointees will just implement decisions that are taken at the ANC conference. This makes it, according to Catherine, an even bigger challenge to find skilled people. Managers often lack skills and experience, and are therefore afraid for people from outside.

D. Environment

When the advisers started, it soon appeared that the logical framework in the inception report was different from reality, so they had to do their own baseline study. For Catherine and many other people, this was not a surprise. As she mentioned in the beginning of the interview, the Logical Framework was designed “from behind a desk” without any proper assessment of reality.

The solution was to amend the Logical Framework to enable the advisers to focus on just a few issues and reach better results.

Many rapid changes in political positions in the provinces and municipalities made it difficult to get firm decisions. In practice it had happened that people that worked closely with the advisors and were successful were removed from the project because he was too critical. Even CFOs in the project were removed for uncovering corruption.

E. Other

Within NT, training is the only CD tool. Catherine would like to change this, but anything else than training is difficult to realise.

Replacing managers or up-skilling them is a delicate issue for NT and the advisers to address. Next to that, currently many managers are removed from their positions in a attempt to root out corruption and to improve service delivery. Catherine sees this as a potential problem however, as there is no proper replacement. As a result, many

managers in provincial or municipal financial departments are not properly qualified or lack financial skills.

Catherine is reasonably confident about the sustainability of the outcomes that will be realised (although less than originally planned). The MFMA implementation unit in NT will take over the structure built within FMIP-II once the project has ended in order to ensure sustainability of the results. This will force the provinces and municipalities not to fall back in old habits.

Catherine is still reasonably positive about the intern program in the municipality. She describes that it was designed to ensure sustainability. However, the biggest problem remains to find enough skilled people to man all position that are created in the new structures.

A positive side-effect of the current political attention for service delivery is that managers in municipalities feel forced to work with NT, otherwise they will run into problems with the ANC.

And finally, if Catherine would have been in charge of the project formulation she would have changed two things:

1. She would have reached an agreement with the EC to drastically minimise the paperwork and formal procedures in the project, as to change even a little thing takes a lot of time;
2. The PMU would have been established from the moment the finance agreement was signed;
3. The PMU would have been involved in doing the assessments to make the Logical Framework; and
4. The Logical Framework would not have been formulated based on paperwork alone, there would have been engagement with reality and consultations with the right people.

4.6.5.2 The Programme Director

This section reflects the outcomes of the interview with Mr. Schalk Human, the programme director for FMIP-II. This interview was less focused on the specific provinces and municipalities, but more on the high level discussions that took place leading up to the formulation of FMIP-II.

With the promulgation of PFMA, the backbone of the financial management system of the government of South Africa was established. Proper PFM is essential for the implementation of all policies. Schalk explained that from the beginning it was clear that it would take at least eight to ten years to implement PFMA and MFMA properly. As in more cases in the South African government there is a large discrepancy, PFMA is a very modern legislation, but there is only 3rd world implementation available. It was therefore clear that without external assistance, the implementation would never be successful. The fact that the EC finances the FMIP-II project gives NT access to international expertise. As South Africa came from an isolation period, it had limited access to international bodies.

The agreement with the EC was therefore not about the money. Money is in principle available in treasury; there are however only a few people who can really innovate PFM.

The assistance is very necessary, as the level of compliance in provinces and municipalities is very low. The Auditor General uses a very high yardstick in his audits. This is a result from the fact that all guidelines and procedures have been written in a “first world” style.

As the compliance and skills level of the lower tiers of government are low, the approach of the government has always been to phase PFMA in. Each part of the legislation has been phased in after promulgation, e.g. GRAP in 5 years, Competency standards in 7 years.

Schalk emphasizes however that it is a firm policy that there will be no compromise on standards, for instance, there will be no separate, lower set of standards for smaller municipalities. Many of those low-capacity municipalities are in that disadvantaged position because of the legacy of apartheid. From a political perspective it would be unacceptable to treat them differently. It would send signals that people in these municipalities are second rate and need different standards on e.g. transparency and accountability. Legislation does however provide options to restrict powers and responsibilities and functions based on size of the municipality, e.g. to borrow money. It also allows for different systems. This means that the CD approach should be differentiated too. Schalk explained that the principle underlying

the design of PMFA/MFMA and therefore of FMIP-II was that if a municipality has to perform a certain function, the standards are the same irrespective of the size of the municipality. The way these standards are implemented however can differ for each municipality, depending on the individual circumstances.

Contrary to other interventions, such as the MFTAP programme from the World Bank, FMIP-II was meant to function as a catalyst to pull the low-capacity municipalities forward; this was the reason why there was focus on the lowest-capacitated municipalities. At the same time, this was a very important decision for the CD activities included in FMIP-II, as this meant that the as-is situation was not favorable for such an intervention.

Donor coordination is another issue that Schalk finds very important. He tried to establish a regular meeting to that extent with the EC, World Bank, GTZ and SIDA but it never worked. By the time the participants were invited, all, except for the EC, stopped their involvement in PFM. Earlier donor coordination, at least to Schalk's opinion, could have improved the effectiveness of the money spent on the subject of PFM.

When Schalk started talking about the beginning of FMIP-II, he described that it was known from the beginning that consultation process, particularly with the provinces, would risky. There was a consultative process with municipalities in which the NT sold the project to the municipality. NT indicated that funding was available, but municipalities knew that if they would not take it, it would be very easy for NT to find another municipality. At the same time the requirements in respect of PFM from NT to the lower tiers of government would remain the same. In other words: with or without the help, the output in the end needed to be the same. Nevertheless it took a long time to get buy-in.

Schalk is convinced that ownership and political support are important. This was achieved by requiring a full council resolution as a condition to start the project. Next to that a steering committee would needed to be established, consisting of the municipal manager, the CFO and the department heads to govern the project.

The provinces are more political. In order to get the buy-in, high level NT officials went to province to offer the project. After the principle of participation was agreed,

the details were discussed, particularly around responsibilities. If all this was not enough, the elections in April 2009 complicated matters in provinces, as new MEC were appointed.

Schalk experienced that a new MEC means new priorities and all available resources had to work on “picking the low hanging fruit” to allow the MEC to yield quick results. Hence fewer resources (people and money) were involved with the project.

On the issue of management development, Schalk explained that this was one of the major issues that were discussed. He found however that what was agreed in committees not necessarily happened in practice.

For instance, nobody in management meetings was opposed to change. But in practice that agreement did not show.

To his opinion, at management level, vision and mission are reasonably formulated in each of the provinces and municipalities, but the second step of organizing resources to implement the vision was a problem. One thing that did not help either was the HR situation; the provinces have a legacy of un-skilled people that used to work for the governments of the former homelands. These people had to be absorbed in the new provincial departments before any recruitment could take place. But they were hardly capable to do anything.

To their defense, Schalk explained that provinces have an overwhelming task. They have to try to do everything at the same time. As a result, reform is not properly mapped out. Goals are related to elections rather than the real needs of the organisation. Hence, a strategic vision has only 5 year goals, but effectively only two years to really do something. Long term planning is necessary however, with a holistic approach on legislation, system, administration and capacity and off course PFM.

According to Schalk, it is important to understand the differences between the current PFMA and MFMA, which are principle based, and the old acts, which was rule based. The latter basically lead to blind compliance. The new act leaves it to local managers to decide was the most practical way to implement these principals

within the specific circumstances of the municipality or province. This requires a new type of managers.

There are a few issues that were not addressed, some of them due to time constraints. For instance, FMIP-II only focuses on the provincial and municipal treasury, but all departments in these organisations have the same problems, which should also be looked at. The Project however could initially not be extended due to internal EC procedures. It has been extended now.

Schalk is also of the opinion that the linkages between systems and reforms are not strong enough in the organisations that are part of the project; he mentioned IT, knowledge management, the mayors' handbook and the absence of standard procedures.

It is therefore important that systems are in place before the adviser leaves. The project should have been combined with a proper HR strategy, where provinces and municipalities would get rid of people that will never add any value.

All these issues and learning moments will be taken into consideration during the design of FMIP-III, of which the main theme will be Capacity Development.

For Schalk, one thing has become clearer still: CD is not about technical issues, is has to do with behavioral, attitude issues. A holistic approach is necessary to have real success. People can be taught technical skills, but without the will and the passion there will be no good outcomes.

Schalk had two remarks on the final question. If he would have been in charge of the project formulation, two things had been different. Firstly, the project period would have been longer and secondly, he would not have allocated only one adviser to each province or municipality. He finds it unrealistic to expect that one person can perform all tasks. It would have been better to deploy one long term resident adviser who supported by several short term experts for specific subjects.

