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APPLYING RESULTS-BASED MANAGEMENT TO CAPACITY DEVELOPMENT

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INTRODUCTION

Two ideas which have gained favour in the 1990's for improving international development performance are capacity development (CD) and results-based management (RBM). The aim of this paper is to bring these two ideas together and offer some practical guidelines for applying results-based management to institutional and capacity development. The information presented contains original material as well as material taken from *Institutional and Capacity Development, Results-Based Management and Organizational Performance* written by Peter Morgan (1996). Readers are encouraged to refer to this document for greater appreciation of the issues. Readers may also wish to consult the short discussion paper, *Capacity Development: the Concept and Its Implementation in CIDA*, prepared by CIDA Policy Branch (1996).

The usefulness of RBM as a management technique for institutional and capacity development depends on how it is applied. If it emphasizes performance measurement and donor control, it may result in more harm than good for institutional and capacity development. On the other hand, it can be a useful technique for performance management if it is used strategically, is indigenized and is supplemented by other techniques. The aim of this paper is to point practitioners in the direction of how to apply RBM to make institutional and capacity development programming more effective.

CAPACITY DEVELOPMENT

Capacity development is an approach to international development which encompasses institutional development but goes beyond individual organizations and institutions to broader systems, groups of organizations and inter-organizational networks. Capacity development addresses complex, multi-faceted problems requiring the participation of various actors, organizations and institutions.

While capacity development requires a broad perspective encompassing this complexity, individual institutions are often the focus of particular interventions. Indeed, the development of institutional capacity and the development of capacity in the society as a whole are both essential ingredients to sustainable development.

From the standpoint of development results, capacity development can be seen as either a means or an end. As a means, capacity development is the process by which sustainable development is achieved. The ultimate impacts of capacity development are substantive impacts: macro-level changes in society, the economy, etc. However, the more immediate program/project objective may be to build the capacity of selected institutions. The development of institutional capacity is then seen as an end as well as a means and the level of institutional performance achieved may be taken as evidence of the program or project's impact.

RESULTS-BASED MANAGEMENT

While there is no single definition of results-based management, two elements commonly distinguish this as a management theory:

1. the emphasis on achieving results (significant accomplishments, outcomes and impacts beyond activities and outputs), and
2. the emphasis on indicators (measurable evidence that results were accomplished).

Host countries and donors share common objectives of achieving development results in the field. From the donor's perspective, however, the targeted beneficiaries in the field are not true customers who can direct donor behaviour. Donors set their own agenda, faced with the competing demands of multiple stakeholders, particularly those at home. This circumstance of international development cooperation means that there will be a natural tension between the two elements of RBM. Will increasing effectiveness, the first element, take priority over the second element, the need to show evidence? If proof of performance drives the process, the tendency will be to avoid the complexity, uncertainties and adjustments required of capacity development in favour of simple, easily realized targets whose measured accomplishments will meet or exceed expectations but fall short of capacity development.

RBM can be used to achieve different objectives: to be able to report results, to manage contracts with executing agencies, to allocate financial resources among countries and programs and to induce better field performance. An undue preoccupation with meeting immediate bureaucratic requirements can damage the organizational processes at the field level that are at the heart of institutional and capacity development.

Balancing donor and field requirements

Approaches to RBM can be seen as lying on a continuum between an approach which is *donor-oriented* and one which is *field-oriented*. A donor is practicing donor-oriented RBM if it uses RBM primarily to meet short-term corporate needs to judge and be judged. By contrast, a donor is practicing field-oriented RBM if its priority is to take whatever actions are necessary to increase the effectiveness of indigenous programming, accepting, for example, "poor" results as an opportunity for learning and improving performance.

While the donor has particular needs which must be met, if the balance is tipped too much in favour of its internal corporate interests, its partners will not take ownership of RBM. Results-based management implemented to pursue donor interests will then undermine rather than promote institutional and capacity development. *Results-based management must take root in the field if it is to foster capacity development.*

The summary table on the next page compares these two tendencies.

