SOURCEBOOK ON RESULTS BASED MANAGEMENT IN THE EUROPEAN STRUCTURAL FUNDS

SECOND EDITION

Community of Practice
on Results Based Management

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1. Preface

This "Sourcebook on results based management in the European Structural Funds" represents the fruit of exchanges between representatives of Community of Practice on Results Based Management (COP RBM) partners with each other, with other colleagues active in the Structural Funds as well as with leading international experts and networks since the start of the COP in May 2009.

Its purpose is threefold:

○ to demystify "results" and "results based management" by making the assumptions underlying these concepts clear. In this way, the Sourcebook intends to raise awareness that no system, tool, method or procedure can ensure that people make "sound" decisions. However, systems CAN make it harder for people to get together, discuss what they think they are doing and what they should be doing and act in the best intentions and to the best of their ability to do what they think is meaningful at that time. Chapters three to five are aiming at building this understanding;

○ on the other hand, it is the assumption behind the Sourcebook that systems CAN also facilitate, rather than hinder, the above. It is the ambition of this Sourcebook to provide such a system (including practical tools and methods as described in chapter 6), while remaining keenly aware of the previous point;

○ the book is also meant to provide a framework for identifying and sharing more specific practices that may already be out there.

It is strongly suggested not to skip the more foundational chapters three to five before tackling the more practice oriented chapter six. To have a chance in achieving the second purpose of the Sourcebook, it is crucial that the first purpose be realised sufficiently.

Neglecting to do so and trying to implement (parts of) the system described in chapter 6 without the necessary understanding of the underlying assumptions could even lead to making things harder in practice. People are crucial to make systems work, hence enough time and resources should be invested in building the human and social capital on which results depend fundamentally, rather than trying to take short-cuts by using a cut-and-paste approach to public sector reform.

This publication is truly a Sourcebook in a double meaning: it provides links to many resources (most of them online on www.coprbm.eu) and it is only a source of inspiration, not a blue print guide of what to do. The book might trigger a need for further support, whether it be via training or by involving experts in designing and implementing ideas. Keep an eye on www.coprbm.eu for such opportunities.

This book is only a temporary milestone in the journey the COP partners undertook since 2009. It would not have been possible to write it without their contribution for which we thank them. We hope this publication will also be a starting point for others to join the COP partners in continuing their journey.

Benedict Wauters
COP RBM coordinator

Louis Vervloet
General Director Flemish ESF Agency
Lead partner of the COP RBM

2. THE COMMUNITY OF PRACTICE ON RESULTS BASED MANAGEMENT

In April 2009, Fabrizio Barca – then director-general of the Ministry of Economy and Finance of Italy – delivered a report to the European Commission in charge of cohesion policy, Danuta Hübner. The report was entitled "An agenda for a reformed cohesion policy".

The report[1] stated that "The most evident weaknesses which indicate the need for reform of cohesion policy are:

- "a deficit in strategic planning and in developing the policy concept through the coherent adoption of a place-based, territorial perspective;

- a lack of focus on priorities and a failure to distinguish between the pursuit of efficiency and social inclusion objectives;

1   http://www.coprbm.eu/?q=node/560 p. XV-XVI

○ a failure of the contractual arrangements to focus on results and to provide enough leverage for the Commission and Member States to design and promote institutional changes tailored to the features and needs of places;

○ methodological and operational problems that have prevented both the appropriate use of indicators and targets – for which no comparable information is available – and a satisfactory analysis of "what works" in terms of policy impact;

○ a remarkable lack of political and policy debate on results in terms of the well-being of people, at both local and EU level, most of the attention being focused on financial absorption and irregularities."

A few months before the release of the report, a group of European Social Fund Managing Authorities and associated partners (see acknowledgements) had already submitted a proposal for a Community of Practice on Results Based Management in the Structural Funds.

This proposal was building on work that had started under the auspices of a working group, chaired by the European Commission, of Managing Authorities for the EQUAL programme concerning the use of Project Cycle Management within EQUAL[2]. This working group also organized a high level conference on "Sound planning of ESF programmes" held in Vilnius on 17-18 November 2005, to kick-off the preparations of the programmes for the 2007-2014 period. This conference also led to the publication of a "Sourcebook on sound planning" and an accompanying website[3] in 2007.

The COP RBM was approved and became operational as of September 2009, in the wake of the Barca report. The COP RBM therefore came at just the right moment to contribute to addressing "A remarkable lack of political and policy debate on results in terms of the well-being of people, at both local and EU level, most of the attention being focused on financial absorption and irregularities." as stated by the Barca report.

F. Barca himself spoke at the COP RBM seminars in Brussels of May 2010 and returned in Rome in April 2011.

In the following years, the COP RBM engaged in several key activities:

◎ setting up a knowledge platform (www.coprbm.eu);
◎ organizing so called "basecamp" seminars (to touch base with each other) to exchange practices of the partners in the COP and to learn from internationally renowned experts[4];
◎ organizing small "scouting" teams (to find out what is going on) on topics of interest;
◎ making practice descriptions of the COP partners accessible[5];
◎ drawing up documents such as a baseline study of results oriented practices and a survey of definitions of "results";
◎ developing an RBM self-assessment tool to support discussions during interactive study visits[6];
◎ connecting with other relevant networks, within and outside of Structural Funds[7];
◎ organizing a final seminar in collaboration with the European Institute of Public Administration[8].

Finally, a new "sourcebook" was to be produced, capturing all the insights gained over the life of the COP. This is the text that you are currently reading.

2   This group was responsible for a publication that adapted PCM for EQUAL http://www.coprbm.eu/?q=node/561
3   http://www.coprbm.eu/?q=node/562
4   See http://www.coprbm.eu/?q=node/121 for the jump page for all meetings
5   See http://www.coprbm.eu/?q=taxonomy/term/54 for all practices and materials produced by the COP RBM
6   See http://www.coprbm.eu/?q=node/439
7   See http://www.coprbm.eu/?q=node/15
8   See http://www.coprbm.eu/?q=node/526

3. THE RESULTS ORIENTATION FOR THE NEXT STRUCTURAL FUNDS PERIOD

3.1. Introduction

"Simplification of policy delivery, focus on results and increased use of conditionality are among the major hallmarks of the next set of programmes." These are the first sentences of the proposal for the common regulation for the Structural Funds[9]. In addition, Article 4 states that "The Commission and the Member States shall ensure the effectiveness of the CSF Funds, in particular through monitoring, reporting and evaluation." Effectiveness is therefore a core principle of the new programming period.

The COP RBM is contributing with this publication to the second of the three mentioned major hallmarks.

> **Simplification of policy delivery, focus on results and increased use of conditionality are among the major hallmarks of the next set of programmes.**

3.2. Definition of results

First, it is helpful to establish the definition of "results".

When starting out, the COP RBM made a comparison of all the definitions of "results" circulating in the European Commission as well as the OECD[10], while using a widely used OECD DAC (Development Assistance Committee) definition as a reference point. All sources distinguish at least three levels of objectives (see Table 1 for the various indicator denominations and – between brackets – their associated objectives typology). The OECD uses the word "results" to signify the entire collection of objectives, with at the lowest level outputs, then outcomes and then impact. EC sources reserve "result" for one level of objectives and/or associated indicators, corresponding generally to the "outcome" level in the OECD definition.

Table 1: three levels of objectives

OECD	EC SF (WD 2)	EC SF (Evalsed)	EC (Evaluation)	EC (ex ante)	EC (impact assesment)	EC (Aidco)
Impact (result) LEVEL 3	Global / specific impact (global obj.)	Global / specific impact (global/ specific obj.)	Global / intermediate impact (global/ intermediate obj.)	Outcome/ Impact (general obj.)	Impact (general obj.)	Impact (overall obj.)
Outcome (result) LEVEL 2	Result (specific obj.)	Result (specific obj.)	Result (specific obj.)	Result (specific obj.)	Result (specific obj.)	Outcome (purpose)
Output (result) LEVEL 1	Output (operational obj.)	Output (operational obj.)	Output	Output (operational obj.)	Output (operational obj.)	Output (result or contracted output)

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9   COM(2011) 615 final
10   See the document containing the various EC and OECD sources at http://www.coprbm.eu/?q=node/225

The study revealed (see Table 2) that four concepts are implicitly used to distinguish the three different levels of objectives and indicators across the various sources:

Table 2: comparison of elements within definitions

	OECD DAC	OECD	EC SF (WD 2)	EC SF (Evalsed)	EC (Evaluation)	EC (Ex ante)	EC (Impact)	EC (Aidco)
Activity versus effect	Impact/ outcome/ output are all changes in a state deriving from cause-effect relations set in motion by an intervention. Outcome is a change in a development condition. However, output is still defined in terms of activity.	Output related to activity, outcomes and impact to conse-quences of this.	Output relates to activity. Results and impact to effects.	Output is product of activity. Results are "changes" for direct beneficiaries.	Output is a product of activty.	Output is product / service / deliverable.	Outputs are deliverables / objects of action.	Output indicators measure "result objectives" as tangible improvements to services, facilities or knowledge, attitudes and practices. This is distinguished from "contracted" outputs or "deliverables".
Time horizon	Impact is long term, outcome short and medium term	N/A	Result is immediate. Specific impact is a certain lapse of time, global impact is longer term.	Specific impact is me-dium term; global impact is short or medium term.	Global impact is long term. Intermediate impact is short or medium term. Results are immediate.	Results are short term.	Impact is medium or longer term. Result is immediate.	Impact is longer term
Interaction	N/A	N/A	N/A	Results are advantages when beneficiary in direct contact with action.	Results are im-mediate.	N/A	Impact is beyond direct and immediate interaction. Result is immediate.	N/A
Type of influence on external environment	Impact can be direct or indirect.	N/A	Result is direct for direct beneficiaries. Specific impact is also direct for direct benefi-ciaries (if timing is not immediate) . Global impact is for wider population.	Specific impact is for direct beneficiary; global impact is indirect.	Global impact is diffuse. Intermediate impact can be for direct or indirect beneficaries (if timing not immediate). Re-sults are for direct beneficiaries (and immediate timing).	Outcome/ impact are indirect. Results are direct yet "not fully under control".	Impact is for direct (if me-dium term) or indirect beneficiaries. Result is for direct beneficiaries.	Output (as defined above) is not wholly under the control of management. Outcome is benefit for the direct beneficiary. Impact can only be contributed to (both for direct beneficiaries and others).

O **activity versus consequences:**
- do we look at what we do and whether this is ongoing / finalized, or what we achieve in the external environment, where activities are supposed to be within the control of interven-tion managers but the external environment can only be influenced?
- most sources define output (OECD DAC level 1) as an extension of the intervention where some deliverable has been finalised;

O **time horizon:**
- do we see change we have influenced in the short or longer term?
- outcomes (OECD DAC level 2) are usually seen to be immediate or short term (except for the OECD DAC where outcomes can also be medium term) whereas impact (OECD DAC level 3) is generally seen to be medium/longer term

O **interaction with beneficiaries: here beneficiaries are understood to be the final beneficiaries (also referred to as target groups)**
- is a change achieved during the contact of beneficiaries with the activity or afterwards?
- this criterion is not used widely but seems to indicate that for outcomes (OECD DAC level 2) beneficiaries are still taking part in the intervention when changes become visible;

O type of influence:
- do we influence directly or indirectly? Do we change something for the direct beneficiary of an intervention or for a wider population? Is the change attributable to the action / did the action contribute?
- outcomes (OECD DAC level 2) seem to be more "direct" (for direct beneficiaries and/or with direct influence) whereas impact (OECD DAC level 3) is linked to both direct and indirect beneficiaries (including wider populations).

We use Figure 1 to explain some of the concepts and the difficulties with these concepts.

Figure 1: Florida Department of Children and Families example of an intervention
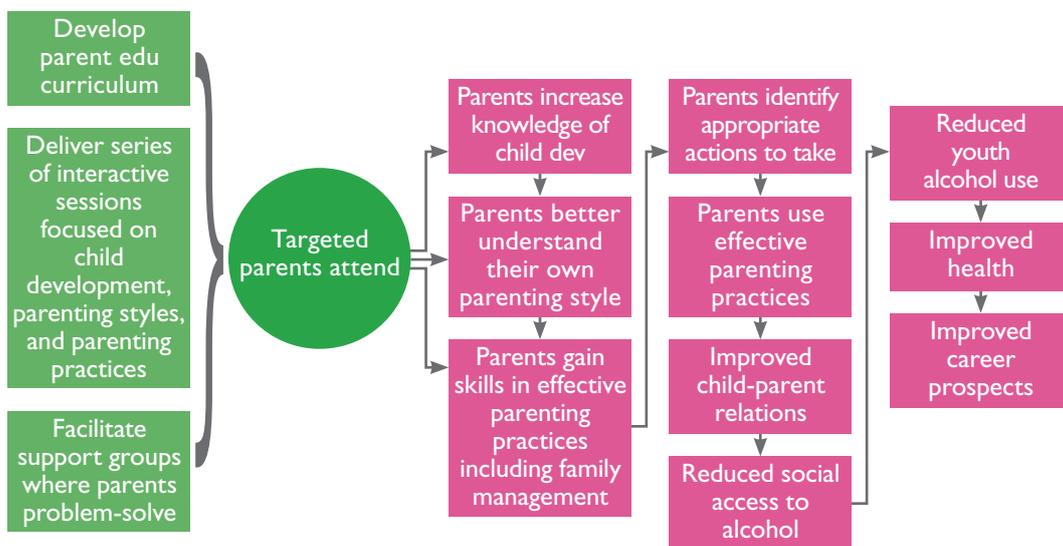
The figure shows a chain of consequences derived from action. This "results chain" is at the core of what is referred to as a "theory of change", although, as will be explained in chapter 6.2.3.4 (a), a theory of change comprises more than a results chain.

First, we attempt to distinguish outputs from outcomes. In the example, three core activities on the left side of the figure lead to an output (a finalised deliverable) defined in terms of parent participation in interactive sessions and in support groups. A first difficulty arises when trying to define the "beneficiary". Does this refer to the parents or their children? It is clear that we need to distinguish between ultimate and intermediate beneficiaries. Direct beneficiary as used in the various definitions listed in the above table could refer to ultimate beneficiaries when distinguishing them from a wider population of citizens or it could refer to an intermediate beneficiary. There is no clarity on the matter in the various guidance documents.

In any case, this particular example does not contain any actions where contact with the ultimate beneficiary is made. It works with an intermediate beneficiary only – the parents.

Second, we try to ascertain what are the outcomes and what the impact. The outputs trigger a series of changes that are not under the control of the intervention. More direct influence is exerted on parents knowledge and skills. Afterwards, it is hoped that these changes in skills and knowledge translate into action, leading to changes at the level of the children.

Also, the changes in skills and knowledge are understood to happen relatively quickly, while the translation into action and ultimately changes at the level of the children will take longer.

Changes in skills and knowledge may arise when parents are still participating in the sessions and support group. Some parents will probably take some action already and then discuss this also in a support group. Perhaps support groups are still active even when health benefits for (some) kids arise.

So what would be the outcomes and what would be the impact in this case?

Based on activity versus consequences, outcomes arise as soon as there is an increase in knowledge and skills of parents. This criterion does not allow to identify impact though.

Based on time horizon, impact would start to arise in the medium to long term. It is not very clear what this would mean for this example. Perhaps the medium term starts when the immediate term is finished which could mean impact again arises as soon as parents identify action (which could in itself be quite quickly following knowledge and skills).

As to ongoing interaction, it is again not very clear what changes would occur when the interaction is still ongoing. But we could assume that parents using effective parenting practices would still emerge when support is going on. This would mean impact would start as of improved child-parent relations.

Finally, if we look at direct versus indirect influence, then knowledge and skills would again constitute outcomes and impact starts as of the identification of action.

Trying to identify output, outcomes and impact in this way is cumbersome and may not always lead to the same classification. But more importantly, it is not clear what is the added value of this exercise for managerial purposes.

What is missing from the above definitions is the ultimate beneficiary need that a programme seeks to address. The COP RBM draws on existing theory developed by A. Maslow[11] concerning needs and well-being to clarify these concepts more. In Figure 2 the nature of needs and the well-being that results from meeting them is clarified.

Figure 2: hierarchy of needs
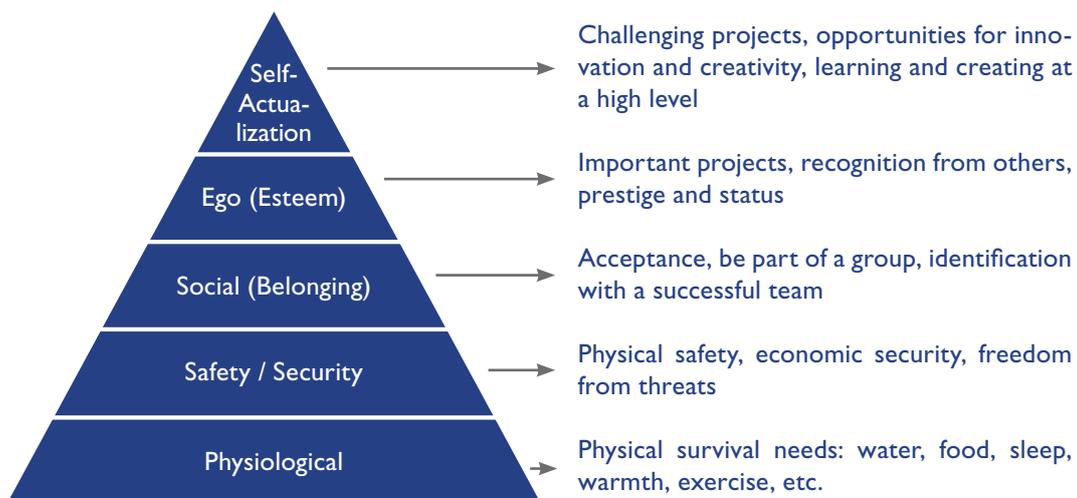
Maslow's Hierarchy of Needs is shown above. The pyramid illustrates the five levels of human needs. The most basic are physiological and safety/security, shown at the base of the pyramid. As one moves to higher levels of the pyramid, the needs become more complex.

11   A. Maslow, Motivation and Personality, 1954

In the example in Figure 1, various objectives can qualify as a need: better relations of kids with parents (social), improved health (physiological) and career prospects (economic security). Determining what is central will need to be decided in large part on the basis of what is central to the intended beneficiary. This central need should be what is included as a key objective in a programme.

Concerning the distinction between outputs and outcomes, Erik Kijne, an expert who contributed to the COPs seminar in Warsaw in January 2010, posted the following statement on the COPs online discussion platform: "We prefer the use of the term 'end-users' as against 'beneficiaries' as every one among the stakeholders can be perceived as a beneficiary in one way or another … a 'supplier' being busy to carry out activities that together lead to an output or outputs which when received by an end-users will lead to a outcome. As such the outcome happens in the life of the end-user, while the output happens in the life of the supplier. This shift in ownership is the fundamental aspect determining the importance of the outcomes."[12]

> **As such the outcome happens in the life of the end-user, while the output happens in the life of the supplier. This shift in ownership is the fundamental aspect determining the importance of the outcomes.**

A similar distinction was made by Luis Tineo from the World Bank's Global Partnership for Output Based Aid (GPOBA) who stated at the COP RBM conference in Maastricht of 5-6 November 2012 that "outputs are the supply-side deliverables, including events, products, capital goods, or services that result from a … intervention". What was also made clear by Tineo was that whether or not some objective is an output is not due to the nature of the objective itself but is a consequence of a decision to make sure that realisation of this objective is within the control of a supplier. For example, many projects may be aiming to get unemployed persons to find a job. Many will have as outputs "number of participants in training". However, this is regarded by the GPOBA as an input rather than an output. For GPOBA the output could even be: "number of persons who became employed and still were employed 1 year after the action". Of course, this implies a far greater range of activities than providing a training and a much greater cost per participants than merely paying for training. But, in principle, a supplier could guarantee this result. For example, he could have a deal with employers that they would guarantee a job if the supplier can demonstrate the appropriate competencies and provide coaching if problems arise on the workfloor.