4.6.6 The Delegation of the European Commission

In this section the outcomes of the interview with Gerhard Pienaar, the policy officer in the EC delegation responsible for FMIP-II. This interview, just like the interview with the programme director was more on the discussions and issues surrounding the formulation of FMIP-II than on the specifics of each province or municipality.

Gerhard started off with an explanation of the origin of the project. The subject of PFM is part of country strategy paper. The last version of this paper, which is concluded between the South African government, the EC and all member states dates from 2007. In the multi annual plan which is based on this strategy paper, the key objectives of the relationship between South Africa and the European countries are included, amongst which good governance. FMIP-II fits in this latter objective.

PFM as a subject was brought to the table during discussions between EC and NT. The subject was not pushed by the EC, although in general, the EC is a big supporter of proper PFM in developing countries; this discussion led to FMIP-I, which was a more technical programme aimed at developing guidelines and internal systems. The FMIP II is the follow up of FMIP I, but with a different focus; FMIP-II needs to include more CD in the lower tiers of government.

During the discussions on the follow up of FMIP-I, many issues were added to the plan, but not really in the same type of work, e.g. CABRI. As a result, these issues are lagging, due to a lack of attention. Basically they should never have been added. During this discussion and later in the project formulation phase, the technical issues and priorities were driven by NT, not by the EC. This is in line with the principals of the Paris Declaration.

Gerhard highlights the fact that the CD policy in RSA had always been quite vague. In general, the South African government welcomes technical assistance but does not want the EC (or any other donor) to interfere with or discuss about policy. So, even if the EC had desired to influence the PFM policy, the South African counterparts would not have allowed that.

Gerhard explains that the EC had implemented a new rule in EC, “T + 3” meaning that contracting for a project needs to start within three years after the finance

agreement has been signed. Smaller projects, such as FMIP-II are potentially easier to implement and start doing the contracting. For that reason, the EC at that time was interested to finance FMIP-II, although it is a much smaller project than the usual projects the EC would fund. Next to that, at the time (2004/5), the delegation decided to better focus on smaller projects to get value for money. EC has moved past that now and focuses on budget support.

Gerhard felt that the start of the project and the formulation after the finance agreement had been concluded did not happen smoothly, the design phase was very hectic. To prevent too much delay and discussion, the Logical Framework as included in the finance agreement was very broad to ensure that this agreement would be signed. In the preparation phase for this logical framework, political and management issues were not really discussed.

After the finance agreement was signed, it took two years to get started. Gerhard tells about the huge turnaround on program directors.

At first somebody in the office of the Account General, this did not work as he was too overloaded with work. Furthermore there was a huge delay in the signing of the initial financing agreement, 7 months which are deducted from T-3, effectively shortening the project by 7 months even before the implementation started. The FMIP-I Project steering committee was not functioning anymore, although it was agreed that this steering committee would continue to operate for FMIP-II. Other issues that Gerhard picked up at that time, was that internal stakeholders were not really interested in the project. E.g. at the MFMA unit, the World Bank ran a program, EC money was not their first priority.

In order to formulate the international tender for the technical assistance, a diagnostic study was conducted. This should have been followed by an environmental scan. Because of the delay, this study stayed at a very strategic level and did not go down to the provinces or municipalities.

Gerhard is clear on the lessons learned for the EC: it is good to support TA, but it must be for a longer period; the provided TA must be much more focused; the formulation phase should start with an environmental scan, as this allows the real problems to be clear from the start.

These lessons are important, as to Gerhard's view, also in budget support in future; institutional capacity is one of the key areas that must be in order. If the EU as a donor is not happy with the way issues as accountability are arranged, funds will only be made available after some kind of TA program has assisted in reorganizing the municipality or province or other organization that would receive the budget support. And although development assistance is always in the spirit of cooperation, not prescribing, institutional capacity has to present before a project can start and PFM will always be one of the institutional issues that has to be in order.

Although, as discussed earlier in the interview, it is not the EC's role to formulate policy, the absence of HR development in pilot sites is a big concern for the EC. Next to this is the absence of proper infrastructure another big worry. For instance, at municipality Z offices still had to be erected before any PFM CD could occur. These types of costs are not really supposed to be financed from the grant.

Some other issues that worry Gerhard are the big loss of institutional memory due to political situation, particularly the fact that councilors are replaced quite often. Another problem for small municipalities is to retain skilled people; salaries in the cities are higher. Both these issues have a negative impact on the sustainability. Gerhard therefore holds the opinion that if programs in provinces and municipalities are not geared at very quickly transferring skills and sustain them, there will be a fall back. This has also happened with the World Bank program.

On the support to the weakest municipalities Gerhard has some doubts. A weak municipality means more work, where only improvement can be measured and just basic principles can be introduced. From a baseline of zero, which is more or less the case, this means a really big improvement, but the long term sustainability is questionable. Most of the time the necessary infrastructure and resources are not available. The EC is generally not interested in funding that. Furthermore, the infrastructure budget (e.g.IT) in FMIP II was too small to do that properly anyway.

Gerhard thinks that some goals will be met, but not all of them due e.g. to the late start. For the provinces and the municipalities, there will be some impact, but not what had been planned. Gerhard finds this very unfortunate, as PFM is very essential for general budget support in all sectors of government.

It is clear to Gerhard that the time period for the project was chosen more based on internal procedures that on what the project would ideally need. A six to twelve months preparation period would have been better. This is one of the lessons learned for the EC.

	Trend
Formulation	- Preparation was to shallow - Project period was too short - Smaller municipalities not capable to fully benefit from the technical assistance - Narrow focus on PFM technical issues, not support functions - People on work floor generally not aware of project - Project developed top down, from behind a desk, without any engagement with people most affected by project - Much time lost in defining exact scope of project in prov/mun and role of the adviser - Initial resistance was underestimated - Ownership established formally by making CFOs and municipal managers responsible - Inception report put in place quite hastily - LogFrame very broad to get finance agreement signed - It took a long time to establish the PMU
Organisation	- In general no strategic vision, no link between vision and performance in provinces and municipalities - no real HR development policy in Provinces and municipalities - no real operational PMS in Provinces and municipalities - No knowledge management - No learning culture or approach - Many difficulties in getting and retaining skilled staff - HR strategy should have been addressed - Infrastructure not always available to support the project. - No clear performance planning in prov/mun - Training is only CD-tool used - Internship program also counterproductive - Political appointees negative influence on quality of available staff
Management	- Management skills not part of the project, - PFM need different types of managers - Currently management style generally hierarchical Managers feel political pressure to cooperate, hence not always voluntarily
Environment	- No real environmental scan - There was stakeholder engagement, but generally it was too late - Political support and ownership changed as people changed for different reasons
Other	- PFM very important issue for government. International expertise necessary to implement - Standards for PFM the same for all provinces and municipalities. Systems to support this developed according to specific local circumstances - Project roles between EC as the donor and NT as the partner are in line with the principles of the Paris declaration. - Lessons learned for EC: Technical assistance is only effective if it is focused and continued for a longer period. All discussions on a project should start with an environmental scan.

Table 1 Overview of trends in primary data

There are several issues that Gerhard would have done differently, if he had been included in the discussions on FMIP-II during the formulation phase:

- He would have started with project earlier, basically two years were wasted;
- He would have organised everything before signing the finance agreement, e.g. doing the environmental scan to really focus the implementation immediately after the finance agreement was signed;
- The scope of the CD intervention would have been broader;
- The EC and NT should have played a much more visible role in provinces and municipalities and building relationships before the TA came in;
- There would have been much more donor coordination

4.6.7 Combining all primary data

From the seven interviews that provided the primary data for this research report, several trends or communalities can be deduced. Table 1 shows these trends.

4.7 Discussion of FMIP-II

In this chapter both primary and secondary data on the FMIP-II project were presented. In this section, these two data sets are joined to present a conclusion on the FMIP-II project.

However, this conclusion is not an evaluation of the project, it just focuses on the inception and formulation phase of the project and does not discuss the effectiveness of the implementation, although during the research and the interviews it became clear that many things have been done and many good developments have happened.

