



United Nations Development Programme

CAPACITY DEVELOPMENT



# MEASURING CAPACITY



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## ACRONYMS AND ABBREVIATIONS

<b>CPAP</b>	Country Programme Action Plan
<b>MfDR</b>	Managing for Development Results
<b>MDG(s)</b>	Millennium Development Goal(s)
<b>NGO</b>	Non-Governmental Organization
<b>RBM</b>	Results Based Management
<b>RRF</b>	Results and Resources Framework
<b>TCPR</b>	Triennial Comprehensive Policy Review
<b>UN</b>	United Nations
<b>UNDAF</b>	United Nations Development Assistance Framework
<b>UNDG</b>	United Nations Development Group
<b>UNDP</b>	United Nations Development Programme



## EXECUTIVE SUMMARY

What is the measure of capacity? This paper on Measuring Capacity attempts to help development practitioners unbundle this question. First, by defining the starting point: an institution's ability to perform, sustain performance over time, and manage change and shocks; second, by offering programmatic responses that can drive improvement in these areas; and third, by presenting a framework for capturing the resulting change.

The strength of institutions is central to the achievement of national development goals. Increasingly, development programmes aim to strengthen various aspects of national capacities so that they are better able to fulfil their mandates and contribute to achievement of national goals. It has been difficult, however, to draw an accurate picture of the contribution of these programmes to the strengthening of institutions, let alone to achievement of development goals. A key obstacle to measuring the change in capacity has been the ambiguity of what the results of capacity development are. This paper hopes to offer a common language with which to articulate results and a common framework in which to capture them.

The framework for measuring change in capacity presented in this paper captures capacity at two levels: at one level are capacities that enable an institution to perform effectively and efficiently, repeat good performance over time, and manage change and shocks as they come. Change in capacities at this level is reflected in outcomes. At another level are drivers of capacity, or levers of change: institutional arrangements and incentives; strategic leadership; the knowledge and skills of human resources; and public interface or accountability mechanisms. The results of activities at this level are reflected in outputs. For example, measurement of a health system's capacity could include a national university system's ability to produce top-notch health professionals (outcome), and by the existence of an education curriculum that addresses the specific health needs of the country (output).

The results chain (activity-output-outcome-impact) can vary across circumstances (an outcome in one situation may be an output, or even an activity or input in another) and needs to be adjusted in each context. The key to building a logical results chain is maintaining the inherent flow from one level to the next for each intervention and for each institution: what activities will produce what outputs, and how will they contribute to stronger institutions. Understanding the linkage between outputs and outcomes allows development practitioners to focus on those interventions that can actually have a long-lasting effect on institutions.

The conceptual framework presented in this paper is intended to be used by development practitioners in measuring change in capacity of institutions. The framework can be applied equally to a variety of institutions: national and sub-national institutions; state and non-state institutions; partner institutions as well as those within the UN development system. Institutions can encompass organizations as well as the enabling environment or the system larger than any specific organizational entity.<sup>1</sup>

The paper is divided into four parts. Section I introduces a framework for measuring capacity. Section II provides details for measuring change in performance, stability and adaptability of institutions responsible for contributing to development goals, along with sample outcomes and indicators. Section III contains an illustrative list of programmatic responses used to drive transformation, with sample outputs and indicators. Section IV discusses implications of the framework for programme formulation. Annex I provides examples of impacts, outcomes, outputs and indicators; Annex II provides definitions of commonly used terms; and Annex III lists additional resources. This paper should be read in conjunction with the UNDP Practice Notes on Capacity Development and Capacity Assessment, as they provide explanations of terms and concepts referenced herein.



## INTRODUCTION

UNDP defines capacity as “the ability of individuals, institutions, and societies to perform functions, solve problems, and set and achieve objectives in a sustainable manner.” Capacity development is the ‘how’ of making development work better and is, in essence, about making institutions better able to deliver and promote human development. It is at the heart of UNDP’s mandate and functions, with the UNDP Strategic Plan 2008–2013 (UNDP, 2008c) positioning capacity development as the organization’s overarching contribution to programme countries.

The measurement of capacity and specifically the capture of change in capacity are critical to understanding the success of the capacity development process. The importance of being able to do so can be seen in the ability to i) understand what constitutes a starting point (how to articulate what capacities are there to begin with); ii) uncover where the hurdles to developing capacity are and design programmatic responses that will actually address those hurdles to drive improvement; and iii) most important, measure the change in an institution’s capacity to fulfil its mandate and provide insight into where to make investments for continuing improvement.

Within the context of the wider UN system, several key documents call for an effective and common approach at the country level in advocating for and taking action on capacity development.<sup>2</sup> In particular regard to measuring capacity development results, the 2007 Triennial Comprehensive Policy Review (TCPR) “requests the United Nations development system to support the development of specific frameworks aimed at enabling programme countries, upon their request, to design, monitor and evaluate results in the development of their capacities to achieve national development goals and strategies.”<sup>3</sup> A progress report to the Economic and Social Council on the 2007 TCPR “encourages the United Nations Development Group to develop indicators to assess the sustainability of capacity-building activities of the UN system.”<sup>4</sup>

The fact that capacity development is a long-term process and is one of many factors contributing to the achievement of development goals cannot be an excuse for lack of measurement; in fact, these conditions should rather inform the formulation of a framework for its measurement.

The capture of change in capacity should be based on clear evidence of actual relevant changes. Outcomes, outputs, and indicators should be clear and should not be stated in vague language such as “improve, enhance, strengthen, or increase capacity.” Measurement must go beyond an increase in input resources, such as human, financial or physical resources; and go beyond the completion of activities or production of outputs, such as the implementation of training or procurement of tools, as the availability of such resources and completion of such tasks do not guarantee their contribution to development goals. It should look at the change in institutions – are they stronger, better, more resilient?

<sup>1</sup> See the UNDP Practice Note on Capacity Development for a fuller discussion of the various levels of capacity.

<sup>2</sup> These documents include the 2007 UN Triennial Comprehensive Policy Review (United Nations, 2008); the UN Development Group (UNDG) Position Statement on Capacity Development (UNDG, 2006); the UNDG Capacity Assessment Methodology (UNDG, 2008); and the United Nations Development Assistance Framework (UNDAF) and Common Country Assessment (CCA) Guidelines (UNDG, 2009).

<sup>3</sup> 2007 Triennial Comprehensive Policy Review, para 38 (United Nations, 14 March 2008).

<sup>4</sup> Report to Economic and Social Council on Progress in the Implementation of General Assembly Resolution 62/208 on the TCPR, para 13 (United Nations, 17 July 2009).



## I. UNDP CAPACITY MEASUREMENT FRAMEWORK

The process of capacity development is intended to enable an institution to move from an existing state to a higher state of capacity, which then enables it to contribute to human development writ large. This paper offers a framework for i) measuring the change between the existing state and a higher state (the outcomes expected and how to indicate for such); and ii) exploring the programmatic responses for developing capacity (the levers of change, the outputs expected and again how to indicate for such).

### 1. Results-Based Approach to Measuring Capacity

All institutions, formal and informal, in the public sector, civil society and private sector, have a purpose: they perform functions and produce products and services that make development possible. In so doing, they use an “existing endowment” of resources (human, financial and physical assets) and competencies to convert inputs to **outputs** such as policies, compliance regulations and mechanisms, and knowledge products; which in turn contribute to achievement of **outcomes** such as increased service delivery; which in turn again contribute to **impact** or achievement of national development goals such as improvement in public health and increase in employment. This chain of events, inputs – activities – outputs – outcomes – impact, is known as the results chain, and is a simple, systematic cause-effect approach to managing and measuring development results in as tangible a manner as possible.

Measurement of capacity development results, similarly, requires a systematic approach with a focus on tangible results. Managing for development results (MfDR) and its precursor, results based management (RBM), are applied by many governments and international agencies to simplify planning and ensure focus remains on achievement of impact and outcome, rather than production of output or amount of input. The discussion below introduces four key components of the UNDP results-based approach and reflects UNDP’s approach to planning, monitoring and evaluating for development results within the context of capacity development.<sup>5</sup>

#### *a. Strategic Planning*

For formal institutions, the identification of desired impact, outcomes, and outputs should emanate from a strategic planning process. Much of planning is about balancing immediate needs and preparing for future needs, aligning institutional arrangements to development goals, and allocating resources in a way that maximizes performance and promotes stability and adaptability. Defining goals, outcomes, and outputs without a clear understanding of the institution’s strategic direction can lead to distorted focus and resources being diverted from real needs, resulting in capacity development responses that build islands of competencies in areas that might have lower priority and less impact.

