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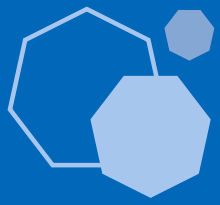
Local Capacity Strengthening Policy

GUIDE TO DISTINGUISHING TOOLS USED FOR LOCAL CAPACITY STRENGTHENING

A plethora of tools are available and frequently used in capacity strengthening work with local actors, especially organizations. In light of USAID's new Local Capacity Strengthening (LCS) Policy, this document offers guidance to assist USAID staff and partners select which tool categories are most useful for performance measurement, capacity action planning, and risk mitigation. This document also outlines considerations about what constitutes a high-quality tool in each category. Ultimately, understanding how to properly determine the purpose and evaluate the quality of a tool is important to ensure that USAID and partners engaged in local capacity strengthening activities can effectively embody the principles outlined in the LCS Policy in our work.



Q: Why is it not appropropriate to use the same tool to (a) facilitate capacity action planning and (b) measure its performance?

A: To be effective, local capacity strengthening activities must align with local priorities. By utilizing processes that support local actors to identify their strengths and determine their priorities for performance improvement, capacity action planning tools help motivate an actor to commit to change and foster local ownership. However, because capacity action planning tools rely on subjective preferences and priorities for improvement, they do not objectively assess performance. In contrast, the primary purpose of performance measurement tools is to provide an objective assessment of change that has occurred. As such, using a capacity action planning tool–one that prioritizes self-identification of strengths and opportunities–for the latter purpose may pose limitations related to data quality standards.

Q: A colleague has asked why it is not appropriate to use their SuperTool™ that purports to both catalyze action planning through robust participation and score an organization's baseline performance against which they can measure progress based on subjective rankings. What can I say to explain why this might not be the best tool?

A: You can ask them a series of questions that might help. For example you can ask, "What will happen if there is disagreement on how to score an area?" or, "What would happen if the local organization believes it is important to work on an area that the tool showed as already strong, so the work might not result in a score change?" Questions like this can help guide them to see why it is better not to mix purposes.

Three Main Purposes of Tools:

- **Performance Measurement Tools or Indicators** monitor and measure the extent of performance change. They help USAID, its partners, and local communities learn whether local actors can better exercise their capabilities to perform roles within their local systems as a result of our support. These tools, however, must be distinguished from tools to catalyze the process of capacity action planning and from those to identify and manage risk.
    - When to use: To set a performance baseline and targets and to monitor whether capacity strengthening activities are contributing to improved performance.
- **Capacity Action Planning Tools** facilitate a process through which local actors identify their own priorities for performance improvement and become motivated to own and manage their own progress.

These tools can also help USAID and international partners learn about existing local strengths and the type of capacity strengthening support desired and needed by local actors.

  - When to use: To uncover and understand the existing capacity of the local actor and establish capacity strengthening goals linked to action plans.

- **Risk Mitigation Tools** are primarily designed to assess and help develop plans to mitigate risks to USAID or other donors when partnering with an organization. While these tools may identify existing strengths of local actors, they should not be used as a substitute for catalyzing the process of local capacity strengthening or for measuring performance improvement.

  - When to use: To identify and mitigate risks of making an award to an organization.

Determining the Type of Tool

The answers to several questions can help determine to which category a tool belongs:

1) *Is the tool focused on procedures, processes, or outcomes?* Risk mitigation generally focuses on an organization's procedures in areas regarding legal structure,procurement systems, and human resource systems. Capacity action planning often spans b*oth procedures and performance*, probing areas such as recruitment and hiring. Lastly, performance measurement tools focus on monitoring *outcomes* related to an organization's missions. If a tool is entirely about internal processes and procedures, it is not a performance measurement tool.

2) *Who determines the final score or findings?* The decision about which capacity action planning and performance measurement tools and approaches should reflect collaborative decision-making and mutuality. However, risk mitigation scores and performance measurement scores or ratings must be determined or verified by award providers. In contrast, action planning tools are intended to catalyze the change process and do not require verification of scores. Further, if a tool generates a rating that requires approval or validation from outside the local organization being supported, then it is not a capacity action planning tool.