The relationship between the EC as a donor and NT as the local partner is good. PFM is considered to be an important subject by both parties. For that reason it takes a prominent position in the country strategy paper. The subject also features in the Paris Declaration and is generally seen as an important condition from proper development in a country. The national basis in South Africa for sound PFM is there, the legislative framework belongs to the best in the world. Here also lays one of the issues that make implementation of these PFM rules and regulations difficult. South

Africa does not dispose of many expert in the field of PFM, particularly not the with regards to the principles that have been laid down in legislation such as PFMA and MFMA. In order to support the implementation of these systems, the country needs external, international help. The access to this international assistance is the main reason for FMIP-II project, not the funding. Two projects happened; one by sponsored by the World Bank which focused on implementation of MFMA in bigger municipalities and the metros. A second project, FMIP-I, was funded by the EU and was geared at developing all necessary tools in the form of policies, procedures, handbooks etcetera, which could be used by the lower tiers in government to comply with the new act. By 2005 both this projects ended, but more assistance was needed, particularly for the middle and lesser capacitated municipalities and provinces. For this reason, FMIP-II was started. Originally aimed at the middle municipalities, but in the end the municipalities and provinces that scored the worse were chosen for the project. The idea behind that was that in order for the NT to be able to assist all municipalities in the same way in the future, they all should be brought more or less to the same level.

To start the project, the NT and EC negotiated on the terms of a finance agreement. EC rules dictate that from the moment this finance agreement has been signed, the project must be implemented within three years. This was the first big problem for FMIP-II. At first, it took the NT seven months to sign the finance agreement. After that, it was very difficult to find the right structure for the PMU and to appoint the right programme manager. Must time was lost. When the inception plan of the project was finalised, there were only 14 months left to implement the whole project. The essence of the project was to place resident advisers in the finance departments of two provinces and four municipalities. These advisers would assist the local staff in properly implementing the necessary tool, procedures and processes to properly implement PFMA and MFMA.

The content of the project was included -at a high level- in the finance agreement. The inception report which was finished by the time the PMU was established included a more detailed Logical Framework, which was written very broadly and at a higher level, to allow the advisers to make their own action plan.

This inception report was written without real engagement with the staff on the work floor in the different provinces and municipalities and did not really reflect reality. This is seen as one of the weaknesses of this project. Furthermore, the inception

report basically only discusses the desired end state of the PFM function. Because of this narrow focus, other issues, such as HR development, management skills and other environmental issues were not in scope for this project.

By the time the project, or actually the collective of six sub-projects (each adviser had written a separate plan of action for his province or municipality), started, less than one year was left. This lead immediately to a toning down of the ambitions and goals of the FMIP-II project. Most clearly this can be seen in the fact that the outcomes were not formulated in “reaching a certain goal”, but as “having progress towards”. Furthermore, the adviser realised that particularly the support functions were in a very bad state, but they could not deal with those issues as that was outside their ToR. This is generally considered as another weakness of this project.

Ownership of the project for the different municipalities and provinces was established in a formal way, but it is questionable if these lower levels of government really felt that they owned the project. Firstly, they had not really been involved in the formulation and inception phase. Many of the issues that would need to be addressed in the project were therefore decided without their consultation. Furthermore it is really the question if they were in any position to refuse the intervention proposed by NT. The principles for PFM are prescribed by the national government, so the provinces and municipalities had to implement them in any case. Secondly, there is a big focus on service delivery at the moment and both politicians and civil servants are held personally accountable for the level and quality of service delivery, both by the national government and the ANC. Any qualified audit from the Auditor General for a province or municipality that did not want to participate in FMIP-II would undoubtedly be dealt with severely. Within this context it is doubtful if there was real ownership and at the same time it is clear that the existing circumstances were not the ideal starting position for the advisers.

The picture that emerged from the interviews and the studying of the relevant documentation is that FMIP-II in itself is a very useful project. However, the ambitions were too high for the time allocated.

This view is supported by the team that did the Mid Term Review of the project (Pohl Consulting, 2009, p.54):

> “The team considers that the original FMIP II design was over-ambitious and that it would be extremely difficult to achieve the desired impact within the scheduled

implementation period and with the proposed level of advisory inputs and complementary resources."

Next to that, in the inception and formulation phase, too much attention was paid to the technical implementation of the PFMA and MFMA (the "what") and less to the "how" of capacity development. Training is seen as the most important tool and there was not assessment of any kind of the abilities of the organisations to learn, or even if there was a culture that would support such a technical assistance programme.

Finally, although it became clear during the research how the sustainability of the outcomes of the project is obtained (by maintaining the infrastructure with NT and by formulating FMIP-III), this was not clear from the inception and formulation phase. It is only implicitly part of the project. Generally it is assumed that once processes and procedures are introduced and implemented, which improve the level of the organisation, this means that the outcomes are sustainable. This is a very instrumental view on capacity development, which completely negates the human element in the organisation. Particularly as it was mentioned several times that it is very difficult to retain staff after they have been thoroughly trained, this is a very important issue.

Chapter 5
General Analysis

5.1 Introduction

In chapters three and four all relevant data has been presented. Chapter three holds the literature which is the source of secondary data in this research. In the conclusion to this chapter a model of issues that should be addressed in the inception and formulation phase of a capacity development intervention was presented. Chapter four describes the field research that has taken place and gives trends that were discovered in the interviews and the relevant documents on the FMIP-II project.

In this fifth chapter, these two conclusions: the model and the trends are brought together and analysed. This analysis has two purposes:

- to find legitimacy for (part of) the theoretical model. This model is based on theories on four different subjects, but that does not mean that in practice this model would be successful.
- To form an opinion on the potential sustainability of the FMIP-II program. As discussed earlier, a proper inception and formulation phase does not guarantee proper implementation; it can only make sure that a CD intervention has a proper start.

These two purposes combined basically means that in this analysis the most important question is if for the FMIP-II project the same issues were addressed as mentioned in model and if they were not, whether that had a negative impact on the implementation and outcomes of the project, to the extent that can already be assessed, considering that the project is still ongoing. If the answer is “yes” that proves that the particular issue is important for a proper inception and formulation phase and a point of improvement for FMIP-II and a consideration for FMIP-III. If the answer is “no” that means that in this case the issue was not essential which makes the issue situational dependent.

5.2 Combining theoretical model and findings from empirical research.

The model in figure 10 depicts an integrated approach of three categories of issues: vision, the organisation internally and the external context. For this analysis, the focus will be on whether the inception and formulation of FMIP-II took the issues in these categories into account with respect to the provinces and municipalities where the advisers were seconded, as that is where the actual Capacity Development took place on which this research report focuses.

Tables 2 till 8 hold these conclusions.

Table 2 Conclusions on category "Vision"

VISION	Why	FMIP II	Conclusion
Strategy	A CD intervention must be in aligned with the organisational strategy to be effective	CD in general and for PFM in particular is not really part of strategy in provinces and municipalities. FMIP-II is particularly aligned with national PFM strategy	Strategic alignment was not part of the pre-assessments. It was assumed that every provincial and municipal treasury department would want to improve PFM. As a result of this lacking assessment, the project implementation was delayed and the sustainability questionable
Goal	Improvement of capacity and learning in general must be one of the organisational internal goals.	There was no evidence the capacity development or learning as such was a goal of any of the provinces or municipalities in the project.	PFM and CD are not goals for the provinces and municipalities. This is understandable for the very small ones, like Municipality Z. For the provinces this is not acceptable. The lack of information about this issue in the formulation phase had a negative impact on the outcome of FMIP-II
Increased Performance	CD intervention must be a deliberate attempt increase the organisational performance	Most provinces, due to a lack of performance managing, monitoring and planning do not have a real view on their performance, let alone that they would understand the impact of a CD intervention on this performance.	The lack of focus on performance has had a negative effect on the project. Incentives, performance and quality management start with the will to increase and improve organisational performance. Most provinces and municipalities felt indirectly forced into the project. That is not a good motivator.

