'Hoovering up the Money'? Delivering government-funded capacity-building programmes to voluntary and community organisations

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Abstract

The 'ChangeUp' and 'FutureBuilders initiatives have provided substantial funding to support and facilitate 'capacity building' in voluntary and community organisations and so enable them to contribute to the achievement of public and social policy goals. This paper builds on findings from a study of an early 'capacity-building' programme delivered between 1998 and 2005. We explore the challenges of implementing such initiatives for voluntary sector intermediary bodies involved in delivering them and for the voluntary and community organisations intended as the main beneficiaries. We conclude with a discussion about the implications for policy implementation.

Introduction

'Building the capacity' of voluntary and community organisations (VCOs) is now a well established social policy goal, driven by three interlinked policy streams. One stream is the wish of central government to draw the voluntary and community sector (VCS) into an expanded role in delivery of 'public services' (National Audit Office, 2005; Office of the Deputy Prime Minister, 2005). A second stream is the desire to foster 'social cohesion', 'civil renewal' and 'active citizenship' in Britain (Home Office, 2004a), with VCOs being seen

as vital agents of community involvement. A third reflects New Labour's intention to collaborate with non-governmental 'partners' in the implementation of public and social policy (Glendinning et al., 2002; Rummery, 2006; Taylor et al., 2002). Taken together, these three streams have pointed to a perceived need to make the voluntary sector more organisationally 'fit for the purpose' of delivering on public and social policy goals.

The drive to support and encourage VCOs to 'build their capacity' to deliver high quality public services, improve community cohesion and work in partnership with governmental agencies, was set out clearly in the 2002 report of the Government's cross-cutting review of the voluntary sector (HM Treasury, 2002). The publication of the report was swiftly followed by the announcement of two major governmental initiatives - 'ChangeUp' and 'Futurebuilders' – both of which are intended to facilitate improvements in voluntary sector 'capacity'.

Government initially invested £150 million over four years in 'ChangeUp', a programme intended to strengthen the support and assistance available to front line VCOs (Active Community Unit, 2004). The implementation of ChangeUp currently relies largely on voluntary sector infrastructure support organisations (ISOs) and a high proportion of funds have been allocated to consortia of ISOs which were formed in response to the programme (ChangeUp, 2006). Futurebuilders (HM Treasury, 2003) is an £80 million complementary initiative which provides capital investments to VCOs to

enable them to secure service delivery contracts with public agencies. While the ChangeUp programme will shortly be subsumed into a new independent organisation (Capacity Builders, 2006a; 2006b), the Futurebuilders fund is likely to be extended to 2010 (Futurebuilders England, 2006).

Since the launch of ChangeUp and Futurebuilders, additional public funds have become available for building voluntary sector capacity including a three year £155million commitment from the Big Lottery Fund for a 'Building Sustainable Infrastructure Services' programme (BASIS) (Big Lottery Fund, 2006); and a 'Faith Communities Capacity Building Fund' managed by the Community Development Foundation and funded by the Department for Communities and Local Government (Government Offices for the English Regions, 2006).

 This policy drive to 'build the capacity' of the voluntary and community sector raises a number of questions. It is not clear, for example, for whose benefit the capacity of VCOs is being built. Can it be assumed that governmental goals are complementary to those of voluntary agencies themselves and those of VCO beneficiaries; or can capacity building constitute a threat to the ability of VCOS to determine their own ways of working independently of government (Lewis, 2005)? It is also not clear what constitutes 'successful' VCO capacity building; an important question given government emphasis on meeting performance targets and given that government and voluntary sector views about the role of the VCS in the delivery of social policy are not necessarily identical (NCVO, 2005a; 2005b; 2005c). A third question, is about

the implications of 'capacity building' initiatives for those organisations which implement them. Successful implementation of the capacity building policy agenda will entail some understanding of how capacity building programmes play out in practice (Newman, 2002); for the ISOs charged with delivering them and for the VCOs intended as the main beneficiaries.   Tackling this third question is particularly important in the light of the first two questions about beneficiaries of capacity building and success criteria.