In the example in Figure 1, the shift of ownership occurs from the delivery of training by the project to a change in knowledge and skills that lies with the participants in the training. It is in this example not possible for the supplier to guarantee the knowledge and skills nor can the degree of improvement regarding these be established without asking the participants in some way (e.g. with a test or a subjective opinion). However, if the range of activities is enlarged, for example to keep working with parents until they acquire the relevant knowledge, the output can be more ambitious.

The notion of "impact" as distinguished from outcomes, referring to a much higher level objective is less important for managerial purposes, although overarching objectives, relating to the wider population in a country or region and not just participants, remain important to situate an intervention in its policy context.

More recent guidance from DG REGIO[13] (see Box 1) – providing a more comprehensive definition than DG EMPL guidance[14] in this respect – is broadly in line with the position of the COP as it focuses on well-being and progress for people.

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12 Retrieved on 7/11/2012 from http://www.coprbm.eu/?q=node/179

13 http://www.coprbm.eu/?q=node/521

14 DG EMPLs guidance document on ex-ante evaluation of June 2012 defines results as a "change that the programme intends to bring in the Member State or region". Other DG EMPL guidance does not explicitly define the concept i.e. http://www.coprbm.eu/?q=node/567

Also in line with COP RBM thinking, DG REGIO does not use the term "impact" anymore in a hierarchy of objectives but reserves this for the evaluation of the contribution of an intervention to an outcome.

Box 1: what is a result?

The intended result is the specific dimension of well-being and progress for people that motivates policy action, i.e. what is intended to be changed, with the contribution of the interventions designed.

An example is mobility, the improvement of which is the aim of building transport infra-structures, for instance a new railway line.

Once a result has been chosen it must be represented by appropriate measures. This can be done by identifying one or more result indicators. Examples for the above case of railways are travel time, CO_2 emissions and traffic fatalities. A reduction in these dimensions could be the objective of a policy.

Result indicators are variables that provide information on some specific aspects of results that lend themselves to be measured. Selecting clear result indicators facilitates understanding of the problem and the policy need and will facilitate a later judgement about whether or not objectives have been met. In this context it is useful to set targets for result indicators.

Having identified needs and a desired result does not yet mean that the public intervention has been fully designed. Different factors can drive the intended result towards or away from the desired change. A policymaker must analyse such factors and decide which ones will be the object of public policy. In other words, an intervention with a certain intervention logic must be established. For example, if number of traffic accidents is the result indicator of a programme, safer roads, a modal shift towards rail or a better behaviour of drivers could be assumed to change the situation. The programme designers must clarify which of those factors they want to affect. The specific activity of programmes leads to outputs.

Outputs are the direct products of programmes, they are intended to contribute to results ...

… Note that use and place of "impact" has changed from former guidance provided … Impact is the change that can be credibly attributed to an intervention. "Effect of an intervention" or "contribution of an intervention" are alternative expressions for this idea. … Change in result indicator = contribution of intervention + contribution of other factors. Only the left hand side of this equation can be observed. To disentangle the effects of the intervention from the contribution of other factors and to understand the functioning of a programme is a task for impact evaluation. Two distinctive questions are to be answered:

- did the public intervention have an effect at all and if yes, how big – positive or negative – was this effect. The question is: Does it work? Is there a causal link? This is the question counterfactual impact evaluations aim to answer;

- why an intervention produces intended (and unintended) effects. The goal is to answer the "why and how it works?" question. To answer this question is the aim of theory-based impact evaluations.

The figure below provides a summary.
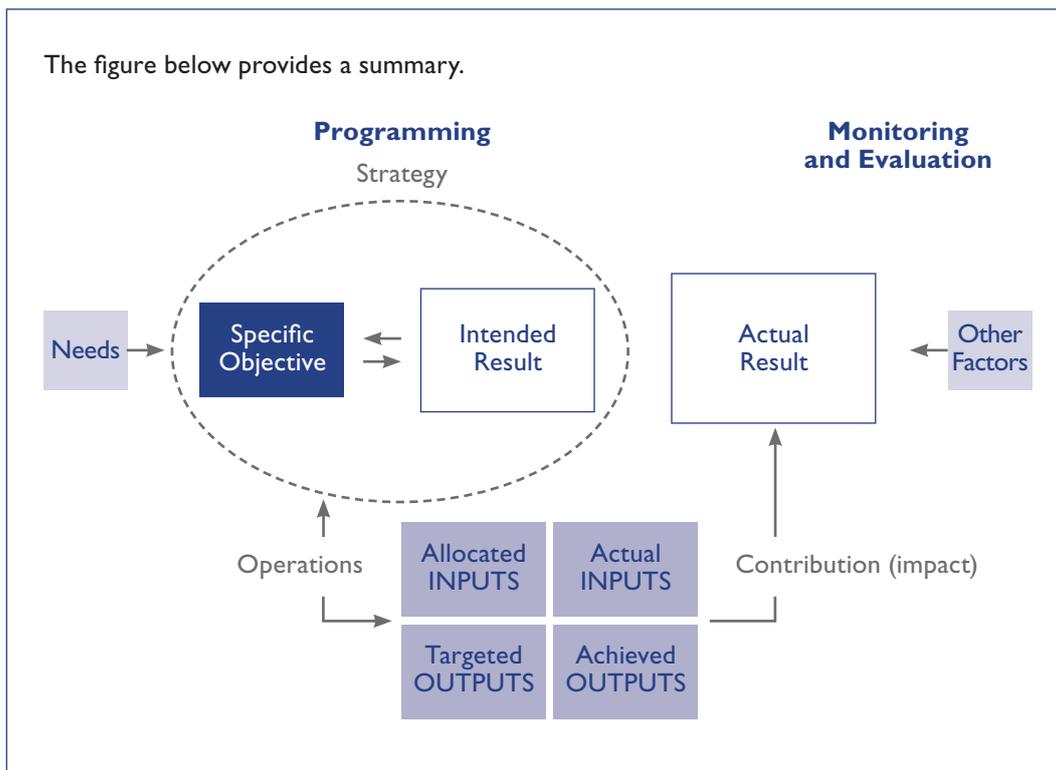
It is interesting at this point to try out Maslow's theory for practical use in programming. The DG REGIO example in Box 1 puts reduced travel time, CO2 emissions and traffic fatalities forward as results derived from a new railway line. Traffic fatalities are obviously linked to Maslow's needs hierarchy, more specifically the safety/security needs. However, it is not obvious whether reduced travel time represent a need. Most likely, this is a means to fulfill some implicit need that appears further down a causal chain. This could be social in terms of spending more time with the family. Likewise, CO2 reduction could be linked to health issues, a physical need. In keeping with COP RBM thinking, it is not trivial to reflect on what the core need(s) is (or are) one wants to address with an intervention as this is what determines people's well-being. If spending more time with the family can be achieved without cutting travel time but via other means (e.g. having a school at the work location allowing to have lunch with the kids at school), then this represent an alternative policy option that should be assessed for its relative worth if well-being is really primordial. Also, if we just cut down travel time to increase time at work, the underlying social need is not addressed and well-being not increased.

> "
> **Thinking about needs is more crucial than thinking about distinctions between outputs and outcomes/results and impact.**
> **The latter discussion may overshadow the fact that it is not clear at all what need is being addressed.**
> "

To conclude, thinking about needs is more crucial than thinking about distinctions between outputs and outcomes/results and impact. The latter discussion may overshadow the fact that it is not clear at all what need is being addressed.

A full discussion concerning well-being and needs can be found in Wauters (2014, Where did the well-being go in ESIF? Paper presented at the 2nd joint EU Cohesion Policy Conference: Challenges for the New Cohesion Policy 2014-2020).

For the remainder of the publication, the terms outcomes and results are interchangeable.

3.3. Definition of results based management

At the start of its activities, the COP RBM reviewed existing definitions of RBM and, on the basis of this, formulated its own broad definition: "Results Based Management (RBM) is the way an organization applies processes and resources to achieve results."

The COP RBM also put forward that RBM consists of several elements, building on the the framework set by the conference on "Sound planning of ESF programmes" in Vilnius in 2005:

> **Contextual adaptability is key: an organization should be ready to respond to changes in circumstances or performance and alter one's approach if necessary.**

◎ **strategic orientation and coherence:** RBM starts by formulating sound objectives that shift the focus from inputs and activities (how much resources to spend on the intervention) to measurable results (what can be changed in the world outside of the intervention) in a coordinated way;

◎ **stakeholder engagement:** RBM makes use of the expertise and resources held by stakeholders in order to increase the likelihood of achieving relevant results;

◎ **delivery planning:** RBM allocates available resources to activities that will contribute most to the achievement of the desired results. A pre-condition to sound resource allocation are organizational arrangements that ensure authority and responsibilities are aligned with results and resources;

◎ **monitoring and evaluation:** RBM checks whether the allocated resources are making the intended difference and feeds back the information into decision-making.

A recent review of RBM by the Riksbankens Jubileumsfond in Sweden[15] identified the following elements as being common across a wide area of approaches that refer to themselves as managing for results. Contextual adaptability is key: an organization should be ready to respond to changes in circumstances or performance and alter one's approach if necessary. This is underpinned by:

○ an analytical and performance-oriented approach to understanding what to do;

○ a view of performance that is centred on beneficiary level outcomes, only thereafter moving toward identifying what resources, actions and outputs are necessary to get there;

○ a need for information about the subject and a capacity to collect, process and analyse this information over time;

○ a mechanism by which policy, planning and decision-making can be influenced by performance information.

Clearly, the COP RBM definition closely mirrors these elements.

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15 See http://www.coprbm.eu/?q=node/471

However, the COP RBM also takes seriously the advice offered by Burt Perrin, an independent expert who addressed the COP at its meeting in Rome in April 2011 and who was also invited to speak in May 2011 by the European Parliament Committee on Regional Development at a public hearing concerning "Moving towards a more results/ performance-based delivery system in Cohesion Policy"[16].

> Perrin advocated that what really matters is threefold:
>
> • Acting responsibly – being trustworthy, true to the mandate, demonstrating responsibility in taking decisions;
>
> • Addressing the overall need for why a programme is in place;
>
> • Doing the best possible job given the circumstances, resources and constraints, consistent with the overall mandate.

Whereas the above mentioned definitions describe more the mechanisms of RBM, Perrin's input refers more to the underlying philosophy of RBM. Hence, it is apt to include this into any definition of RBM. Again, the emphasis on addressing a "need" should be noted.

3.4. The new regulation and "managing for results"

Having clarified what "results" and RBM could actually refer to, it is now useful to elaborate what the Structural Funds regulations set out in terms of results orientation. Elements from the regulations mentioning results, performance and effectiveness are presented in a document in the COP RBM website[17].

In synthesis, these elements consist of:

⭕ **needs identification:**

◎ drawing on sources of needs as proposed by the regulation:
- the National Reform Programme, assessing where appropriate the regional state of play with respect to national targets;
- applicable Council recommendations and the broad guidelines of the economic policies of the Member States, assessing where appropriate their relevance at regional level;
- relevant national and regional analysis and strategies identifying challenges and development needs;
◎ describing the extent to which these needs are or can be addressed by national and regional means, identifying where a Union contribution is necessary;

⭕ **intervention logic:**

◎ within prescribed investment priorities grouped under several equally prescribed high level thematic objectives (the latter ideally defining the programme priority axes), Member States are to formulate specific programme objectives (see Table 3);
◎ the choice of thematic objectives, investment priorities and the formulation of the specific objectives should be justified by referring to the identified needs;

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16 see http://www.coprbm.eu/?q=node/365 for the actual speech
17 http://www.coprbm.eu/?q=node/531

Table 3: example programme intervention logic[18]

Intervention logic				
Investment priority	**Specific objective**	**Planned types of activities**	**Output indicators Common indicators with targets**	**Result indicators Common indicators with targets**
Equality between men & women & reconciliation between work and private life	Increase participation of low skilled inactive or unemployed people with care responsibilities in the labour market	• Counselling • Mentoring/Tutoring • Training • Support for child care/care for dependent persons **Target groups** • Unemployed • LTU • Inactive not in education or training • With ISCED 1 and 2 • Other disadvantaged • Lone parents • People with care responsibilities • Members of work-less households	• Unemployed • LTU • Inactive not in education or training • With ISCED 1 or 2 • Other disadvantaged **Programme-specific indicators:** • Unemployed/inactive lone parents • Low skilled (ISCED 1 or 2) female inactive participants with care responsibilities • Participants who are member of a workless household • Unemployed or inactive participants with basic skills needs	• Inactive participants engaged in job searching upon leaving • Participants gaining a qualification upon leaving • Participants in employment upon leaving • Participants in employment 6 months after leaving • Participants in self-employment 6 months after leaving **Programme-specific indicators:** • Inactive/unemployed participants in employment who received support in their care responsibilities • Participants who gained ISCED 1 • Participants who gained ISCED 2 • Participants who gained ISCED 3 or higher • Participants gaining a professional qualification • Lone parents in employment upon leaving • Inactive/unemployed participants employed in social economy • Inactive participants in employment upon leaving

○ defining for each priority indicators to track performance of the priority:

◎ various types of indicators are to be formulated:
- financial indicators relating to expenditure allocated;
- output indicators relating to the operations supported within a priority;
- result indicators relating to the priority;

◎ ideally, these indicators should draw on the common output and result indicators provided by the Commission (with specific indicators forming a sub-set of the common indicator) although there is no obligation to do so; in any case, the common indicators are to be reported on across the board for all priorities;

○ setting intermediate targets (milestones) for a selection of these indicators (for 2018) and a final target (for 2022);

○ achievement or the lack of it, can be rewarded (with an allocation of a 5% performance reserve in 2019) or punished (suspension of payment in 2019 based on the milestones 2018 and even financial correction when closing the programme);

○ evaluations concerning effectiveness, efficiency AND impact should be conducted. At least once for each priority should an evaluation assess the contribution of the financed actions to the objectives of the priority. Assessing contribution in principle means assessing impact as defined by the DG REGIO paper. This is however not stressed as such in DG EMPLs guidance on monitoring and evaluation. The differentiation between effectiveness and impact in the light of the definitions provided by DG REGIOs guidance implies -it is not stated explicitly in any guidance documents for the new period- that effectiveness refers to the achievement of observed results;

○ a specific mechanism referred to as a Joint Actions Plan is also provided. Finance and outputs/results are directly linked to each other (disbursement of funds only upon achievement) in this mechanism.

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18 http://www.coprbm.eu/index.php?q=node/599

Of course, a greater emphasis on results and effectiveness and on the contribution of programmes (impact) is welcomed by those who want the Structural Funds to matter more for the everyday lives of citizens. The new regulation's emphasis on results does put results firmly on the agenda.

However, it should become clear throughout the remainder of this publication that the regulation itself does not provide sufficient tools to achieve more results. Awareness of the importance of results does not automatically mean more results. For that, it is important to first acquire relevant knowledge of the reality in which Structural Funds are intervening and of the various types of accountability that guide Structural Funds managers, implicitly or explicitly when acting within that reality. This is the subject of the next chapter.

"
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"

4. ACCOUNTABILITY IN A COMPLEX WORLD

4.1. Accountability defined

Before setting out how the COP RBM proposes to make Structural Funds matter more for the everyday lives of citizens, it is necessary to take a stroll through some concepts that are underpinning the COPs understanding of "results based management".

Those working in Structural Funds (or for that matter in any public administration) will be familiar with words such as transparency, efficiency, effectiveness, prevention and detection of fraud, compliance with rules, achieving targets, sustainability, value for money, impact, respect for diversity, empowerment etc. No matter how diverse these words are, they all revolve around a single underlying concept: accountability.

> **The notion of accountability can usefully be viewed from three distinct perspectives.**

Drawing on Hood[19] the notion of accountability can usefully be viewed from three distinct perspectives as aiming to keep public action:

1. **"lean and purposeful":** here, the primary concern is to match narrowly defined tasks and circumstances with resources (time and money) in a competent and sparing fashion. Payment by results, just in time delivery and zero based budgeting can be seen as emanations of this mind-set. Words like effectiveness, efficiency, impact, value for money, achieving targets are very much in line with this. As the main idea is to cut any slack, matching resources as tightly as possible to objectives, it is very important to have "checkable" objectives that are not overlapping. Hence the focus on outputs, ideally to be provided by independent departments;

2. **"honest and fair":** here the focus is on preventing distortion, bias, abuse of office and inequity. The proper discharge of duties in terms of procedures AND substance is of prime importance. Words like transparency, prevention and detection of fraud, compliance with rules, etc. fit here. The concern here is more "how the job gets done" than just "getting the job done with the least possible input". Controls shift to process rather than output;

3. **"robust, resilient, adaptive":** here the concern is to be able to withstand shocks, to keep operating even under the most dire circumstances and to adapt rapidly in a crisis. Words that fit here are diversity, empowerment, sustainability etc. This thinking leads to recognising the importance of back-up systems, maintaining adequate diversity to avoid widespread common failure (including in the social sense e.g. avoiding groupthink) and building in safety margins (e.g. in planning work or using materials).

It is clear that is very hard to address in equal force each of these concepts. For example, maintaining diversity is not, at first sight, so easily reconcilable with cutting slack. Equally, audit procedures to prevent fraud do not tend to be seen as very efficient. However, these distinctions are not trivial as they have been underlying a major trend as well as its recent counter-movement in public management, as will become clear in the next chapter.

19 http://www.coprbm.eu/?q=node/568

4.2. Opposing doctrines of public management

The ruling notion of the Weberian bureacracy[20] before the arrival of New Public Management was linked closely to the concept of "honest and fair". It emphasised that the administration, as an instrument of executive power, follows rules that are objective, known by the public and edited in such a manner that they formulate a clear legal framework. This is referred to as the rule of law. There is a separation between politics and administration and between policy-making and implementation. The power structure linked to this was vertical and hierarchical. Furthermore jobs' were depersonalised: the advantages of occupying a certain position are related to the job itself and not to the person that has the respective job. The functionaries' behavior is standardized by respecting the rules, this being an important manner of assuring discipline. Civil servants are to exercise minimal discretion. Key values are clearly impartiality, due process and compliance.

Government was also seen as the primary agent responsible for serving the public good. There-fore there was a clear separation between the public domain and the private domain. If an issue was defined to belong in the private domain, markets and individual initiative were to deal with it.

This classic view of government was then subjected to the influence of "scientific management". It pushed the view that there was one best way to achieve results. All that was required was to break down complicated tasks into simpler ones, measure routines, codify the most efficient ones and apply rigorous process controls. Lean and purposeful joined honest and fair as an accountability paradigm.

