



08 February 2022

Dear colleagues,

Current global sustainability agendas, including Agenda 2030, the Paris Agreement within the United Nations Framework Convention on Climate Change (UNFCCC), and the Convention on Biological Diversity (CBD), call for no less than the transformation of the world as we know it.

The COVID-19 crisis put not only a new virus but also our planet and our social systems under the microscope and demonstrated the urgent need for transformation. It also revealed challenges to change. Transformation must happen in an increasingly **volatile, uncertain, complex, and ambiguous (VUCA)** world. What's more, global goals for human health, economic and social development are interdependent in multiple ways. The VUCA world and VUCA situations bear characteristics referred to as '[wicked problems](#)'<sup>1</sup>. Developing solutions and fostering transformation in VUCA contexts requires vastly different competencies and capacities for professional practices than those that we currently know and apply.

*“Engaging in a complex system is more like raising a child. What fate would await your new baby if you decided to go linear and design a project plan setting out activities, assumptions, outputs, and outcomes for the next twenty years and then blindly followed it? Nothing good, probably.”*

Duncan Green, Oxfam, “How change happens” Box 1

Taken together, this means that **activities to support capacity development in complex contexts** – such as green recovery in a VUCA world – **can no longer follow a linear path**. Instead, they must be based on a [systemic approach](#), through which people, organisations, and societies mobilise, retain, adapt, and extend their ability to make development sustainable. Systemic approaches foster understanding of multiple perspectives and their interconnectedness and ensure [constant learning through experimentation and reflection](#). Support provided by international development partners also needs to enable a paradigm shift in how capacity development is done.

Such new patterns are already being practiced to a large extent in current projects that support capacity development. For the **Build Forward Better Briefing #09** we analysed various state-of-the-art publications and practical learnings and derived the following five hypotheses:

<sup>1</sup> A wicked problem is a problem that is difficult or impossible to solve because of incomplete, contradictory, and changing requirements that are often difficult to recognise. It refers to an idea or problem that cannot simply be “fixed”, where there is no one single solution.

Among other factors, successful systemic capacity development and supporting activities should

- be people-centred.
- have a multi-dimensional project design.
- connect short-term action with long-term goals and impacts.
- emphasise (agile) processes and (collective) learning.
- strategically invest in alliances and partnerships for knowledge generation, synthesis, and scaling.

Since many green recovery measures have a relatively recent history, we concentrate on learning examples from pre-pandemic international cooperation and climate action projects. In so doing, our goal is to illustrate the above hypotheses and inspire the discussions around project design and enhanced support to systemic capacity development for green recovery.

We hope you enjoy reading this briefing and find it inspiring for your work and discussions.

Best regards,

IKI GIZ Projects BioFrame, CDCPIII, GET, SDG-RI & SPA

## #09 SYSTEMIC CAPACITY DEVELOPMENT – FEBRUARY 2022

At the beginning of the pandemic, the Build Forward Better (BFB) briefings compiled the latest ‘green stimulus’ news, measures, and propositions from governments, multilateral organisations, academia, civil society, and other actors at the national and international levels. They offered insights into options and responses for a sustainable, inclusive, and resilient recovery from the COVID-19 pandemic. Since February 2021, the BFB team has highlighted specific topics in greater depth.

Building on the BFB briefings #07 and #08, in the current briefing, we continue to take a more analytical perspective. After two years of intense international and national debates on shaping the socioeconomic response to the pandemic, **we now propose to discuss the “how” of providing good support towards a green recovery and the importance of taking a systemic approach to capacity development.** Along with analysing state-of-the-art capacity development research, we offer five interlinked hypotheses for future green recovery measures.

This briefing is the **collaborative product of several GIZ IKI projects.** Many thanks to our colleagues who reviewed and contributed to developing the featured green recovery snapshots. All previous BFB briefings (#01 Monitoring, #02 Cities, #03 Tourism, #04 NDCs and LTS, #05 Risk Governance, #06 Biodiversity, #07 Reality Check: Trackers, #08 Reality Check: Snapshots of Green Recovery Practices) can be accessed [here](#).