This third question, then, is the focus of this paper. Following a brief overview of the literature on capacity building, we present the findings of a recent empirical study of a capacity building programme in a single English conurbation. We conclude with a discussion about the wider implications of the study findings for the implementation of capacity building programmes and for the capacity building policy agenda.

The Capacity Building Idea

In recent years there has been a surge of activities in the UK, mostly encouraged and/or funded by governmental agencies, that have been labelled 'capacity building' (Banks & Shenton, 2001). There is no single widely-employed definition of the term and this has led some some authors to argue that the frequent, and often indiscriminate, use of the term has eroded any meaning it might have once had (Eade, 1997; Mengers, 2002). All the same, it is possible to distinguish within the policy and academic literature three broad themes associated with the use of the term:: purpose, process and support..

One theme is concerned with the *purpose* of capacity building. Harrow (2001) suggests that there are two broad purposes. One is motivated by instrumental considerations and the other by intentions to bring about social change. She argues that the instrumental approach is based on a 'deficit model' of capacity building in which more powerful actors attempt to create structures or processes in other organisations that mirror their own and which make organisations accountable to them. The deficit model conceptualises capacity building as a means to improve accountability, effectiveness and efficiency in relation to the expectations of the funder or more powerful actor in the relationship (Knauft et al., 1991; Letts et al., 1999). In contrast, the empowerment model conceptualises capacity building as a process intended to bring about social change and one in which engagement with existing institutional power structures is achieved. This latter approach to building

capacity is also seen to have the purpose of supporting organisations to achieve their self-defined mission (Brown & Moore, 2001).

The *process* of capacity building, the second theme, can be characterised as helping an organisation perform tasks more effectively; this process creates coherence between mission, structure and activities, all of which ultimately help an organisation to fulfil its purpose (Eade, 1997). James (2002) argues that *"individual change is at the heart of all capacity building".* This view is shared by several other authors who argue that learning by individuals within organisations is the key to developing organisational capacity (Jones, 2001; Nye & Glickman, 2000; Smillie, 2001). Others suggest that capacity building is a process which can occur at several levels: the level of individuals, organisations and/or social institutions (Gibbon et al., 2002; Murray & Dunn, 1995; Twigg, 2001; Yeatman & Nove, 2002). Cairns et al (2005a) suggest that the ambiguity of the capacity building concept makes it difficult for VCOs to decide on appropriate methods and approaches for improving their organisational capacity.

A third theme is concerned with *support* required by organisations aiming to build their capacity. The literature suggests that most VCOs, particularly smaller ones, need help with developing their organisational capacity and that this support is best provided by other, specialist, VCOs such as local Councils for Voluntary Service; often described as 'infrastructure', 'intermediary' or 'umbrella' organisations (Brown & Kalegaonkar, 1998; Brown & Kalegaonkar, 2002; Osborne & Tricker, 1994). Infrastructure organisations (referred to in this paper as 'ISOs') which act as capacity builders for other VCOs are

seen to fulfil a number of roles including researcher, advisor and facilitator (Skinner, 1997) or consultant, trainer and technical expert (Backer, 2001). Some authors suggest that ISOs themselves need support to enhance their own capacity (Judge et al., 1999; Peltenburg et al., 2000) if they are to be effective builders of the capacity of other VCOs.

The Study

The study reported here examined an early VCS capacity building programme which was conceived and begun before the current major policy initiatives on capacity building (ChangeUp and Futurebuilders) were launched. The capacity building programme (referred to here as 'CBP') was implemented in a large English city and was funded from a £4 million SRB 4 grant(1) and ran from 1998 to 2005. The city's main voluntary sector infrastructure body (referred to here as 'Inner City Infrastructure Organisation' or 'ICIO') secured the funding through a competitive bidding process and was responsible to the Regional Development Agency for the administration of the funding and the delivery of the capacity building programme. The declared aim of the CBP was '*to support the voluntary and community sector in its role as a catalyst for change in marginalised neighbourhoods and communities*'.