As of the 1980s, the doctrine of "New Public Management" (NPM) becomes very influential in many efforts at public reform. It is however itself closely linked to the concept of "lean and purposeful". In fact, it is rather an extension of the classical model, pushing the separation between policy-making and implementation to new heights, while also intensifying aspects of scientific management, leading to a substantial increase of ex ante controls and ex post quantification. As NPM is still seen by many government actors as an ideal to strive for, it is worth elaborating on it in Box 2.

Box 2: principles of New Public Management as presented by the OECD[21] in 2011

The ideas of New Public Management have been described in many reports and publications with certain variations but a solid core. The core includes:

O separation of policy execution from policy development;

O stimulating competition among service providers, by allowing private suppliers to provide collectively funded services and through demand financing (consumer subsidies and vouchers);

O loosening of standards of operational management both in policy development and policy execution ("let managers manage");

O steering and control of executive agencies on the basis of output targets;

O budgeting on the basis of output targets (performance budgeting);

O outsourcing of intermediate production for both core ministries and executive agencies to the market.

20 See http://www.coprbm.eu/?q=node/569 and J. Bourgon, A New Synthesis of public administration, 2011.
21 http://www.coprbm.eu/?q=node/515

Major criticisms voiced towards New Public Management are:

O separation of policy execution and policy development has led to policies that are impossible to execute;

O loosening of standards of operational management has led to cost increases;

O financing of agencies on the basis of output targets has led to loss of service quality and bureaucracy;

O budgeting on the basis of output targets has led to loss of control by Parliament and unreadable budget documentation;

O outsourcing of intermediate production to the market has led to decrease of service quality and higher costs.

The greater awareness of the limitations of New Public Management has, according to the OECD report, since 2005 led to a new period where "some of the New Public Management reforms are adjusted, revised or even abolished and in which new trends come to the fore … These include:

- reallocation of public resources from administration to service delivery;
- better integration of executive and professional expertise in policy making;
- amalgamation of executive agencies or establishment of common process units;
- support service sharing among ministries and executive agencies;
- more emphasis on standards of operational management in all areas: finance, audit, procurement, accommodation, real estate and facilities, human resources and organisation, communication, information and ICT; application of standards across central government, also in executive agencies;
- concentration of standard setting for operational management in one or a few ministries;
- separation of financing of agencies from steering and control of outputs;
- steering and control of outputs through a permanent performance dialogue rather than on the basis of output indicators;
- reduction of output and outcome information in the budget documentation;
- more emphasis on meeting the preferences of individual citizen's by greater variety of public supply and tailormade solutions for individual citizens and businesses."

Strong statements are made in the report such as: "The emphasis on measurable outputs has generated an obsession with performance indicators among senior managers and the growth of entire new layers of middle managers who are interfering in the daily work of executive professionals in ways that are seen by the latter as bureaucratic, distortive and detrimental to service quality." as well as "… perverse incentive leads to manipulation of the data (artificially lowered targets in order to decrease the risk of underperformance, choice of output indicators that are easy to meet but have nothing to do with the outcomes politicians are interested in, sometimes outright fraud with the numbers) and gaming behaviour (putting emphasis on activities that improve the data). No campaign to promote civil service values or public ethos can compensate for that, the less so if managers and professionals feel frustrated in their own right on how their performance is assessed. Everything we knew already about central planning in socialist states but now limited to the public sector of a market economy."

Other sources[22] point out the following shifts in Table 4.

22   J. Bourgon, A New Synthesis of public administration, 2011. See also http://www.nsworld.org/

Table 4: New Public Management model compared to evolving practice

NPM model	Practice as it is evolving
Governance as a closed system where politics and the exercise of public authority are bundled into public institutions. Departments are supposed to operate on their own with minimal interactions with others. The focus is mainly internal.	Governance as an open system where public organisations continuously exchange with their environment, taking in information, ideas and resources and transforming and releasing them. This requires sub-systems to manage across boundaries, collect, process and make sense of information from the environment, resolve conflicts, allocate resources flexibly, maintain flexible boundaries to interact with others, connecting and reconnecting parts, units and functions as needed. It is realised that the best insights about emerging phenomena may rest not in government but in self-organised social networks.
Low adaptive capacity and even resistant to change with low tolerance for risk as built to mass produce public services and achieve pre-determined results.	Capable of innovation and discovering new ways of fulfilling its mission.
Crowding out contribution of citizens as citizens are politically engaged only via voting in elections. Citizens are merely users or beneficiaries of public services. They are viewed as helpless and incapable. It is "government to you".	Citizens are political beings who act as members of communities to achieve results. Citizens create value and co-produce public results. It is "government with you". Not engaging citizens in the design and delivery of public policies erodes their self-reliance and depletes the social capital that is essential for society to adapt and prosper in uncertain environments. Government as the sole provider of public results leads to rising financial costs and declining satisfaction and ultimately eroding trust in government.
Political authorities define the public interest. Finance goes predominantly to direct service delivery. Accountability lies with the service provider.	The public interest is a collective enterprise that involves government and many other actors. Money goes mainly to indirect tools: grants, loans, insurance, transfers to other levels of government, tax credits. Accountability is shared with others thought to be in a better position to achieve desired public results. Government takes up many roles when trying to integrate its contribution with that of others.

More recently (2012), an alternative to NPM has come forward under the guise of "Strategic Agility"[23] (see Box 3). This model is linked to the "robust, resilient and adaptive" concept of accountability. It aims to deal with three main challenges:

◎ consensus-based rigidities: current consensus driven systems are equipped more for exploitation (processing and delivering already know, agreed and well-defined issues) within the comfort zone but do not fit well ever-faster change and not easily definable policy issues which require more exploration, outside the comfort zone. Consensus creates rigidity if it aims to save the past and maintain the present while several burning platforms exhort a radical change of course;

◎ silo-thinking: current independent departmental structures reinforced by vertical goals and indicators do not have enough capacity or incentive to create cross-cutting responses to issues that do not fit in these silos;

◎ lack of corporate leadership and management: playing it safe is more common than telling an inspiring "story of the future". But even if this vision is there, it is hard to finance it due to the disconnect of strategic intentions, budget allocation and performance management systems.

Clearly, this is in line with the counter-movement to NPM already described earlier.

23 OECD report GOV/PGC/PGR(2012)1 –"Strategic Agility for strong societies and economies" derived from an international workshop held in November 2011. http://www.coprbm.eu/?q=node/570

Box 3: principles of strategic agility as presented by the OECD

The concept of strategic agility comes from the private sector, where large companies were struggling with a similar context of rapid change, convergence of activities across areas, the rise of networks, etc. Research on success factors identified three elements that, taken together, allow an organisation to be strategically agile:

○ **strategic sensitivity:** Identifying emerging issues. Seeing and framing opportunities and threats in new, insightful ways, as they emerge. Drivers of strategic sensitivity include an open, participative strategy process; heightened strategic awareness; and high-quality internal dialogue;

○ **resource flexibility:** Mobilising and redeploying resources rapidly and efficiently to where they are needed, as new issues arise. Drivers of resource flexibility include fluid reallocation and use of capital resources, mobility of people, knowledge sharing and modular structures;

○ **leadership unity:** Making tough collective decisions that stick and are implemented. Drivers of leadership unity include cabinet responsibility, top team collaboration, and the leadership style and capabilities of the chief executive.

The key levers of strategic agility are thus relational, cognitive, and organisational, as well as emotional (commitment, pride, motivation). The concept of strategic agility has the potential to help governments act faster and more effectively, creating more openness in society and enhancing the mobility of people and knowledge.

In a 2011 report by the Finnish innovation fund[24] that developed the concept in the first place, the following main ingredients are listed:

○ the shift from outputs to outcomes to emphasize the importance of positive effects to be accomplished delivered by policies, funding, regulations and services;

○ a whole-of-government big picture and values that recognize the increasing need to work across traditional boundaries to deliver certain effects and the importance of embedding shared values across the public administration;

○ a citizen-driven philosophy to enable citizens' access to government, improve consultation and provide a citizen-driven approach to policymaking, legislation and service provision;

○ an innovation and risk-taking spirit in innovative policy solutions to tackle complex and multidimensional policy issues.

A starting point is what is referred to as "the government programme as the state's corporate strategy" consisting of:

○ a shared perspective on the government´s vision and priorities in facing the future;
○ an intended position for the country, e.g. in the global economy;
○ a political plan or roadmap for the decisions and policies to be drafted and implemented;
○ clear and transparent objectives and guidelines for policies and services that are set as high priority and for policies, activities and services that are set as low priority.

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24 http://www.coprbm.eu/?q=node/571

Going on from this, governing is described as an ongoing dynamic of scanning, sense-making, responding and shaping, in which the three success factors / key levers mentioned by the OECD are situated.
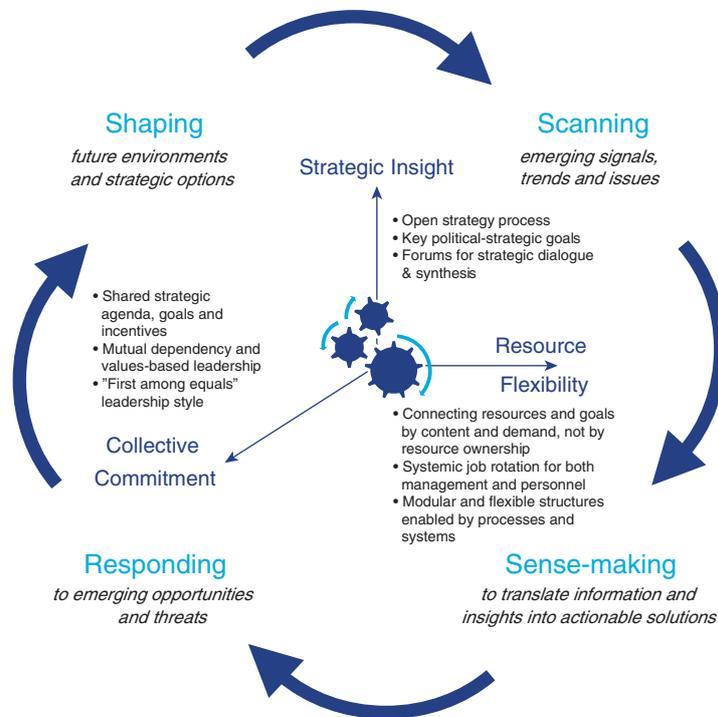
○ scanning is the process of gathering and analyzing useful, timely, actionable information;

○ sense-making is the process of interpreting relevant information as the basis for decision-making. It turns data into a narrative that supports practical understanding of the issue or problem so that solutions can be generated. Politicians and senior civil servants determine the issues requiring action by considering multiple and often competing demands on resources;

○ responding is about setting priorities and allocating best available resources across the government in order to be able to deliver. Once governments have analyzed the infor-mation and made sense of a new challenge or opportunity, they need dynamic ways to produce a response at two levels. The first is strategic, where politicians and senior civil servants create policy responses and allocate resources to new priorities. The second is at the operational level, where frontline workers respond to the day-to-day changing needs of the customers they serve and the stakeholders they co-operate with;

○ shaping moves governments beyond the reactive mode to proactively responding to emerging issues, stakeholders' signals and citizens' needs. Shaping is about influencing the future to come.

To achieve this dynamic, a systemic model for governance is proposed.

Citizens   Businesses   Communities

EFFECTIVENESS		

Engagement	Interaction System A system of mechanisms by which governments interact with and engage citizens, businesses and civil society groups to promote and to accomplish social and economic welfare and happiness.	Trust

Ministry A	Ministry B	Ministry C	Ministry D	Ministry E	Ministry F	Ministry G	Ministry H	Ministry I	Ministry J	Ministry K

Activities and Processes	Management System A system including activities and processes by which a government organizes its affairs and manages itself.	Strategic Roles and Forums

AGILITY		

Values	Culture System A system of values and beliefs that are necessary for social behavior to happen and for decisions and actions to be taken.	Leadership

Whole-Of-Government

Governance as **a culture system** nurtures values and beliefs that are necessary for social behaviors to happen and for decisions and actions to be taken. Shared values are embedded into the cultural basis of government. A shift needs to occur from "minding my portfolio by reacting to assignments" to "minding our portfolio by pro-acting to opportunities and weak signals". Or from an introverted culture (impose behaviour to control uncertainty and ensure continuity from within a silo) to an extroverted one (valuing open co-operation and coordination, emphasising inter-subjectively negotiated outcomes where the emphasis is less on quantity of data and more on quality of socially-formed interpretation of the data).

Governance as **an interaction system** fosters the engagement and trust in people, communities and businesses aiming to co-create foresight and policies. It includes ways in which governments interact with citizens or civil society groups to promote and to accomplish social and economic welfare. So far citizen engagement has referred to processes through which governments seek to encourage deliberation, reflection, and learning on issues mainly at preliminary stages of a policy process, often when the focus is more on the principles that will frame the way an issue is considered. However, co-creation opens up more options for engaging citizens in a truly two-way-street process. Interaction by co-creation could be highly valuable when exploring emerging issues that require learning by both government and citizens. Co-creation can be applied at different stages of the policy life cycle: agenda-setting; analysis and interpretation; policy formulation; policy implementation and evaluation. Co-created policies will need to mobilize resources and competences distributed across departments, communities and businesses, rather than turning solely to professional expertise located within governmental institutions. When moving towards delivering impacts with others, governments expand their roles from initiators, policymakers and decision-makers into partners, facilitators and collaborators. This provides governments a broader continuum of options ranging from acting alone with direct authority to exercising their power to enhance the co-creation power of society.

Governance as **a management system** forms the basis and the process by which a government organizes its affairs and manages itself. It provides the prime minister and his/her col-

leagues key levers for delivering foresight and whole-of-government policies. The following elements are emphasised:

○ **management of government programme and budgetary allocations:** the budgetary process should serve politico-strategic management not merely fiscal management. Resources have to be reallocated flexibly when needed for strategic reasons;

○ **regulation:** the effectiveness of regulation depends on its quality. This should be ensured by emphasising intended effects and considering alternatives to regulation. Co-regulation and self-regulation should be envisaged;

○ **structures and operating models:** decision-making should be oriented towards a combination of political imperatives, policy problems, external changes, all of which can change over time. This may lead to the need for reorganisation;

○ **development and leadership of human resources:** ensuring talent is attracted and nurtured is of key importance. In addition, there should be a mobility policy that enables to lower walls between silos. Furthermore, career development should be tied to leading and managing complex whole of government projects;

○ **state-owned corporate governance:** the leader of the executive branch of government is key to leading and aligning government's policy priorities. Leadership unity has to be ensured also outside the formal cabinet committees. The heads of the public service departments should also take a whole of government perspective, consulting with other departments and identifying and resolving issues.

In addition, adequate shared services, communications and public relations for government are part of the management system.

However, the OECD report also provides critical points regarding the agility approach e.g.:

"… Many considered that New Public Management has been overtaken. However, the debate is far from over on the new approach. Strategic agility has much to commend it, but its implementation may be problematic …

… If strategic agility is the answer, how easily can it take root? It currently suffers from an implementation deficit, and no country has yet fully mastered it. It needs to take root in the context of current governance structures that are ill adapted to the concept …

… The private sector can be a source of good ideas (and has been in the past), but we need to be clear on the specific challenges the public sector faces. And anyway, the new private sector models are still fragile. Could it even be that the differences between public and private sectors simply overwhelm the similarities? …"

Understanding the emergence of strategic agility as a contender to NPM, linked to the accountability view of "robust, resilient and adaptive", requires diving into a different world view, informed by complexity theory. The next chapter deals with this in some detail.

4.3. Complexity and a New Synthesis

4.3.1. THE CHALLENGE OF COMPLEXITY

Different world views are behind competing models of governance. Drawing on Boulton[25], a speaker at the COP RBM conference in Maastricht, one perspective thinks of the world as mechanical, characterised by predictability, linearity (if-then causal logic), (objective) measurability and controllability. Another perspective draws on the complexity sciences (see Box 4).

" Different world views are behind competing models of governance. "

Box 4: A complex world

○ **there is more than one possible future:** we are willing to accept the future may be too complicated to know, but the notion that the way the future may evolve is, generally, unknowable, in principle fundamentally changes our notion of reality as being something that is unfixed and emergent. The future does not yet exist; it is created and not merely discovered;

○ **tipping:** organisations, economies or other complex systems may tip into new forms with radically new characteristics; some of these characteristics may not previously have existed. Such tipping may be triggered by small, seemingly unimportant events or changes and the new state may be different in kind from the old;

○ **need for interconnectivity:** complexity theory is systemic in perspective. It asserts that organisations which allow diversity and encourage interconnectivity are more able to respond to changing environments than those which are too controlled and too finely honed around a single purpose. Indeed it demonstrates that change and creativity can only occur if there is diversity;

○ **variation as a prerequisite for novelty:** change, evolution and innovation result from events that happen locally – through non-average interactions and events at particular points in time and space – the nature of these local events are not predictable from the 'average' general situation. Again, the fundamental importance of local variation is a very profound insight. Allowing this so-called micro-diversity is an essential prerequisite for change (even if the change is, ultimately, global) and local variation should not be unintentionally eradicated through too great a focus on standardisation, efficiency and a search for repeatability and control;

○ **unfixed, emergent, self-organising, co-evolving:** we are working all the time with the idea of systems that are interacting, nested, evolving, fuzzy and overlapping; nothing, neither boundaries, nor characteristics, nor communities, nor connecting forces, nor constituent elements, are fixed. It is this spatial and temporal complexity that we are at pains to embrace as it contains the potential for change. Indeed the characteristics develop essentially bottom-up, not top-down. Any attempt at global imposition will be treated by the system as merely an intervention, but whether it leads to the intended outcome is another matter; unintended consequences is a central theme;

○ **both–and:** embracing the message of complexity does not infer chaos and helplessness. The conclusion is both to create clear intentions and actions based on the best

25   http://www.coprbm.eu/index.php?q=node/572

data available and yet recognise that plans may not lead where intended and chance ideas and impulses we unintentionally make on the environment may work beyond our wildest dreams. Strategy development and strategy implementation become much more entwined as we see what works and build on successes. It suggests portfolios are generally preferable to too great a reliance on one theme ... We need constantly to scan the environment in the broadest sense for potential changes and constantly to interact with the organisation at its deepest levels to see what is really happening, for good or bad.

This resonates with the views of other authors[26] who see the world as follows:

○ fragmented: an ever increasing number of people, groups and organisations make important decisions in an increasing number of places;

○ this leads to interdependence: decisions are influenced by decisions of others and by expectation of what others may do;

○ this leads to uncertainty, volatility, unpredictability;

○ with the ubiquity of modern information and communication technology, changes can spread much faster than ever before at different scales (from local to global);

○ some of these changes will manifest as shocks and crises.

This puts a premium on the ability of government to anticipate, monitor and intervene ahead of time, working across multiple boundaries (jurisdictions, sectors, mandates, professions, disciplines, areas, …). Building the capacity of society to absorb shocks (including by building in redundancy) is then also a key role of government.

Strategic agility is clearly trying to acknowledge complexity. It explicitly mentions that it wants to tackle[27] a complex environment in which more flexible, innovative, integrated and networked approaches are required.

However, even though the world may be complex, it is not useful to throw out the baby (of earlier approaches than Agility) with the bathwater (of ignoring complexity). Rather than opposing New Public Management to Strategic Agility, and hence also the underlying notions of accountability as "honest and fair", "lean and purposeful" and "robust, resilient and adaptive", it may be better to acknowledge different realities do exist in which different approaches are useful.