### The COVID-19 pandemic – putting a VUCA world and transformation challenges under the microscope

Current global sustainability agendas, including Agenda 2030, the Paris Agreement within the United Nations Framework Convention on Climate Change (UNFCCC), and the Convention on Biological Diversity (CBD), call for no less than the transformation of the world as we know it.

The COVID-19 crisis put not only a new virus but also our planet and our social systems under the microscope and demonstrated the urgent need for transformation. It also revealed challenges to change. Transformation must happen in an increasingly volatile, uncertain, complex, and ambiguous (VUCA) world. What’s more, global goals for human health, economic and social development within

planetary boundaries (meaning a safe operating space for humanity) are interdependent in multiple ways. The VUCA world and VUCA situations bear characteristics referred to as 'wicked problems' (see footnote 1). Developing solutions and fostering transformation in VUCA contexts requires a new management paradigm and vastly different competencies and capacities for professional practices than the ones we currently know and apply.

In terms of developing more appropriate practices, the Cynefin Model by Snowden and Boone sheds light on the background for the required shifts in thinking and acting. It distinguishes five different domains of systems<sup>2</sup>, moving from 'clear' and 'complicated' systems to 'complex' and 'chaotic' systems. The fifth domain situated in the centre of Figure 1 is 'disorder'. In contrast to 'clear' and 'complicated' contexts, in 'complex' systems, causal relationships cannot be established. Even with state-of-the-art scientific data and knowledge at hand, they remain



Figure 1 Cynefin Model by Snowden and Boone, adapted by IT Revolution 2021

unpredictable, context-dependent, and dynamic. Usually, they are only determinable ex-post. The 'complex' domain requires a rather experimental approach to probe the system, gain insight into its interrelationships and dynamics, and drive the evolution of solutions.

This does not imply that linear, causal concepts of 'good practices' and 'best practices' (see figure 1) will be completely obsolete for tackling complex problems in the context of green recovery in the future. On the contrary: for many subsets of complex systems, they will remain relevant and provide effective solutions. However, linear approaches will need to be complemented by and embedded in new 'emergent practices', which follow the above-described probe-sense-respond approach for complex systems. The question is, how can we get to those new practices?

### Capacity development for transformation in complex contexts

To arrive at 'emergent practices' in complex systems, new types of capacities, demanding the cultural, processual, and behavioural evolution of organisations and individuals, are an absolute must.

In line with OECD DAC, '**capacity**' can be defined as the ability of people, organisations, and societies to manage their own sustainable development processes. Supporting and enabling capacity development is at the core of many projects implemented by international development agencies. Looking at the strategic frameworks of the main funders of official development assistance (ODA), it becomes clear

<sup>2</sup> In this paper, systems are described as a group of interacting or interconnected elements that form a unified whole. With reference to the Cynefin model, the words 'context' or 'domain' are used as synonyms to system. Furthermore, the text refers to 'problems within a complex system' as 'complex problems'.

that most international cooperation projects currently pursue a relatively linear approach to support activities for capacity development in partner countries.

Such linear approaches see capacity as something to be fostered mainly by building skills and transferring know-how. The underlying rationale views their development as an activity (e.g. providing training and workshops, developing training modules) rather than an outcome (e.g. abilities, competencies, and the transformational and adaptive capacity of individuals and organisations). The frequently used term ‘capacity building’ mirrors this idea and mindset. However, capacity development happens in complex contexts and, as such, is always an **emergent process** (see Box 1, p.1).

In complex contexts, and green recovery falls within this category, capacity development can no longer follow a linear path. Instead, it must be based on a **systemic approach**, through which people, organisations, and societies mobilise, retain, adapt, and extend their ability to make development sustainable. Support provided by international development partners needs to enable a paradigm shift in the way capacity development is approached.