Table 3 Conclusions on category "Internal" – part 1

INTERNAL	Why	FMIP-II	Conclusion
Resources	Resources are a necessary pre condition for any project. Resources include tangibles like buildings, office furniture and IT system, but also human resources in the form of skilled people	Generally, except in Municipality Z, the tangible resources were available. However it was generally mentioned that for the sustainability, the availability of resources is a potential risk, particularly for the municipalities. However in the preparation phase, tangible resources were deemed to available. Only a very small budget was allocated for infrastructure. Human resources were seen as a big problem, but no real solutions were included in the inception report.	Tangible resources was not part of the project, as they were deemed to be available. This makes sense from a high level position: the project is about TA and PFM, not about installing IT systems and building offices. Next to that, as discussed, the project was not about money for the NT, but access to knowledge and international networks. Be that as it may, the fact that the project was aimed at low capacity municipalities, means automatically that the available infrastructure is not sufficient. Resources should have been part of the project, maybe not funded from EC funds, but from specially dedicated sources from the National Government. The lack of resources causes a big risk for the sustainability of the project.
Leadership	CD is a change process that does not lead itself. Individuals at a certain level must "show the way" and lead the people in the organisation towards the changed organisation. For a CD project is it important that such leadership is available to prepare, plan and implement the change, to convince organisational members to join in the change and where necessary deal with resistance.	The overall project knows good and effective leadership from the people in the PMU. However, in the provinces and municipalities, the real leaders are the advisers, whereas for sustainable change to happen, people from the organisation itself, e.g. the CFO or the Municipal Manager must plan the change and convey the messages. This does not happen enough, which has also to do with the lack of ownership by the lower tiers of government. No change management plan has been developed before the start of the project, only a plan of action focused at the transfer of knowledge and skills	One of the reasons that much time was lost in the implementation was the lack of understanding of the impact of the project. In stead of embracing the plans and running with it, those responsible in the provinces and municipalities displayed an attitude of "wait and see", only when it was clear that the adviser was no threat to them, they became more cooperative. But this cooperation was not nearly enough to be considered as leadership. As a result, the people on the workfloor are not always that cooperative. Particularly because of the hierarchical culture, people did not want to cooperate from the start without managerial approval. This lack of leadership leads to a less effective change management process and lowers the level of acceptance by the people on the work floor. This, on its turn, has a negative impact on the sustainability of the project outcomes.

Table 4 Conclusions on category "Internal" – part 2

INTERNAL (II)	Why	FMIP-II	Conclusion
Needs assessment	This again is a very basic project management issue. Without a clear view what is "necessary" it is basically impossible to plan a proper intervention. This needs assessment must also discuss the current state of the organisation ("as is") before it can indicate what the reasons for the intervention and its desired outcome are.	It was clear from the beginning what the NT needed. However, this was not necessarily the same as what the lower governmental tiers needed. The goals of the project was formulated centrally, what the provinces and municipalities needed to have and do to achieve these goals was only discussed after the advisers started their work. But even this assessment (in the form of a baseline study) only looked very strictly at the PFM skills in the province or municipality, and not at the other issues in the organisation that would need to support this development	It was generally recognised that from at the start of the project implementaition, nobody really knew what exactly needed to happen in the provinces and municipalities where the actual CD would take place. A proper needs assessment was never performed. The inception report and the overview of the activities was largely based on the goals that the NT had envisaged. The people in the different department s who would be the subject of the project, had no say in this however. This lack of proper needs assessment caused resistance against the adviser, loss in time and had a negative effect on the quality of the project outcomes.
Human Focus	Linked to the subject of leadership, a CD intervention as such should have a human focus, as, in the end, it is always an individual person whose capacity needs to be developed. This means that not only the present skills that a person has before the intervention starts are important, but also the organisational culture in which the individual needs to operate, psychological issues such as motivation and general well-being.	Nothing in FMIP-II indicates that in the inception and formulation phase, there was any focus on the individual human being in the different organisations. The inception report discusses activities that need to take place, without ever take the present working environment into account and aligning the plan with the possibilities that the humans in the organisation have. This is particularly strange as PFMA and MFMA require not only a different type of management, but also different staff and definitely a new organisational culture, less hierarchical and more empowered.	Although this is one of the most difficult issues to address in the inception and formulation phase, the human element is at the same time the most important issues with the biggest impact on the success of the project. FMIP-II really missed an opportunity here by formulating action plans for each province and municipality based on the national plan, without taking local culture, habits and motivation of people into account. Which is even stranger, considering that the two acts allow each province or municipality to develop systems that are the m,st suitable for the local circumstances. As a result , again, the sustainability of the project is compromised due to a lack of acceptance and alignment with the individuals that are part of the CD intervention.

Table 5 Conclusions on category "Internal" – part 3

INTERNAL (III)	Why	FMIP-II	Conclusion
Organisational Structure	Just like the human focus, the organisational structure also overlaps with all other issues. It basically evolves around the fact that an organisation should have a clear structure, which is open to learning and has the appropriate culture to support the change that will take place during the CD intervention.	Provinces and municipalities are not totally free to choose their own organisational structure. Several function s are prescribed in the PFM acts. Potentially this provides clarity, but at the same time it is quite rigid. No evidence has been found that the provinces and municipalities would be actively aligning their organisational structure to the requirements in the FMIP-II, apart from those functions that legally need to be in place. Furthermore, this issue should be dealt with on a case by case basis, but the inception report contains no clear view on the issue. Again, the same as with the human focus, the project focused very much on the technical aspects of PFM, and not on the supporting activities and issues.	Organisational structure are essential for a CD intervention as they provide the relevant organisational boundaries and lay the foundation for the organisational culture. The FMIP-II did not really pay attention to this subject, possibly because it was considered too much of an internal issue to the province or the municipality. However, as discussed in the literature, a CD intervention needs a clear and supportive structure to succeed, which support a new managerial approach. This was a missed opportunity in the inception phase. As there was no real assessment of the organisations, it is difficult to say what the current state is. There is however enough circumstantial evidence to assume that in general the current organisational structure is not able to support such an important change process. Not including this in the inception and formulation phase will have a negative impact on the outcomes of the project.
Change Process	As a CD intervention is a change process, it should be planned as such. This means that the focus should not only be on the development of capacity, but also on the way the organisation needs to change. As indicated earlier, this has to do with leadership and human focus, but also with the potential of the organisation and the embedded organisational resistance as opposed to individual resistance. Furthermore, the change process includes building a new shared vision on the organisation.	Some elements of a change management project have been taken into account, some have not. Cultural aspects have not been assessed in the provinces and municipalities, an obstacles in existing processes and procedures neither. Next to that, FMIP-II had a very narrow focus, limited to PFM as a subject on its own, separated from all other organisational activities and departments that needed to support the CD intervention. Even the human element in change, normally included in an HR development strategy lacked.	In the formulation and inception phase of the project, the significant subjects linked to change and resistance to it have not really been addressed. As discussed earlier, the inception report was relatively superficial and focused exclusively on the transfer of knowledge and some development of new procedures. However, no real indication was given how these new procedures should be implemented, nor how the organisation of the different provinces and municipalities would react to these changes. This lack of change management approach lead to uncertainty about the way how to approach the implementation on the ground and at the same time leads to uncoordinated efforts to improve only parts of the organisation, while missing an holistic approach.

Table 6 Conclusions on category "Internal" – part 4

Internal (IV)	Why	FMIP-II	
Management Style	There are different reasons why the management style is an important issue in the inception and formulation phase. A management style influences human behaviour, prevents resistance against change, fosters a learning environment and has a big impact on people's motivation. These are all important factors for a successful CD intervention.	Generally, the studied organisations have a rigid, hierarchical management style, with little attention paid to employee empowerment, delegation of authority and encouragement of learning. As a result the provincial and municipal finance departments are not really proactive. While at the same time, the PFMA and MFMA requires a different management style, away from complying with rules, to creative development and use of systems aligned with the needs of the organisation	Any reference to the management style in the provinces and municipalities is lacking in the inception report and the project design. This is a big gap. It was even mentioned in the evaluation of FMIP-I that the non-cooperative attitude of management had a negative impact on the outcomes of the project. But still, the issue was not addressed. As a result, the advisers can not be fully effective, the results of the project stay behind and the sustainability is questionable if management is not upgraded.
Knowledge type	It is important to assess which kind of knowledge is the object of the CD intervention, as each type requires a different type of intervention. Tacit knowledge can best be transferred in a training-on-the-job fashion in an open culture, while explicit knowledge that is already available can be transferred through direct learning, i.e. Training. Embodied knowledge is changed in a different way.	No evidence has been found that the knowledge type to be transferred has been properly addressed in the formulation phase of the project. As indicated in the interviews, training is more or less the only CD tool used. The adviser provide some guidance on the work floor, but no real training-on-the-job; firstly because the task would be too big for them, secondly, they are not experts in every field of the project. It was mentioned in the interviews, that a intervention with multiple TA for a short term would have been more effective.	The subject of the project is so diverse, that a proper assessment of the knowledge transferred in this project would have lead immediately to a different project format. The knowledge is partially explicit, but particularly as the laws want a new approach to PFM, it is the more softer skills that need development. These softer skills appeal more to tacit knowledge than explicit. However, the project design purely focuses on explicit knowledge. Again, with out a follow up and good training-on-the-job (which is not included in the project) and a proper culture for the latter (which is also not present), the acquired explicit knowledge will never be efficiently put to use.