Some complexity theorists have also supported the idea that different approaches can be useful. Laurie Webster, a speaker at the final seminar in Maastricht drew attention to a framework developed by, amongst others, Dave Snowden, a former Director of IBM's Institute for Knowledge Management and now an independent consultant and academic (see Box 5).

26   J. Bourgon, A New Synthesis of public administration, 2011
27   http://www.coprbm.eu/?q=node/571

Box 5: Dave Snowden's framework

Snowden and others[28] discern four kinds of systems:

COMPLEX

Cause and effect are only coherent in retrospect and do not repeat (unpredictable)
Unknown unknowns

COMPLICATED

Cause and effect separated over time and space but analysable and repeatable
Known unknowns

DISORDER

UNORDER

ORDER

CHAOS

No cause and effect relationships perceivable
Unknowable

SIMPLE

Cause and effect relations repeatable and almost instant
Known knowns

A matter of degree: sometimes we disagree how to classify

○ **simple systems** with known causes and effects: here, cause and effect relationships are generally linear, empirical in nature (almost instant), and not open to dispute. Repeatability allows for predictive models to be created, and the objectivity is such that any reasonable person would accept the constraints of best practice. Knowledge is captured and embedded in structured processes to ensure consistency. The focus is on efficiency. Our decision model here is to sense incoming data, categorize that data, and then respond in accordance with predetermined practice;

○ **complicated systems** with knowable causes and effects: while stable cause and effect relationships exist in this domain for a given time period, they may not be fully known, or they may be known only by a limited group of people. In general, causal relationships are separated over time and space in chains that are difficult to fully understand. Everything in this domain is in principle capable of movement to the simple domain via research. The only issue is whether we can afford the time and resources to move from the complicated to the simple; in general, we cannot and instead rely on expert opinion, which in turn creates a key dependency on trust between expert advisor and decision maker. Our decision model here is to sense incoming data, analyze that data, and then respond in accordance with expert advice or interpretation of that analysis. Assumptions therefore must be open to examination and challenge as even tiny errors in assumptions can lead to a false conclusion that is difficult to isolate and may not be seen.

The above systems form the "ordered" side of the framework. Most traditional managerial approaches assume reality is indeed ordered. However, the framework also highlights complex and chaotic reality that make up the "un-ordered" side, as described below.

○ **complex systems:** there are cause and effect relationships between the agents (where agents can be any element of a system not just people), but both the number of agents and the number of relationships defy categorization or analytic techniques. Emergent patterns can be perceived but not predicted; we call this phenomenon retrospective

28 See http://www.coprbm.eu/?q=node/573

coherence. In this space, structured methods that seize upon such retrospectively coherent patterns and codify them into procedures will confront only new and different patterns for which they are ill prepared. Once a pattern has stabilized, its path appears logical, but it is only one of many that could have stabilized, each of which also would have appeared logical in retrospect. Patterns may indeed repeat for a time in this space, but we cannot be sure that they will continue to repeat, because the underlying sources of the patterns are not open to inspection (and observation of the system may itself disrupt the patterns). Thus, relying on expert opinions based on historically stable patterns of meaning will insufficiently prepare us to recognize and act upon unexpected patterns. The decision model in this space is to create probes to make the patterns or potential patterns more visible before we take any action. We can then sense those patterns and respond by stabilizing those patterns that we find desirable, by destabilizing those we do not want, and by seeding the space so that patterns we want are more likely to emerge. Understanding this space requires us to gain multiple perspectives on the nature of the system;

O **chaotic systems:** in the first three domains there are visible relationships between cause and effect (when complex, at least retrospectively). In the chaotic domain there are no such perceivable relations, and the system is turbulent. We do not have the response time to investigate change. The decision model in this space is to act, quickly and decisively, to reduce the turbulence and then to sense immediately the reaction to that intervention so that we can respond accordingly. We may use an authoritarian intervention to control the space and make it simple; or we may need to focus on multiple interventions to create new patterns and thereby move the situation into the complex space.

The latter statement reveals another feature of Snowden's framework: that the boundary between the four different systems is not absolute. For example, a chaotic system can move into complex space or even into the simple.

Finally, an area of "disorder" also exists but this refers to systems where there is no agreement even in which one of the four other spaces it belongs.

Another way to look at the framework is in the types of component connections that are most prevalent in each domain (see figure below).

On the side of order, connections between a central director and its constituents are strong, often in the form of structures that restrict behavior in some way – for example, procedures, forms, blueprints, expectations, … On the side of un-order, central connections are weak, and attempts at control through structure often fail from lack of grasp or visibility. In the complex and complicated domains, connections among constituent components are strong, and stable group patterns can emerge and resist change through repeated interaction, as with acquaintanceship, mutual goals and experiences. The simple and chaotic domains share

the characteristic that connections among constituent components are weak, and emergent patterns do not form on their own. In any of these domains, a reasonable strategy capitalizes
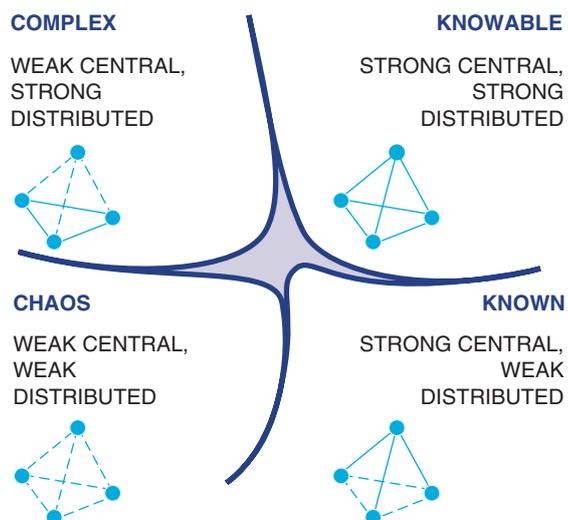
on the stability afforded by strong connections without allowing them to harden so much that they destroy flexibility and also capitalizes on the freedom and renewal afforded by weak connections without allowing them to permanently remove useful patterns.

Snowden also shows that it is possible for (elements of) systems to cross boundaries and shift into another domain (see figure on the right).

For example, to cross over from the complicated to the complex, exploration (strategy number 4 in the figure) entails an opening up of possibilities by reducing or removing central control without a total disruption of connections. In organizations, exploration takes many forms, but trust is key in this movement. One is, in effect, taking a risk by allowing constituent connections to form and strengthen at the expense of central control, while carefully (but unobtrusively) monitoring the situation. In most organizations there is a strong and often untapped resource to be found in exploratory moves such as this, for example, in informal communities.

It should be noted that one transition – collapse (movement number 1 above) – is not a strategy but an unmanaged transition due to entrained thinking and complacency in the face of a changing environment. Transition strategies will be further elaborated in chapter 6.2.5.7.
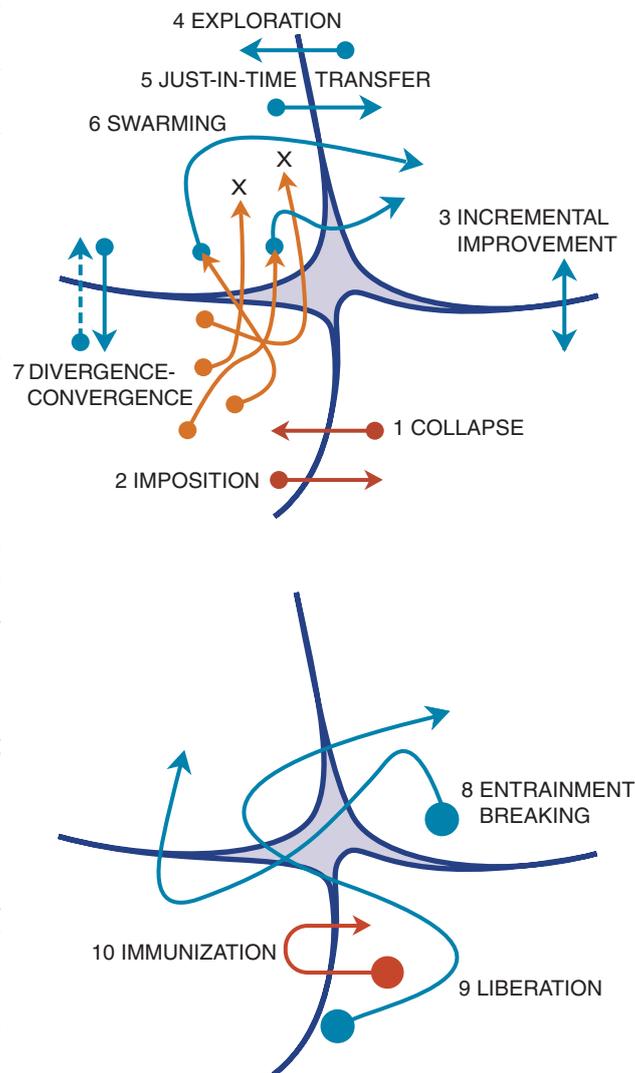
The idea that an overarching framework that provides for a variety approaches is a useful way of moving forward is supported by yet more authors such as C.S. Holling[29] and D.K Hurst[30] who take inspiration from ecosystems to shed light on the nature of human systems (see Box 6).

Sidebar text

ACCOUNTABILITY IN A COMPLEX WORLD

29 http://www.coprbm.eu/?q=node/574
    and C.S. Holling et al., Panarchy: Understanding Transformations in Human and Natural Systems, 2001.
30 http://www.coprbm.eu/?q=node/575
    and D.K. Hurst, The New Ecology of Leadership: Business Mastery in a Chaotic World, 2012

Box 6: the adaptive cycle

Holling draws parallels between ecosystem evolution and the dynamics in human systems by means of a depiction of an adaptive cycle.
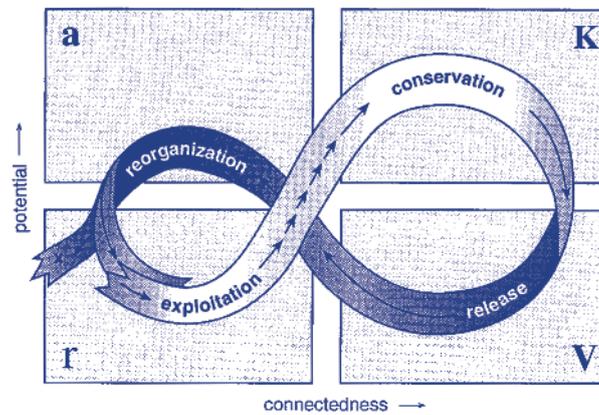
This provides a stylized representation of four ecosystem functions (r, K, V, a) and the flow of events among them. The arrows show the speed of the flow in the cycle. Short, closely spaced arrows indicate a slowly changing situation; long arrows indicate a rapidly changing situation. The cycle reflects changes in two properties: the y axis (the potential that is inherent in the accumulated resources of biomass and nutrients) and the x axis (the degree of connectedness between internal controlling variables and processes, a measure that reflects the degree of flexibility or rigidity of such controls, such as their sensitivity or not to perturbation). The exit from the cycle indicated at the left of the figure suggests, in a stylized way, the stage where the potential can leak away and where a flip into a less productive and less organized system is most likely. Potential, or wealth, sets limits for what is possible – it determines the number of alternative options for the future. Connectedness, or controllability, determines the degree to which a system can control its own destiny, as distinct from being caught by the whims of external variability.

During the slow sequence from exploitation to conservation, connectedness and stability increase and capital is accumulated. Ecosystem capital, for example, includes nutrients, biomass, and physical structure. Although this accumulated capital is sequestered for the growing, maturing ecosystem, it also represents a gradual increase in the potential for other kinds of ecosystems and futures. For an economic or social system, the accumulating potential could as well derive from the skills, networks of human relationships, and mutual trust that are developed incrementally and integrated during the progression from r to K. They also represent a potential that was developed and used in one setting but could be available in transformed ones. As the progression to the K phase proceeds in an ecosystem, for example, the accumulating nutrient and biomass resources become more and more tightly bound within existing vegetation, preventing other competitors from utilizing them. The potential for other use is high, but it is expropriated and controlled by the specific biota and processes of the ecosystem in place. That is, the system's connectedness increases, eventually becoming overconnected and increasingly rigid in its control.

The actual change is triggered by agents of disturbance, such as wind, fire, disease, insect outbreak, and drought. The resources accumulated and sequestered in vegetation and soil are then suddenly released and the tight organization is lost. Human enterprises can exhibit similar behavior, as, for example, when corporations accumulate rigidities to the point of crisis and then attempt to restructure. At a more societal level the proximate agents of

disturbance in these cases can be stakeholder revolts, public-interest attacks through the legal system, or more extreme societal revolts.

The phase from V to a is a period of rapid reorganization during which novel recombinations can unexpectedly seed experiments that lead to innovations in the next cycle. At that stage, due to low connectedness, the previously accumulated mutations, inventions, external invaders, and capital can become reassorted into novel combinations, some of which nucleate new opportunity.

The adaptive cycle therefore embraces two opposites: (slow) growth and stability on the one hand, (fast) change and variety on the other.

A third property is not directly reflected in the cycle. It concerns resilience, as achieved by adaptive capacity, which determines how vulnerable the system is to unexpected disturbances and surprises that can exceed or break that control. "Resilience refers to the capacity of various systems to absorb perturbations while continuing to regenerate without slowly degrading or flipping into less desirable states."[31] Resilience shrinks as the cycle moves towards K, where the system becomes more brittle. It expands as the cycle shifts rapidly into a back loop to reorganize accumulated resources for a new initiation of the cycle. The low connectedness, or weak control in the a phase, permits novel reassortments of elements that were previously tightly connected to others in isolated sets of interactions. The high resilience allows tests of those novel combinations because the system wide costs of failure are low. The result is the condition needed for creative experimentation.

Holling warns that this cycle is only a metaphor and that it should not be read as a rigid predetermined path. In reality "the system" does not exist as its boundaries and characteristics are socially constructed. He also warns that the model is too general in that it applies equally to very different kinds of system (even non-living ones).

The value of the metaphor lies in exploring different ways systems can deal with external variability.

○ the standard adaptive cycle describes only one way which is to (at least partially and over a certain scale range) control external variability actively, minimising its internal influence. This applies for example to productive temperate forests and grasslands and to bureaucracies that seem to follow the full boom and bust dynamic of the adaptive cycle;

○ a deviation from the standard cycle is exhibited by ecosystems and communities of plants and animals that are strongly influenced by uncontrollable or unpredictable episodic external inputs and have little internal regulation and highly adaptive responses to opportunity. Examples are exploited arid rangelands. These systems tend to remain largely in the lower left quadrant of the cycle, oscillating in the a and r phases;

○ more exceptions can be noted but probably the most relevant in the context of governance, are systems where **foresight and (pro)active adaptive methods are used to stabilise variability and exploit opportunity.** This is further elaborated in the work of D.K. Hurst.

D.K Hurst applies Hollings' insights to organisations and depicts the cycle in the figure below with two spirals on each side to emphasise that it is possible for an organisation to stay stuck in both the conservation and reorganisation phases. The "front-loop" from exploitation to conservation represents the managerial focus on increasing efficiency. Exploiting resources and optimising means by developing and using ever more elaborate rules and incentives (organisational struc-

31 Walker B.H. and Salt D., Resilience thinking, 2006

ture, standard operating procedures, control systems, … representing an increasing degree of abstraction of reality) is the order of the day. However, new ideas, inventions, innovative people accumulate « in the wings », in waiting of a time when they can grab their chance. Then a crisis hits and the "back-loop" from renewal to reorganisation starts. This is the loop of creative leadership where ideas, inventions and creative people that where waiting in the wings, now get their (brief) chance to explore for new resources and adapt means to emerging ends (where ends are NOT set in stone) using story telling (creating shared vision and common will, rooted in the concrete) and improvisation/experimentation (openness to exchange new ideas and willingness to act on them in trial and error) as main approaches.
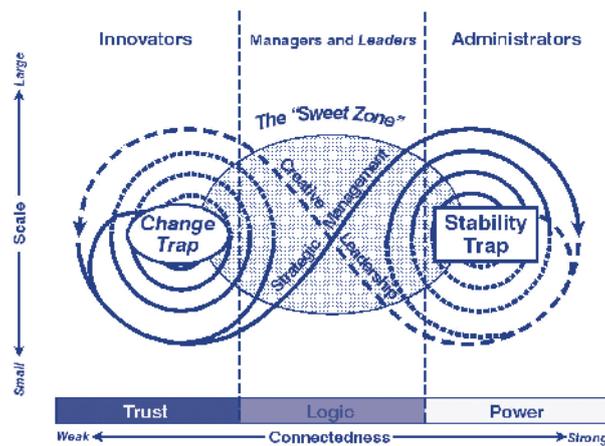
On the left is the entrepreneurial failure or change trap where one tries approach after approach, experiment after experiment, but nothing seems to work. This happens when the resources released earlier are not sufficient to support vibrant exploration. On the right hand side is the success, competence or stability trap, where one can't stop doing what one has become good at. The system can, for an extended period of time, resist change (going into release) by clamping down to maintain status quo. Inevitably, this will lead to a collapse of the system.

Holling referred to this more broadly as respectively the poverty trap and the rigidity trap. An adaptive cycle can collapse because the potential and diversity have been eradicated due to misuse (e.g. deep conflicts between staff of an organisation that leads to sustained anarchy) or an external force with as a result an ongoing impoverished state, with low con-nectedness, low potential, and low resilience, thus creating a poverty trap.

A system with high potential, connectedness, and resilience is associated with the rigidity trap. It is suggestive of the maladaptive conditions present in hierocracies, such as large bureaucracies.

Hurst also puts forward that trust is of key importance when moving from reorganisation to exploitation. This is because building alliances is a necessity to deal with the uncertainty and associated risk of the reorganisation phase in which complexity, exploration and en-trepreneurship are the key words. As a system is moving further into exploitation towards conservation, logic, as reflected in the emergence of strategic management (relying on a multitude of analyses) replaces trust as a key factor. Finally, in the conservation phase, power, embodied in various gate-keepers in the multi-layered hierarchy in the organisation becomes the central element.