One of the key features of the programme was to test out innovative ways of developing the capacity of the local VCS. As ICIO had little guidance or previous expertise in the delivery of large scale capacity building programmes, local VCOs were encouraged to identify their own organisational development needs. ICIO then offered funding to VCOs to enable them to

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purchase training or specialist support from consultants and to employ staff to develop new projects. To support VCOs in this process, ICIO employed two 'outreach' workers to help with the analysis of organisational problems and the development of responsive capacity building strategies that could be funded by the CBP. Half way through the seven year programme, ICIO initiated the development of three consortia consisting of smaller, or 'second tier' ISOs. The role of these consortia was also to analyse organisational development needs of VCOs, but in addition they were expected to *deliver* tailor-made capacity building responses directly to VCOs.

The aim of our study, then, was to explore the impact of the CBP and to identify the implications for the development of future capacity building programmes. The study was carried out between October 2004 and May 2005 using documentary analysis, 16 semi-structured interviews with VCO project leaders, 8 semi-structured interviews with programme-level stakeholders from the public and voluntary sectors and two focus groups. We also sought detailed data about 6 illustrative case examples of CBP projects in individual VCOs. The cases were chosen such that the VCOs varied as to organisational structure and income. The smallest VCO relied on volunteers to do their work and the largest VCO was a medium sized infrastructure organisation running a number of substantial projects and employing professional staff. Grant payments received from the CBP by the case study organisations ranged from £3,000 - £157,000, with the largest grant received by a small volunteer- based community development organisation.

In the following sections of this paper we look at data on the challenges for ICIO in delivering the capacity building programme as well as for the VCOs which were the recipients of capacity building project funding. Verbatim illustrative quotes from study participants (interviewees and participants in focus groups) are shown in italics.

Findings I: Challenges for the Lead Infrastructure Organisation

Participants in our study suggested that ICIO encountered major challenges in implementing the CBP. These challenges were broadly of three kinds: fulfilling contractual requirements; allocating capacity building funds; and managing organisational change.

Fulfilling contractual requirements

In its first three years of operation ICIO struggled to fulfil contracted output requirements which were being rigorously monitored by the funder. Formal warnings and threats of withdrawal of funding occurred on several occasions. Study participants suggested that the funder, did not appreciate the innovative character of 'capacity building' as a general concept, nor of the CBP in particular, and so did not respond constructively or flexibly to the challenges ICIO faced in delivering specific contracted outputs. On the contrary, the approach of the funder and other public agencies was described by study participants as *'condescending'* and as *'not giving an inch'* in relation to the delivery of contracted outputs.   At the same time, ICIO itself was criticised for

failing to be assertive or to pressurise public sector agencies to change their approach:

"While public agencies did not volunteer to change their ways, and rather resisted change, there was no systematic attempt [by ICIO] to get public agencies to do things differently."

Instead, ICIO was seen to have adopted a *business approach* in which the achievement of tangible targets and outputs was given priority over the achievement of the original supportive and collaborative aims of the programme.

"Outreach staff from ICIO were drawn into an output-focused monitoring process and did not make serious attempts at translating the vision of the programme. In the end, they became bean counters ... became controllers of projects instead of supporting innovative developments, sharing the vision."

Allocating Capacity Building Funds

In response to the contractual pressures, ICIO introduced a commissioning system to sub-contract the delivery of part of CBP. Several smaller ISOs were brought together into three consortia and charged by ICIO with analysing the organisational development needs of programme applicants and providing tailor-made responses to them. However the three consortia were unable to reach agreement between themselves about their respective roles in providing capacity building support.   *"When the commissioning model*

was introduced capacity building was reduced to five statements. They didn't mean anything." Moreover, the consortia quickly came to be seen by local VCOs as abrogating to themselves funding which rightfully should have been allocated to the local voluntary sector organisations.

In fact, the view that money intended for individual local VCOs was being misplaced was also directed at ICIO itself. After the three consortia were established, ICIO continued to award some grants directly to VCOs so that they could deliver training course and provide new infrastructure services, such as an IT platform for the VCS. However, few local organisations felt the benefit of these initiatives and few of our study participants were able to identify any specific capacity building benefits in their own organisations attributable to initiatives taken by ICIO. On the contrary, study participants expressed resentment about the degree to which CBP resources had been used in practice to build the capacity not of the local voluntary sector but of ICIO itself. The feelings of resentment and frustration were exacerbated by perceptions that ICIO had secured large grant allocations for itself by combining the functions of funding allocation with provision of capacity building services; this had blurred its role in CBP and created opaque decision- making processes:

"From the outside ICIO was perceived as hoovering up all the money without wanting to pass it on."