A strategic planning process involves consultation with stakeholders to identify specific changes that are essential for the achievement of development goals. This process may include identification of key problems; analysis of the political economy, social reality, and capacity assets and needs; grouping of root causes; identification

<sup>5</sup> Please see the UNDP Handbook on Planning, Monitoring and Evaluation for Development Results, September 2009a, for a more detailed discussion.



of interdependencies; scenario planning; prioritization of issues; and cost/benefit analysis of various options. Changes identified may be at the strategic level of institutional performance, stability and adaptability, as well as at the operational level found within the programmatic responses to develop capacity (institutional reform and incentive mechanisms; leadership development; education, training and learning; and accountability and voice mechanisms). Improvements at the operational level can strengthen an institution, making it more resilient and better able to contribute to achievement of national development goals.

## *b. Impact*

An impact is an actual or intended change in human development as measured by people's well-being. An impact generally captures change in people's lives. It represents underlying goals such as better living conditions, through improvements in health, income, education, nutrition, or the environment. An impact within a sector, department or smaller unit describes more detailed and specific changes that make up or contribute to higher-level or national impact.

## *c. Outcome*

An outcome is an actual or intended change in development conditions that interventions are seeking to support. It usually relates to changes in an institution's ability to work better and fulfil its mandate. To achieve development goals, a strategic plan should identify specific changes or outcomes that must occur within various systems. For example, to achieve MDG 2 (achieve universal primary education), a plan may call for the educational sector to deliver free and compulsory primary education and improve the quality of basic education; or for the health sector to improve the health and nutritional status of children.

It is important to note that there can be several levels of outcomes leading ultimately to the desired impact. For example, increased management capacity of the Ministry of Education may lead to increased number of operational schools, in turn leading to increased enrolment rates that may ultimately lead to increased literacy rates. These are all different levels of outcomes. Higher-level outcomes are often cascaded down to more specific outcomes within ministries, departments and sectors, at which level it is important that outcomes have the appropriate amount of detail so as to minimize ambiguity.

## *d. Output*

An output is a short-term development result produced by project and non-project activities. It relates to the completion (rather than the conduct) of activities and is a product and/or service that make achievement of outcomes possible. It is the type of result over which managers have a high degree of influence.

There is a qualitative difference between an output (a product or service completed) and an outcome (a change that occurs after products and services are provided). It is desirable, but not definitive, that outputs and outcomes have a cause-and-effect relationship; outputs may be produced without any change happening, or change may occur without the production of outputs. In addition, outputs and outcomes do not necessarily have a parts-and-whole relationship; a collection of outputs does not make up an outcome; nor does adding details to and clarifying specifics of an output transform it into an outcome. For example, an aerodynamic design can improve speed for cars, but higher speed is not driven entirely by an aerodynamic design.



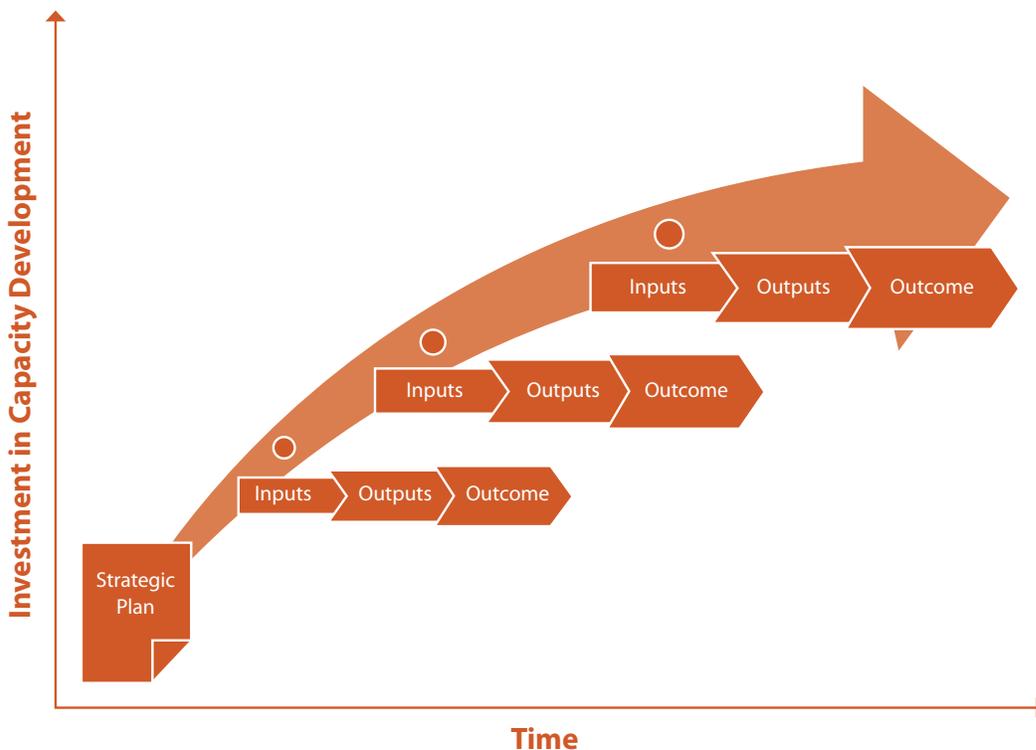
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The table below presents two examples of development results driven from strategic plans.

STRATEGIC PLAN	IMPACT OR GOAL	OUTCOME	OUTPUT
	Improved environmental sustainability	Government ministries take a cross-sector approach to addressing environmental issues <i>(increasing both efficiency of policy formulation and effectiveness of policies)</i>	National environmental strategy produced
	Increased democracy and human rights (through public sector accountability and public participation)	Ministry of Finance increases transparency of national budgeting process <i>(increasing effectiveness of budget allocations)</i>	Policies that facilitate public access to information on budget/finance formulated

A strategic plan details a path for reaching national development goals. As an institution implements capacity development programmatic responses, it establishes better systems, improved processes, more effective mechanisms (a higher output level), which enable it to work better and fulfil its mandate (a higher outcome level). This in turn facilitates and contributes to achievement of national development goals. The chart below illustrates how increased focus on capacity development over time can lead to greater development results.

**FIGURE 1 - RESULTS-BASED APPROACH TO CAPACITY MEASUREMENT**





## 2. UNDP Capacity Measurement Framework

Using a results-based approach for measuring capacity, UNDP sees three levels of measurement:

1. Impact: Change in people's well-being
2. Outcome: Change in institutional performance, stability and adaptability
3. Output: Product produced or service provided based on capacity development core issues (institutional arrangements, leadership, knowledge, and accountability)

Each level is inextricably linked to the next. We see progress against national development goals as driven by, among other things, a change in national institutions' performance, stability and adaptability. The stronger the institutions, the better able they are to fulfil their mandates. For instance, a Ministry of Water that is able to withstand natural disasters and manage environmental shocks is more likely to contribute to a development goal of universal access to potable water.

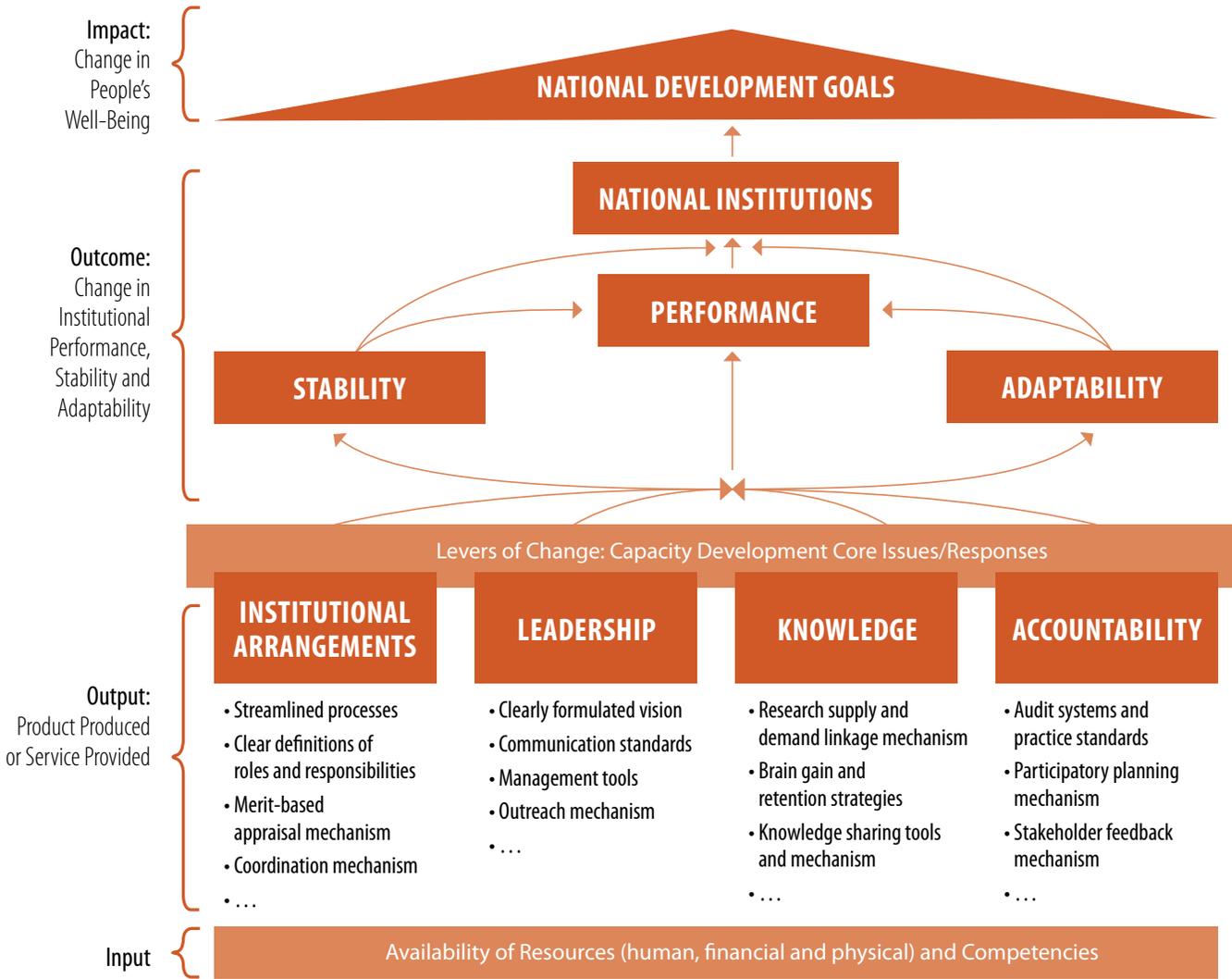
Contributing to stronger institutions are robust institutional arrangements; visionary, competent and ethical leaders; open and equal access to knowledge; and vibrant accountability and voice mechanisms. The better the reforms, policies and investment decisions, the stronger the institutions. For instance, a national government that formulates a decentralization policy that clearly delineates national vs. sub-national roles and responsibilities is more likely to have high-performing sub-national governments.