To Hurst, the trick is to stay in the "sweet zone" which he symbolises as staying in between the change and stability trap and avoiding equally the boom and bust logic of the standard adaptive

cycle. This is in fact Hurst's answer to Holling's search for a way to escape the boom and bust dynamic of the standard adaptive cycle, by using foresight and active adaptive management.
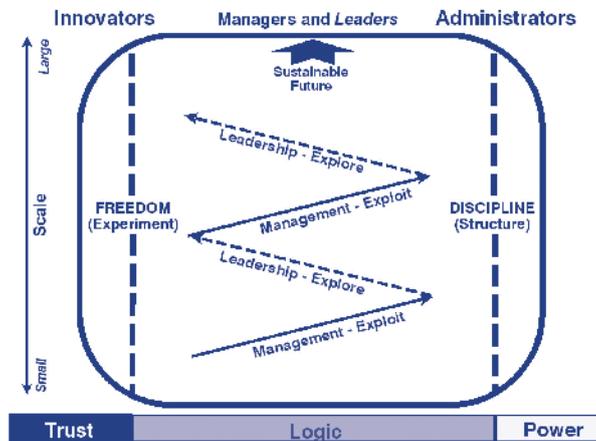
The vertical, zig-zag trajectory shows the organization moving between discipline (embedded as virtuous habits) and freedom (to innovate and create through small-scale experimentation). The "zigs" to the right correspond to the activity we call "management." The "zags" to the left have become known as "leadership". All the while, the organization is growing in scale (moving up) toward a sustainable future (sustainable because the organization is always renewing itself). To stay in the sweet zone requires dealing adeptly with four types of tools (see figure below).
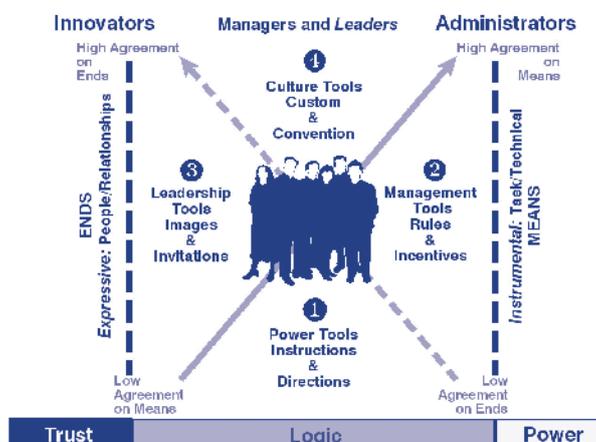
The terms "settings" are added to the word "tools" to reflect the reality that tools are always used in mini-contexts or settings that are under the control of the user. A well-chosen setting can enhance the use of a tool; a poorly selected one can dull or even nullify the effectiveness of a tool.

The main features of the navigation tools and their settings are:

1. **power tools and settings: instructions and directions:** these are the direct, fine-grained tools and power settings that individuals control directly. Power is derived from a variety of characteristics ranging from immediate physical presence to positional power, granted by virtue of one's rank in an organization and one's status in its informal networks, such as the core group. Power settings are the immediate physical environment, the layout of an office, the clothes people wear, and so on. When there is little agreement on either where the organization should go (the "ends") or how it is going to get there (the "means"),

these power tools are essential. Power tools and settings help move the organization left or right and down, reflecting the small scale at which they function effectively;

2. **management tools and settings: rules and incentives:** these are features of formal systems, such as organizational structures, standard operating procedures, and control systems that typically reward certain activities of people within the organization, while constraining others. They are the essence of the means, the methods that have proved successful in the past, and they represent the embodiment of power in impersonal systems. When there is little agreement on how the organization should operate, it is imperative that these tools be developed. Management tools and settings help move the organization up or down and to the right, reflecting their emphasis on tasks and discipline and the pursuit of means;

3. **leadership tools and settings: images and invitations:** leadership is about people and relationships; it is the appearance of power as a social phenomenon that results in the creation – development – of purpose and meaning within a group. Leadership relationships can exist at all levels in an organization, and in some organizations the relationship between leaders and followers can switch as circumstances dictate. When there is little agreement on the purpose of the organization, why it should exist, these leadership tools are critical for its discovery and development. Leadership tools and settings help you move the organization up or down and to the left, reflecting their emphasis on people and purpose and the pursuit of ends;

4. **culture tools and settings: customs and conventions:** these are the least re-fined of the tools and the most difficult to wield. They are the often tacit customs and conventions within an organization that determine how things are done. When a high degree of agreement on ends and means has been reached in an organization and the organization appears to be "running on rails," then it is usually culture tools that are playing a significant part. Culture tools and settings help you move the organization left or right and up, reflecting their ability to function on very large scales.

Although the preceding list clarifies the distinctions among the tools, they all overlap to some extent; power overlaps with leadership and management, and all three interact with culture. Thus, it is impossible to use the tools separately. Their use always has to be inte-grated, so that they support each other.

Holling, to conclude, makes clear that adaptive cycles may be embedded at various levels where lower levels move through the cycle faster and at smaller scale. An example of the sequence from small and fast through larger and slower and then to largest and slowest for e.g. a boreal forest ecosystem includes needles, tree crowns, and patches. For institu-tions, those three speeds might be operational rules, collective choice rules, and constitutional rules etc.

Three selected levels are illus-trated to show the two connec-tions that are critical in creating and sustaining adaptive capability (resilience). When a lower level enters its V phase of creative de-struction, the collapse can cascade
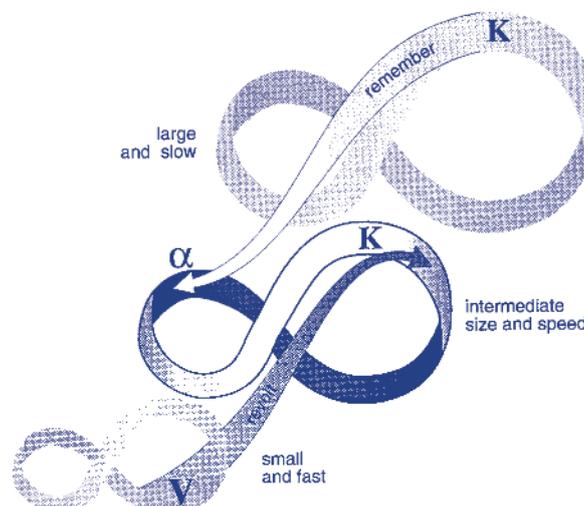
to the next larger and slower level by triggering a crisis. Such an event is most likely if the slower level is at its K phase, because at this point the resilience is low and the level is particularly vulnerable. The "revolt" arrow suggests this effect, one where fast and small events overwhelm slow and large ones. An ecological version of this situation occurs when conditions in a forest allow a local ignition to create a small ground fire that spreads first to the crown of a tree, then to a patch in the forest, and then to a whole stand of trees. The arrow labelled "remember" indicates a second type of cross-scale interaction that is important at times of change and renewal. Once a catastrophe is triggered at one level, the opportunities for, or constraints against, the renewal of the cycle are strongly influenced by the K phase of the next slower and larger level. After a forest fire, for example, the processes and resources that have accumulated at a larger level slow the leakage of nutrients that have been mobilized and released into the soil. At the same time, the options for renewal include the seed bank, physical structures, and surviving species, which comprise biotic legacies that have accumulated in the course of the forest's growth.

This is a representation of the ways in which a healthy social-ecological system can invent and experiment, benefiting from inventions that create opportunity while it is kept safe from those that destabilize the system because of their nature or excessive exuberance. Each level is allowed to operate at its own pace, protected from above by slower, larger levels but invigorated from below by faster, smaller cycles of innovation. The whole is therefore both creative and conserving. The interactions between cycles at different levels combine learning with continuity. This process can serve to clarify the meaning of "sustainable development". Sustainability is the capacity to create, test, and maintain adaptive capability. Development is the process of creating, testing, and maintaining opportunity. The phrase that combines the two, "sustainable development", therefore refers to the goal of fostering adaptive capabilities while simultaneously creating opportunities.

The framework put forward by Hurst, building on Holling, is clearly linked with Boulton's previous description of complexity:

O **tipping:** the adaptive cycle visualises the idea of tipping quite well as it shows a movement from conservation into reorganisation and from reorganisation into exploitation;

O **interconnectivity:** the various interconnected cycles at different levels are an example of this;

O **variation as a prerequisite for novelty:** the idea that accumulation of local variation should not be unintentionally eradicated through too great a focus on standardisation, efficiency and a search for repeatability and control is depicted in the rigidity trap. It is also represented in the fact that during the reorganisation phase, released resources will be recombined by innovators;

O **unfixed, emergent, self-organising, co-evolving:** the idea that any attempt at global imposition will be treated by the system as merely an intervention, but that it is not possible to be sure that this will lead to the intended outcome, is embodied in the "remember" and "revolt" links between cycles at different levels;

O **both-and:** the need to plan but also to scan continuously and see what is really happening is reflected in the advice on how to escape the boom and bust dynamic of the standard adaptive cycle, by anticipating, creating and manipulating variability. It does this by advocating that organisations should alternate continuously between exploration (anticipating and creating variability) and exploitation (manipulating it).

When looking at Snowden's framework, it can be suggested that the release phase reflects a chaotic moment, that the exploration phase reflects complexity, that the exploitation phase corresponds to the complicated and simple domains. In the conservation phase, the constraints set by the ac-

tors involved are becoming so rigid (making everything overly "simplistic") that this can only lead at some time to a break-down (a collapse into the chaotic domain out of the simple) if left like this. However, this apparent match is misleading. The adaptive cycle is itself meant to reflect a complex system as a whole. Snowden does makes some suggestions for strategies, when he discusses the dynamics of crossing boundaries in his framework, as to how to achieve the continuous zigzagging as proposed by Hurst, to avoid entering into the full boom and bust logic of the adaptive cycle.

4.3.2. ADOPTING COMPLEXITY WITHOUT THROWING OUT THE BABY WITH THE BATHWATER

J. Bourgon, former Clerk of the Privy Council (the senior civil servant in the Canadian government) made similar calls for government to deal equally with compliance, performance, emergence and resilience and work from the basis of a synthesis of all these approaches and notions[32] (see Box 7). In doing this, she draws explicitly on the work of Snowden and Holling, amongst many other sources.

Box 7: A New Synthesis of governance

In 2009, J. Bourgon, invited six countries to join the New Synthesis Network (NS6), composed of officials, scholars and experts from Australia, Brazil, Canada, the Netherlands, Singapore and the United Kingdom. Committed to supporting practitioners whose work is becoming increasingly difficult, this network has engaged close to 200 people from more than 24 organizations. Their efforts have resulted in five international roundtables, five post-roundtable reports, and 17 case studies. The Network's findings have been captured in the publication of a new book entitled A New Synthesis of Public Administration: Serving in the 21st Century.

One of the members of the network, Sue Richards, at the time professor and senior fellow of the Institute for Government in the UK, was a speaker at the COP RBM conference in Maastricht and addressed this New Synthesis in her presentation.

The New Synthesis proposes the framework below.
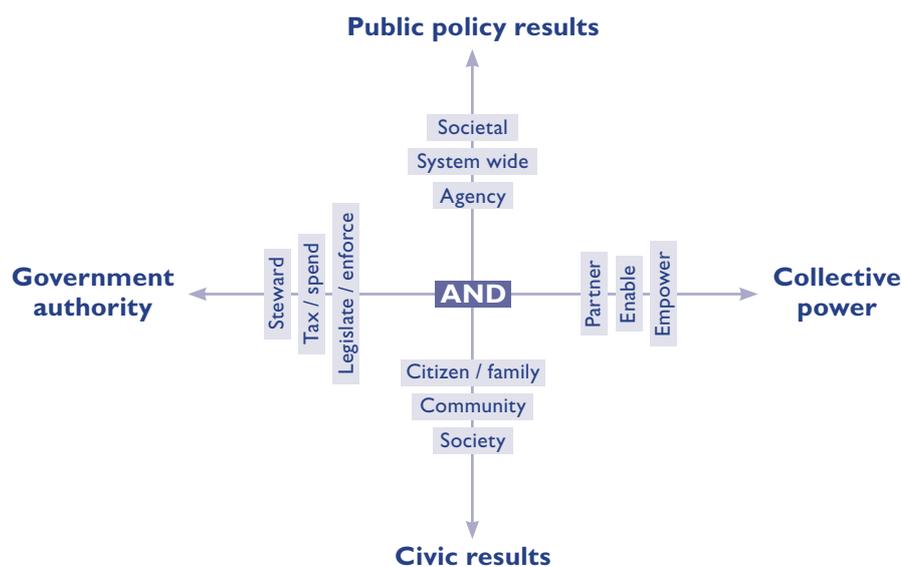
One axis of the framework relates to two kinds of "results".

32   J. Bourgon, "A New Synthesis of Public Administration: Serving in the 21st Century", 2011

O **public policy results:** the performance of public sector organizations in democratic socie-ties is directly related to their capacity to achieve results of high public value. These range from more narrow single agency to system-wide and societal results. Agency results are the traditional basis for accountability in the sense of achieving and improving efficiency. However, each public organisation also has a mission, that reflects a public purpose, that extends beyond the walls of the organisation and the programmes and services they administer. Therefore, they must be able to work with other organisations that also contribute to the same purpose. These are the system-wide results. Finally, societal results relate to the overall performance of a country and respresent the sum total of contributions made by private, public sector, civil society and citizens. The OECD Better Life Index[33] is an example of what is meant;

O **civic results:** these relate to the capacity of citizens, families, communities and society as a whole to achieve better results over time. It includes active citizenry, resilient com-munities and a civic spirit conducive to collective action. This builds the social capital that contributes (next to other forms of capital) to overall performance of a society. It is in this that lies an explanation why similar reforms lead to different results in different societies. Civic results can be enhanced by allowing and encouraging people, families, communities to play and active role in producing public results. Three ways to do this are:

a **improve acces:** integrated service-delivery, self-service options, access at home or after hours, making public data readily available;
b **allow stronger voices:** crowd-sourcing and feed-back mechanisms bring peoples voices closer;
c **expand choices:** let recipients decide themselves between modalities of how to achieve results.

Key is that both public and civic results have to be achieved at the same time, NOT one at the expense of another.

The other axis relates to how power is used by government. It reflects the means to achieve results.

O One extreme sees **government as primary agent** in serving the public good and defining the collective interest. According to this view, governments set the agenda for change, propose new laws and enforce existing ones, mediate among conflicting interests, collect taxes and spend on public service provision. Government operates here without much interaction, within the limits of their mandate and with instruments and resoures granted to them. Government is however also acting as steward to promote and defend the public interest which means monitoring, anticipating and introducing corrective and preventative measures when the collective interest demands it. This becomes more im-portant the more dispersed decision-making and power in society is. Government is the insurer of last resort.

O However, at the other extreme, governments move towards **producing results with others** who also hold resources, capacities and legitimacy. To do this it has expanded the repertoire of roles it can play:

a **partner with others** to achieve public results e.g. public-private partnerships where responsibility is shared requires an equitable sharing of risk and reward and conflict resolution mechanisms;
b **enable others to innovate:** this can be done e.g. by creating common public platforms and modern infrastructure as well as providing access to public data or various incentives

to encourage innovation and experimentation. Enabling others also means to co-create and co-produce with others (often supported by modern ICT e.g. social media) where new ways to combine existing resources and people lead to better results;

c **empower others:** allow people to exercise power and mobilise into action, again supported by modern ICT.

Again, balance is key. Too much government authority creates rigidities and brittleness in society while too little dissipates collective effort and increases risks.

To achieve this balance, the framework recommends to invest in four types of capacity, corresponding to the need for compliance, performance, emergence and resilience which is reflecting the four quadrants of the framework.

Public policy results

ORGANISATIONAL CAPACITY FOR PERFORMANCE

INNOVATIVE CAPACITY FOR EMERGENCE

Societal
System wide
Agency

Steward
Tax / spend
Legislate / enforce

Government authority

AND

Partner
Enable
Empower

Collective power

Citizen / family
Community
Society

INSTITUTIONAL CAPACITY FOR COMPLIANCE

ADAPTIVE CAPACITY FOR RESILIENCE

Civic results
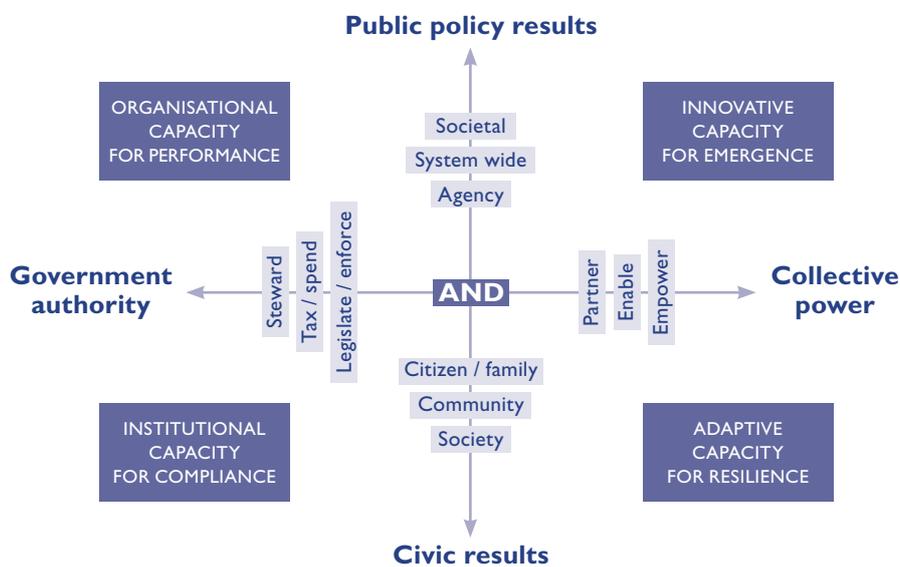
The **compliance sub-system** reflects the consitutions, conventions, rules and norms that govern how we live in society. It includes public institutions that make and oversee the implementation of political decisions on behalf of society and the expectation that public office holders exhibit integrity and that there is due process. They ensure the rule of law and evolve only slowly. Audit, in terms of ensuring process controls, is a key component of this system. These controls set limits within which public office holders can exercise discretion and set the parameters of acceptable behaviour. These controls must be objective, rule-based, enforceable and verifiable.

The **performance sub-system** tranforms public purpose into action by combining authority, policy instruments, organisational capacities, and public resources as well as public platforms of cooperation to achieve agency, system-wide and societal results. Improving organisational capacity has been the centrepiece of reforms since the 1980's, focused on making government more productive and efficient and pay attention to user satisfaction. However, some of these reforms have led to an explosion of controls that are stifling innovative capacity crucial for dealing with complexity (see below). This refers to input controls (constraining the nature of resources that can be used to fulfill a mission), ex ante controls (obliging to get permission to use resources that were already allocated) and, more recently, output controls where performance indicators were converted into performance targets, in effect ceasing to be a source of information to actually improve results and leading to phenomena such as "hitting the target but missing the point" as mentioned by Prof. Chris

Mowles at the COP RBM conference in Maastricht (see more on this in Box 8, Box 9 and Box 10). These kinds of controls are less about ensuring due process and more about trying to control performance. This proliferation also carries a cost: anecdotal evidence suggests the costs of control and associated reporting may be as high as 25-30% of the total budget of programmes. Given the dubious capacity of these controls to really improve results, this can hardly be seen as a contribution to performance.

The **emergence sub-system** builds capacity to anticipate and detect emerging issues and to be pro-active in the face of imperfect knowledge in uncertain circumstances. Emergence refers to the process by which new patterns arise out of a multiplicity of interactions between different systems and actors within them. Dealing with this entails thinking about alternative futures and how to get there as well as detecting weak signals and potential wild cards.

It is also to be recognised that reorganisation of departments (corporate structure) can never deliver a final answer: there is no right way to divide powers and responsibilities in the face of complex, multifaced, emerging issues and a diversity of dispersed networks. Each new structure creates a new boundary to be crossed. Therefore, it is important to ensure shared accountability (eg using memoranda of understanding) among government and external partners. Collective efforts and results should be reflected in annual reports usually focussed only on one organisation. This recognises the fact that it is hard to establish direct causal links between the action of one actor and collective results that arise after often very long chains of cause and effect. Ideally, this reporting is linked to an overall view of a country or region such as provided by the aforementioned OECD Better Life index.