MANAGEMENT ISSUES AND TENDENCIES OF RESULTS-BASED MANAGEMENT

Management Issues	Donor-oriented RBM	Field-oriented RBM
main stakeholders to be satisfied	primarily constituents in donor country including senior managers, auditors, parliamentary committees, media, domestic interest groups etc.	developing country and local organizations seen much more as the primary client
planning style	technocratic, predictive; donor sets parameters defining development problem and provides solutions	incremental, experimental; host country partner responsible for defining development problem and for choosing appropriate solutions
implementation style	centralized, reliance on donor systems to produce results	delegated, participatory and experimental
selection of indicators	designed and selected by donor and its executing agency with local agreement or compliance	designed by local staff and beneficiaries with donor's agreement
level of indicators	aggregated and standardized to facilitate donor's internal needs for information	aggregated for judging program impact and project specific indicators for project level management and beneficiaries
types of indicators	reliance on quantitative data which "speak for themselves"	reliance on qualitative evidence (beneficiary perceptions, informed judgements), on analysis of causes as much as description of effects
time periods	program activities driven by donor time schedules	flexible schedules; activities adjusted to field realities
reporting, monitoring and evaluation	emphasis on demonstrating accountability and judging performance as acceptable or unacceptable; program adjustments are made in next project or program phase	emphasis on using results information to promote group and organizational learning and make changes mid-stream to attain or improve outcomes and impacts
nature of incentives	incentives for compliance with regulations; donor incentives are set by home country stakeholders rather than to respond to clients in the field.	incentives to increase field performance, local ownership and achieve desired development results.

MANAGING FOR CAPACITY DEVELOPMENT RESULTS

Donors need to ensure that they take a balanced approach to RBM and that they apply it in ways that will enable RBM to increase the effectiveness of institutional and capacity development programming. The following are offered as guidelines.

Balance predictability and flexibility The challenge is to craft an approach that can cope with uncertainty and rapid change while at the same time maintaining a sense of direction. This means that strategic predictability must be combined with operational flexibility. While the ends are tightly pursued, the means should be flexible. Donors and partner governments need to agree on the broader vision that underlies capacity development including critical process elements and key result areas. Inputs, timelines, action plans and more specific objectives should remain adaptable and be redrawn on a regular basis.

Donors can look at new ways of structuring the project cycle which give more attention to experimentation and adaptability, local commitment and organizational learning critical to the encouragement of institutional and capacity development. The World Bank, for example, has devised a new cycle of 'listening-piloting-demonstrating-mainstreaming' and Dennis Rondinelli's proposal for RBM at CIDA included an 'experimental-pilot- demonstration-replication' framework.

Balance the need to produce results and the need to learn from results Which will be valued more: achieving targeted results or learning from results? If too much weight is given to achieving stated objectives, those being held accountable will want to choose organizational objectives which are more easily reached but less important than the complex institutional and capacity development that is needed. Innovation may be discouraged as too risky. On the other hand, if donors and partners are easily excused from showing results as long as they can point to 'lessons learned' and program adjustments, managers may get away with shoddy analysis and implementation strategies.

Balance whose desired results will be met and assessed: donor or host country Both donor and developing country organizations have an interest in improving performance. Balancing the needs of different stakeholders for results and results information will involve compromises. For example, there may be agreement to assess both the donor's and the host country's records in promoting results. Those responsible for producing and maintaining results must have a say in establishing what the targets will be and how they will be assessed.

Balance means versus ends It must be remembered that capacity development involves uncertain means and unpredictable ends. Experience shows that sustainable development can be achieved only with adequate attention to process. However, the 'end product' of organizations and institutions, the goods and services they deliver, is also important. If the donor allows its vision of the end product to drive a project, critical processes will be sacrificed and the results will not be sustainable. On the other hand, it is also a mistake to so focus on process that potential substantive impacts are assumed and taken for granted. For example, measures of institutional performance should include some measure of what the institution actually delivers.

