Institutional Capacities and Their Contributing Characteristics for Institutional Diagnostics, Program Design and Results Management

World Bank Institute Capacity Development and Results Practice

Three broad areas of institutional capacity and their contributing characteristics can help development practitioners to assess institutional capacity needs, inform program design and measure progress toward results for a capacity development strategy or intervention.

Strength of Stakeholder Ownership

Characteristics contributing to the strength of stakeholder ownership

- Commitment of social and political leaders
- Compatibility of social norms and values
- Stakeholder participation in setting priorities
- Stakeholder demand for accountability
- Transparency of information to stakeholders

Efficiency of Policy Instruments

Characteristics contributing to the efficiency of policy instruments

- Clarity in defining rights and responsibilities
- Consistency
- Legitimacy
- Incentives for compliance
- Ease of administration
- Risk for negative externalities
- Suitable flexibility
- Resistance to corruption

Effectiveness of Organizational Arrangements

Characteristics contributing to the effectiveness of organizational arrangements

- Clarity of mission
- Achievement of outcomes
- Operational efficiency
- Financial viability and probity
- Communications and stakeholder relations
- Adaptability

Institutional Capacity — Strength of Stakeholder Ownership

How strong is stakeholder ownership of the development goal? Stakeholder ownership comprises formal and informal political, economic and social forces that determine the priority that government, civil society, and the private sector give to a development goal. The institutional characteristics listed below contribute to the strength of stakeholder ownership and are used for institutional diagnostics, program design and results management.

Institutional characteristics	Areas covered
Commitment of social and political leaders	Social and political leaders consistently and regularly support the development goal through public statements, decisions, votes, and other actions demonstrating their commitment and accountability for achievement of the goal. Leaders demonstrate sound ethics and integrity related to the goal, faithfully honoring their pledges of support and not engaging in activities or missions that would undermine progress toward the goal.
Compatibility of social norms and values	The social norms and widespread beliefs that shape the behavior of local stakeholders are compatible with the development goal.
Stakeholder participation in setting priorities	Priority-setting processes related to the development goal include opportunities for all stakeholders to express opinions freely and without fear of repression, and these opportunities are communicated with adequate time for stakeholder engagement and response. Stakeholders actively participate through these established mechanisms, and government and other public service entities are responsive to the expressed views of civil society and other relevant parties.
Stakeholder demand for accountability	Stakeholders know their rights related to the development goal, claim those rights, and communicate their grievances and proposals for change to the government and legislature. If public officials and other public service providers fail to meet expectations about the achievement of the goal or are using allocated resources for unintended purposes, stakeholders freely hold them accountable for their conduct and performance. Stakeholders organize and collectively appeal unfavorable decisions concerning the goal. Stakeholders demand and use instruments of accountability that are available to the public, such as government scorecard information.
Transparency of information to stakeholders	Government and other public service entities provide accurate, relevant, verifiable, and timely information about the development goal to all stakeholders. They also explain actions concerning the goal in terms that stakeholders can use to participate in setting priorities, monitoring progress, and evaluating actions of public officials responsible for the goal. Any information influencing decisions related to the goal is fully disclosed to stakeholders.

Institutional Capacity — Efficiency of Policy Instruments

How efficient are policy instruments in guiding stakeholder behavior toward achieving the development goal? The efficiency of policy instruments comprises the administrative rules, laws, regulations, standards, and other formal incentives that a society uses to guide stakeholder actions to achieve its development goals. The institutional characteristics listed contribute to the efficiency of policy instruments and are used for institutional diagnostics, program design and results management.