Building on a foundation of existing competencies and resources, the framework on the following page depicts these three levels, and the connection between them. Measurement of change in capacity need not embrace the full complexity of the measurement framework as depicted. For example, a nascent institution may focus on improving its ability to perform efficiently by putting in place a streamlined organization structure and better business processes. At a later point in time, it may have progressed to such a point that it can address its ability to maintain a higher level of performance over time.



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FIGURE 2 - FRAMEWORK FOR MEASURING CAPACITY





## *a. Measuring Impact: Change in People's Well-Being*

Measurement of progress against national development goals is generally well articulated and executed. Indicators at this level tend to be quantitative and limited in number; and although data may sometimes be costly or otherwise difficult to attain, there is strong incentive and often international support for gathering such data and reporting on progress at this level.

## *b. Measuring Outcome: Change in Institutional Performance, Stability and Adaptability*

Key to the achievement of development goals is a continuous improvement in the performance, stability and adaptability of national institutions responsible for development. Improvements can be measured by an institution's ability to:

- a) Convert inputs to productive use (performance)
- b) Seek resolution to problems and remove barriers (stability)
- c) Adapt to changing realities and demands (adaptability)

Institutions that can formulate effective policies, that can deliver services efficiently, that can sustain a high level of performance over time, and that can weather shocks, external and internal, are the very institutions that can make the most significant contribution to human development. Change at this level is reflected in outcomes in the enabling environment as well as the organization, and can be measured by outcome indicators (see Section II for further discussion and examples).

## *c. Measuring Output: Products Produced and Services Provided based on Capacity Development Core Issues*

Institutions can become stronger when they have in place the policies, systems, processes and mechanisms that allow them to do what they do better. The formulation, establishment and implementation of these assets are the essence of capacity development. UNDP sees the most change when there is focus on and investment in the following areas:

- a) Institutional arrangements → institutional reform and incentive mechanisms
- b) Leadership → leadership development
- c) Knowledge → education, training and learning
- d) Accountability → accountability and voice mechanisms

Programmatic responses can address the enabling environment (national policies, laws and regulations) as well as the organizational (business processes, management systems) and individual (training) levels. They can also encompass both functional (programme implementation) and technical (disaster risk analysis) capacities. Results at this level are captured in outputs and output indicators (see Section III for further discussion and examples).



## II. MEASURING CHANGE IN INSTITUTIONAL PERFORMANCE, STABILITY AND ADAPTABILITY

Most institutions continuously strive to strengthen their capacities to fulfil their mandates. UNDP sees the capture of results of these efforts through three institutional capacity measures: i) does the institution perform more effectively and efficiently in delivering on its mandate; ii) does it do so consistently over time; and iii) does it make the needed adjustments to change (or shocks).

MEASUREMENT FACTORS	COMPONENTS
1. Performance	Effectiveness
	Efficiency
2. Stability	Institutionalization
	Risk Mitigation
3. Adaptability	Investment for Innovation
	Continuous Improvement

Looking at this collection of measurement factors helps define the starting point for a programmatic response to develop capacity and transform an institution. How effective are an institution’s policies in meeting beneficiaries’ needs? How efficiently does the institution use the resources it has to deliver services? How well is it able to institutionalize and sustain performance improvements that have already been made? How well can it anticipate and respond to a changing environment? The answers to these questions provide numerous insights: i) they define the starting point for change; ii) they highlight the challenges an institution faces as it delivers on its mandate; iii) they help focus the capacity development response on those areas that will actually make a difference to the institution; and iv) they provide tangible baselines against which progress can be measured.

In applying this approach to measuring change in institutions, one should emphasize the various measurement components based on context; the approach does not call for all components to be equally applied or weighted in every situation. Efficiency, for example, may be less relevant or practical for certain government institutions that prioritize expansion regardless of cost, while it may be a cardinal measure for other government institutions.

In this Section, each component is defined and illustrative outcomes and associated indicators are offered. In addition, examples of programmatic responses to develop capacity in each of these components are presented. The outputs associated with these interventions would presumably contribute to achievement of the outcomes of improved institutional performance, stability and adaptability.

### 1. Institutional Performance

Performance is a combination of the effectiveness and the efficiency with which an institution fulfils its intended purpose. Effectiveness is the degree to which the institution’s objectives are achieved. Efficiency is a comparison of what is produced (or what has been achieved) and resources used (money, time, labour, etc.).



## a. Effectiveness

Effectiveness is the degree to which an institution achieves its agreed objectives or mandates. For example, if a Ministry of Education can spearhead the formulation of policies and investments (e.g., free primary education) that contribute to a decrease in illiteracy rate, then that Ministry can be said to be effective in contributing to a national goal of eliminating illiteracy. (This is not to say that the Ministry's effectiveness is the only factor in reducing illiteracy, but one of many contributing factors.)

By understanding where and how it is more or less effective, an institution can design programmatic responses to develop capacities in these particular areas. Any positive change to the characteristics or orchestration of functions performed, products produced, or services provided that increases the likelihood of achievement of strategic and operational objectives increases effectiveness. Indicators of increased effectiveness could be **quality** (e.g., via definition of quality standards or a quality assurance mechanism); or **adequacy** of output quantity (e.g., the quantity of the products and services required to meet the needs of beneficiaries). For example, programmatic responses may contribute to increased effectiveness by:

- improving the quality of policy (by better understanding beneficiaries' needs);
- improving the implementation of programmes (by having better talent management systems that attract and retain top talent).

## b. Efficiency

Efficiency is the ratio of produced outputs (or values) to the resources used to create them. The importance of efficiency has long been recognized by private sector firms operating in a competitive market. In many cases, a slight change in efficiency can have significant consequences for a firm's market share or even survival. While it may be less common for public sector organizations and NGOs to look at efficiency to measure the value of their efforts, there is an increasing sense of responsibility to use resources in an efficient way.

The effects of improved efficiency extend beyond obvious cost-saving factors: recent research shows a direct relationship between public sector operational efficiency and economic growth.<sup>6</sup> Furthermore, higher efficiency in public sector organizations improves government image and legitimacy in public eyes. In general, an improvement in the efficiency of national institutions tends to accelerate achievement of national development goals.

Identifying and understanding the political, strategic and operational hurdles to efficiency can help define where to focus and what kinds of programmatic responses to put in place. Change in the amount of resources, whether they be time, money or people, required to perform the same or improved level of production or delivery increases efficiency. Indicators of increased efficiency could be degree of **clarity** (e.g., regarding roles and responsibilities, client needs and values, or expected outcomes); degree of **alignment** (e.g., of teams, budget allocation, or M&E systems); or acceleration in **cycle time** (e.g., reduction in the total time it takes to identify, develop, and deliver agreed outputs). Programmatic responses may contribute to increased efficiency by:

- aligning organizational structure to the mandate (to reduce overlapping roles and responsibilities);
- streamlining business processes (by reducing the number of days to complete tasks or people required to approve);
- improving the policy formulation process (by involving more stakeholders throughout the process).