Acknowledge that some institutional results are easier than others Institutional work is risky, experimental, messy and long term. A World Bank study showed that best results were achieved in 'hard' sectors such as telecommunications, industrial development and energy production. Institutional development activities in areas such as agriculture, health and education proved much less successful. Investments in 'hard' functions such as technical analysis and financial management proved more effective than those aimed at organizational restructuring, personnel management and interagency co-ordination. Institutional development activities in poorer countries were more problematic than those in more administratively advanced states. Support to strong organizations was also generally more effective than support to weaker ones.

Recognize the political aspects of capacity development Political sustainability is an essential ingredient of capacity development. Institutions carry political weight, depending on their strength. Moreover, political support at the grassroots or at higher levels can neither be assumed nor ignored when the outcome of capacity development efforts is at stake. Despite donor tendencies to prefer technical solutions, institutional and capacity issues are often determined ultimately by political considerations.

Ensure indigenous commitment and ownership The real impetus for institutional reform and systemic change comes from within indigenous organizations, not from outside interventions. Donors need to think more about the sources and nature of indigenous commitment and ownership of institutional programs. The use of workshops can be effective. Participatory institutional and capacity appraisal (PICA) could be considered to develop and assess programs.

Building capacity may not be enough Capacity development generally implies strengthening current capacity or building new capacity. Improving results may also require eliminating old capacities that are acting as barriers to CD. Some organizations such as armies, police departments, state-run enterprises, government bureaucracies, etc. may be overly secure in resources, power and privilege. It may be necessary to aim at destroying capacity or "unsustainability" to creatively dismantle certain organizations.

Alternatively, the best options may be to make better use of existing capacity through increased efficiency or by reducing the demand on existing capacity. Where there is inadequate effective demand for institutional services, attention must be given to the difficult process of creating it. Organizations which are not guided by consumer, public or other demand revert to a supply orientation driven by "inside" stakeholders and performance declines.

Adopt a strategy for organizational change The conventional elements of results-based management - setting targets, designing indicators, monitoring performance, making adjustments - need to be supplemented by an underlying strategy of organizational change that is appropriate for modifying complex systems. Entry points, the sequence of actions, choice of tactics and the momentum gained from meeting short-term objectives are critical. Commitments must be continually renegotiated as new clients appear and past clients exit. The change process must emphasize the interdependence of tasks and the need for participating organizations both to see the 'whole' and to shape their role accordingly. To intervene in complex organizational systems that do not lend themselves to conventional analysis and

management, the strategy may include scaling up in incremental stages, to learn and continually adjust. Consideration needs to be given to determining which capacities can be imported and which must be provided locally.

Take a program perspective and provide for a long time frame Donors should support efforts of host countries to integrate external assistance into their regular program activities to avoid creating institutional enclaves from donor-driven projects. Donor systems and regulations must be adapted so as to support the evolution of capacity development over a long period of time.

Use institutional and capacity assessment techniques The emphasis on results-based management will increase the need for donors to carry out more institutional and capacity assessments in the years ahead. Programming results would benefit from incorporating these approaches more systematically. These include well-known techniques for institutional assessments of single organizations as well as techniques for the analysis of capacity systems (e.g. rural health care) which are less developed but pay particular attention to the interactions amongst a wide variety of organizations and institutions. Most assessments are designed as a consensus-building tool that contribute to host country learning and commitment.

Recognize the use and importance of information A valuable contribution of RBM to program design and management is its emphasis on the collection and use of information. RBM can contribute to capacity development if it encourages:

- participating organizations to be linked together by information systems, including the possible use of global information networks for institutional and capacity programs,
- monitoring and evaluation which is forward looking, collaborative and supportive rather than past-oriented and punitive,
- the provision of timely information to clients and beneficiaries which, in turn, encourages them to 'demand' more accountability and responsiveness.