Such a radical shift must be rooted within a **‘responsibility triangle’** that links local partners, development agencies, and the commissioning parties. Within this learning triangle, the responsibility for effective support activities for capacity development is transparent and well balanced for the context distributed between the three partners. Their relationships must be based on mutual trust and follow the concept of co-creation, joint sensemaking, visioning, and experimenting. A well-functioning ‘responsibility triangle’ is the basis for a new, systemic capacity development approach, which is fit for play in a VUCA world.

Some examples may help to grasp the proposed paradigm shift:

- While the prevailing paradigm is based on **centralized power**, including centralized accounting and ‘objective’ knowledge; the new paradigm builds on **reciprocity between partners** (‘responsibility triangle’), which emphasises local intersubjective knowledge and values.
- Instead of **negotiation and competition** (rooted in a climate of mistrust), the new paradigm values **partnerships and cooperation** (rooted in a climate of trust).
- Instead of predefined milestones and a clear separation between **preparation and implementation**, the new paradigm builds on **adaptive management** to adjust to the probe-sense-response approach of complex systems. Co-creative visioning and sensing take the place of building on quantitative indicators and goals.
- And as a last example: instead of turning out a few largely isolated projects, the new approach is more holistic and prefers to deliver joint lines of action

Read more [here](#): GIZ: Transformative project design (2020)

The multiple dimensions of the above paradigm shift might seem radical and overwhelming. However, these new patterns are already widely practiced in current projects that support capacity development. After analysing various state-of-the-art learnings<sup>3</sup> from successful activities to support capacity development for transformation, we derived the following five hypotheses.

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<sup>3</sup> The analysis is based on unpublished learnings from the IKI as well as the following publications ([GIZ: Submission to the UNFCCC Paris Committee on Capacity-building \(PCCB\)](#); [PlanAdapt: Unleashing the Potential of Capacity Development for Climate Action \(2021\)](#); [GIZ: Transformative project design \(2020\)](#); [GIZ: Umwelt – Politik – Beratung \(2021\)](#))

Among other factors, successful systemic capacity development and supporting activities should

- be people-centred.
- have a multi-dimensional project design.
- connect short-term action with long-term goals and impacts.
- emphasise (agile) processes and (collective) learning.
- strategically invest in alliances and partnerships for knowledge generation, synthesis, and scaling.

The above success factors do not pretend to be an exhaustive list but can rather serve as inspiration to partners within the ‘responsibility triangle’, that is, to funding and implementing organisations, practitioners, and representatives from partner countries (recipients of CD support activities). They can be thought of as loose ‘rules of thumb’, something which [Duncan Green](#) highlights as indispensable when navigating complexity: “[A]nother lesson of systems thinking is that you cannot understand and plan everything in advance. If each situation is different, so must be the response [...].”

An interesting analogy for applying ‘rules of thumb’ when acting in complex situations can be found in nature. In 1986, Craig Reynolds developed a model for the individual behaviour of fish, birds, and bats in a swarm that is based on three principles:

- Cohesion: move towards the centre of those you see around you.
- Separation: move away as soon as someone gets too close to you.
- Alignment: move in approximately the same direction as your neighbours.

As a result of these rules at the individual level, an overall structure emerges, namely the swarm. This process is called emergence. Swarm formation is a complex and highly dynamic process that cannot be accomplished based on detailed good practice guidelines alone.

Beyond swarm formation, rules of thumb can be found in other contexts, such as the military. When the US Marines go into combat (an archetypal complex system), for example, they also rely on rules of thumb (stay in contact, take the high ground, keep moving) rather than detailed ‘best-practice guidelines’.

Looking individually at the five hypotheses that lay out ‘rules of thumb’ for capacity development that we share above, none of them might seem surprising or innovative. The systemic character of capacity development emerges through their context-specific application. That is why the framework conditions and competencies that factor into that application play such a decisive role for the envisioned green recovery transformations.

Next, we delve into the individual hypotheses in greater detail while providing illustrative examples, which we called ‘**learning examples**’. In contrast to ‘good’ or ‘best practices’, which are often understood as blueprints for solutions, these examples are intended to serve as inspiration for the reader, quite in the spirit of the probe-sense-respond approach to complex systems.