Table 7 Conclusions on category "Internal" – part 4

Internal (V)	Why	FMIP-II	Conclusion
Knowledge sharing	A CD intervention is all about new knowledge entering the organisation and put to use in the organisation in order to improve the organisational performance. Essential to this is that this knowledge is firstly share d within the organisation. If knowledge is not shared, then there is no real organisational learning, but only individual learning of the person that acquired the new knowledge. This does not improve the organisational performance and hence is very inefficient. For that reason, knowledge needs to be shared, and therefore managed	In none of the departments that were part of this research a proper knowledge management system of any kind and level was implemented. Neither was this issue subject of the inception and formulation phase. If there are any depositories of explicit knowledge, they are not very sophisticated. Let alone that there are any attempts to make available tacit knowledge explicit. In most organisations there is no culture of knowledge sharing, "knowledge is power" is proper way to describe the situation.	Without knowledge management and a proper strategic to spread the new knowledge throughout the organisation, a CD intervention can hardly be sustainable. For FMIP-II this is no different. During the research it has not become clear how particularly this issue is handled in the provinces and municipalities, other than through the development of tools. But tools (rules and procedures) alone are not enough for a sustainable increase in the organisational (quality of) performance. Particularly in relation to the fact that one of the identified problems is staff retention, it is of the utmost importance that the organisations have a real good view on how to share knowledge between people and between the staff and the organisation, vice versa, so when the people leave, at least the knowledge stays behind.
Learning style	The way in which learning takes place has to do with much more than just choosing a tool such as training. It has to do with a thorough understanding of the organisational and managerial culture, the level of available knowledge and motivation of staff. All these elements combined give direction to the way the learning has to take place.	As discussed earlier, none of the issues related to culture, management, staff motivation were really part of the inception and formulation phase. This had also to do with "one size fits all" solution approach that NT envisaged. The advisers had no idea when they started how to approach the transfer of knowlegde.	CD is about learning. It can't be said enough that it is a big gap in the project that so much time was spent on the "what" and so little on the "how" of the intervention. Now the advisers had to find out along the way what the learning style –if any – of the organisation was, which took a lot of time and had a negative effect on the project outcome.

Table 8 Conclusions on category "External"

EXTERNAL	Why	FMIP-II	Conclusion
Environmental scan	The external context has much influence on a CD intervention. This could be the political, social or cultural context. By starting of with an environmental scan, these influences can be mapped an properly dealt with in the project formulation	There was no environmental analysis for any of the provinces or municipalities. The fact that it lacked was even mentioned specifically several times.	If a good scan was done, it would have revealed many of the issues that were not addressed in the different departments. Next to that, the hidden lack of ownership would have been properly identified, together with the motivational issues. This would have enabled a better project planning
Stakeholder engagement	A CD intervention does not happen in isolation. There are many people and organisation directly or indirectly involved or affected by the who have influence over the success of the project. By engaging them from the beginning, the risk of resistance is reduced and engagement increased.	The stakeholder engagement within NT was very good. However, no real engagement prior to the finalisation of the finance agreement or inception report took place with managers in the finance departments of the provinces and municipalities, let alone with the people on the workfloor	Due to the lack of engagement, there was resistance against and unclarity about the role and activities of the advisers and the goals of the project. This took a lot of time and had a negative effect on the outcome of the project.

Chapter 6
Conclusions and recommendations.

6.1 Introduction

The answers to the research questions and the conclusions point quite clearly to one direction. The formulation and identification phase of a CD intervention is very essential. Spending too little time or neglecting certain aspects increases the risk that the intervention will not bring the desired results, particularly improving the performance of the organisation in a sustainable manner. There are many issues that have to be taken into consideration, which have to be viewed holistically. Only by recognising the linkages between different areas in an organisation and not only focusing on the technical content of the CD intervention, the end product of the inception and formulation phase (mostly a project plan) will be useful and a good guide to a successful project. In other words place more emphasis should be placed on “how” the capacity should be developed than on “what” the content of this capacity should be.

In this chapter the research questions will be answered and several conclusions will be drawn. In the last section recommendation are made for those people that are involved in the formulation of CD interventions, both on the donor and on the partner side.

6.2 Answering Research Question 1

Which factors influence the formulation of a capacity development intervention?

The research has shown that there are many factors that influence the formulation of a capacity development project. All these factors can basically be categorised in two groups:

1. Factors or issues external to the receiving organisation; this includes the policies and processes of the donor, the political and socio-economical situation, external stakeholders.
2. Factors or issues internal to the receiving organisation; such as leadership, management style, knowledge management, available resources, culture and organisational learning disposition.

It is important that all these issues from both categories are aligned, the people involved in the CD intervention must be aware that everything is linked. Only a holistic approach in the inception and formulation will yield a good result in the end.

6.3 Answering Research Question 2

What issues define the ability of a receiving organisation to improve its effectiveness by deploying the acquired capacity as developed in a capacity development intervention?

This question relates to the internal organisation of the receiving organisation, procedures and processes. The research has shown that leadership and management style are the most essential. A CD intervention is in essence a change processes, focused at the human capacity in the organisation. The ability of an organisation to motivate staff to join in the change that the CD intervention will bring is the first important issue, management is instrumental to that. The second important issue is how learning takes place in the organisation, the ability to share knowledge or a culture to share knowledge is essential for the sustainable deployment of newly acquire knowledge which translate into new capacity. Knowledge that is not shared but kept by the individual that acquired it, will never impact on the organisational performance.

Next to learning is supporting infrastructure is important. The infrastructure and resources must be available to put the capacity to use. This infrastructure is depended on the relevant environment and size of the organisation.

And lastly, a vision, mission and strategy are a must in order to improve organisational effectiveness. If there is no strategy, it is unclear which capacity needs to be developed. If there is no strategy, it is unclear what the performance standards are and hence unclear when performance is improved and how this should be done.

6.4 Answering Research Question 3

How can a capacity development intervention be aligned with the capabilities of the receiving organisation, which issues need to be addressed?

This question goes to the very heart of the inception and formulation phase of CD interventions. All issues mentioned earlier need to be part of a very thorough assessment.

This assessment must not only include relevant documentation, but also and especially those people that will be subject to the CD intervention; in other words, the staff of the recipient organisation whose capacity will be enlarged. Furthermore the outcome of this assessment must influence the formulation of the project, hence issues such as organisational size, existing skills levels and, as mentioned earlier, management style are essential for a proper capacity development intervention. In a donor – partner relationship this means that also the politically more sensitive issues such as leadership and political will need to be addressed and solved to come to a good project plan. Such issues must be addressed before the actual implementation starts, as they influence the approach that needs to be taken in the partner organisation.

6.5 Recommendations

Based on all findings in this report and the conclusions as included in the previous section, the following can be recommended to people who are engaged in the identification and formulation phase of the project.

1. *Regard the identification and formulation phase as the most important phase of the project.*

This recommendation might seem very obvious. But as appeared in the FMIP-II project, the formulation phase was rushed and the documents that laid the foundation for the project formulated very broadly. No attention was paid to proper identification of the real issues that should be addressed in each of the provinces and municipalities. Even though FMIP-I addressed all kinds of technical issues, the focus was still very much on the content of the capacity that had to be developed. From the literature review it is clear that there are many issues that need to be addressed before any implementation can start. Every possible problem should be addressed before money is spent and other resources deployed. FMIP-II showed that by not addressing these issues, the planned outcomes could not be attained. In FMIP-II this resulted in an extension of the project period, but at the same time the planned outcomes were scaled down.

2. *Take enough time, depending on the size of the project to formulate the CD intervention*

Linked to the first recommendation is the issue of time. Enough time should be allocated to perform all necessary analysis. One should however be careful not to end up in “analysis paralysis”, but a thorough analysis takes time. As was mentioned in the interviews, the ideal formulation period for FMIP-II would have been at least six months, but preferably more. Furthermore there should be enough flexibility to adapt the width, depth and subjects covered depending on the size of the receiving organisation, the possible impact of the intervention and the funding available. These must all be in proportion.

3. *Emphasise in the project plan rather how to build the new capacity than the technical details of the subject matter content.*

The literature review showed, and the field research basically confirmed this, that failure of a CD intervention is not due to the quality of the subject matter knowledge that is transferred. Failure is caused by wrong management or leadership, a shortage of resources, a wrong learning approach, a misalignment between the intervention and the organisational strategy, etcetera. The focus in the formulation should therefore be on those issues. Once these have been identified and problems have been resolved, then the exact content of the new capacity can be addressed.

4. *Make sure that the receiving organisation is able to implement the project*

In the research it is shown that some basic issues have to be in place within the recipient organisation before the project can start. These issues differ from organisation to organisation and project to project. In other words, where a large organisation would need an automated PMS, a small organisation could do with regular staff meetings to track and improve performance. As was expressed by the EC during the interviews, it might sometimes even be necessary to have a “pre-project” to build the necessary capacity, e.g. managerial skills, to enable the organisation to engage in a CD intervention which aims to improve the organisational performance as such.