Basic baseline information can inform program participants about the state and general direction of the current performance of various organizations, their interconnections, the policy environment and the impact of the institutional environment. The focus on future results needs to start with a clear sense of the present.

Provide incentives for CD RBM should draw attention to the issue of incentives as it is increasingly clear that the incentives and disincentives that people face within development organizations exert a great influence on the achievement of results. Motivation is a critical determinant of institutional and capacity development which can overcome structural weaknesses or resource shortages. The reverse, however, is usually not the case.

Many governments have implicitly designed their institutions with incentives to respond to priorities other than organizational effectiveness. To achieve desired institutional results, incentives must support the achievement of those results. It is essential to decide which incentives are critical for influencing performance, which can be altered and how.

Donors at the same time need to examine their own incentive systems. Most bilateral donors are centralized service providers with formal accountabilities 'up' to their owners (the citizens through their representatives in parliament) rather than 'down' to the intended beneficiaries in developing countries. The incentives influence what donors try to achieve in institutional and capacity programming.

Learning is essential To improve program results there must be a willingness and ability to learn and to apply what is learned. Although anticipated results are identified and evidence of actual accomplishments may be collected, these actions do not ensure that the lessons of experience will be learned and implemented. RBM points to the need for a strategy to drive the innovation and experimentation required in institutional and capacity programs. A well-conceived approach to collective learning needs to be consciously designed during the early stages of program implementation.

PERFORMANCE MEASUREMENT

Performance measurement is an important part of performance management. The measurement framework should correspond to the dynamics of institutional and capacity development. The CIDA model with its emphasis on deliverables and products has an inherent bias against inputs and processes which may be critical to institutional and capacity development. Some of the "results" of institutional and capacity development such as attitude change, the slow evaluation of new organizational behaviour and the development and adoption of new ideas do not easily fit in the CIDA model. A focus on "substantive" outcomes can sidetrack effective institutional development. Attention to "process" outcomes needs to supplement a substantive focus.

Capacity development and logic models When monitoring and evaluating capacity development projects, logic models used for program planning and implementation, such as the model of a results hierarchy, need to be modified so that capacity development processes are given the attention they deserve. Consultation, feed-back, learning, gender-equity and other critical processes do not represent discreet activities or objectives which can be introduced, dealt and dispensed with at particular points in the project/program. Instead, they must be woven into the fabric of an entire capacity development program, as an integral part of each project component. CD processes which cannot be confined to specific activities are commonly given little attention during monitoring and evaluation despite general consensus as to their importance. A solution is to identify these processes as 'values' or criteria against which the project/program in its entirety must be measured.

Monitoring and evaluation as part of capacity development An important measure of the quality of monitoring and evaluation is the degree to which they inform and lead to change. In the case of institutional and capacity development programming, monitoring and evaluation should be part of the

capacity building. For this to occur, they need to respond to indigenous demand for information and to building capacity for self-monitoring and evaluation. Participatory evaluations have been shown to be very empowering of the organizations, community groups and others involved.

Performance outcomes and impacts What is monitored and evaluated depends on how capacity development is perceived: as an end in itself or as a means to an end. If the program/project targets developing institutional capacity, it should be possible to measure outcomes and impact in terms of improved institutional performance. Donors, however, engage in capacity development to achieve positive outcomes and impacts on people's lives. When institutional and capacity programs are seen as means to an end, impacts can be assessed in terms of substantive changes in health, education, etc. which the capacity programs were designed to achieve.