<sup>6</sup>"Does public sector efficiency matter? Revisiting the relation between fiscal size and economic growth in a world sample." *Public Choice* (2008) - <http://www.springerlink.com/content/y63704143727164w/fulltext.pdf>



# MEASURING CAPACITY

## MEASURING INSTITUTIONAL PERFORMANCE: EFFECTIVENESS AND EFFICIENCY

ILLUSTRATIVE OUTCOMES	ILLUSTRATIVE OUTCOME INDICATORS
<b>EFFECTIVENESS</b>	
<p>Department of Fisheries prevents overfishing in territorial waters</p> <p><i>(for example, contributing to a national goal of sustainable fish stocks)</i></p>	<ul style="list-style-type: none"> <li>• Number of registered fishermen</li> <li>• Number of arrests for illegal fishing</li> <li>• Number of fish stocks for which overfishing has ended</li> </ul>
<p>Ministry of Energy improves access to electricity in rural areas</p> <p><i>(for example, contributing to a national goal of universal access to electricity)</i></p>	<ul style="list-style-type: none"> <li>• Percent of rural households with access to electricity</li> <li>• Average number of hours without service in rural households</li> <li>• Beneficiaries' satisfaction rate with service (through a survey)</li> <li>• Number of illegal access points to power grid</li> </ul>
<p>Department of Forestry protects area of land covered by forest</p> <p><i>(for example, contributing to a national goal of increased forest cover)</i></p>	<ul style="list-style-type: none"> <li>• Annual timber harvest volume, compared to the volume expected under current plans</li> <li>• Percent of forestland with adequate fire safety measures as specified by the forest protection policy</li> </ul>
<b>EFFICIENCY</b>	
<p>Anti-Corruption Commission efficiently investigates and addresses complaints reported by individual citizens in accordance with its constitutional mandate</p> <p><i>(for example, contributing to a national goal of improved public participation and government accountability)</i></p>	<ul style="list-style-type: none"> <li>• Number of cases per (year/month) investigated by the Anti-Corruption Commission leading to prosecution under anti-corruption legislation</li> <li>• Average cost of investigations leading to prosecution under anti-corruption legislation</li> <li>• Amount of time from complaint to closure</li> </ul>
<p>Mine and ERW (Explosive Remnants of War) Task Force accelerates the process of clearing mines and other ERW from areas within a five kilometre radius of a population centre</p> <p><i>(for example, contributing to a national goal of zero impact of landmines and ERW)</i></p>	<ul style="list-style-type: none"> <li>• Acres of land cleared per month</li> <li>• Cost per acre of land cleared</li> </ul>



## *Case 1. Capturing Results: Mine Action in Azerbaijan*

In 1999 the Azerbaijan National Agency for Mine Action (ANAMA) was established to clear mines and unexploded ordnance (UXO) in the areas affected by the six-year Nagorno-Karabakh war. ANAMA was also charged with formulating a plan for the resettlement of over one million internally displaced people (IDPs).

After more than 10 years of investing in developing its capacity, ANAMA operates effectively and efficiently, with a well trained staff following good practice standard operating procedures (SOPs) to perform their day-to-day functions. As a measure of its **performance**, the cost per square metre of land cleared of mines has decreased from USD 500 in 1999 to USD 9 in 2001 and down to USD 1.5 since 2005.

As a measure of its **stability**, ANAMA has been able to retain its leadership and key staff over the course of the ten+ years it has been operating. In addition, its dependence on donor assistance has declined. In 1998, the ratio of donor resources to government resources was 80:20; today, this ratio is reversed.

The institutional strength of ANAMA has improved over time to the point that it now provides advice and training to institutions with similar mandates in neighboring countries, including Afghanistan, Georgia and Tajikistan.

## 2. Institutional Stability

While performance measures provide a good snapshot of how well an institution uses its resources, stability measures provide a moving picture of how well an institution performs over time. An improvement in an institution's performance can be a temporary enhancement which is followed by larger setbacks at a later time. Stability is the degree to which an institution can decrease volatility of performance through institutionalization of good practices and norms and identify and mitigate internal and external risks through risk management.

### *a. Institutionalization*

Institutionalization of performance standards decreases volatility and unpredictability of resource utilization. For example, production level may increase by having a manager who stays in the office long days and weekends and pushes everyone forward; once the overworked manager is removed, or simply burned out, however, the institution moves quickly back to its original state. Although this sort of manager, and these sorts of interventions in general, may make a temporary improvement or even catalyze change, they are rarely a stable solution. Expectations, procedures, and reporting mechanisms should be systemic rather than relying on temporary measures to drive improvement.

Identifying and analyzing areas that are particularly subject to variable performance, due to for instance changing political or organization leadership or high staff turnover, can provide important insight into which areas to focus programmatic responses. Possible interventions that may foster institutionalization of good practices include:

- documentation of business processes and publication in relevant languages;
- alignment of business processes, competency requirements and performance management (by hiring the right people, having them do the right things, and rewarding them for doing it well);
- development of knowledge sharing mechanism (to share good practices and retain institutional memory).



## *b. Risk Mitigation*

A strong institution should be able to design and implement proper risk identification, analysis and management. Common risks include various forms of corruption, lack of stakeholder or public participation, and natural and man-made threats or disruptions. These kinds of risks limit an institution's ability to sustain high levels of performance over time.

By identifying the risks to which an institution is susceptible, programmatic responses can be targeted at vulnerable spots. Strong corruption controls, participation mechanisms, and accountability measures can all contribute to more stable institutions. An institution with an over-arching risk management strategy that addresses these risks holistically, rather than with a loose patchwork of plans from various departments or teams, is often better able to mitigate risk and less susceptible to major threats, thereby ensuring its stability.

Below are some of the main risks that can lead to instability in the performance of an institution. The flip side of each risk can become an outcome, with an associated indicator or measure of stability (see table below for examples).

- Volatility and unpredictability of funding base;
- External fraud – including theft, robbery, reselling of services illegally or unfairly;
- Internal fraud – where losses are caused by the inappropriate behaviour of an organization's employees;
- Political interference in operational or technical processes;
- Lack of stakeholder or public participation;
- Weak or monopolistic external suppliers for various programmes or operations;
- Damage to physical assets – such as buildings, documents, computers, for example as a result of fires, natural disasters, or vandalism;
- Product and service failures;
- Process failures of all kinds;
- Lack of data for informed decision-making;
- Failures of employment practices and workplace safety measures;
- High staff turnover;
- Low staff morale.

Programmatic responses may contribute to better risk mitigation by:

- designing and putting in place participation mechanisms;
- drafting and implementing best practice procurement policies and practices;
- developing information management systems to ensure fact-based decision-making.



## MEASURING INSTITUTIONAL STABILITY: INSTITUTIONALIZATION AND RISK MITIGATION

ILLUSTRATIVE OUTCOMES	ILLUSTRATIVE OUTCOME INDICATORS
<b>INSTITUTIONALIZATION</b>	
<p>Local governments use standard operating procedures, developed by Ministry of Local Government</p> <p><i>(for example, contributing to a national goal of universal access to potable water and sanitation)</i></p>	<ul style="list-style-type: none"> <li>• Percent of processes and procedures documented and made available to staff</li> <li>• Rate of compliance with standard operating procedures (measured using a quality assurance function)</li> </ul>
<p>National regulatory framework and standards for public procurement practices in place</p> <p><i>(for example, contributing to a national goal of improved public sector accountability)</i></p>	<ul style="list-style-type: none"> <li>• Percent of public procurement activities that are covered by the new framework</li> <li>• Degree of compatibility of procurement methods, advertising rules, participation rules, tender documentation, tender evaluation, submission and procedures with internationally recognized standards</li> <li>• Rate of compliance (with new framework) among public procurement officers</li> <li>• Time from requisition to delivery</li> </ul>
<b>RISK MITIGATION</b>	
<p>Local governments have increased financial accountability</p> <p><i>(for example, contributing to a national goal of increased local economic development)</i></p>	<ul style="list-style-type: none"> <li>• Amount of loss or damage to physical assets from inappropriate usage, accident, thefts or other events</li> <li>• Percent of district media organizations that have at least one reporter with access to the local government budget and understands the key expenditures</li> </ul>
<p>Ministry of Education reduces teacher turnover and morale issues that affect primary education</p> <p><i>(for example, contributing to a national goal of universal primary education)</i></p>	<ul style="list-style-type: none"> <li>• Teacher satisfaction level</li> <li>• Turnover rate due to voluntary termination of contract</li> <li>• Number of days lost due to accident, emergency situations, sick time, etc. relative to total working days</li> <li>• Changes in benefit package</li> </ul>

### Case 2a. Capturing Results: Local Service Delivery in the Philippines

In an effort to increase access to safe drinking water in metro Manila, Philippines, a pro-poor public private community partnership was forged among the private water utility, informal small-scale water service providers, the local authorities and communities. As a result of these efforts, affordable and sustainable access to water increased from 1,500 people to 7,000 in one year (improved performance); previously informal service providers were formalized and legalized into a National Association of Water and Sanitation Suppliers of the Philippines (increased stability); and the partnership model is being scaled-up in other poor peri-urban areas of metro Manila and regulatory adjustments are being made for replication in other service sectors (better adaptability).