Institutional characteristics	Areas covered
Clarity in defining rights and responsibilities	The rights and responsibilities of stakeholders related to the development goal are clearly defined and communicated. Stakeholders share a common understanding of the policy goal and the targets of any specified regulations. The authorities and processes concerning the policy instrument are clearly identified and communicated to stakeholders. Stakeholders understand the objectives, rights and responsibilities prescribed by the policy instrument.
Consistency	Policy instrument related to the development goal is consistent with policy instruments for other goals. The objectives, rights and responsibilities established by the policy instrument related to the goal do not conflict with those for other goals.
Legitimacy	Policy instrument is formulated based on an informed, transparent, participatory, and deliberate process. The instrument conforms to recognized principles and standards and is perceived as desirable and appropriate within the local system of norms, values, beliefs, and definitions. Stakeholders and unaffiliated expert reviewers perceive the actions and sanctions prescribed by the policy as fair. Stakeholders' rights to appeal are assured by the policy instrument.
Incentives for compliance	Policy instrument facilitates desired economic and social exchange activities related to the development goal, minimizes uncertainty, time, information and other costs to participants in these transactions, and provides sanctions for non-compliance. Possible measures include: share of targeted stakeholders who elect self-policing, self-auditing, or self-disclosure options provided by the policy instrument; share of targeted stakeholders who comply with provisions of the policy instrument.
Ease of administration	Policy instrument is administratively easy for the regulatory or governing body to implement. Implementation incurs only those administrative costs required to achieve the intended policy outcomes related to the goal. Administrative tasks are defined and allocated with consideration of duty bearers' competencies, existing responsibilities, and available resources.
Risk of negative externalities	Policy instrument minimizes unintended negative impacts. Targeted beneficiaries, non-beneficiaries, and other non-regulated stakeholders do not experience foreseeable unintended costs or ill effects as a result of the policy instrument.
Suitable flexibility	Policy instrument is predictably flexible in addressing varying situations. The policy instrument allows for timely revision when the underlying social and political circumstances have changed. The policy instrument is explicit in defining the conditions under which its terms should be revised.
Resistance to corruption	Policy instrument minimizes opportunities for corruption, rent seeking, and regulatory capture; includes mechanisms to monitor and report corruption; and provides credible and enforceable penalties for corrupt behavior. The policy instrument does not reflect the efforts of vested interests to manipulate the economic and/or legal environment to secure undue privileges or compensation at the expense of the greater public good.

Institutional Capacity — Effectiveness of Organizational Arrangements

How effective are organizational arrangements in achieving the development goal? The effectiveness of organizational arrangements comprises the systems, rules of action, processes, personnel, and other resources that state or non-state stakeholders bring together to achieve a development goal. The characteristics listed below contribute to the effectiveness of organizational arrangements and are used for institutional diagnostics, program design and results management.

Institutional characteristics	Areas covered
Clarity of mission	The vision and mission of the organization/group are strongly aligned with the goal and articulated, providing its members with points of reference for formulating strategy, making decisions, and gaining commitment from management, staff, and other stakeholders to work toward the goal. Relevant stakeholders recognize the mandate of the organization.
Achievement of outcomes	The organization/group consistently seeks and achieves outcomes that lead directly to the goal.
Operational efficiency	The strategies, inputs, processes, and technology of the organization/group are managed to optimize the quantity and quality of output, relative to the cost of accomplishing its support for the goal.
Financial viability and probity	The organization/group secures the funds needed to cover its operating costs sustainably and allocates funds according to business needs. Financial management includes the tracking of expenditures on a functional basis to inform future budget forecasting, decision-making, and accountability reporting. Organizational systems and practices support and enforce transparent financial management, including the reporting of externally verified accounts, to ensure that the organization’s resources are allocated effectively to achieve its stated goal.
Communications and stakeholder relations	The organization/group seeks and obtains the support of stakeholders for its work related to the development goal. Organizational decision-making and operational processes involve consultations and proactive communications with appropriate stakeholders.
Adaptability	The organization/group regularly monitors its internal and external environment for information relevant to the development goal and is proactive in adapting its strategy accordingly. The organization encourages innovation in strategies, processes and products; manages knowledge; rewards performance; and creates and/or adapts to new technologies.