5. *Do not engage in the CD intervention if the sustainability is not ensured*

A CD intervention can only be effective if it is aimed at improving the organisational performance in a sustainable manner. The project plan should clearly lay out which measures will be taken and which assurance can be obtained that any capacity will be deployed in a sustainable manner. Issues such as knowledge management, but

also policies related to staff motivation and retention are important in this respect. Next to that, the CD intervention must be part of the receiving organisation's long term strategy and planning.

6. *Engage as many stakeholders as possible, particularly the people on the work floor.*

A discussed in the literature review, a CD intervention is a change process that requires leadership. But not only that, the success of change in general is depended on the acceptability of this change by the relevant environment of the organisation that is changing and by those directly affected by the change. For a CD intervention it is therefore essential to engage stakeholder, e.g. customers of a public sector organisation to determine what would constitute improvement for them. Next to that it is very essential to engage the people on the work floor as they will be 'subjected' to the CD intervention. They know very well, not seldom better than management, what is wrong in the organisation and how this could be improved. Next to that their involvement will decrease the likelihood of resistance once the project is implemented.

7. *Involve the people that will be leading the implementation as soon as possible*

Most projects will have a dedicated project staff, just like the PMU in FMIP-II. As was mentioned in the interviews, it is important to involve these people as soon as possible in the formulation of the project. This reduces the amount of knowledge that needs to be transferred between the people that designed and formulated the project plan and the people implementing it. During the formulation phase many things are discussed and decided that not necessarily find their way in to the final project documents, but need to be taken into account in the implementation.

8. *Pay attention to all subjects included in the theoretical model*

The model as presented in figure 10 depicts all relevant issues, at an aggregate level, that should be addressed in the identification and formulation phase of a CD intervention project. The research evolved around the practical use of this model. As discussed in the conclusion, all these issue prove to be relevant. The last recommendation is therefore to use this model and the theories behind it as a guide for proper formulation of a CD intervention project.

6.*6 Conclusions*

In section 2.2 the research problem was defined as

> "*Capacity development projects funded through international development cooperation can lack effectiveness when the initial formulation of the project, its governance and the planned outcomes do not match the learning ability, strategies and overall capability of the receiving organisation."*

This research problem can be broken down into different issues:

- Capacity development,
- international development cooperation,
- effectiveness,
- formulation,
- governance,
- outcomes
- organisational learning ability
- organisational strategy; and
- overall capability.

The conclusions of this research report will be categorised according to these issues. They are relevant to all parties that are involved with a CD intervention. The last conclusion will say something about the importance of the identification and formulation phase of CD intervention, as worded in the title.

Conclusion 1 *Capacity Development*

Capacity development is a multi-dimensional subject. It is much more than just simply training. It also transcends the boundaries of the specific subject matter an intervention focuses on, just like PFM in FMIP-II. A CD intervention encompasses not only increasing technical knowledge, but also the deployment and the sustainable use of this knowledge. Knowledge management is an essential part of Capacity development, just as a human focus in implementing a CD intervention.

Conclusion 2 *International Development cooperation*

International partnerships for development are, or should be, governed by the principles of the Paris declaration and the subsequent Accra Agenda for Action in order to make aid more effective. This two international agreements place much emphasis on ownership of the partner (recipient) country and less policy-related interference by the donor countries. However, at the same time, it pushes the developing countries to establish proper systems for performance management and accountability. These types of systems are a conditio sine qua non for funding to be awarded.

CD interventions within this context therefore must hold proper accountability systems. This can be interpreted reasonably broad, and could for instance also hold sufficient and adequate management skills in the receiving organisation. As was discussed with the EC, in future, this could mean that a CD intervention has to be preceded by a project to improve for instance performance and human resource capabilities in the partner organisation, before the actual intervention can start.

Conclusion 3 *Effectiveness*

CD interventions can be deemed effective if and when the intervention has a positive and sustainable impact on the performance of the receiving organisation. This means that whatever activity takes place within the context of the intervention, there must always be a link with the improvement of the organisational performance. For that reason, any kind of performance measurement and management system must be present in the receiving organisation. This system must include a human resource approach and a view on the way staff is managed, motivated, rewarded and retained.

Conclusion 4 *Governance*

A CD intervention is a change process. Any change process needs clear governance and responsibility structure. Firstly from a project management perspective, a dedicated group of people, e.g. a PMU, must be first accountable. This group could be placed internally or externally to the organisation in which the capacity will be developed. Secondly, the governance inside the receiving organisation must be clear. Not only from a structural perspective, but there should be clear leadership in the organisational change process. A lack of leadership and proper management has a negative effect on the outcomes of the CD intervention

Conclusion 5 *Planned Outcomes*

The outcomes of a CD intervention should be carefully planned. As mentioned before, they should all have link to the performance of the organisation. However they should also be attainable within the time available for the intervention. The research clearly demonstrated that in FMIP-II the defined outcomes were not aligned with the time allotted to the project. As a result, the project had to be extended and also at the same time, the number of result areas was scaled down and the performance indicators were changed to “show progress...” instead of reaching a certain goal.

Conclusion 6 *Organisational learning ability*

The research showed that it is very important to define the best way an organisation can learn. Capacity Development is about acquiring new knowledge. It depends on the type of knowledge that needs to be acquired, which learning strategy is best. Furthermore, an organisation must have an internal culture which supports learning. This learning should also be sustainable, and since learning is mostly done by individuals, there must be structures in place that encourage these individuals to share the newly acquired knowledge.

Conclusion 7 *Organisational strategy*

The CD intervention must be aligned with the organisational strategy. But at the same time, must the strategy include the CD intervention as a strategic goal. Main reason for this is that being included in the strategy means that all other activities are aligned with the CD intervention. And, as stipulated earlier, it is one of the most important conclusions of this research report that CD interventions can only be successful if all parts of the organisation are included in the intervention. This alignment with the strategy is also important from an international cooperation perspective, as the Paris declaration –as discussed earlier- more or less prescribes that CD interventions are based on a national strategy. In FMIP-II this is not very clear. At least, the project is very much in line with the national PFM strategy, but it is not clear if it is part of the strategy of the provinces and municipalities which are part of the project. It is not unthinkable that some of them felt forced into participation are of the opinion that NT is prescribing their local PFM strategy.

Conclusion 8 *Overall ability.*

From the research it became clear that a CD intervention will fail if it is not aligned with the abilities of the receiving organisation in terms of resources: technical, human and financial. In Z municipality, as an example, the resident adviser could only start after some infrastructure was put in place. Particularly for the sustainability of the outcomes the human resources are important. If there are no people, or people leave for higher paying jobs after they have been part of a CD intervention and acquired valuable new knowledge. The level of ambition should be in line with the abilities of the receiving organisation, otherwise the first step is to increase the abilities before a CD intervention can start

Conclusion 9 *Significance of project identification and formulation*

From combining all conclusions and other information contained in this research report the conclusion is very clear. The project identification (or inception) and formulation phase is extremely important for the potential sustainability of the outcomes of the CD intervention. In this phase all relevant information can be collected and combined and direction can be given. At the same time, scope can be defined and gaps indicated. If all that needs to happen during the implementation phase of a project, valuable time will be lost, as was clear in the FMIP-II project. This research has clearly indicated which subjects are essential in this phase and which should be properly investigated.

At the same time however, there are all kinds of reasons not to address certain issues, such as managerial capabilities in the receiving organisation as an example. It goes without saying that those external influences have a negative effect on the outcome of the formulation phase.

References

Awad, E.M., & Ghaziri, H.M. (2004). *Knowledge Management*. (pp. 1-16) New Delhi: Pearson Education.

Argyris, C, & Schön, D.A. (1996). *Organizational Learning II – Theory, Method, and Practice.* New York: Addison-Wesley Publishing Company.

Baser, H., & Morgan, P. (2008). *Capacity, Change and Performance.* European Centre for Development Policy Management (ECDPM) Discussion Paper No 59B.

Chaharbaghi, K., & Newman, V. (1996). Innovating: towards an integrated learning model. *Management Decision*, 34 (4), p.5-14 (9). Retrieved on 19 December 2009 from Academic OneFile Database.