### 3. Institutional Adaptability

Adaptability is the ability to perform in future conditions and meet future needs. Institutions are under constant threat by various internal and external factors, and strong institutional performance today does not necessarily ensure high performance in the future. Changing needs and challenges require institutions to invest for innovation and continuous improvement to be able to anticipate, adapt and respond to an ever-changing environment.

#### *a. Investment for Innovation*

Investments in innovation seek leading-edge changes to policies, processes, practices and behaviour that will lead to better performance that is sustainable over time. Some changes can be made as a reaction to external changes when they occur. Most changes, however, require proactive planning and preparation to adapt to anticipated environmental change. For example, if the population is increasing at the rate of two percent per year, plans to deal with a potential shortage in medical doctors should look beyond this year's number and consider the change in population, forecasts of change in immigration rate of professionals, and other relevant changes. This year's shortage of medical staff may be handled through hiring x number of foreign doctors, but this solution may not be sustainable given the high cost and the low retention rate usually associated with such a strategy. A more sustainable solution may require investment in medical schools, wage reform for medical practitioners, or improvements in living conditions of medical practitioners. In this case, the focus of capacity development responses would be the underlying mechanism for investment in the future, rather than augmentation of input resources.

#### *b. Continuous Improvement*

Continuous and endogenous improvement is another important factor to ensure adaptability. An institution as a whole as well as each internal component and process should continuously adapt to new needs, standards, and environments. An institution considered effective or efficient today may not be a few years from now. A programmatic response could be the design and implementation of a built-in mechanism for continuous improvement, such that an institution's effectiveness and efficiency are examined, redefined and realigned continuously in response to changing realities.



## MEASURING INSTITUTIONAL ADAPTABILITY: INVESTMENT FOR INNOVATION AND CONTINUOUS IMPROVEMENT

ILLUSTRATIVE OUTCOMES	ILLUSTRATIVE OUTCOME INDICATORS
<b>INVESTMENT FOR INNOVATION</b>	
<p>Ministry of Health improves distribution mechanisms of medicine to rural areas <i>(for example, contributing to a national goal of improved maternal health)</i></p>	<ul style="list-style-type: none"> <li>• Level of investment in research and development of improved distribution mechanisms</li> <li>• Number of high-level processes changed due to deployment of new supply-chain management system</li> <li>• Coverage [or penetration] of rural areas with distribution mechanisms</li> </ul>
<b>CONTINUOUS IMPROVEMENT</b>	
<p>Ministry of Planning ensures systematic and continuous improvements to the management of public projects</p>	<ul style="list-style-type: none"> <li>• Percent of projects that undergo a formal performance review by the Programme Management Office and relevant stakeholders with expert judgment</li> <li>• Percent of projects that systematically review lessons learned from reviews and evaluations of other relevant projects during their design process</li> <li>• Percent of project managers and project staff who believe they have opportunity to contribute to the improvement of the project management practice</li> </ul>
<p>National Monitoring and Evaluation system improves performance in sector ministries <i>(for example, contributing to a national goal of improved accountability and transparency of government institutions)</i></p>	<ul style="list-style-type: none"> <li>• Percent of programme outputs with up-to-date data captured and recorded in the M&amp;E system</li> <li>• Percent of programme managers who use information from monitoring systems for decision-making and planning</li> <li>• Percent of personal appraisal ratings that are directly based on programme monitoring system</li> </ul>



## *Case 3. Capturing Results: Public Procurement Capacity in Sierra Leone*

Following the end of civil war in 2002, the Government of Sierra Leone focused on rebuilding and improving critical national institutions, one such being the public procurement agency. There was strong support from the highest levels of government, and from international partners, for improving the effectiveness and efficiency of public procurement, especially when seen as a key contributing factor to better service delivery in areas such as health and education, which had been previously constrained by poor procurement capacities.

In an effort to uncover the drivers of ineffective and inefficient public procurement, the Government looked at the status of **institutional arrangements** (public procurement laws and regulations that were outdated and not comprehensive, unclear roles and responsibilities among the various actors involved in public procurement); **leadership** (political interest in maintaining status quo); **knowledge** (limited understanding of good practices in public procurement); and **accountability** (no oversight or transparency in the procurement process).

The results of a detailed capacity assessment provided insights that led to the formulation of programmatic responses in each of these areas. Outputs contributing to the improved **performance** of the national procurement system included the introduction of new Procurement Legislation, and associated regulations and manuals; and the establishment of the National Public Procurement Authority (NPPA) and the Independent Procurement Review Panel (IPRP).

In addition, close ties were developed between the NPPA and the civil service commission and the anti-corruption commission to pursue initiatives of common interest. To increase transparency of the system, a national procurement website was established, providing wide-ranging information on public procurement to the general public.

To ensure the **stability** of the system, steps were taken to institutionalize the improvements: learning activities were launched targeting both procurement practitioners and civil society, and at a more macro level, partnerships were forged with educational institutions to design curriculum related to public procurement.

Procurement compliance and performance monitoring is today a regular practice in Sierra Leone, with increased effectiveness and efficiency of the overall procurement system. Compared to the situation in the 2002 the country has come far in the establishment of a functioning public procurement system, with a robust legal framework, a small but growing cadre of procurement professionals and a high level of attention and interest from the civil society.



## III. MEASURING PROGRAMMATIC RESPONSES BASED ON CAPACITY DEVELOPMENT CORE ISSUES

UNDP has identified four core issues that represent capacity constraints we see most commonly encountered across a variety of situations. They also drive the four programmatic responses that UNDP prioritises to develop capacity, as outlined in the UNDP Practice Note on Capacity Development.<sup>7</sup>

### LINK BETWEEN CORE ISSUES AND CAPACITY DEVELOPMENT RESPONSES

CORE ISSUE		CAPACITY DEVELOPMENT RESPONSE
Institutional Arrangements		Institutional Reform and Incentive Mechanisms
Leadership		Leadership Development
Knowledge		Education, Training and Learning
Accountability		Accountability and Voice Mechanisms

Investment in and implementation of programmatic responses to develop capacity should result in various outputs (e.g., policies, processes, mechanisms) that contribute to strengthening of institutions by improving their performance, stability and adaptability. For example, an intervention that supports the formulation of a decentralization policy that clearly delineates responsibilities between national and sub-national entities and between central and sector entities may create an output that contributes to more efficient functioning of local governments.

In this section, the core issues and responses are presented and illustrative outputs and output indicators are provided. A cursory overview is presented of each core issue / response; for more detailed policy discussions, see the UNDP Practice Note on Capacity Development.

### 1. Institutional Arrangements

Institutional arrangements refer to the policies, procedures, and processes that allow systems to function and interact effectively and efficiently in an organized setting. Such rules can be binding, e.g., legislation or contractual arrangements, or non-binding, e.g., codes of conduct and norms and values that are unwritten but widely accepted. To better understand institutional arrangements, one can think of the rules that govern a sports game: these tend to be a combination of formal written rules, for example on what constitutes a goal, and unwritten codes of conduct, such as good sportsmanship.

Within the enabling environment, institutional arrangements are policy and legal frameworks; at the organizational level, they include an organization’s strategy, processes, and technology that enable its operation. Internal accountability mechanisms also fall under this core issue.

Understanding an institution’s existing level of performance, stability and adaptability gives insight into the effectiveness of its institutional arrangements, in particular which areas need strengthening. For example, an institution that lacks stability due to high turnover of staff may want to reconsider its professional development policies, its incentive mechanisms, and its performance management system.

<sup>7</sup>Not all four core issues will necessarily be included in any given capacity development response, although it is often the case. They are intended as a comprehensive set of issues which can serve the following purposes: a capacity assessment team can choose from them as it defines the scope of the assessment; they can drive the formulation of programmatic responses to develop capacity; and progress can be measured against indicators associated with them. Please see UNDP Practice Note on Capacity Development for a general discussion of core issues and capacity development responses.



# MEASURING CAPACITY

There are a number of programmatic responses to address institutional arrangement issues. Based on the research and experience of UNDP and other development practitioners, effective responses focus on:

- Organizational restructuring, e.g., clarification of mandate, roles and responsibilities;
- Human resource management, e.g., monetary and non-monetary incentive plans, ethics and values interventions;
- Monitoring and evaluation systems, e.g., integrated M&E framework, peer reviews, feedback loops;
- Coordination mechanisms, e.g., vertical coordination mechanisms between national and sub-national entities; horizontal/peer coordination mechanisms;
- Partnerships for service delivery, e.g., public private partnerships.