### 1) To enable transformative green recovery, capacity development and supporting activities should be people-centred.

To provide effective support, it is crucial to gain and continuously maintain a profound understanding of the (often diverging and dynamic) interests, needs, constraints, and drivers of the targeted stakeholder groups. Green recovery measures can only unlock transformational power if they adopt an **integrated perspective** toward improving livelihoods and reducing social disparities. At the same time, evidence of such (intended) impacts must be also be made transparent and communicated. Accordingly, any activities that support capacity development need to be inclusive, ensuring and



promoting the **broad involvement of all relevant actors**. The following example illustrates how this can be achieved.

#### Learning example 1: Child-centred climate change adaptation in Southeast Asia

The Philippines, Thailand, and Indonesia are severely affected by the adverse effects of climate change. Many people have limited knowledge and capacity to adapt to the changed living conditions, which is especially true for children and young people. Additionally, the younger generations will have to deal with the growing impacts of climate change for a longer period of time. [The IKI funded project](#) 'Child Centred Climate Change Adaptation (4CA) Project', implemented by Plan International Deutschland from 2015 to 2018, aimed to reduce the vulnerability of local communities to the negative impacts of climate change. Its approach: increasing climate change awareness among children and youth and imparting skills that would help them proactively adapt to climate change. This was done by integrating various climate change topics and impacts into formal and informal curricula; teaching and developing the knowledge and skills of both children and teachers to address climate issues; and advocating for change, thereby increasing the long-term adaptive capacities of all parties. The project involved stakeholders at the national, subnational, and local levels: school children and adolescents, teachers, communities, and a range of ministries at the national and subnational level.

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<i>Exemplary options for supporting systemic CD</i>	<i>Integrating climate change topics into the educational curricula of governmental institutions and creating teaching materials on climate change responses for school curricula.</i>
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<i>Intended impacts of successful support for systemic CD</i>	<i>Improving livelihoods and society from an integrated perspective and ensuring social justice; targeted involvement of vulnerable groups (children and youth); addressing knowledge asymmetries in a holistic manner and bearing in mind the long-term perspective.</i>
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#### 2) To foster a transformative green recovery, capacity development and supporting activities must be designed multi-dimensionally and help break down silos.

To ensure green recovery measures can help unlock transformational change, it is fundamentally important to **overcome siloed thinking and understand and learn about** the positive and negative impacts of intended actions, as well as their dynamics within the overall system. Systemic solutions for green recovery "[require insights from many perspectives](#)", says Mariana Mazzucato, Professor at University College London (UCL). This can only be ensured by investing in the establishment of **effective coordinating mechanisms** and fostering **integrated approaches**, both horizontally and vertically. Effective activities to support systemic capacity development needs to ensure cross-silo learning and a holistic perspective on nexus topics. The following learning examples cast a spotlight on successful capacity development for horizontal and vertical integration.

#### Learning example 2: Vertical integration and learning for low-emission development in Africa and Southeast Asia

Cities and regions have the potential to become powerful drivers for climate action throughout the world. However, very few countries have so far succeeded in establishing well-functioning coordination mechanisms between the national and subnational levels that allow them to translate national climate targets into local action. The IKI project [Vertical Integration and Learning for Low-Emission Development \(V-LED\)](#) supported the governments of Kenya, South Africa, Vietnam, and the Philippines to leverage the full potential of subnational climate action by strengthening vertical policy coordination processes and learning networks between local actors.

<i>Exemplary options for supporting systemic CD</i>	<b>First phase (2015–2019):</b> facilitating collaboration between government levels through vertical climate dialogues; strengthening horizontal learning through good practice exchanges, regional workshops and a study tour; supporting local climate action capacities through toolkits and a series of trainings; research on enabling factors for multi-level climate governance and local climate action. <b>Second phase (2019–2021):</b> further supporting vertical and horizontal dialogue while consolidating lessons learnt to implement a coaching strategy for selected municipal and county governments.
<i>Intended impacts of successful support for systemic CD</i>	Policy and decision making based on relevant insights from many perspectives; well-functioning coordinating mechanisms, both horizontal and vertical; enabling a long-term outlook for the project by consolidating lessons learnt and organising a tailored follow-up process in selected contexts.