Attribution It is difficult to determine how much influence, if any, a donor has had on a given outcome or impact of most institutional and capacity development initiatives. The attribution problem is particularly difficult in the so-called 'low specificity' sectors such as social development and capacity programming that are heavily influenced by outside factors. Professional judgement of 'plausible association' is one option. In addition, indirect ('proxy') indicators may be used to show short-term progress toward long-term results. The following are indirect evidence of results:

- Sometimes local beneficiaries and observers can assess whether the outside contribution was of critical importance. One approach is to assess what the situation would have been without outside intervention.
- When a donor of institutional support is not able to point to the specific impact of its investment, it should be able to demonstrate the effectiveness of the institution that it has supported.
- If an institution can demonstrate that it follows what are accepted as best practices in the field, this is a proxy indicator of future results.
- For capacity development actions such as the development of networks, education and training of politicians and journalists, public information, advocacy for policy change, evidence of their actual or potential impact may have to rest on the quality of the contextual analysis. A capacity mapping tool such as an objectives tree can indicate the critical areas of intervention. One should be able to argue that the chosen interventions are necessary and, given the total context, sufficient to achieve the expected result.

PRINCIPLES FOR THE SELECTION AND DESIGN OF CAPACITY INDICATORS

Much has been written about how to select indicators which apply to any type of program: they should be simple, relevant, valid, cost-effective, etc. There is wide-spread agreement, for example, that only a few indicators should be used to measure performance. Yet, an examination of several CIDA capacity development projects shows long lists of indicators. These indicators commonly refer to specific functions to be put in place. Often missing is the objective or expected result that the capacity development is expected to achieve in terms of improved performance by the institution(s) or a given sector. The key program results (e.g., strengthened government capacity to develop and implement effective environmental policies or strengthened institutional capacity to deliver basic education) should be articulated and a few indicators should be chosen for key program outcomes and impact.

Often a choice can be made among a number of alternative indicators. Below are guidelines specific to institutional and capacity development programming to help make that choice.

Design indicators to serve as incentives When indicators provide useful information, the information can motivate changes in behaviour. For example, a desired process result might be decentralized decision-making within an organization. One indicator could be the number of recommendations made by a group of beneficiaries which the organization implements. As the beneficiaries see that their recommendations are being implemented, they may be motivated to become more proactive in influencing future decisions. By contrast, another indicator, such as the number of beneficiary or staff committees formed within the organization, might not have the same motivating effect.

Select critical indicators Some capacity building results are more important than others. For example, if building supportive links between organizations are believed to be more important to institutional sustainability than a fully staffed organization, indicators of networking would be more useful than indicators of staffing.

Avoid indicators which will hurt capacity development Indicators should be assessed to ensure that they are not undermining capacity development. For example, too great an emphasis on producing certain output numbers by specified dates has too often led to putting participation, ownership and other essential process elements on hold.

Design indicators in a participatory way Ownership is critical to capacity building. Indicators should, therefore, be developed with those who are responsible for institutional performance and those who are expected to take ownership over the CD process. Building ownership, however, requires not only sharing in the choice of indicators and other monitoring and evaluation decisions, but also sharing the findings.

Tie indicators to capacity development strategy Indicators should be chosen with a clear sense of their relationship to each other and to the program's institutional and capacity development strategy. For example, filling management gaps and putting pressure on organizations to be accountable are two different strategies for improving organizational performance. The indicators should be designed to show whether or not the chosen strategy was correct.

Set both short and long-term indicators Measuring short-term results can help managers to adjust program strategies and objectives and can encourage a sense of momentum. Yet the effectiveness of institutional and societal performance arising from capacity development programming is best judged over decades rather than years or months. Undue pressure for short term results can lead to selecting objectives that are more easily implemented but less critical to capacity development than more fundamental, long-term objectives.

One solution to the need to show long-term impacts now, and continually year after year, is to track *program* level performance. If the program includes projects in different stages, a program evaluation at any time should reveal interesting outcomes and impacts of at least some projects, particularly those that have been implemented for a number of years.

CONCLUSION

Performance measurement is an important part of performance management but is too narrow to drive development programming. RBM that gives priority to enhancing key results - process results, effective institutional performance and substantive impacts - will benefit institutional and capacity development. It will contribute to implanting a 'performance culture' in development programs, an essential ingredient for long-term effectiveness.