The effectiveness of institutional arrangements can be derived from the extent to which they are observed or broken. This can depend on a number of factors: Are the arrangements well adapted to the local context? What mechanisms are in place to enforce them? What are the benefits of compliance and the costs of non-observance?

In the following table are illustrative outputs and output indicators associated with **Institutional Reform and Incentive Mechanisms** as a programmatic response whose outputs may contribute to stronger institutions – that perform better, sustain that over time, and manage change (shocks).

## MEASURING CAPACITY DEVELOPMENT RESPONSE: INSTITUTIONAL REFORM AND INCENTIVE MECHANISMS

ILLUSTRATIVE OUTPUTS	ILLUSTRATIVE OUTPUT INDICATORS
Roles and responsibilities clarified	<ul style="list-style-type: none"> <li>• Number of departments/units with well defined terms of reference</li> <li>• Number of staff briefed/trained on responsibility of all units</li> <li>• Number of pamphlets disseminated on responsibility of units, etc.</li> </ul>
Business process maps developed	<ul style="list-style-type: none"> <li>• Percent of critical processes with clearly documented requirements for output quality, information flow map, workflow map and realistic and ambitious performance improvement targets</li> <li>• Guidelines on authority and responsibility for new processes</li> <li>• Number of staff and managers briefed on new processes</li> <li>• (If change requires new/revised legislation) Number of briefings of policy- and law-makers on new regulation and policies</li> </ul>
Enforcement and compliance mechanisms established	<ul style="list-style-type: none"> <li>• Code of Conduct, policies, etc. are available; percent of employees and contractors who know how to access Code of Conduct</li> <li>• Number of employees and contractors briefed on Code of Conduct</li> <li>• Compliance reporting system is established; number of briefing workshops on compliance reporting conducted and number of employees briefed</li> <li>• Number of audit observations</li> </ul>



## *Case 2b continued... Capturing Results: Local Service Delivery in the Philippines*

In an effort to increase access to safe drinking water in metro Manila, Philippines, a pro-poor public private community partnership was forged among the private water utility, informal small-scale water service providers, the local authorities and communities. To achieve the changes in institutional performance, stability and adaptability, institutional reforms, policy choices and investment decisions were made across the capacity development core issues or levers of change. Policy guidelines for pro-poor public private partnerships were elaborated, and regulation incorporating small-scale water service providers was introduced (**institutional arrangements**); and a learning programme of tailored seminars and a course on public private partnership regulation and financing was introduced (**knowledge**).

## 2. Leadership

Leadership is the ability to influence, inspire and motivate people, organizations and institutions to achieve, and in many cases go beyond, their goals. It is a catalyst for achieving, enhancing and sustaining development objectives. It is also the ability to be open to, anticipate and respond to change, irrespective of whether this is internally initiated or externally imposed. A key determinant of leadership is whether it is able to rally others around a common goal.

Leadership is not synonymous with a position of authority; it can also be informal. Although leadership is most commonly associated with an individual leader, from a village elder to a country's prime minister, it exists equally within the enabling environment and at the organizational level. Think for example of a government unit that takes the lead in pushing for public administration reform, or of large social movements that bring about change at the macro level.

Leadership is a key contributing factor to institutional performance, stability and adaptability. Does it have the capacity to create a vision and to implement this vision? Does it have the ability to communicate effectively? Answering these questions helps determine the kinds of programmatic responses to design. For example, a department that is dependent upon a single charismatic leader who can push through policies, rally others to put in extra effort, persuade partners to collaborate, may face significant difficulties when this leader departs and may want to consider putting in place a succession planning process and a young leadership development programme.

There are a number of programmatic responses to address leadership issues. Based on the research and experience of UNDP and other development practitioners, effective responses focus on:

- Visioning, e.g., joint visioning exercises, advocacy and communications skills;
- Coalition management, e.g., process facilitation, negotiation techniques, change agent/champion support;
- Transformation and risk management, e.g., risk assessment and analysis, decision-making skills, ethics and values, executive management skills;
- Leadership attraction and retention, e.g., coaching and mentoring, succession planning, incentives.



# MEASURING CAPACITY

In the following table are illustrative outputs and output indicators associated with **Leadership Development** as a programmatic response whose outputs may contribute to stronger institutions.

## MEASURING CAPACITY DEVELOPMENT RESPONSE: LEADERSHIP DEVELOPMENT

ILLUSTRATIVE OUTPUTS	ILLUSTRATIVE OUTPUT INDICATORS
Clear vision defined	<ul style="list-style-type: none"> <li>• Progress in formulating new vision (as measured by stage in a visioning process)</li> <li>• Number of employees/stakeholders who have been briefed on the vision</li> <li>• Percent of the employees/stakeholders who understand the vision, who believe the organization has clear goals for the medium term</li> </ul>
Leadership attraction and retention plan implemented	<ul style="list-style-type: none"> <li>• Number of people participating in coaching/mentoring</li> <li>• Number of targeted staff participating in/successfully completing a young leaders course</li> <li>• Number of targeted staff remaining in the organization after one year from start of plan, two years...</li> </ul>

### 3. Knowledge

Knowledge, or literally what people know, underpins their capacities and hence capacity development. Knowledge can be developed at a variety of levels (national and local, secondary and tertiary) and through a variety of means (education, training and learning).

Traditionally, knowledge has been fostered at the level of the individual, mostly through education. But it can also be created and shared within an organization, for example, through vocational training or the existence of an organizational learning strategy or knowledge management system. At the level of the enabling environment, knowledge generation is supported by the development of education systems and educational policy reform.

An institution's performance, stability and adaptability are affected by increasing the extent of knowledge available to its current employees (through knowledge management systems) as well as potential employees (through vocational training or education curricula reform). For example, an institution that develops ineffective policies because it lacks information about the values, attitudes and behaviours of its target beneficiaries may want to bolster its systems and processes for data collection and analysis. Better data and stronger analytics can help an institution formulate a policy that addresses the real needs and thereby contribute to achievement of overall development goals.



There are a number of programmatic responses to address issues of knowledge. Based on the research and experience of UNDP and other development practitioners, effective responses focus on:

- Education reform, e.g., linking of learning needs to education policy and curricula;
- Continued learning, e.g., expertise on learning methods;
- South-south solutions, e.g., links to regional education and research networks and institutions;
- Knowledge management, e.g., development of local consultant market, brain gain strategies.

In the following table are illustrative outputs and output indicators associated with **Education, Training and Learning** as a programmatic response whose outputs may contribute to stronger institutions.

## MEASURING CAPACITY DEVELOPMENT RESPONSE: EDUCATION, TRAINING AND LEARNING

ILLUSTRATIVE OUTPUTS	ILLUSTRATIVE OUTPUT INDICATORS
Education reform strategy for professional learning implemented	<ul style="list-style-type: none"> <li>• Existence of a shared vision of effective professional learning articulated in a formal strategic plan endorsed by public, private and civil society leaders</li> <li>• Approval of policies that directly support targeted professional learning opportunities in sectors most in need of improvement</li> <li>• Number of stakeholder entities in a cross-sector education coalition that advocate for increased investments in, and improved quality of, professional learning</li> <li>• Launch of a mechanism for dialogue on national strategy for professional learning</li> </ul>
Public Private Partnerships (PPPs) in education sector established	<ul style="list-style-type: none"> <li>• Approval of policy guidelines for PPP for provision of professional learning</li> <li>• Number of PPPs developed</li> <li>• Number of students able to take advantage of programmes through new PPPs</li> </ul>

### 4. Accountability

In thinking about accountability, it may help to think of a water company providing a town with clean drinking water. By signing up for its services, clients promise to pay the company for the water they consume. The company, in turn, agrees to service the needs of its clients, meaning that they will provide them with water that is clean and available when they need it. By entering into this agreement, the water company and the client become accountable to each other.

Of course, this is a simplified example of accountability, but the basic premise is the same across levels and contexts: accountability exists when rights holders are able to make duty bearers deliver on their obligations. This can apply to the relationship between a country and its citizens, between an institution and its clients, or between a country and international donors. (Accountability within an organization is captured by the core issue institutional arrangements.)



# MEASURING CAPACITY

Why is accountability important? It allows institutions to monitor, learn, self-regulate and adjust their behaviour in interaction with those to whom they are accountable. It provides legitimacy to decision-making, increases transparency and helps reduce the influence of vested interests.

There are a number of programmatic responses to address issues of accountability. Based on the research and experience of UNDP and other development practitioners, effective responses focus on:

- Accountability systems, e.g., checks and balances, horizontal accountability;
- Feedback mechanisms, e.g., independent partner/peer review mechanisms;
- Voice mechanisms, e.g., participatory methods, processes and tools, language reform, access to information.