Managing organisational change

Major and multiple organisational changes occurred in ICIO as it implemented the CBP. Our study suggested that these changes emerged in response to problems or opportunities rather than in a planned or systematic way. The most significant change for the ICIO was organisational growth, both in terms of turnover and staff. This growth was coupled with the establishment of complex monitoring and contract management procedures to meet the accountability requirements of the funder and to deliver a variety of infrastructure and capacity building services. By the end of the CBP the complexity of roles, responsibilities and decision making processes within the ICIO had increased significantly.

While the increasing organisational complexity of ICIO was viewed with concern by study participants working in VCOs, the study participants who were involved in the design, delivery and governance of the CBP felt that the local voluntary sector was in a stronger position as a result of the CBP and better able to articulate alternative views and influence funding decisions of public agencies. This was seen to be the result of 'virtuous cycle' effects in which the CBP encouraged organisational growth, which in turn improved the capacity of ICIO; improved capacity enabled ICIO to raise its own profile and shape opinion within the local VCS; and this in turn enabled ICIO to represent the sector and negotiate more strongly with senior officers of public sector organisations.

"It was always a declared goal of the programme to increase the resources and capacity of ICIO. … This is why we have become so much more effective in the Local Strategic Partnership."

Findings I I: Challenges for Local Voluntary Organisations

The study, then, provided a range of perspectives on the challenges encountered by an ISO in delivering a capacity building programme. The data on our six case study organisations provided a more detailed picture of the impact of the CBP on local VCOs. Of the six case organisations, which varied widely in their organisational characteristics, three were found to have experienced substantial organisational change during the CBP period, including improved organisational performance and organisational sustainability. There was also evidence of CBP funding 'priming the pump' and leading to further successful funding applications to other governmental and private sources.

Thus Organisation A had moved from being loosely structured and volunteer-based to employing paid staff and having explicit systems and strategic plans. Study participants saw its clearer structure and increased professionalism as characteristics which were likely to find favour with potential funders. Organisation B used CBP funding to run an experimental project on youth inclusion. The success of the project enabled Organisation B to secure substantial new resources for similar projects which were delivered in partnership with other VCOs. In the case of Organisation C, CBP funding had

been used to establish and develop local networks to facilitate collaboration between residents, VCOs and public agencies in a neighbourhood. They employed new staff, arranged training for residents and officials and funded a number of small projects. This process led to the establishment of new partnerships which created new projects and facilitated the receipt of substantial amounts of additional resources for the regeneration of the neighbourhood.

In these three case study organisations, CBP funding had been sought originally for a clearly defined project in which 'capacity building' was interpreted as developing staff, systems and procedures of the applicant organisation, as well as developing external networks and collaborative relationships which would benefit the organisation in future. In practice, new skills were acquired in networking, innovation, negotiation and project planning. Often implementation of capacity building activities took place in an experiential manner rather than after any formal training. Study participants described organisational changes that were often linked to individual learning, which was self directed, focused on a specific organisational problem and embedded in a process of interaction with other practitioners.

In contrast, Organisations D, E and F showed little evidence of organisational change. In Organisation D study participants could not remember why the CBP grant had been applied for or how the money had been used in the end. In Organisation E the CBP funding was used to employ a consultant to draft a fundraising strategy. Although the strategy was considered to be a useful

document, study participants felt that the advice received was insufficient to support a process of organisational growth or change.

"Fundraising and strategy development are open ended processes. The consultant should have become part of the fundraising strategy, providing ongoing support, rather than dipping in and out."

In Organisation F, CBP funding was used to create paid jobs for the activists who had set up the project and who had previously been running it on a volunteer basis. The project did not survive beyond the duration of the CBP funding and was absorbed into a local college of further education. Study participants attributed the demise of the project to the failure of ICIO to do anything beyond providing funding.

"We never had contact with them [ICIO] during the project. I never heard anything from them or about them. I think they could have made a difference in becoming a voice for the sector, especially in representing us to other institutions. .... There was never any talk of what we could do next, or feedback on our model of working."