### 3) To enable a transformative green recovery, capacity development and supporting activities need to reflect short-term action in line with long-term goals to achieve the envisioned long-term impacts.

Activities to support capacity development for green recovery can only be transformative if they ensure the sustainability of their outcomes. Local **knowledge partners** help to ensure and challenge the sustainability, path dependencies, and resilience of the chosen project measures. One major challenge is to respond flexibly to short-term needs without losing a systemic and long-term perspective of the overarching goals and objectives of the project, and to reflect on the impact of its measures.

In this sense, systemic capacity development support is about finding a good balance between ‘**zooming in**’ through short-term action and ‘**zooming out**’ to the long-term perspective – and aligning these two views. Zooming in helps to determine specific actions, set incentives for stakeholders, or negotiate with partners. Zooming out is crucial to gain sight of the envisioned pathway, to reflect on actions in the context of larger societal developments, and to understand the perspectives and needs of affected stakeholders. As Andrea Meza Murillo, Director of the Climate Change Division, Ministry of Environment and Energy in Costa Rica framed it: “The decisions we make today need to align with our vision for a sustainable future.”

#### Learning example 3: Developing entrepreneurial ecosystems for green recovery

Environmentally and socially oriented micro, small, and medium-sized enterprises (MSMEs) have often been negatively impacted by the COVID-19 pandemic. At the same time, with their innovative products and flexibility they are important drivers of local green and inclusive growth. The success of green recovery is largely dependent on supporting and scaling such green enterprises by providing business training, access to markets, networks and mentors, financial and social capital, and in-kind support. The SEED Green Recovery Ecosystem Builder (GREB) programme aimed at maximising the impact of COVID-19 related enterprise support measures and building a growing network of ecosystem builders. The programme was implemented in 2021 and targeted participants who lead programmes or departments and are responsible for the successful implementation of enterprise support services.

<i>Exemplary options for supporting systemic CD</i>	<i>In a short-term virtual workshop series, capacity development institutions and implementers from across Southeast Asia and Africa worked together in a case-based peer-learning process to advance potential or existing support programmes using hands-on tools addressing real-life organisational challenges. SEED provided short-term impulses to participants to bring a green recovery angle to their longer-term enterprise support and pioneer new approaches.</i>
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<i>Intended impacts of successful support for systemic CD</i>	<i>Implementing short-term capacity development measures to support MSMEs in order to achieve the long-term goals of green recovery and green transformation; mobilising private sector climate finance.</i>
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**4) To foster transformative green recovery, capacity development and supporting activities should emphasise (agile) processes and (collective and iterative) learning.**

Measures supporting capacity development for green recovery can maximise their transformative potential **if careful attention is paid to their design process**. While project designers often understand “what” they have to do, they often still struggle with the “how”. For complex situations, especially if they demand urgent solutions, it is crucial that planned measures allow for **flexibility and adaptive management**. *AbtAustralia*, for example, proposes a shift in the current design of development projects, towards a framework called PILLAR: politically informed, locally led and adaptive response – which means moving away from the current practice of log-frame driven and top-down approaches. Applying an adaptive approach to capacity development support means as well including a **continuous learning cycle**, based on quality monitoring of data and information. Here, effective knowledge management in co-learning systems is essential.

At the current stage, however, it is difficult to see the need for agile processes and collective, iterative learning being met in the area of capacity development support for green recovery. Yet there is still vocal support for it among numerous distinguished researchers and practitioners, and this requirement has been applied in other contexts successfully, which is illustrated by the example below.