In the following table are illustrative outputs and output indicators associated with **Accountability and Voice Mechanisms** as a programmatic response whose outputs may contribute to stronger institutions.

## MEASURING CAPACITY DEVELOPMENT RESPONSE: ACCOUNTABILITY AND VOICE MECHANISMS

ILLUSTRATIVE OUTPUT	ILLUSTRATIVE OUTPUT INDICATORS
Integrated monitoring and evaluation framework implemented	<ul style="list-style-type: none"> <li>• Existence of nationally recognized M&amp;E standard and certification system</li> <li>• Access to M&amp;E plans, data and results by public, media and civil society</li> <li>• Existence of legal mandate to establish standard M&amp;E tools and templates</li> <li>• Existence of formal government or sector M&amp;E policy that states mandates of M&amp;E units, including responsibilities and accountability measures for effective data collection, analysis and management for public programmes and projects</li> <li>• Percent of data users satisfied with data quality and data management</li> <li>• Number of M&amp;E policy violations by unit, department, etc.</li> </ul>



## IV. PROGRAMMING IMPLICATIONS

This section presents some thoughts on the operational implications of measuring capacity.

Programmatic responses for developing capacity, many of which were touched upon in the previous sections, are intended to increase the capacity of an entity (most frequently an institution) from an existing results state to a higher results state. The resulting change in capacity presumably enables an institution to increase its contribution to improving people's lives.

For UNDP, capacity development is our overarching contribution and the 'how' of development. As such, all of the organization's efforts should focus on developing national capacity within the various thematic areas and sectors in which we work. The results of such support should not be articulated separately, e.g., capacity development results and thematic results, but results for capacities for climate change adaptation, for example.

The framework presented in this paper offers an approach for measuring capacity, including i) measuring the change between the existing state and a higher state (the outcomes expected and how to indicate for such); and ii) exploring the programmatic responses for developing capacity (the levers of change, the outputs expected and again how to indicate for such). The programme steps involved in doing so are as follows:

1. Define the two results states. In programming terms, these results states should normally be identified in an inclusive situational analysis and broad national development planning exercise.
  - a. The existing results state is defined by i) an institution's level of performance, stability and adaptability, as informed by its strategic plan; and ii) the strength of its institutional arrangements, leadership, knowledge and accountability to contribute to its performance, stability and adaptability.
  - b. The intended higher results state is presented as development outcomes, again based on institutional performance, stability and adaptability.
2. It is common that with regard to programming there are several levels of outcomes with different levels of ambition. An outcome of manageable level of ambition and criticality should be selected. Corresponding indicators, baselines and targets should also be set for all outcomes articulated.
3. The outcomes would be attained primarily through programmatic responses that develop relevant products and offer functional services. In programming such would be identified as outputs<sup>8</sup>, and similar to the case with outcomes, would need to be defined clearly and have associated indicators, baselines and targets. Many outputs may need to be developed for any given outcome, depending on its ambition. Critical outputs would be selected through a process of prioritization; capacity assessments, or measurement of baseline capacities, play a critical part in determining the outputs to be developed.
4. The outcomes and outputs are captured in results and resources frameworks (RRFs) of programmes and projects, which are then appraised and approved for implementation. The RRF provides the basis for measurement in change in capacities (achievement of outcomes) and tracks the capacity development process (production of outputs).

<sup>8</sup>Outputs are not the only elements leading to outcomes. Other initiatives, such as advocacy, championing, etc. also contribute to achieving outcomes.



# MEASURING CAPACITY

5. The RRF by itself however is inadequate for monitoring purposes. A clear monitoring and evaluation framework, agreed among key stakeholders, is essential to carry out monitoring and evaluation systematically. Such a framework serves as a plan for monitoring and evaluation, and should clarify:
  - What is to be monitored and evaluated;
  - Who is responsible for M&E activities;
  - When monitoring and evaluation activities are planned (timing);
  - How monitoring and evaluation are carried out (methods);
  - What resources are required and where they are committed.
  
6. In addition, relevant risks and assumptions in carrying out planned monitoring and evaluation activities should be seriously considered, anticipated and included in the M&E framework. A format for M&E framework is given in the Handbook on Planning, Monitoring and Evaluating Development Results.<sup>9</sup> It comprises three components:
  - a. a narrative component outlining the strategy adopted by partners involved in monitoring the achievement of the result or outcome;
  - b. the results framework;
  - c. a schedule for monitoring and evaluation.
  
7. Sectoral and outcome-level coordinating mechanisms play a critical role in results monitoring and developing capacities for monitoring. The strategy to be adopted by partners to monitor should be led by such entities. They forge partnerships around the outcome to be achieved by partners by agreeing on common results, providing oversight in a collective spirit, making linkages to national systems and national development goals, and promoting the development of monitoring capacities.

<sup>9</sup><http://www.undp.org/eo/handbook>



For each outcome the information needed for monitoring can be captured in a matrix as below. The preparation of a matrix provides an opportunity to re-validate the 'monitorability' of the information.

<b>EXPECTED RESULTS (OUTCOMES &amp; OUTPUTS)</b>	<b>INDICATORS (WITH BASELINES &amp; TARGETS) AND OTHER KEY AREAS TO MONITOR</b>	<b>DATA COLLECTION METHODS</b>	<b>TIME OR SCHEDULE AND FREQUENCY</b>	<b>RESPONSIBILITIES</b>	<b>MEANS OF VERIFICATION: DATA SOURCE AND TYPE</b>	<b>RESOURCES</b>	<b>RISKS</b>
Obtained from Country Programme Action Plan (CPAP) results framework.	From results framework. Indicators should also capture key priorities such as capacity development and gender. In addition, other key areas need to be monitored, such as the risks identified in the planning stage as well as other key management needs.	How is data to be obtained? Example: through a survey, a review or stakeholder meeting, etc.	Level of detail that can be included would depend on the practical needs. In UNDP this information can also be captured in the Project Monitoring Schedule Plan from Atlas.	Who is responsible for organizing the data collection and verifying data quality and source?	Systematic source and location where you would find the identified and necessary data such as a national institute, or DevInfo.	Estimate of resources required and committed for carrying out planned monitoring activities.	What are the risks and assumptions for carrying out the planned monitoring activities? How may these affect the planned monitoring events and quality of data?



# MEASURING CAPACITY

Below is an example of capacity measurement that addresses the first columns in the framework above.

EXPECTED RESULT	INDICATORS	BASELINE	TARGET	DATA COLLECTION METHOD
<b>OUTCOME:</b>				
Improved public sector financial transparency and accountability <i>[Institutional Performance]</i>	Percent of people who perceive public corruption is decreasing	2009: 27%	2010: 33% 2011: 40% 2012: 50%	Public Perception Survey on Corruption
	Number of cases per year investigated by the Anti-Corruption Bureau leading to prosecution under anti-corruption legislation	2009: 57	2010: 80 2011: 100 2012: 120	Anti-Corruption Bureau annual report
<b>OUTPUTS:</b>				
Training programme rolled out for procurement officers <i>[Knowledge]</i>	Percent of public procurement officers who fully understand the new framework and comply with it	2009: 10% of procurement officers trained	2010: 100% of procurement officers understand and comply with framework	Staff survey (adapted to include questions on effect of training programme)
Publication of Anti-Corruption Bureau annual report <i>[Accountability and Voice Mechanisms]</i>	Timely publishing of report	Report is currently not available publicly	Report published in February each year	Anti-Corruption Bureau annual report
...				



## ANNEX I: EXAMPLES OF IMPACTS, OUTCOMES, OUTPUTS AND INDICATORS

### Capturing Results: Definitions

	IMPACT	OUTCOME	OUTPUT
DEFINITION	An actual or intended change in human development. It generally captures change in people's lives.	An actual or intended change in development conditions that interventions are seeking to support. It usually relates to changes in an institution's ability to work better and fulfil its mandate.	A short-term development result produced by project and non-project activities. It is generally a product and/or service that makes achievement of outcomes possible.
AS MEASURED BY...	Change in people's well-being.	Change in institutional performance, stability and adaptability.	Product produced or service provided across four core issues: institutional arrangements, leadership, knowledge and accountability.

### Example #1: From Impact to Outcome to Output

The example in the table below illustrates a logical flow of results from impact to outcome to output, in which the outcome focuses on the ability of a specific institution (in this case, a Ministry of Health) to carry out its work, and the outputs focus on specific changes in institutional arrangements (in this case, policies and incentives) that will enable achievement of the outcome.