Cho, J., & Trent, A. (2006). Validity in qualitative research revisited. *Qualitative Research, 6(3)*, 319 - 340. Retrieved 27 May 2009 from http://0-qrj.sagepub.com.innopac.wits.ac.za/cgi/reprint/6/3/319

European Commission, Government of South Africa, & EU Member States. (2006a). *Joint Country Strategy Paper 2007 — 2013*. Retrieved on 20 October 2009 from http://www.eusa.org.za/en/PDFdownload/Country%20Strategy%20Papers/CSP_2007-2013.pdf

European Commission, Government of South Africa, & EU Member States. (2006b). *Multiannual Indicative Programme 2007 - 2013*. Retrieved on 20 October 2009 from http://www.eusa.org.za/en/PDFdownload/MIP/MIP%202007-2013.pdf

European Commission, & Republic of South Africa (2006c). *Financing Agreement between the European Commission and the Republic of South Africa concerning Financial Management Support Programme, phase 2.* Unpublished.

Firestone, J.M., & McElroy, M.W. (2004) Organizational Learning and Knowledge Management: the relationship. *The Learning Organisation, 11(2)*, 177-184. Retrieved on 27 May 2009 from Emerald Database.

Fulmer, R. (1994). A Model for the Way Organizations Learn. *Planning Review*. May/June, 21-24. Retrieved on 18 December 2009 from AcademicOneFile database.

Gill, R. (2003). Change management — or change leadership? *Journal of Change Management 3(4),* 307–318. Retrieved on 20 December 2009 from EBSCO database.

Hellriegel, D. & Slocum, J.W. (2004) *Organizational Behavior.* 10th Edition. Mason, Ohio: Thomson South-Western.

Hong, J-C, & Kuo C-L. (1999) Knowledge Management in the Learning Organisation. *The Leadership & Organization Development Journal. 20(4)*, 207-215. Retrieved on 27 May 2009 from Emerald Database.

Jamali, D. & Sidani, Y. (2008). Learning organizations: diagnosis and measurement in a developing country context. *The Learning Organization, 15(1),* 58-74. Retrieved on 27 May 2009 from Emerald Database.

Johnson, P., Buehring A., Cassell C., & Symon G. (2007). Defining qualitative management research: an empirical investigation. *Qualitative Research in Organizations and Management, 2(1)*, 23 - 42. Retrieved on 27 May 2009 from ABI/INFORM Global database

Jones, M.L. (2001). Sustainable organizational capacity building: is organizational . learning a key? *International Journal of Human Resource Management, 12(1),* 91 – 98. Retrieved on 27 May 2009 from http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN002572.pdf

Labuschagne, A. (2003) Qualitative Research - Airy Fairy or Fundamental? *The Qualitative Report* , *8(1)*, 100 – 103. Retrieved on 24 May 2009 from http://www.nova.edu/ssss/QR/QR8-1/labuschagne.pdf

Lim, L.K., & Chan, C.A. (2004). The development and application of an organisational learning matrix. *International Journal of Management, 21(1)*, 100-107. Retrieved on 17 December 2009 from Emerald Database.

Lubit, R. (2001). Tacit Knowledge and Knowledge Management: The Keys to Sustainable Competitive Advantage. *Organizational Dynamics, 29(4),* 164-178. Retrieved on 1 December 2009 from EBSCO Database.

Mahoney, C. (1997). *Common qualitative methods.* In Frechtling, J. & Sharp L. (Ed.), User-Friendly Handbook for Mixed Method Evaluations. Retrieved on 6 June 2009 from http://www.nsf.gov/pubs/1997/nsf97153/start.htm

Savenye, W. C., & Robinson, R. S. (2003). *Qualitative research issues and methods: An introduction for educational technologists*. In D. H. Jonassen (Ed.), Handbook of research on educational communications and technology (2nd ed., pp. 1045-1071). Retrieved on 24 May 2009 from http://www.aect.org/edtech/39.pdf

Thomas, V. (2006). *Linking Individual, Organisational, and Institutional Capacity Building to Results.* World Bank Institute Capacity Building Brief No 19. Retrieved on 4 December 2009 from http://siteresources.worldbank.org/INTCDRC/Resources/CDBrief19.pdf

Organisation for Economic cooperation and Development [OECD] (2005) *Paris Declaration on Aid Effectiveness: Ownership, Harmonisation, Alignment, Results and Mutual Accountability,* retrieved on 20 May 2009 from http://www.oecd.org/dataoecd/11/41/34428351.pdf

Organisation for Economic cooperation and Development [OECD] (2006) *The Challenge of Capacity Development: working towards good practice"* OECD

publications: Paris. Retrieved on 23 May 2009 from http://www.oecd.org/dataoecd/4/36/36326495.pdf.

Organisation for Economic cooperation and Development [OECD] (2008) *Accra Agenda for Action.* Retrieved on 20 May 2009 from http://www.oecd.org/dataoecd/58/16/41202012.pdf

Örtenblad, A. (2001). On differences between organizational learning and learning Organization. *The learning* organisation. 8(3), 125-133. Retrieved from Emerald Database on 20 November 2009.

PKF (UK) LLP [PKF].(2009). *Financial Management Improvement Programme II - Inception Report*. Unpublished.

Pohl Consulting (2009). *Mid-Term Review of the Financial Management Improvement Programme II (draft).*Unpublished.

Project Management Institute [PMI] (2004). *A Guide to the Project Management Body of Knowledge – PMBOK".* 3rd edition. Newtown Square, Pennsylvania: Project Management Institute Inc.

Senge, M., & Fulmer, R.M. (1993) Simulations, systems thinking and anticipatory learning. *The Journal of Management Development, 12(6)*, 21-33. Retrieved on 16 December 2009 from ProQuest database.

Smith, A.C.T., Evens, D.M., & Westerbeek, H.M. (2005). The Examination of Change Management Using Qualitative Methods: A Case Industry Approach*. The Qualitative Report*, *10(1)*, 96 – 121. Retrieved on 23 May 2009 from http://www.nova.edu/ssss/QR/QR10-1/smith.pdf

The Department: Provincial and Local Government [DPLG] (2008). *National Capacity Building Framework for Local Government.* Retrieved on 17 December 2009 from

http://www.cogta.gov.za//index.php?option=com_docman&task=cat_view&gid=95&Itemid=27

United Nations Development Programme [UNDP] (2009). *Capacity Development: a UNDP primer.* Retrieved on 10 November 2009 from http://www.undp.org/capacity/

World Bank (2002). *Project appraisal document on a proposed loan in the amount of US$ 15.0 million to the Republic of South Africa for a Municipal Financial Management Technical Assistance Project*. Retrieved on 9 November 2009 from http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2002/09/13/000094946_0208300405296/Rendered/PDF/multi0page.pdf

World Bank (2008). *Implementation Completion and Results Report on a proposed loan in the amount of US$ 15.0 million to the Republic of South Africa for a Municipal Financial Management Technical Assistance Project.* Retrieved on 9 November 2009 from http://www.wds.worldbank.org/external/default/WDSContentServer-/WDSP/IB/2009/06/02/000333037_20090602005300/Rendered/PDF/ICR7820P0769011C0Disclosed051291091.pdf

Van der Velde, M., Jansen P., & Anderson N. (2004). *Guide to management research methods.* Oxford: Blackwell Publishing.

Young, M., & Dulewicz, V. (2006). Leadership Styles, Change Context and Leader Performance in the Royal Navy. *Journal of Change Management, 6(4),* 383–396. Retrieved on 20 December 2009 from EBSCO Database.

Annex 1 List of interviewees

Name[1]	Designation	Date of interview
Mr. John Dowling	Resident Adviser Province A	12 November 2009
Mr. Phillip Legoabe	Resident Adviser Province B	12 November 2009
Mr. Caspar Mbata	Resident Adviser Y Municipality	12 November 2009
Mr. Neketu Malatji	Resident Adviser Z Municipality	19 November 2009
Ms. Catherine Shilubana	Capacity Development Officer	25 November 2009
Mr. Schalk Human	Project Director FMIP-II	25 November 2009
Mr. Gerhard Pienaar	Project Officer EC Delegation	17 December 2009

[1] The names in italics are pseudonyms, as indicated in the body of the research report.

Annex 2 List of interview questions

The following questions were used to structure the interviews that were held to obtain the primary data for the research. The questions under A to E were formulated based on the outcomes of the literature review. The questions under F to J were triggered by the available documentation, such as the finance agreement and the inception report.

A. FORMULATION PHASE OF PROJECT

1. Was the approach the same for all provinces and municipalities ?

2. Is the capacity of the whole organisation addressed or only the department that relates directly to PFM ?

3. Did the receiving organisation have any influence on the type of assistance and the way it was offered ? if so, were there any “no go” issues? Are there any now, which could potentially cause conflict between the resident adviser and the province or municipality. How is this addressed?