3) *From where are rating/scoring areas derived?* Risk mitigation tools generally derive areas from the structure of audits and controls which are externally defined by donors' compliance needs in areas such as cash management and documentation. Capacity action planning tools generally derive categories from internal functions/processes or departments of an organization such as human resources or technical excellence and may or may not be externally defined. Performance measurement should capture outcomes specific to the partner organization and its mission and objectives. These focus on areas such as successfully influencing policy, meaningfully involving and providing services for their targeted community, or selling products to clients. While capturing performance improvement may occasionally be facilitated by a "tool," simple performance metrics are usually sufficient.

Type of tool	Focus of the Tool	Examples
Performance Measurement *Measures performance change as a result of capacity strengthening*	**Performance** Focused on outcomes	CBLD-9 guidance Indicators selected through process of using OPI
Capacity Action Planning *A process for local actors to identify their priorities and improve*	**Process** Primarily focused on catalyzing processes that can improve performance related to programming objectives, but may also touch on procedures related to risk mitigation.	SWOT OCA SALT
Risk Mitigation *Identify and mitigate potential partnering risks*	**Procedure** Focused on internal controls of interest to a donor	NUPAS Risk Assessments

Excellence within Categories

In addition to selecting tools that are fit for purpose, it is necessary to consider what makes a tool reliable and valid for the purpose it serves. Because a single tool cannot accomplish all LCS purposes; each tool should be intentionally used together with other tools or LCS actions to realize the intended purposes. Below are some considerations around what makes for a strong tool suited to each of the three purposes.

Effective capacity action planning tools should:

- Foster engagement from supported organizations before the assessment is conducted and proceed through a participatory process involving dialogue;
- Help a partner initiate a change process and build buy-in for the changes they identify as important;
- Be asset-based by looking at what a partner does well, rather than only at deficits/gaps in comparison to an imagined ideal;
- Involve multiple perspectives around an issue, ideally examining degrees of agreement in addition to using consensus/compromise statements of rating;
- Enable downward accountability to a partner's stakeholders or clients (e.g. assess the extent to which the partner is transparent, meets with stakeholders, and involves them in reviewing the results of its own work).
- Catalyze or establish buy-in for change processes that the partner intends to undertake (potentially with our or other assistance).

As noted in the LCS Policy, we should not automatically assume any assessment is required in order for capacity strengthening to commence. Organizations often complain about assessments being required due to project timelines, and often have a good action plan already that LCS efforts can support. Check that a capacity action planning process will be useful before conducting one.

Example: SWOT A Strengths, Weaknesses, Opportunities, and Threats matrix is a simple but effective tool for assessing a team or organization's capacity. It can be self-applied or facilitated by an outsider. A SWOT can help a partner build on their existing effective practices, identify challenges they would like to address, and help them discern how their capacity relates to the local system around them, resulting in a clear action plan owned by the partner and tailored to their situation.

Example 2: OCA An Organizational Capacity Assessment is a self-assessment tool for an organization to reflect on and rate itself in several common areas of internal function. Several OCA variants exist, but they all employ discussion around scoring to anchor an action planning process, taking into account the degree of consensus about performance within an organization. Since the purpose of the OCA is to catalyze change (not measure performance improvement), scores themselves are not important, and can be expressed through a numeric system, a traffic light, or other format. Regardless of how it conducts discussion and scoring, an OCA is valuable in that it can help steer an action plan towards concrete initiatives that will increase performance and foster organizational buy-in for change. Note that the OCA has predefined areas of focus around an organization's internal functions. In many scenarios it may be more effective to create the functional areas to be scored through facilitated discussion with the supported organization.

An effective performance measurement approach should:

- Include short-term performance measures (delivery/efficiency/quality) and long-term performance measures (sustained support/engagement/learning and adapting);
- Use quantitative measures for results that are countable, and qualitative measures for those that are not;
- Monitor how improved performance equips an organization to better fill its role within its local system;
- Offer strong validity and reliability of measures against underlying concepts;
- Foster greater transparency around data, from USAID and our implementing partners to all appropriate local stakeholders.