	IMPACT	OUTCOME	OUTPUT
STATEMENT	<ul style="list-style-type: none"> <li>Improved maternal health by 2011</li> </ul>	<ul style="list-style-type: none"> <li>Ministry of Health improves distribution of medicine to rural areas</li> </ul>	<ul style="list-style-type: none"> <li>Cost/benefit analysis of distribution network completed</li> <li>Policy mandating increased rural coverage approved</li> <li>Incentives plan that encourages work in rural areas put in place</li> </ul>
INDICATOR	<ul style="list-style-type: none"> <li>Maternal mortality ratio</li> </ul>	<ul style="list-style-type: none"> <li>Level of investment in research and development of improved distribution mechanisms</li> <li>Number of high-level processes changed due to deployment of new supply-chain management system</li> <li>Coverage [or penetration] of rural areas with distribution mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>Review completed, including recommendations for improvements</li> <li>New distribution policy completed</li> <li>Number of briefings of policy or law-makers on new policy</li> <li>Number of local health systems that incorporate new incentives plan</li> </ul>



## Example #2: From Outcome to Output

The example in the table below presents a variety of levels of outputs, from more strategic to more tactical. Output level may vary with the level of document in which the outcome is embedded; for example a national strategy outcome may call for a higher-order output while a project outcome may call for a lower-order output.

	OUTCOME	OUTPUT
STATEMENT	Ministry of Justice effectively promotes increased accountability, consistent with rule of law and democracy	<ul style="list-style-type: none"> <li>• Legal framework for processing complaints about public sector performance and protection of watchdog groups drafted</li> <li>• Draft new regulation and policy completed</li> <li>• Number of policy- and law-makers briefed on new framework</li> <li>• Mechanism for providing public access to budget figures put in place</li> <li>• Procedures to release periodic updates on sector-relevant developments to the general public, free of charge or at cost</li> <li>• Establishment of special committee consisting of senior directors responsible for acting on audit recommendations</li> <li>• Establishment of communications office within Ministry of Justice to make timely and truthful information available to all media, without bias or preference</li> <li>• Mechanisms, procedures and ongoing funds for independent firm to conduct periodic surveys to determine level of accountability</li> </ul>

## Example #3: Outcomes and Indicators

The example in the table below illustrates indicators for an outcome that is specific to the mandate of an individual organization (in this case, an Anti-Corruption Commission).

	OUTCOME
STATEMENT	• Anti-Corruption Commission efficiently investigates and addresses complaints reported by individual citizens and in accordance with its constitutional mandate
INDICATOR	<ul style="list-style-type: none"> <li>• Number of cases (per year/month) investigated by the Anti-Corruption Commission leading to prosecution under anti-corruption legislation</li> <li>• Average cost of investigations leading to prosecution under anti-corruption legislation</li> <li>• Amount of time from complaint to closure</li> </ul>



## Example #4: Outputs and Indicators

The example in the table below illustrates output indicators that address the organizational level as well as the enabling environment.

	<b>OUTPUT</b>
<b>STATEMENT</b>	<ul style="list-style-type: none"> <li>• Integrated monitoring and evaluation system implemented</li> </ul>
<b>INDICATOR</b>	<ul style="list-style-type: none"> <li>• Existence of nationally recognized M&amp;E standard and certification system</li> <li>• Access to M&amp;E plans, data and results by public, media and civil society</li> <li>• Existence of legal mandate to establish standard M&amp;E tools and templates</li> <li>• Existence of formal government or sector M&amp;E policy that states mandates of M&amp;E units</li> <li>• Percent of data users satisfied with data quality and data management</li> </ul>

The following four examples illustrate outcome statements that are difficult to measure for a variety of reasons (e.g., not specific enough, not related to institutional performance, stability or adaptability), and offer possible restatements of each outcome.

## Example #5a: Reworking Outcomes

	<b>OUTCOME</b>
<b>STATEMENT</b>	<ul style="list-style-type: none"> <li>• Increased capacity for public procurement</li> </ul>
<b>REASONING</b>	<ul style="list-style-type: none"> <li>• Too broad an outcome; not specific</li> <li>• Not measurable by institutional performance, stability or adaptability</li> </ul>
<b>POSSIBLE ALTERNATIVE</b>	<ul style="list-style-type: none"> <li>• Office of Public Procurement implements standards for public procurement practices</li> </ul>
<b>INDICATOR</b>	<ul style="list-style-type: none"> <li>• Stakeholders' rating on the compatibility of procurement methods, advertising rules, participation rules, tender documentation, tender evaluation with internationally recognized standards</li> <li>• Adoption and mainstreaming of procurement framework into a Public Financial Management Act</li> <li>• Percent of public procurement officers who fully understand the new framework and comply with it</li> <li>• Rate of change in cost of common goods and services procured (inflation-adjusted)</li> <li>• Rate of change in average procurement time from requisition to delivery</li> </ul>



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## Example #5b: Reworking Outcomes

	OUTCOME
<b>STATEMENT</b>	• By 2011, increased and more equitable access to and utilization of quality and prioritized social services
<b>REASONING</b>	<ul style="list-style-type: none"> <li>• Not specific to which services</li> <li>• Not specific to which institutions</li> </ul>
<b>POSSIBLE ALTERNATIVE</b>	• Ministry of Health increases access to quality reproductive health services in an equitable way

## Example #5c: Reworking Outcomes

	OUTCOME
<b>STATEMENT</b>	• Employment in non-oil sectors increases
<b>REASONING</b>	<ul style="list-style-type: none"> <li>• Too big</li> <li>• Not measurable by institutional performance, stability or adaptability</li> </ul>
<b>POSSIBLE ALTERNATIVE</b>	• Ministry of Labor improves quality and implementation of policies that increase the proportion of the labor force employed outside of the oil sector

## Example #5d: Reworking Outcomes

	OUTCOME
<b>STATEMENT</b>	• Strengthened capacity for poverty monitoring and measurement
<b>REASONING</b>	<ul style="list-style-type: none"> <li>• Not specific to an institution</li> <li>• Not measurable by institutional performance, stability or adaptability</li> </ul>
<b>POSSIBLE ALTERNATIVE</b>	• National Statistics Office enhances effectiveness and efficiency of monitoring, measuring and reporting functions



## ANNEX II: GLOSSARY

**Adaptability:** Ability to perform in future conditions and meet future needs.

**Capacity:** The ability of individuals, institutions, and societies to perform functions, solve problems, and set and achieve objectives in a sustainable manner.

**Capacity Development:** The process through which the abilities of individuals, institutions, and societies to perform functions, solve problems, and set and achieve objectives in a sustainable manner are strengthened, adapted and maintained over time.

**Impact:** An actual or intended change in human development as measured by people's well-being; it generally captures change in people's lives.

**Indicator:** A signal that reveals progress (or lack thereof) towards objectives; means of measuring what actually happens against what has been planned in terms of quantity, quality and timeliness. An indicator is a quantitative or qualitative variable that provides a simple and reliable basis for assessing achievement, change or performance.

**Institutional Effectiveness:** Degree to which an institution achieves its agreed objectives or mandates.

**Institutional Efficiency:** Ratio of produced outputs (or values) to the resources used to create them.

**Institutional Performance:** Effectiveness in which and efficiency with which an institution fulfils its intended purpose.

**Lag Indicator:** Represents the consequences of actions previously taken. It measures change that can be observed much later than the programme activities. For example, changes in CO<sub>2</sub> emissions per capita can lag government activities to promote alternative energy use by many years.

**Lead Indicator:** Points to the observables that change right after the activities promoting the outcome and before the achievement of the final results. For example, Parliament's endorsement of the national environmental sustainability strategic plan can be a lead indicator for environmental sustainability.

**Leader:** Someone who can clarify a vision and align people, processes, input resources and outputs towards realization of the vision.

**Measurement:** The extent, size, capacity, amount or quantity ascertained by comparison with a standard.

**Open System:** A system that continuously interacts with its environment through acquisition of input, production of output, and exchange of information. An open system survives and grows by continuously adapting to its environment.

**Outcome:** An actual or intended change in development conditions that interventions are seeking to support. It usually relates to changes in an institution's ability to work better and fulfil its mandate, and is measured by change in institutional performance, stability and adaptability.

**Output:** A short-term development result produced by project and non-project activities; it is generally a product and/or service that makes achievement of outcomes possible, and is measured by change across four core issues (institutional arrangements, leadership, knowledge and accountability).



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**Proxy Indicator:** Indirect measure or sign that approximates or represents a change in the absence of a direct measure or sign.

**Stability:** Degree to which an institution can identify and mitigate internal and external risk through risk management and decrease volatility through institutionalization of good practices and norms.

**Strategic Planning:** Process by which an organization envisions its future, defines its direction, and develops goals, objectives, best approaches and action plans to achieve that future.

**System:** Set of interacting or interdependent entities forming an integrated whole. It can be one organization, a set of organizations, population groups or individuals.

**Variable:** An attribute of a physical or abstract system which may change its value while it is under observation.

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