4. How was ownership established? Was that different for each province or municipality?

5. Was any potential resistance assessed, both internal and external. If so, how was this dealt with before the start of the project? Were the root causes of this resistance (cultural, political) investigated?

6. Was any power used towards province or municipality to accept project or to formulate it in a certain way? From NT or EC?

7. Where any impacts defined? And planned ? or only outputs and outcomes?

8. Half way through the project is it is clear that the original goals will not be attained. As a result several projects have been scaled down and the project time has been increased. Could this have been foreseen? Or prevented?

B. ORGANISATION OF PROVINCE/MUNCIPALITY

Did the initial assessment before ToR per project was signed off include:

9. Competency of existing staff.
10. Availability of resources (e.g. IT) and support (staff).
11. Historical evolution of financial management functions
12. Organisational Development and if so, which techniques were used?
13. What is the Composition of workforce their pay scales and grades
14. Is there currently an incentive scheme or other motivators mapped (e.g. pride)
15. Are the formal structures open for change or not?
16. Was the organizational readiness for the intervention assessed and if so, in terms of :

a. Perception of risk involved;
b. Climate for and politics of intervention;
c. Attitudes of stakeholders and other external groups.

17. What was the organisation's approach to learning: purely focused at training?

18. Was the existence of any knowledge management system assessed? If present, does it work and support the project? Is it missed?

C. MANAGEMENT

19. Is the prevailing Leadership and/or Management style in the province or municipality perceptive of change or not?

D. ENVIRONMENT

20. Was there a situational or environmental analysis: the scope of capacity mapping needs to focus on more than the individual organsation, taking historical, cultural and organizational habits into account as well as the local political situation. Was this done?

21. It is mentioned in the inception report that political support is "assumed", not assessed? Was political support assessed, the willingness to change from existing embedded behavior? If yes, was it positive? Is that also the experience in practice?

E. OTHER

22. Is the CD strategy as mentioned in the inception report developed ?

F. FORMULATION PHASE

23. Why was the project period brought back from 2 years to 1 year?

24. Why was there no donor coordination before the project started ? but only during the Mid Term Review?

25. “extreme weakness” of selected municipalities. Assessed how? Weak in what sense ? and still plans were adjusted because of less time?

26. The focus of FMIP-II is on implementing international best practice PFM organizational structures. Why? Why not design per province or municipality ?

27. A consultation process with municipalities to arrive at a strategy to improve PFM is mentioned in the documents. How? What ?

28. A implementation and capacity building program will be developed. How? What? Example?

29. In FMIP-I “Management prevented necessary pro-activeness to address the basic problem” (ToR) How will FMIP-II address this issue?

30. Is there a power issue between local governments and NT?

31. Time is always an issue. How was the discussion on the length of the program? Has the ideal time been investigated? Yes, how? No, why not? E.g. In the Mid Term Review, the municipalities clearly indicated that the resident adviser should stay longer.

32. Tacit mental models (everybody has a predetermined idea about CD). Have they been assessed? If not, did that cause problems in the implementation? (increased resistance to change e.g.)

G. ORGANISATION

33. Is an HR development strategy developed or available? And if so, is it the same in all pilot sites?

34. Were the municipalities involved e.g. in ToR or hiring the resident adviser ?

35. Does the province or municipality have a strategic plan? Is PFM part of this strategy?

36. How does the province or municipality foster learning? Examples ?

37. Performance measurement: is CD part of municipal PMS? Yes, how: CSFs, KPIs, quantitative, qualitative? No, why not?

38. Has the province or municipality gone through another change process recently. Yes, was this assessed before the start of the project? If no, why not, what were the experiences in that change process?

39. Are there any other activities and projects in the province or municipality which might lead to change aligned to this project?

40. How is the success of the project measured? Does it relate to improved performance of municipality?

H. ENVIRONMENT

41. Is there any attention paid to changing the relevant environment? Management skills, Political skills, OD ?

I. OTHER

42. How does the project improve NT. Was that also a goal? Is there any sustainable improvement in capacity @ NT?

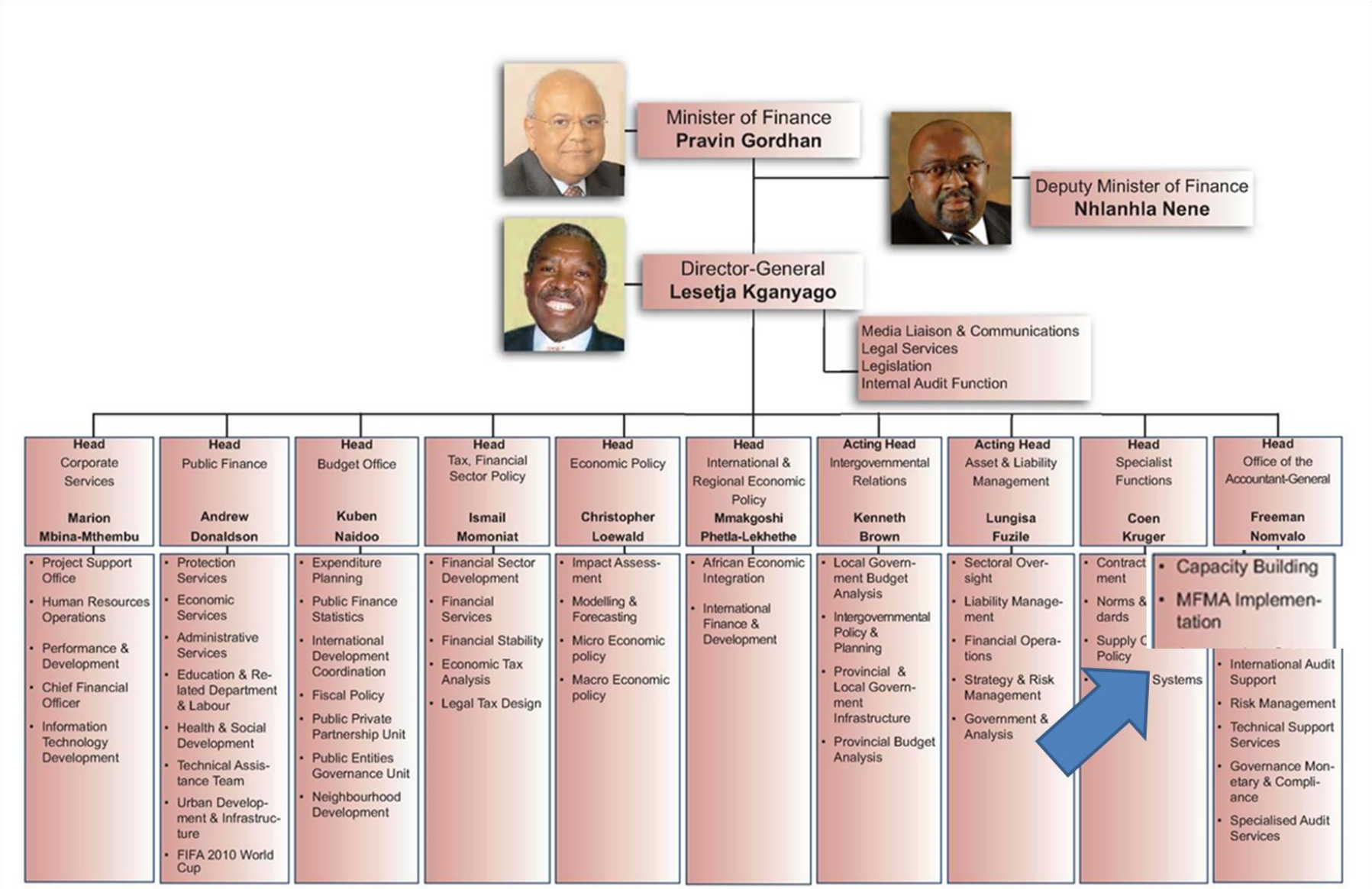
43. What is the CD tool box ?

FINAL

44. One before FINAL: do you think the goals of the project will be met: The outputs mentioned in the LogFrames? Or the envisaged impact ("The overall objective of the programme is to raise the South African government's financial management performance and accomplish this on a sustainable basis.")

45. FINAL Question: if you would have been in charge of the formulation of the project for the mun/prov you are working in, what would you have done differently: added/changed

Annex 3 National Treasury Organisational structure



Organisational structure National Treasure (adapted). Source: http://www.treasury.gov.za/nt/Top%20Structure%20Organisation.pdf

a

Annex 4 Project Management Structure