In addition, collaboration across boundaries should be emphasised beyond mere reporting e.g. senior leaders should explicitly recognise the need for hierarchies and networks to co-exist (e.g in mandate letters, policy statements, …), funds should be set aside to cover costs of collaboration, job descriptions and performance agreements should contain references to this kind of collaboration, incentives can be tied to this, ministers should be role-models for joint action, there should be a sufficient cadre of leaders (at all levels) who have the knowledge and diversity of experiences to handle this way of working, therefore mobility to acquire a diversity of experiences should be supported as well as participation in various conferences and international events as well as professional associations, co-creation/production processes should ensure that government works directly with citizens in developing, testing and experimenting (e.g. using ethnography and service journeys) etc … It would be useful if a central agency could support these ways of working across government and keep government firmly focused on the future.

The development of an innovative government and society also has to be encouraged. Here, innovation does not have to be "new" as such. The newness may rest in the way various elements (including ideas) are combined with locally available resources and capacities. A key part of innovation is exploration, the bringing in of a constant flow of ideas (from anywhere). Another part is to allow solutions to take form in an organic way, learning and adapting along the way. These kind of solutions tend to be unique to the given context. Yet, they can provide lessons and elements of solutions with potential for use in other contexts.

Getting innovation to happen at a societal level requires to invest in modern ICT (especially technologies like blogs, facebook, twitter etc.), putting public data at the disposal of whomever wants it and participating in or creating public platforms to animate discussions and encourage sharing ideas and issues (e.g. using crowd-sourcing). This will give rise to challenges in terms of security and privacy that have to be tackled. It should also be understood that a fair amount of divergence and conflicting views is part of this approach. Innovation and consensus do not tend to go hand in hand. In fact, if everyone agrees on something, it is most likely not innovative.

In addition, government should encourage social experimentation, social innovation incubators and hubs. An example of the latter is the Danish Mindlab, who sent Jesper Christensen as a speaker to the COP RBM conference in Maastricht of 2012. Incubators and hubs are necessary because experience shows it is very difficult to preserve "innovation" in line departments that are busy dealing with day to day work and crises. These incubators and hubs should support a number of departments and agencies, benefiting from some distance of daily pressure while encouraging cross-fertilisation and efficiency. When providing dedicated resources such as venture capital or innovation funds it is crucial that the approach is kept light, agile and fast. Too often the amounts are relatively small but the workload to access them is very high.

No matter how pro-active government is, there will always be sudden shocks and crises. Therefore the **resilience subsystem** tries to build the capacity of society to adapt, absorb, change and even prosper in the face of crisis. Resilience is built up via self-reliant individuals who have the ability to take charge of their lives and shape their futures. They believe in the possibility of improvement, grounded in reality and know how to improvise. If there is a critical mass of such people, resilience is also developed as they work together and learn they can count on each other. This provides a basis for even greater capacity of communities to define issues, find solutions and act. These strong networks lift everyone up when times are good and reduce risks when times are rough.

Resilience cannot be created by government. A first rule is to avoid taking action that erodes natural resilience by creating dependencies or increasing vulnerabilities. Second, while government cannot create resilience, it can nurture it. It is better to build on strenghts than to reinforce deficit reduction thinking. The latter tends to lead to quick fixes with a tendency to disempower people and communities. Social capital can be fostered by using collaborative networks and citizen engagement in the design of public policies and programmes and ensuring that helping others is built into the service delivery system, deliberately creating active roles for citizens and communities (referred to more generally as co-production). Finally, it is helpful to use positive narratives to generate optimism and energy.

It is useful to reflect on the link between Snowden's framework in Box 5 (itself linked to Hurst and Holling who were already linked to Boulton) and the New Synthesis. Where the New Synthesis suggests that the performance/compliance side of the framework is applicable when dealing with recurrent tasks, when there is predictability in a relatively stable environment and where government is pretty much at the centre of it, then this clearly resonates with Snowden's "ordered" systems approach (the right side of his framework), including the strong central connections that provide some constraints to how the system can evolve. The left side of the New Synthesis framework also represents with the compliance sub-system the "traditional" and with the performance sub-system the New Public Management approaches. In terms of accountability as described in chapter 4.1, this reflects the "honest and fair" emphasis as well as the "lean and purposeful" focus.

The unpredictability, complexity of issues and multiplicity of actors associated with the right side of the New Synthesis framework is clearly reflecting more the complex and chaotic domains on the left side of Snowden's framework, including the fact that the centre is weakly linked to other actors. Both the emergence

> "
> **Public management is a balancing act where compliance, performance in terms of efficiency and productivity should not be thrown out of the window to embrace emergence and resilience. This would otherwise amount to disregarding two major types of accountability in favour of a third one.**
> "

and the resilience sub-systems are linked to the accountability focus of keeping things "robust, resilient and adaptive".

To conclude, the Strategic Agility framework seems, in Snowden, Hurst and Holling's terms, to emphasise more the leadership / exploration / unordered side, corresponding to the New Synthesis emergence and resilience sub-systems, rather than the management / exploitation / ordered side corresponding to the compliance and performance sub-systems of the New Synthesis. As Strategic Agility is a countermovement to New Public Management, where the emphasis was rather opposite, this is hardly surprising.

However, it may be wise to take a more pluralistic approach in the way the work of authors such as J. Bourgon, C.S. Holling, D. Snowden and D.K. Hurst suggests. Indeed, public management is a balancing act where compliance, performance in terms of efficiency and productivity should not be thrown out of the window to embrace emergence and resilience. This would otherwise amount to disregarding two major types of accountability in favour of a third one.

4.3.3. THE PROBLEM WITH TARGETS

The New Synthesis report states that there are better, more efficient and less costly ways of improving public policy decisions and public results than to set performance targets. Controls should focus on ensuring that public funds are used for the purpose and in the manner intended by legislators. It opposes the trend to expand the audit function to include value-for-money and programme evaluation as well as getting involved in various aspects of management and policy advice. Audit should focus on the compliance system, not on the performance system (see also Box 7).

As target setting is such a prominent feature in most mainstream approaches to results based management, a few examples of the consequences of targets are used to deepen this debate (see Box 8 and Box 9).

Box 8: Health care in the UK in the news

30 May 2009[34]:

An investigation by The Sunday Telegraph has found that thousands of patients are being left to wait in ambulances in car parks and holding bays, or in hospital corridors – in some cases for more than five hours – before they can even join the queue for urgent treatment.

Experts warn that hospitals are deliberately delaying when they accept patients – or are diverting them to different sites – in order to meet Government targets to treat people within fours hours of admitting them.

The extent of the problems has been revealed in correspondence between senior health officials, obtained under the Freedom of Information Act, which also show their serious concerns about the dangers the delays pose to patients.

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34 Retrieved on 7/12/2012 from
    http://www.telegraph.co.uk/health/healthnews/5412191/Patients-forced-to-wait-hours-in-ambulances-parked-outside-AandE-departments.html
35 Retrieved on 7/12/2012 from
    http://www.telegraph.co.uk/health/healthnews/6596523/Patients-admitted-to-hospital-to-meet-targets.html

19 November 2009[35]:

Hospitals have to admit or discharge A&E patients within four hours of their arrival and figures have revealed a rush in the final ten minutes before the patients breach the deadline. Patients are three times more likely to be admitted to a hospital bed in the last ten minutes of the four-hour wait than over the period as a whole, the figures show.

… However critics said the target is distorting clinical decisions with patients sent to wards just to get them out of the A&E department regardless of whether their condition requires admission.

One of the key criticisms of the scandal-hit Mid-Staffordshire NHS Trust, where up to 1,200 patients died needlessly, was that the four-hour waiting time target meant doctors were diverted from seriously ill patients to more minor ones who were in danger of breaching the waiting time.

… Cambridge University Hospitals NHS Foundation Trust saw over 15 per cent of its A&E patients in the final ten minutes of the four hours while the Queen Victoria Hospital NHS Foundation Trust in East Grinstead saw less than one per cent in the final minutes. However Cambridge had more than 80,000 patients through A&E over the year compared to just over 11,000 at the Queen Victoria.

Nationally, the data shows that nearly three-quarters of patients (73 per cent) are seen and dealt with within three hours, and almost all within four hours. Six per cent are not dealt with in A&E until the 10-minute period preceding the four-hour deadline and these patients are more likely to be admitted than those dealt with more quickly.

What they clearly illustrate is the extent to which health care professional's clinical decision making is tied into the four hour A&E target looming over them. This can lead to the complete and utter distortion of clinical care decisions.

Box 9: UK and US education in the news

2 April 2012, UK[36] :

In a new study, staff claimed they were being put under more pressure to manipulate test scores, re-write pupils' homework and help them complete coursework projects.

Figures show that more than a third of teachers admitted using tactics that could undermine their "integrity".

Many teachers said they were increasingly required to drop parts of the curriculum to concentrate on exam practice, stage after-school coaching sessions and offer rewards in an attempt to bribe pupils into getting better results.

The study – by the Association of Teachers and Lecturers – also found that more than a quarter of teachers had been required to attend seminars run by examination boards to get vital tips on passing GCSEs and A-levels. One told how examiners hosting one event "strongly hinted which topics would come up" in the test.

36 Retrieved on 7/12/20121 from
    http://www.telegraph.co.uk/education/educationnews/9178113/Teachers-under-growing-pressure-to-inflate-exam-results.html

The disclosure comes after an investigation by the Telegraph found evidence of examiners advising teachers at £230-a-day sessions about the exact wording that pupils should use and which questions they could expect.

The ATL surveyed more than 500 teachers across the UK as part of the study.

Three-quarters said they felt "under a lot of pressure" at school to prepare pupils for tests and exams. Seven-in-10 claimed the demands placed on staff had increased in the last two years.

It emerged that 35 per cent felt the pressure had reached such a point that it "could compromise their integrity".

Some 70 per cent of teachers increasingly turned to practice papers to improve pupils' exam performance and a quarter gave rewards to pupils who gained the best results.

In a further disclosure, almost nine-in-10 teachers admitted that the pressure to improve test scores prevented the "teaching of a broad and balanced curriculum".

7 May 2011, US[37] :

"Georgia Gov. Nathan Deal announced Tuesday that widespread cheating inflated Atlanta Public Schools' 2009 state standardized tests scores.

The product of a two-year investigation, the report concluded that systematic cheating occurred within Atlanta Public Schools – which had been lauded for its quick testing gains – including at least 44 of the 56 examined schools. The report implicated 38 principals, noting that 178 educators pled the Fifth Amendment when questioned. Eighty-two other educators confessed to various forms of cheating, including erasing wrong answers on students' multiple choice exams and then replacing them with the correct ones.

"The 2009 CRCT [test] statistics are overwhelming and allow for no conclusion other than widespread cheating," a summary of the report circulated by the governor's office said.

The cheating can be traced back to as early as 2001, the report found. It detailed how warnings of cheating in late 2005 were ignored and how the school system destroyed documents and provided false statements to hide wrongdoing.

Reports of cheating on standardized tests with the goal of bolstered performance have increased in frequency in recent years, according to Robert Schaeffer, public education director of the National Center for Fair & Open Testing. Schaeffer, who has tracked such revelations, noted in the past only a few reports surfaced each year, but now several appear weekly.

"The number of confirmed reports of score manipulation has exploded," he said.

Whether the growth is because of better reporting or simply more cheating is unclear. Still, Schaeffer and others say the pressures placed on teachers by policies that stress standardized test scores – such as No Child Left Behind – foster an environment ripe for cheating.

"Cheating was caused by a number of factors but primarily by the pressure to meet targets in the data-driven environment," according to the report's summary. "A culture of fear, intimidation and retaliation existed in APS, which created a conspiracy of silence and deniability with respect to standardized test misconduct."

37   Retrieved on 7/12/2012 from http://www.huffingtonpost.com/2011/07/05/atlanta-public-schools-cheating_n_890526.html

Atlanta is not alone in allegedly gaming its numbers. Schaeffer said cheating headlines have popped up in the last month alone from Baltimore, Norfolk, Va., Philadelphia, Washington, D.C., and Florida.

While Congress struggles to overhaul No Child Left Behind, it might embed more provisions for monitoring tests. But Pallas said states might see this as yet another unfunded mandate.

Besides, Schaeffer said, more policing doesn't always work.

"It's like trying to enforce marijuana laws," he said. "The more security personnel you add, the further underground cheating gets."

Standardized tests are easy to game, he added. "There are simply too many places in the process where people touch the test or have the opportunity to manipulate scores," he said.

Staff in the health and education sector, associated with "a calling" and hence high levels of intrinsic motivation, can hardly all have been crooks from the go ahead.

The kind of examples mentioned in Box 8 and Box 9 have been widely discussed by researchers. A comprehensive review of the literature and available evidence was provided in 2010 by the Economic and Social Research Council (ESRC) in the UK[38]. It states: "There is some evidence that targets and such "carrots and sticks" work, particularly if the desired outcome is focussed and measurable, as in the case of hospital waiting times. The two assumptions underlying such governance structures don't hold for public service delivery, however: measurement error is an inherent problem, as is the resultant potential for undesired as well as desired responses, and the evidence bears this out."

An earlier ESRC study provides some more details about the difficulties in making targets work[39]. This makes clear that improvement on measures does not equate improvement in real performance. This is due to gaming or "hitting the target and missing the point", defined as a reactive subversion where targeted performance measures improve but performance where targets do not applies decreases. A first form of gaming is referred to as "ratchet effects" where, if next year's performance target is based on last years realised performance, there is an incentive not to exceed last year's target, making it easier to achieve the next one. Threshold effects refer to the tendency targets have to crowd performance towards the target (reducing performance that is above it and increasing it when below). In other words it incentivises mediocrity. A third effect, output distortion, is linked to the – usually unfulfilled – requirement that for targeting to work, the employed measures should capture total performance not only of the targeted domain but also of other domains. In other words, there is no measurement error of consequence. Otherwise, targets can be achieved by deteriorating significant but unmeasured aspect of performance within or outside the targeted domain. Gaming however does not yet constitute outright cheating. Cheating refers to tampering with the actual measurement and/or reporting of it (e.g. as in the case of teachers "correcting" wrong answers on exam sheets).

In addition, it should be understood that the previous points represent only the opportunity for gaming and cheating. However, one could assume that those subjected to the target system are not prone to cheat or game and will resist the opportunity. The ESRC paper

> " **There is no question that in virtually all circumstances in which people are doing things in order to get rewards, extrinsic tangible rewards undermine intrinsic motivation.** "

38 See http://www.coprbm.eu/?q=node/576
39 http://www.coprbm.eu/?q=node/577

provides a typology of actors in the target game. A first set of actors does not pose a problem: those whose public service ethos is so high that they voluntarily disclose and shortcomings, even if they do not adhere to the target (Saints) and those (honest triers) who do adhere to the targets but do not voluntarily disclose failure while also not gaming or cheating. A second set of actors does pose a problem: those who adhere to the targets but are prone to game/cheat if offered the opportunity and incentive (reward and punishment) to do so (reactive gamers/cheaters) and those who do not adhere to the target and aim to conceal their operations (rational maniacs). To assume that targeting works, one must assume the second set of actors forms an inconsequential minority. In addition, one must assume that installing the target system itself does not turn the first set into the second set (referred to as Gresham's law of gaming). The report calls these assumptions demanding.

As to cheating on measurement and/or reporting, opportunity is increased if those who do the measuring and reporting are the same actors as those who will be judged on the basis of it. In addition, there is an incentive for supervisors who are supposed to do this judging not to look for evidence of cheating or gaming if this might call reported performance successes into question.

To conclude, an even more recent article than the ESRC review of 2010 was published in the New Scientist[40] reporting that "There is no question that in virtually all circumstances in which people are doing things in order to get rewards, extrinsic tangible rewards undermine intrinsic motivation. What's more, the studies suggest that the greater surveillance, evaluation and competition that tend to accompany performance-related rewards further undermine intrinsic motivation, and that offering rewards can also stop people taking responsibility … However, this clearly doesn't apply to someone who gains no satisfaction from their job and does it only for the money. If you are doing a boring, stupid task, rewards cannot undermine intrinsic motivation that you don't have".

When situating this in the context of the different sets of actors, those people who are already intrinsically motivated towards the targeted performance can be found in both the honest triers and the reactive gamers. Installing the target system is evidenced to upset this intrinsic motivation which may lead to turning the honest triers into reactive gamers, supporting Gresham's law.

Complexity theorists such as Prof. dr. Chris Mowles, who was a speaker at the COP RBM conference in Maastricht, are also refusing the idea of target setting as a useful practice[41]. To Mowles, thin simplifications of reality are rendered into thin objectives by managers at a very abstract level, which does not offer much in terms of guidance for staff further down in terms of what to do in their daily lives. Then the next step is to reduce often complex requirements even further into targets. When complex reality is reduced in this way, then this is likely to supress the very contingent and context specific social practices which help realise the strategies that are put forward. Indeed, in order to fulfil any of the set objectives, practitioners need to improvise in their specific contexts in response to what others are doing. This continuous interplay of actors makes the future radically uncertain. Actors are always working with imperfect knowledge in an imperfect way, experimenting and improvising as their actions and intentions (which are influenced by much more than just organisationally defined objectives) interweave with those of others. Novelty usually does not arise from conforming to a pre-reflected plan but from an improvisational, often deviant, response to the constraints (often generated by specific power relations) of a particular situation.

This radical unpredictability means it is not possible to set targets as this assumes a capacity to predict what should be achieved. It is then also not useful to incentivise targets as this begs the question: what exactly is being rewarded or punished then? If targets are aggressively pursued (incentivised), then this is likely to call out subversion, rebellion or gaming.

Indeed, as managers up above do not concern themselves with how people lower down interacted with others and why and what happened as a consequence, but only hold others to account for hit-

40 http://www.newscientist.com/article/mg21028071.300-the-bonus-myth-how-paying-for-results-can-backfire.html
41 Chris Mowles, Rethinking management, 2011

ting the target, i.e. delivering to the letter what was agreed or imposed, then this can be experienced as bullying and oppression. People can take up abstractions and generalisations locally, using their practical knowledge in mutually adaptive ways with others. But if they feel obliged to comply with schemes of understanding that do not square with this experience or values they will resist. This does not just imply manoeuvring for personal gain but also acting to protect work they consider valuable.

So why does this kind of practice still prevail, given its problematic nature? According to Mowles because it helps sustain the illusion that managers are acting rationally and are in control. Indeed, drawing upon authors like James C. Scott who launched the term "Seeing like a state"[42], Mowles shows that this is associated with the strong belief in scientific and technical progress linked to industrialisation in Western Europe and North America since the 1830's. Simplifications, abstractions and generalisation are a key component of this way of thinking. This is required to make social realities legible to state regulators who sit at a distance (e.g. apparent in cadastral map making to be able to determine taxes). D. Hurst similarly pointed out (see Box 6) that the further one goes down the exploitation route of the adaptive cycle, the higher the level of abstraction that managers are moving into. But to deal with changing circumstances, one needs to dive back into the concrete and see what is really going on. As circumstances tend to change a lot, it is important to be able to zig-zag between exploitation and exploration.

Mowles also asserts that it may make sense in very routine jobs to set simple targets as a basis for talking about what an employee is doing, but that there are fewer and fewer jobs like this. This resonated with the earlier statement that for boring, stupid tasks, rewards cannot undermine intrinsic motivation that you don't have in the first place.