A single indicator or tool is unlikely to meet all these needs. Even the most reliable, clearly communicated performance measurement indicators cannot capture both short and long-term results, or capture outcomes that are easily countable as well as those that are critical, but not meaningfully quantifiable. As such, the best approach to measuring performance improvement uses indicators and tools that complement one another. It includes locally-meaningful measures that help supported organizations and the constituents they serve understand progress. It collects and draws on qualitative data to understand shifts in behaviors, motivations, or relationships that would lose much of their meaning when reduced to a number. It examines how organizations' performance improvement is contributing to shifts in local systems, including by using monitoring approaches that capture unexpected outcomes.

While index tools (such as the Organizational Performance Index; see example below) can serve as a useful starting point for identifying appropriate metrics, they are not tailored to a specific organization and should not be used in their entirety year after year to monitor performance improvements (see callout box above). Rather, donors and implementing partners should work with supported organizations to select a limited set of indicators most relevant to the focus of performance improvement, which may be drawn from or adapted from such index tools. Further detail around performance indicators for measuring LCS can be found in the CBLD-9 guidance. A good measurement approach should also include non-indicator measurements (for example, using Most Significant Change to capture local stakeholders' views on what has shifted as a result of capacity strengthening support, or conducting focus group discussions with a supported organizations' constituents to understand improvements in service delivery and uncover unexpected outcomes).

Importantly, in contrast to capacity action planning tools, performance measurement tools and metrics generate data that should be checked for validity and reliability by someone external to the supported organization. Collecting reliable data is the foundation for helping USAID learn what is working - and what is not - in our capacity strengthening activities.

Example: Select two to four indicators from the Organizational Performance Index (OPI). An OPI is a shell index, enabling a partner to determine tailored indicators of effectiveness, efficiency, relevance, and sustainability as appropriate to that organization's context and services. For example, an organization advocating for clean water might select a metric of "Change in number of quarterly volunteers for river clean-ups" as part of sustainability. OPI also helps to ensure that in selecting indicators, USAID is considering both short-term and long-term domains of performance.

OPI can also be useful in framing a conversation around expected performance that considers an organization's roles and relationships within its local system: for example, how do improvements in patient care (an area of effectiveness) help the organization better fulfill its role as a health service provider in its local system? How do new relationships with government policymakers (an area of relevance) help the organization achieve its policy goals?

Example: Community Scorecard: A community scorecard is a framework for co-developing indicators with a community served by an organization, and conducted scoring in a participatory manner. This framework helps ensure that indicators capture the areas prioritized locally, and measured improvement reflects actual changes in performance experienced by an organization's constituents - not just changes in processes and procedures.

For example, for an activity working with clinics to improve the quality of community health services, communities might choose cleanliness of facilities, punctuality of care, or frequency and quality of communication between clinics and village health committees. At certain intervals throughout the activity (e.g. annually), both the supported clinics and community members would assign scores to each indicator, then come together to decide on a final score through facilitated dialogue. For an example, see CARE's Community Score Card Toolkit.

Effective risk mitigation tools should:

- Be tied to clear, well-defined criteria of risk;
- Consider data from a potential partner's past performance, as well as internal procedures;
- Address various types of risk, such as fiduciary, reputational, or security risk, and consider each in line with USAID's defined risk appetite;
- Clearly define for identified risks how USAID will accept, avoid, control, transfer, or monitor those risks.

Example: NUPAS: The NUPAS (Non-U.S. Organization Pre-Award Survey) provides the Agreement Officer (AO) with the information needed to evaluate the ability of a recipient organization to adequately fulfill the terms of an award, and serves as a selection tool to determine a potential partner's responsibility and whether special conditions may be required within the final award document. It includes both a desk review and field work to explain concepts and probe details, and it clearly identifies different types of risk and links these to eventual risk mitigation plans.

Conclusion

A local capacity strengthening approach may make use of tools from any or all of these categories, depending on the context, objectives of the programming, and details of who is being strengthened. If assessments would be useful to kick-start a strengthening effort, one or more capacity action planning tools may be used. If organizations will receive awards from USAID or an IP, risk mitigation tools will be used to inform those awards. LCS progress may be monitored with performance measurement tools or indicators following mutual agreement with local partners on the areas that are important to measure. Using the distinct purposes of capacity strengthening tools, and selecting or developing tools that are fit for their purpose, will improve the process and outcomes of capacity strengthening efforts.