Organisations D, E and F had in common that there had been no systematic attempt to identify organisational needs or vision before applying for CBP funding and funds had been obtained in each case to pay for a one-off activity which became an end in itself rather than part of any deeper organisational change process.

Although the organisational impact of receiving CBP project funding had varied between the six case organisations, in each case study participants were generally in agreement that the provision of project grants and training courses had not responded to the complex and varied organisational problems they faced. They did not deny the need for skills development and training but they thought that ICIO should have provided, as part of the CBP programme, some kind of initial assessment of the capacity building needs of their organisations, leading to interventions which were tailored to individual organisational circumstances. Reducing capacity building to training courses was not seen to produce sustainable organisational change. In practice, study participants thought, the failure by ICIO to respond to their individual needs and circumstances had meant that the CBP was viewed as *"just another source of funding"*.

Discussion

The focus of our study was a government-funded programme intended to build the capacity of the voluntary and community sector, which was launched well before the current major initiatives of 'ChangeUp' and 'Futurebuilders' . Thus the study provides some early lessons for practitioners who implement capacity building programmes now and in the future, as well as for policy makers interested in developing the contribution which voluntary and community organisations can make to achieving social policy goals around

public services delivery, community cohesion and modernisation of governance.

Delivering capacity building programmes

Our findings confirm earlier findings (Brown and Kalegaonkar, 1998) that voluntary sector infrastructure organisations can play an important role in managing, and accounting for, the transfer of resources from governmental agencies to VCOs.   In fact, our study suggests that their intermediary role is an essential ingredient in implementing a policy of building the capacity of local VCOs, since central and local governmental agencies cannot deal directly with the multiplicity of small front line VCOs throughout the country. Yet, the study findings also suggest that ISOs engaging in capacity building programmes may face a number of challenges in fulfilling such intermediary roles.

First, ISOs may have to build their own capacity if they are to administer governmental funding or deliver capacity building programmes to front line VCOs successfully since, as other researchers have shown, it cannot be assumed that they have specialist expertise in management of capacity building initiatives (Judge et al., 1999; Peltenburg et al., 2000). Our study suggests, additionally and specifically, that ISOs need to have structured and articulated ideas about the goals and range of possible interventions encompassed by the idea of 'capacity building' (Brown and Kalegaonkar, 2002; Harrow, 2001). Indeed, some of the organisational challenges identified in the study seemed to have their roots in different perceptions of

what 'capacity building' involves in practice. ISOs also need to be able to help match local VCOs' capacity needs to suitable facilitators, trainers and mentors. Further, ISOs need to put in place transparent mechanisms for distributing resources and ensuring accountability so that they are not seen by grassroots VCOs as unfairly 'hoovering up' money intended for them; a perception which builds suspicion rather than the kind of trusting relationship necessary for the successful implementation of new initiatives.   .

The tensions generated by the perception that ISOs are unfairly taking disproportionate amounts of available funding to build their *own* capacity, can be aggravated by a second challenge for ISOs observed in our study: the need to impose competition, control and accountability mechanisms on local VCO recipients of governmental capacity building funds. ISOs are charged with providing accountability for governmental funds (Home Office, 2004b) whilst at the same time supporting voluntary sector organisations and helping them to meet their needs; they need to 'face both ways' (Harris et al, 2004). Yet, in their efforts to fulfil their obligation to governmental funders, they may in fact build resentment amongst the ultimate programme beneficiaries, the local voluntary and community organisations who are also key stakeholders of ISOs (Boeck and Fleming, 2005).   To avoid a deteriorating relationship with local VCOs, intermediary bodies may need in future to devise mechanisms for monitoring the utilisation of capacity building resources which are modelled less on standardised contract compliance mechanisms, and more on output and outcome evaluations in which the beneficiaries themselves can be

involved in devising performance targets suited to their distinctive circumstances (Cairns et al, 2005b).