Similar observations come from R. Eyben, a former civil servant at the UK Department for International Development, now an academic working for the Institute for Development Studies[43] and founder of the "Big Push Forward", an informal international network of practitioners seeking constructive ways to advance conceptually and methodologically development aid's support of a fairer world. She frames the debate as one of substantialism versus relationism where the former is concerned with categories, units and entities such as poverty, rights, results, … and the latter with connections and processes. This is also a juxtaposition of an economic (substantialist) versus an anthropological (relation) perspective. She asserts that in international development, the fact that the locus of power historically was situated almost exclusively at the level of donor agencies outside of the country receiving the aid, contributed to the prevalence of the idea that the whole world can be observed and explained from that position and the subsequent development of abstract models detached from everyday reality. She claims the persistence of this is due to the fact that it is difficult to win an election on the basis that policy-making is messy and that civil servants have very little control over what happens. Nevertheless, in domestic affairs, active citizenship and locally based decision-making, as processes, are making headway based on the argument that those closest to the situation are best placed to diagnose, debate and act on it. For development aid, due to the fact that it is de-territorialised, there is less reason to pursue this shift. At this point, **it is interesting to note that the EU-level in Structural Funds is also similarly de-territorialised**.

Similarly, Burt Perrin in his presentation to the European Parliament (see chapter 3.3) stated that **"rewarding (or punishing) programmes based upon their ability to hit predetermined targets inevitably results in a mindset of justification and defensiveness rather than in openly acknowledging difficulties and asking what can be done better or differently. This is inconsistent with a results orientation."**

Clearly, the idea that setting targets and to tie (implicit or explicit) punishment or reward to these is a self-evident good managerial practice cannot be sustained uncritically. A more detailed account of the use and abuse of targets can be found in Wauters (2013, SMART or not: are simple management recipes useful to improve performance in a complex world? Paper presented at the conference "Performance of public sector organisations: from weighing to losing weight."). This poses a challenge to

42   J.C. Scott, Seeing Like a State, 1998
43   See http://www.coprbm.eu/?q=node/578

any results based management system, including the one being installed by the Structural Funds regulation, where managing for results risks being reduced to managing for targets.

Let us therefore, explore, by drawing on the theories set out earlier, what may be going on in these examples by telling a story in Box 10 of what might happen also in Structural Funds management.

Box 10: a story about the Structural Funds

A starting point is to draw on the idea of multiple adaptive cycles at different scales and speeds. In Structural Funds, at least 6 different levels can be identified easily, ranging from the EU level to operators in projects (only three levels are depicted below for simplicities' sake).

Large and slow

Eg. Employment strategy / EU

Partnership contract / Member State

Programmes / Managing Authority

Calls / units in the MA

Projects / promoters

Operations/ promotor operator

Small and fast
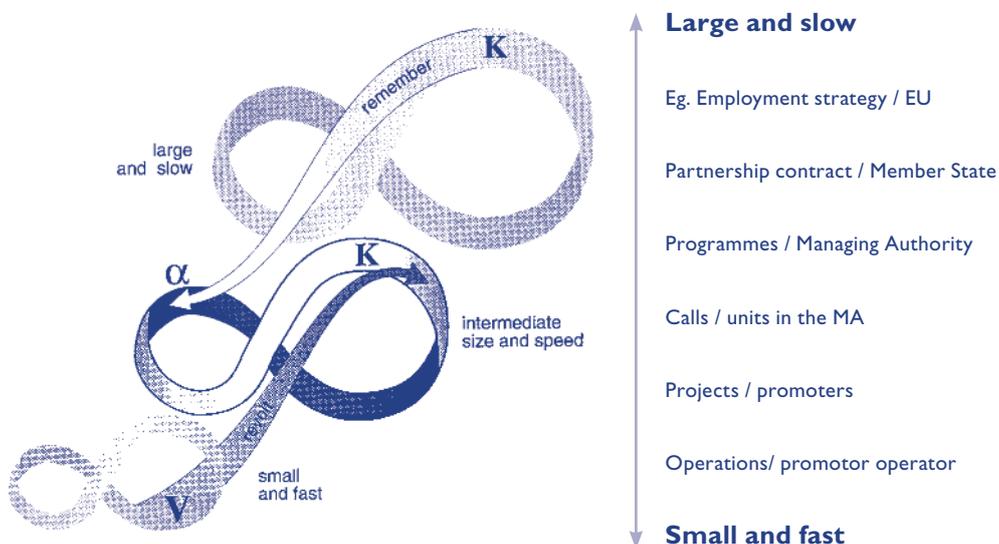
It is not so hard to imagine that, on a daily basis, operators within projects as well as the plans they are following, are challenged by unexpected events. At this level, relative to higher levels, these challenge are small scale and the speed with which they are tackled is in principle high. If we would look at only the lowest cycle, at the level of operators, we would assume that operators, by drawing on creative people, ideas, diverse resources that are present in the wings of the project, can, pressed by a small scale crisis, shift quickly into reorganisation, by trying some things, moving on with those that lead into a (emerging) more productive direction.

However, we also need to take into account that there are higher, slower cycles and levels, that provide opportunities for, or constraints against, the renewal of the lower level cycle. This is the 'remember' link in the figure. If the capacity to respond at a lower level is overly constrained, e.g. by (slower to change) rules from a higher level (incl. compliance with targets, restrictions on allowed actions and spending etc.) AND managers with the power to enforce compliance (using reward and punishment), then this may lead operators at a lower level to adapt in suboptimal ways e.g. they may focus on gaming the system or on cheating on the data, especially when there is no other way out. This is also a kind of innovation but it leads to a less productive system.

The 'revolt' link also needs to be taken into account. It may indeed well be that, as a reaction, those who hold the power will clamp down vigorously on the cheating and the gaming

by engaging in more checks and implementing more constraints. This either leads to more unproductive "innovation" or, if things really become so bad that operators decide they had enough, to revolt. Such a revolt may become obvious at higher levels by increasing amounts of promoters who do not want to work with Structural Funds anymore. This mirrors how in the UK and US hospital and education examples, clamping down could lead to widespread strikes. This is then an example of a crisis at a lower level triggering crisis at a higher level.

For Structural Funds the implications are clear: more and more rules having to be observed – ranging from state aid rules to target realisation – combined with more and more checking and policing of compliance with these rules, constraining the capacity to respond to unexpected challenges, is a dangerous cocktail that may lead to increasing and ever more sophisticated gaming and cheating behaviour and ultimately, revolt.

However, it may still be perfectly possible to comply with the Structural Funds regulations and its demand for targets and still move towards a real results orientation.

The experiences with EC development aid as described in a 2008 review[44] by Eurodad, the European network on debt and development, provide some insights. Since the end of the 1990s the Commission's budget support has been delivered in two different type tranches, namely fixed and variable. The fixed tranche is disbursed as conditions set out were met (e.g. introducing certain pieces of legislation). Outcome conditionality only comes in with the variable tranche, which is disbursed in graduated amounts "depending on the extent to which targets are attained for a number of indicators – getting away from the "all or nothing" approach.

According to the report, this modality of conditionality and the push by the European Commission has fostered a greater focus on results, incl. the use of indicators for monitoring progress. Also, policy dialogue between the EC and recipient countries seems to have improved. However, the report also states that "the general sense is that neither poverty reduction trends nor progress related to policy dialogue and policy space has advanced quite as much as expected".

The reasons for this are asserted to be:

- funds disbursed against poverty indicators do not reach more than 3 % of the total budget support in the countries assessed;
- the choice of indicators is not always led but the government, but by the EC, and the focus on a very concrete outcome may miss the broader picture;
- annual mechanistic disbursements on incremental progress (or a target) allow for a very short time for the government to deliver (in this sense the MDG contracts with three year horizons are a positive change – see below);
- in addition, some indicators are sometimes biased towards quantitative (is it more?) rather than qualitative (is it better?) monitoring of progress achieved;
- there is a range of policies which seem to clearly be under the government's control, mostly related to access to basic services and infrastructure. But this is certainly not the case for many other policies where external factors are a greater influence;
- external shocks jeopardising government action;
- low awareness and involvement of civil society (incl. in defining indicators or monitoring);
- outcome based conditions do not make all kinds of other conditions disappear and these other conditions tend to carry more weight.

44 See http://www.coprbm.eu/?q=node/339

Building on the experience of the variable tranches, the EC in 2006 started devising a new aid modality, the MDG (Millennium Development Goal) contracts, which are supposed to be an enhanced type of the Commission's budget support with the following characterstics:

- commitment of funds for 6 years;
- provision of a minimum, virtually guaranteed level of support (80% of total commitment) except in the case of a clear and unambiguous breach in eligibility criteria or fundamental principles of cooperation;
- annual monitoring with a focus on results, notably in health and education
- assessment of performance in a medium-term framework to promote more comprehensive dialogue;
- whenever there are genuine prospects for the underlying problems to be credibly tackled, allow for financial responses to be held off.

A 2012 follow-up review[45] confirms the EC MDG-C as a positive step forward. It ranked highest on criteria of ownership, mutual accountability and use of country systems/procurement as compared to other results based systems in the following way:

◎ ensuring that there is **strong ownership** of the programmes is the only way to guarantee that the impact does not revert once the incentive is removed. This implies support from all relevant stakeholders. The MDG-C transfers most of the responsibility for deciding how to use the funds and implementing the program directly to the government. Although a certain level of dialogue and negotiations exists, the government usually implements the intervention on the basis of its own national strategies. The MDG-C does not have its own indicators, but requires the existence of a performance assessment framework (PAF). This is basically a set of criteria based on national development strategies and agreed by donors and recipient country governments – it is generally used by budget support donors to assess and monitor progress. in some cases the PAFs include some contested actions and indicators;

◎ in terms of **mutual accountability** broader initiatives tend to use higher level coordination and dialogue structures such as national "development partners groups" in the MDG-C which also contains some mechanisms that allow the recipient country to hold donors to account.The MDG-C also limits the size of its performance tranche to 30 per cent and, of course, this will be much smaller when seen in the total aid budget towards a sector. This contributes, together with the longer term time horizon, towards keeping vulnerability of the poor, the ultimate beneficiaries of the MDG-C, within limits. The MDG-C requires applying the same or very similar monitoring and evaluation mechanisms and anti-corruption safeguards as other aid modalities. In this sense, the idea that the costs to ensure accountability are more limited that in these other modalities is unfounded;

◎ the MDG-C does **not set up any parallel systems** to the mainstream government as the money is channeled into the national budget.

There is also some criticism in the report. The MDG-C as a broad approach tends to rely on quantitative or procedural indicators even when they try to achieve objectives that are difficult to measure such as strengthening country systems, reducing corruption or building capacity in the health sector. Using these types of indicators to monitor progress can result in inaccurate and subjective evaluations. Indicators also tend to be more specific and better defined in the case of narrower approaches as opposed to very general ones in the MDG-C. Qualitative indicators are also restricted to narrower approaches.

Concerns about perverse incentives are also raised in the report. These are more serious the narrower the scope as, in general, it is more difficult to manipulate national statistics than it is programme specific measures.

45   See http://www.coprbm.eu/?q=node/603

From the point of view of the discussion on targets as set out earlier, the low amount of funding linked directly to achievement on outcomes should be seen as a positive factor. When the stakes are not very high – e.g. in the Structural Funds a reserve of 5% – the benefits of increased results orientation and improved policy dialogue may be expected while avoiding the widespread perverse incentives as discussed earlier in this chapter. However, if Member States believe major financial corrections will be based on the achievement of the targeted objectives, then this may trigger unwanted reactions such as the ones described in box 10.

In addition, the time horizon that is looked at for allocating the reserve in Structural Funds is longer term (from 2014 to 2018) rather than annual, which is positive.

Another positive aspect is that not all indicators used to monitor the Structural Funds programmes have to be linked to the reserve. This opens up the space to link the reserve only to those policies where the Member State government has more control. Of course, this will have to be negotiated and requires that the Commission takes the same perspective as the Member State on this matter.

Regrettably, some features of the Structural Funds regulations seem not to have drawn the lessons from development aid:

- the Structural Funds performance reserve mechanism is all-or-nothing, rather than incremental;
- it does not allow to take into account external shocks;
- even though the indicators for the programmes are negotiated, the Commission has the final word and the EC specified common indicators are implicity put forward as a basis for the performance framework, rather than country specific ones.
- the indicators selected – if the common indicators are taken as examples – are likely to be biased towards quantity rather than improving quality.

Finally, as the Structural Funds are not a form of budget support, they, unlike the MDG-C, introduce some parallel systems (Managing Authorities etc.) that may prove to be an obstacle to longer term ownership. However, the partnership contract may prove to be a suitable platform for high-level stakeholder involvement, similar to the MDG-C development partners group, ans this may contribute to ownership. In addition, designing and implementing the programmes is still left to the Member States, although the new regulations are a step back from the previous period because the programmes now have to explicitly select and adapt investment priorities proposed by the Commission.

However, if the positive points are capitalized on, the negative ones may turn out not to be too problematic. **But the greater attention to results and the better policy dialogue that may be expected will not be sufficient to actually achieve real progress for citizens. That may require more specific ways of working** that this publication will propose in chapter 6.

4.4. Implications for managing for results in Structural Funds

4.4.1. WHAT SHOULD A TRUE RESULTS ORIENTATION TAKE INTO ACCOUNT?

Even though the COP RBM has been working on a more modest scale – that of agencies and/or departments responsible for managing Structural Funds programmes rather than national or even regional government as a whole- it does situate itself firmly in the New Synthesis governance model, aiming to balance the three aforementioned notions of accountability in a dynamic way.

In doing this, the COP RBM intends to provide more guidance and understanding as to HOW the results the Structural Funds regulations emphasise should be strived for.

The key elements that should be addressed in any proposed system for managing Structural Funds as retained from the previous chapters are therefore:

O **compliance matters:**

  ◎ process controls should aim to ensure that funds are used for the purpose and in the manner that was decided to be acceptable. The accountability focus is on preventing distortion, bias, abuse of power and inequity ("honest and fair");
  ◎ audit plays a key role in verifying that these controls are adequate. Focus should be on high risk areas;

O **performance matters:**

  ◎ organisational capacity in terms of organisational structure (who does and decides what with whom), standard operating procedures and appropriate incentives should be adequate to ensure efficiency and effectiveness (a move also known as "exploitation") in domains where well-established solutions are being deployed to tackle well-understood needs; the accountability focus is on being "lean and purposeful";
  ◎ however, performance improvement is not best served by adopting ever increasing control and compliance mechanisms in terms of input and ex ante controls and especially not in terms of output controls (targets). Rather, this is the domain of monitoring – where indicators lose their ability to indicate anything once they have been converted into targets- and evaluation which should serve to learn how one can improve rather than to control;
  ◎ at the same time, linked also to the previous point, it is important to actively prevent successful performance becoming a trap by making the system so rigid and uniform (lacking diversity) that it is not possible to adapt and innovate when the need for it is triggered by changing circumstances. This would otherwise create a problem for the next key elements: emergence and resilience;

O **emergence matters:**

  ◎ the capacity to anticipate and detect emerging issues should be built by investing in thinking about alternative futures and detecting weak signals; at the same time, it is important to envision in a dynamic way where one wants to go (leadership) and what is key to get there (and what is not);
  ◎ a keen eye should be kept on overall country / regional performance (e.g. using the OECD "Better quality of life" index), also making clear that advances can only be made by pulling together all actors in society;
  ◎ furthermore, collaboration across multiple boundaries – via co-production – using modern ICT, should be emphasised and the limits of organisational structures and the importance of co-existing (global to local) networks and of adequate diversity in them should be recognised when dealing with complex issues;
  ◎ innovation efforts (a move also referred to as "exploration") should be explicitly facilitated with resources put into disclosing public data, participating in and stimulating (global to local) public platforms as well as social experimentation e.g. via social innovation hubs and incubators that can take some distance from daily delivery of service and facilitate collaboration as mentioned in the previous point;
  ◎ direct stimulation of innovation with funds should be kept light, agile and fast: the workload to access the funds should be low as amounts of funding should be relatively modest compared to mainstream efforts;

O **resilience matters:**

  ◎ resilience cannot be created by government but can be nurtured;
  ◎ whatever action is taken, it should always be assessed whether dependencies could be created or vulnerabilities to possible shocks could be increased;
  ◎ active roles should be stimulated for citizens and communities, drawing on networks, in designing and delivering action with a view of sustaining social capital;

◎ building on strengths (rather than emphasising deficit) and using positive narratives are key to generate optimism and energy.

The accountability focus in resilience and emergence is then on being "robust, resilient and adaptive".

4.4.2. WHAT ARE THE THREATS AND OPPORTUNITIES POSED BY STRUCTURAL FUNDS REGULATIONS?

Revisiting the Structural Funds regulations, it should now be clear that they actually present certain threats and certain opportunities in terms of a holistic system of good governance via results based management as described above:

⭘ **Threats:**

◎ the intervention logic as presented in Table 3 combined with the requirement to provide output and results indicators reflects a pre-occupation with the performance sub-system. As it is clear now that this system is more oriented towards recurring, standardised tasks under relatively stable conditions, this represents a threat to overall good governance of the Structural Funds. It would have been better to only set out broad high level societal outcomes that programmes should strive to contribute to, rather than also specifying the means to get there (presuming a stable causal connection that cannot be reasonably expected to hold for a period covering almost a decade);

◎ the mechanical world view associated with the previous point is even more emphasised by requesting to set targets. Target setting assumes a degree of predictability that is just not there when deploying large scale programmes such as Structural Funds over almost a decade of time;

> " **Generally, the regulations ignore the importance of the emergence sub-system and are putting the Structural Funds at serious risk of becoming rigid instruments oriented towards keeping the status quo rather than innovating in the face of complex reality.** "

◎ indicators are also assumed to possess a degree of objectivity that is not justified from a complexity point of view, especially given the fact that reward and punishment are now tied to the achievement of these targets. The very fact of (especially incentivised) measuring is itself an intervention that has an effect, alongside the interventions it is supposed to measure the effect of in the first place. Basically, 'hitting the target but missing the point' (as already mentioned in chapter 4.3.3) as an effect of target setting exercises that aim to introduce performance "controls" is not acknowledged sufficiently;

◎ similarly, the focus on impact evaluation, be it in its quantitative form of counterfactual impact evaluation or its qualitative form of theory based impact evaluation asserts a degree of stability of both the activities that are being evaluated as well as of their presumed causal links to predefined objectives that is not congruent with a complex view of the world. In a complex world, unanticipated consequences, representing opportunities to capitalise on or threats to dampen, will be more the norm than achieving a pre-defined, tightly circumscribed "impact". Evaluation seems to be reduced to yet another (costly) form of performance control rather than a real instrument for performance improvement.

◎ generally, the regulations ignore the importance of the emergence sub-system and are putting the Structural Funds at serious risk of becoming rigid instruments oriented towards keeping the status quo rather than innovating in the face of complex reality.