**Learning example 4: Adaptive management for the Flood Resilience Alliance**

The Zurich Flood Resilience Alliance is a cross-sectoral partnership that brings together community programmes, new research, and shared knowledge to strengthen community resilience to flooding in developed and developing countries. It stands out as a good example for adaptive management efforts because of three factors: 1) Reporting system: this, combined with the ‘theory of change’ allow the Alliance to absorb change with minimal effort and experiment to achieve results, rather than just focusing on delivering specific activities. For monitoring, progress relative to the goal is key. 2) Budget flexibility: partner organisations are funded to achieve results, and it is up to the partners to decide in which staff and activities they want to invest for this purpose. 3) Learning environment: through transparent knowledge and reflecting on learning experiences, peer-to-peer learning for better practices and innovation, and bottom-up learning to capture new needs, the Alliance as a whole creates a learning environment that forms the basis for flexible projects.

The COVID-19 pandemic has been a stress-test for the Alliance’s proactive programming approach – a crisis that demanded change. With the Alliance’s commitment to maintain their flood resilience engagement throughout the pandemic, they avoided fully pausing their programmes and maintained their flood resilience focus. The ability to identify pathways for achieving change that have co-benefits for flood resilience and COVID-19 has critically helped them to strengthen their relationships and credibility.

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<i>Exemplary options for supporting systemic CD</i>	<i>Four different types of learning are fostered under the Alliance: 1) bottom-up learning to capture needs and challenges, 2) peer-to-peer learning for improved practice and innovation, 3) cross-workstream and inter-organisational learning for decision-making and managing change, 4) needs-based guidance, tools and technical support for ensuring quality programme delivery.</i>
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<i>Intended impacts of successful support for systemic CD</i>	<i>Replicability of developed methods and continuous use of knowledge products in different contexts; peer learning and effective knowledge management; creating a continuous learning process.</i>
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**5) To enable transformative green recovery, capacity development and supporting activities should strategically develop alliances and partnerships for knowledge generation, synthesis and scaling.**

Today’s world is interconnected, complex, and multi-layered. To effectively, quickly, and flexibly address global crises such as the COVID-19 pandemic and climate change, **knowledge networks and partnerships are essential to define common problems and derive multi-faceted solutions.** The involvement of different actor groups is particularly necessary in the case of complex global challenges, and the potential of multi-actor partnerships is explicitly highlighted in the 2030 Agenda in sub-goal 17.16. Strong networks rely on trusting relationships, structures that promote self-organisation and foster innovation, and follow a shared vision. Global initiatives and platforms enable negotiation processes among divergent stakeholders, the acceleration of climate and socially driven sustainable action through knowledge management, cross- and peer-to-peer learning, regional exchange, matchmaking, and resource mobilisation. Around the world, networks of civil society actors also play an outstanding role in fostering policy development and implementation.

In order for partnerships to be fruitful and sustainable for the involved parties, it is necessary to choose an appropriate form of cooperation – from informal exchange to long-term partnerships. A joint understanding of what the chosen form of cooperation entails should also be developed. When selecting the type of cooperation, the focus should be on finding the format that offers the greatest added value for the challenges at hand (“form follows function”). The following examples illustrate how green recovery activities can be incorporated into global initiatives to move from planning to action:

**Learning example 5: Green Economy Transformation (GET) in cooperation with PAGE – Synergies between low-carbon pathways and sustainable development goals (SDG)**

Inclusive green economy approaches pursue the transformation towards a decarbonised, environmentally friendly, and socially inclusive economy promoting a range of instruments for economy-wide or sector-specific transitions, for example towards a circular economy, sustainable agriculture, and renewable energies, using green fiscal policies and other tools. An inclusive green economy builds on the integration of NDCs and SDGs and contributes to the coherent implementation of climate and biodiversity targets. The GET project has strengthened the competencies of key actors in public institutions in six countries (Argentina, Costa Rica, Indonesia, Peru, South Africa, and Uruguay). The project supported them in valuing and using new and existing transformation approaches at the international level and in partner countries. GET complemented the UN Partnership for Action on Green Economy (PAGE) and linked national efforts with global policy and capacity building networks.

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*Exemplary options for supporting systemic CD*

*Training courses; long-term workshop series for national and municipal authorities in partner countries; support for the development of policy networks, protocols, joint position papers.*

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*Intended impacts of successful support for systemic CD*

*Linking national efforts with global policy networks to multiply policy effectiveness and strengthen international country cooperation.*

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