A third challenge of implementation for ISOs which emerges from our study is how to diagnose local capacity building needs and then provide appropriate capacity building support. Our study took place in a large English city with a well established voluntary sector and yet the lead ISO nevertheless faced difficulties in finding resources which could help local VCOs to diagnose their capacity building needs and respond to needs once they were identified. This remained the case even after it established consortia of organisations to help in implementing the CBP. Where the ISO attempted to provide these crucial functions itself, it faced further criticisms from the local voluntary sector, not only about deflecting money from the grassroots, but also about competence. Perhaps most damaging to the credibility of the ISO was the suggestion made by some study participants that the ISO was dealing unfairly in taking on the dual role of fund distributor and provider of services which could be purchased by those funds.   Such roles have traditionally been associated with ISOs (Backer, 2001; Skinner, 1997) but our study raises questions about the degree to which it is appropriate for some roles to be combined in a single organisation.

Our study also identified a number of challenges for front line VCOs. In the absence of an ISO with competence to help VCOs diagnose their own capacity building needs, VCOs were left to muddle through as best as they could to develop a convincing case for receiving a share of available funding.

In these circumstances, those VCOs which already had substantial organisational expertise and capacity, fared better both in securing funding and also in using it to their advantage; a finding which reflects earlier research on the varying abilities of local voluntary organisations to attract governmental funding and the tendency of more professionalised VCOs to be more successful than grassroots and informal organisations (Alcock et al, 1999; Pharoah, 1998).. Conversely, we found that those VCOs which started with least capacity were also least able to benefit from the funds available because they struggled to diagnose their own needs and to develop ideas about how funding could help them respond to their own needs.

Such organisations might benefit from nationally provided toolkits and checklists which can raise awareness about the concept of 'capacity building' and about what is, and is not, fundable under existing governmental programmes (I&DeA, 2006). At the same time, the study also suggests that standardised packages of capacity building responses are unlikely to be acceptable to local voluntary organisations which generally expect responses tailored to local circumstances (Cairns et al., 2006; Milligan and Fyfe, 2004). Hence there is an important role for ISOs in providing support beyond the initial diagnostic stage.

Implications for social policy implementation

The implementation challenges for intermediary and local voluntary organisations which emerge from the study suggest that policy makers need to pay closer attention to specifying the goals of capacity building initiatives

and to developing appropriate mechanisms through which governmental funding for capacity building is transferred to local voluntary and community organisations.

However well intentioned the capacity building policy agenda may be, it cannot be implemented by central government without strong input from voluntary sector intermediary organisations. And that input consists not only in distributing available funding in a manner which is both transparent and accountable, but also in identifying and providing appropriate resources to facilitate capacity building in local VCOs. Indeed, it seems that a key role for ISOs is to clarify the range of activities and approaches which properly fall within a capacity building agenda; to develop a 'working definition' of the term (Cairns et al, 2005a). What also emerges from the study findings is that, while both these crucial functions need to be performed by intermediary organisations, allocating both of the functions to a single organisation can be highly problematic and, indeed, threaten the very credibility of the capacity building approach.

Government's ChangeUp initiative launched in 2005 attempted to avoid some of the difficulties surrounding the use of existing infrastructure organisations as instruments of delivery for the capacity building programme, by creating super-ordinate infrastructure organisations called 'hubs' of expertise (Capacity Builders, 2006a). Anecdotal experience suggests, however, that these have suffered some of the same credibility problems noted in our own study, insofar as their competence has been publicly questioned and their combining of the

funding-distribution and services-provision functions has raised questions about fair dealing and loyalties (Durning, 2006).

It would be a sad irony if attempts by the government to build the capacity of the voluntary sector were found to have exacerbated traditional tensions and competition for resources between grassroots VCOS and the sector's infrastructure organisations, rather than helping to build a strong sector able to contribute positively to the achievement of policy goals. It would also be a missed opportunity if lack of expertise amongst ISOs resulted in local VCOs seeing capacity building programmes as *'just another source of funding'* , rather than as a valued chance to develop their own organisational competences and so be better placed to take advantage of the government's three-fold policy agenda on public services, community cohesion and partnership.

Endnote

(1) The 'Single Regeneration Budget' or 'SRB' began in 1994 and brought together a number of programmes funded from several government departments with the aim of streamlining financial support for regeneration. In 2001 it was subsumed into the programme delivered by Regional Development Agencies.

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