⭘ **Opportunities:**

◎ the compliance sub-system has long been the only focus of the regulations so at least the importance of looking beyond process control of operations towards what these operations aim to change is receiving more attention;

◎ the fact that punishment and reward can in principle be limited to only a few targets (selected to be more within the control of the government) and that the reward is not too great and the threat of punishment not too imminent may prove to be not too great a push for Member States to overemphasise their managerial, efficiency driven orientation at the expense of their creative leadership drive. In fact, the regulations do not preclude (but neither do they promote) the European Commission from pursuing an intelligent dialogue with Member States concerning what they have done and why they have done it and whether this was sensible, irrespective of whether or not they achieved targets? This may therefore increase results orientation and improve policy debate as happened with the EC external aid budget support systems;

◎ the importance of "needs" as connected to well-being is recognised, although it is not fully operationalized into the programming logic as "means" to fulfil a need can still be "results" in the programme;

◎ the opening that is left in the regulation of doing other kinds of evaluation than the, from a methodological viewpoint, narrowly defined theory based and counterfactual impact evaluations. Evaluations based on developmental evaluation approaches (see chapter 6.2.4.2), better able to deal with complex issues, may still co-exist with the previous methods;

◎ some aspects of the regulation have some potential for supporting the emergence and resilience sub-system although how these elements are put into practice remains crucial. This concerns:

  • on the one hand the possibility to strengthen community-led initiatives, facilitate the implementation of integrated local development strategies and formation of local action groups;

  • on the other hand the principle of partnership with the representatives of competent regional, local, urban and other public authorities, economic and social partners, and bodies representing civil society, including environmental partners, non-governmental organisations, and bodies responsible for promoting equality and nondiscrimination;

  • the opportunities lie in the potential for co-production and in general more active roles for citizens and communities;

  • however, just as easily, the above mentioned community-led and partnership approaches can reinforce the status quo if all they amount to is to focus on repartition by consensus of funds among more actors.

4.5. Accountability revisited

It is clear that true accountability, in terms of the three concepts defined in chapter 4.1, requires dealing with the four sub-systems as described in the previous chapter. But it was also clear that some of these orientations may conflict with each other. In other words, the various sub-systems will not always agree with each other.

A more general concept of accountability that overarches these concepts and that provides a way out of this dilemma was already proposed by Burt Perrin in his presentation to the European Parliament (see chapter 3.3) where he advocated: "accountability means that programmes are accountable for demonstrating that they are focused on outcomes and that they take a learning approach. Getting even more specific, programs should be accountable for demonstrating that they ask the difficult questions, that they explicitly identify problems and limitations as well as what is going well, that they have in place appropriate monitoring systems, and that they carry out evaluations looking at challenging questions and issues. They should be accountable for innovating and taking risky actions rather than simply playing it safe."

> " A definition of accountability as "the way people give an account of what they have done and why, rather than describing in a more limited way if they have hit a target or not. "

In the end this corresponds to what complexity thinkers such as Chris Mowles proposed as a definition of accountability as "the way people give an account of what they have done and why, rather than describing in a more limited way if they have hit a target or not". A broader understanding of what constitutes results based management is therefore needed. This is the subject of the next chapter.

5. RESULTS BASED MANAGEMENT: OVERVIEW OF ITS HISTORY AND ACHIEVEMENT

5.1. A short history of RBM

The following overview is drawn from the recent review by the Riksbankens Jubileumsfond in Sweden referred to in chapter 3.3.

RBM can be traced back to Peter Drucker who calm up with Management By Objectives (MBO) as early as 1954 in a paper entitled "The Practice of Management". It can best be described as a participatory working tool designed to focus people's minds on what matters – performance in terms of results. Drucker insists on successful results orientation as a mind-set and a perspective on management, rather than as a precise set of instructions. In the 1960's and 70's this approach thrived in both private and public sector.

In 1969 USAID launched the Logical Framework Approach (LFA) as a tool focusing on projects, which spread unevenly from development aid to public administrations during the 70's and 80's, being rebranded under new acronyms such as GOPP (Goal Oriented Project Planning) and OOPP (Objectives Oriented Project Planning) and PCM (Project Cycle Management).

In the late 1960s, the Planning, Programming and Budgeting Systems (PPBS) approach put an emphasis on financial planning and cost accounting. Here the management of inputs was crucial to demonstrate control over the allocation of finances. This tradition promoted Programme Management by Activity during the 70s and 80s combining tools to plan and schedule activities such as Gantt Charts, Critical Path method, Work Breakdown Structure, Programme Evaluation and Review Technique (PERT), etc. These approaches came from the fields of construction engineering and systems management. They can be considered as the antipode to Drucker's theory.

The 70s-90s also saw approaches trying to combine results management with financial management. In the public sector, this emerged as performance-based-budgeting, but this had difficulty achieving widespread recognition.

In the 1980's the New Public Management philosophy also come to the fore as an effort to "modernise" public management, as has been described earlier in chapter 4.

RBM as such began to surface as a term during the early 90's. It was probably born in Canada where the Auditor General and the Treasury Board Secretariat had been promoting public reform and performance management. During the 90s, it was introduced incrementally in several bilateral and multilateral development cooperation agencies. Here, RBM represents a return to some of the notions of Drucker. Rather than a project level tool such as LFA, or a set of procedures such as Performance Budgeting, it is meant to be an organisation-wide approach that puts results-orientation at the hearth of organisational thinking and practice. Yet, it is influenced by all the other approaches mentioned above to some extent.

5.2. A short review of experiences with RBM

This does not mean that such an organisation-wide approach is actually easy to achieve. The Riksbankens Jubileumsfond report also provides a comprehensive view of evaluations of efforts to introduce RBM. They report issues relating to:

- the difficulty in trying to connect lower level results frameworks (e.g. projects) to higher level (e.g. agency) frameworks and closely connected to this a debate about (dis)aggregating data and setting common indicators (e.g. requiring field staff to report on the contribution of even the smallest project to the global millennium development goals);

- tendencies to formulate excessive amounts of indicators, making the system rigid, difficult to change;

- difficulties in selecting appropriate indicators, setting up baselines, targets and verification mechanisms (incl. to take account of the fact that performance data is often generated by those who receive the funding to achieve this same performance) combined with difficulties in attributing measured outcomes to action, especially when dealing with very long and complicated causal chains with multiple actors and external factors influencing this; connected to this is also the difficulty to take account of relevant time horizons (e.g. leading to unrealistic target setting and reporting on outcomes on a yearly basis). This makes it very difficult to base decisions concerning the reallocation of funding merely on the basis of indicator systems. It also leads to a tendency to go for quick outcomes that are easy to measure at the expense of less easily observed but more important outcomes;

- tensions between using information for learning or for reporting (lack of) progress (coupled with a threat of being reprimanded if progress is lacking); this leads to a tendency to favour more "certain" outcomes. It also generates conflicts between "compliance officers" and field experts, disempowering the latter, stifling the innovation and flexibility necessary to achieve outcomes;

- tensions because RBM requirements are imposed without a relaxation of previous, conflicting, procedures;

- tensions because a myriad of objectives can be in conflict, at different levels of for different parties, making it difficult for managers to know what to prioritise;

- limited capacities and resources, internal and external, to define, collect, process, analyse and use information, combined with limited understanding of the purpose and meaning of RBM. A lot of time and effort seems to be wasted on data collection, mainly upward reporting and control, but no time or competence is available for analysis and sense-making. The limited capacity is due in part to the fact that objectives tend foremost to be defined externally, rather than being the result of internal processes.

In a more fundamental way, many of the above mentioned issues are derived from a lack of recognition of the assumptions that are underlying mainstream RBM approaches. This traditional RBM implicitly assumes that change happens via a linear process where input translates into output and then into outcomes, following a stable theory of change (already referred to in chapter 3.2) that can be tested and shown to be valid – in effect becoming a best practice – using a combination of theory based and counterfactual impact evaluation. However, as was already explained in the chapter on complexity, these assumptions frequently turn out to be unrealistic. Change as a dynamic and complex process where interventions and practices are shaped mutually by contextual and human relations seems to be pervasive.

Clearly, any RBM guidance must be approached with great caution and the above mentioned issues have to be kept in mind at all times. To better understand the importance of these lessons about RBM we will now turn towards understanding a well-documented system, that of the United Nations Development Group.

5.3. An overview of an RBM system: the United Nations Development group

5.3.1. INTRODUCTION

The RBM system as recently (October 2011) described in the United Nations Development Group's (UNDG) Results-Based Management Handbook[46] provides a useful point of reference to describe the current state of affairs concerning RBM in development aid. It has the benefit of having been released at a time when it cannot be claimed that all the issues as mentioned in the previous chapter were unknown.

The UNDG comprises many agencies such as FAO, WFP, UNAIDS, UNSSC, UNDP, UNIFEM, UNICEF, UNFPA. The overall framework in the Handbook is described in Figure 3.

Figure 3: UNDG RBM system
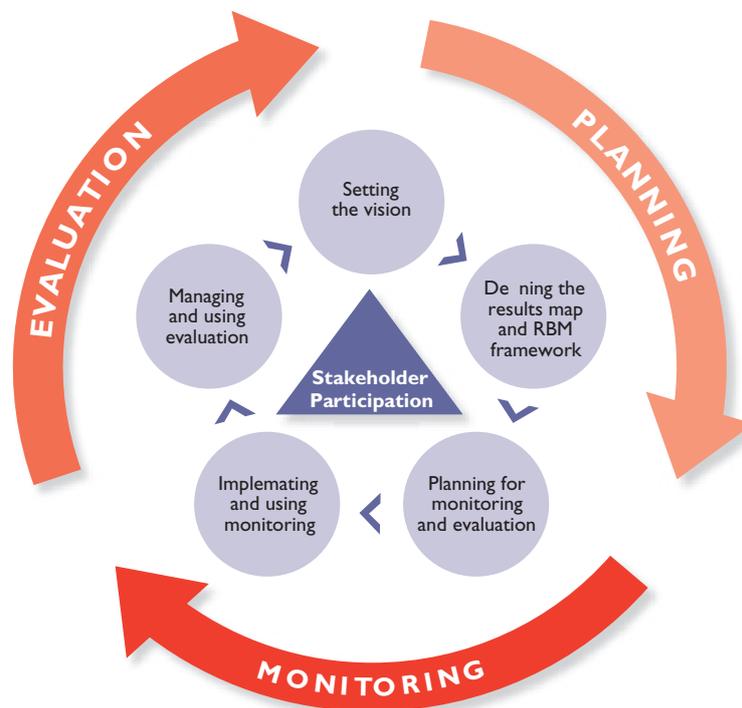
The UNDG system has, at first sight, many similarities with the COP RBM system but there are also quite a few important differences. Although the COP RBM system will be described more fully in chapter 6, it is useful to zoom in on some of its elements to compare with the UN system. This will help better understand the key features of the system in chapter 6.

First of all, the main architecture of the system is broadly comparable (see Table 5). But this high level similarity hides a very different approach as will become clear in the next section.

46   See http://www.coprbm.eu/?q=node/579

Table 5: COP RBM system versus UNDG

COP RBM	UNDG
The orientation of the programme management organisation is discussed	Setting the vision
Strategy is reflected in a strategic results framework	Defining the results map and RBM framework
The strategy is translated into operations	Defining the results map and RBM framework
Performance information is collected and supplied	Planning for monitoring and evaluation / Implementing monitoring / Managing evaluation
Performance information is used	Using monitoring/ evaluation
External stakeholders are involved	Stakeholder participation

The UNDG system represents the traditional RBM approach in three phases. Before proceeding, it should be clear that the UN system refer to results as the collection of all objectives in a results chain which contains the usual hierarchy of inputs, outputs, outcomes, and impacts, where the latter does not correspond to the definition given to it by DG REGIO in Box 1 (as taking account of a counterfactual) but is just the highest level objective.

The UN system recommends involving relevant stakeholders in all steps and phases. Likewise, the COP RBM system devotes a great deal of attention to ensuring external stakeholder participation and actually is more explicit about how to do this.

For the UN, accountability is central to RBM but it is positioned merely as an hierarchical issue (see Figure 4) where agents at different levels are mutually accountable. There is no attempt to clarify the underlying paradigm of accountability. Implicitly the emphasis of the RBM system is on "lean and purposeful" (as defined in chapter 4.1) as an accountability paradigm (deliver, achieve, contribute, … being the key words in the guide).

Figure 4: accountability in the UN system

National Governments are accountable to their people, through their parliaments, for delivering on national development objectives.

UNCTs are accountable to governments for overall contribution to national development objectives, through their contribution to the achievement of specific UNDAF-level outcomes.

Each UN Agency is accountable for its contribution to selected UNDAF outcomes as per their agency mandate and its agreed country programme, including to national authorities as well as to its governing board.

Implementing partners including local authorities and civil society organizations have mutual accountability for the achievement of outputs and activities to the national authorities and the communities themselves.

Providers of inputs are accountable to implementing partners for the satisfactory delivery of specified items.

For the purpose of the UNDAF, mutual accountability is interpreted to mean the respective accountability of parties working together toward shared outcomes.

UNCT   UN country team
UNDAF   UN development assistance framework

5.3.2. PHASE 1: PLANNING (INCLUDING VISION, RESULTS FRAMEWORK AND M&E)

The first step in planning is mentioned as visioning. For the handbook this involves analysis of the situation in a country (including traditional trend and root cause analysis). Then, given the capacity of the UN country team and its constituent agencies, priorities have to be set where to focus UN resources. They are the "impact" which comprise changes in social, economic, cultural, political, environmental, civil … conditions. These results should be specific and measurable (basically, they are indicators) and should leave options as to how to reach them open (no actions included). The UNDG system does acknowledge that the UN agencies do not usually conduct any action that will achieve these results directly themselves but work via intermediaries – referred to as "duty-bearers" because these have an obligation to respond to needs of individual citizens or groups.

In its "result framework" (see Figure 5), the "outcome" level is defined as the level where the UN support helps "duty-bearers" (referred to as delivery partners in the COP system) perform more or better of what they should be doing already or builds their capacity to do this. Although it is not clearly stated, the outcomes, contributing to the impact are what constitutes the "vision".

Figure 5: UNDG generic results framework

Changes in conditions

IMPACT	• MDGs • Social	• Economic • Cultural	• Civil Society
GOAL	• Environmental • Political		

Results are primarily nationally owned

Changes in capacity and performance of the primary duty-bearers

OUTCOME	• Changes in Behaviours & Attitudes • Social Action • Viability	• Institutional • Policy Formulation • Decision-making • Norms, Knowledge	• Efficiency • Competencies • Opinions • Standards

United Nations contributes at this level

What all implementers produce

OUTPUTS	• Goods & Services • Change in Skills & Capabilities	• Systems • Evaluations • New Products	• Reports • Publications Produced

National actors, United Nations and donors

What all implementers do

ACTIVITIES	• Develop Curriculum • Train • Evaluate	• Recruit • Procure • Facilitate	• Develop Action Plans • Work with Media, etc.

Primarily national, often supported by United Nations and other partners

What all stakeholders invest in

INPUTS	• Human or Financial Resources • Personnel	• Equipment • Technology • Time	

Led by national actors

This is somewhat removed from the idea of vision as will be presented in the COP RBM system where vision is focused on the challenges a Managing Authority (MA) (or other Structural Funds body) is putting forward for itself, rather than for a country or region. They key question for a vision is here: given the mission and values of an organisation in charge of implementing Structural Funds, how will this organisation be different in three to ten years (within their strategic planning horizon) from today? What will we see happening in the organisation, in the way it conducts its business with internal and external stakeholders?

This kind of vision is distinguished in the COP RBM system from the high level policy objectives for a country or region, which are indeed, like in the UNDG system, derived from an analysis of the situation. Of course, the COP RBM system recognises that both organisational mission and vision need to serve high level policy objectives of the country the organisation is working in and for. This is reflected in Figure 6 by showing the arrow from vision to the results framework affecting the entire framework except the legitimating authority level that contains high-level policy objectives.

Figure 6: the COP RBM system results framework

Legitimating authority (policy-makers)	• context objectives that reflect the broader, overarching policy goals for all citizens in a country/region that are of ultimate interest for policy-makers
Constituents	• fulfilling intrinsic needs of citizens that will participate in "delivery partner" activities, funded by the programme • participating citizens experience of service by delivery partners (and MA if appropriate) e.g. level of satisfaction with output delivered by delivery partners, degree of reaching intermediate outcomes

External processes with partners	• expectations relating to delivery and other external partners:
	  • how they experience what they receive from the MA, e.g. correct payment for delivery partners
	  • ... and what they do in return for the MA e.g. accurate reports
	• represents a value proposition: why should partners be interested to work with the MA?

Internal processes	• expectations towards and from management and staff inside the MA concerning the performance of innovation, production/delivery and relationship management processes
Internal capacity	• expectations toward and from management and staff inside the MA concerning intangible assets (human, organization and information capital) of the MA

VISION →

CONTRIBUTE

Clearly for the COP RBM system, organisational mission and vision are not just a derivative of these high level policy objectives. Mission and vision on the contrary represent respectively the particular role the organisation wants to play and how it sees itself evolve and change over a specific time horizon in playing that role, including towards stakeholders.

The vision feeds into the conceptualisation of the results framework by identifying critical aspects in the various levels of the framework that need to be focused on to achieve the vision. This includes focusing on certain citizens (referred to as constituents in the COP RBM system), if it is thought that this is where the Managing Authority needs to visibly improve if it wants to retain its mandate. This does not mean that other constituents are not being addressed. But whatever the Managing Authority is doing on behalf of them may already be sufficient and hence does not require strategic attention. The high level policy objectives are a given, set by government as a whole, while setting the objectives in the rest of the framework is a prerogative of the MA (all be it in negotiation with other actors).

However, there is also a similarity with the UN system when considering the idea of the **results framework itself** (the second step in planning the UN system). The notion of duty-bearers as the primary focus of the UN actions is similar to the notion of "delivery partners" that will be explained in the COP RBM system. In Figure 6 delivery partners are represented in the level referred to as "external processes with partners".

But the COP RBM system results framework is also very different from the UN framework. Only at the top of the results framework where the UN situates "impact" is there similarity as the COP RBM system likewise places high-level national or regional policy objectives there, as stated above.

However, the outcomes in the COP RBM system are more varied than in the UN system. Indeed, the entire results framework of the UN reflects what other stakeholders are putting in (their input), are doing (their activity), are producing in terms of (their) output and realising in terms of (their) outcomes. It is a framework that is only an aggregate of all the frameworks of the UN financed projects and programmes. As the UN, similarly to EU Structural Funds Managing Authorities, do not execute any of these actions themselves but provide financial resources to duty-bearers / de-livery partners, it is almost like high-jacking the results of others. Indeed, when looking at the UN framework in Figure 5, it would be easy to believe that it is UN staff themselves (and for Structural Funds, Managing Authority or Intermediate body staff or staff of other organisations involved in governing the Funds) that conducts training for health professionals in emergency obstetric care, provides obstetric kits, delivers databases, prepares emergency preparedness plans, etc. as indicated in the examples in the handbook.

The results framework for a country (referred to as an UNDAF, or UN development assistance framework, itself aligned with government national objectives) like Ghana therefore numbers 107 pages[47]. As it refers mainly to what other organisations will be doing, it is hard to see how this will help UN staff to make the UN system of which they are a part do a better job as it does not represent what these UN staff specifically are supposed to do and what it is that they themselves directly are supposed to achieve for whom. One would infer from this that the UN itself seems to function perfectly and does not need to set any objectives for its own functioning. The UN staff's role seems therefore implicitly to concern only to receive M&E information about someone else's operations. This amounts to stating that the UN is managing for results if it forces other organisations to fit their business in the UNDAF framework and that the UN system will supervise their compliance with this.

> **One would infer from this that the UN itself seems to function perfectly and does not need to set any objectives for its own functioning. The UN staff's role seems therefore implicitly to concern only to receive M&E information about someone else's operations.**

The COP RBM system in contrast puts emphasis on the direct outcomes a Managing Authority is itself supposed to achieve for the delivery partners (and other stakeholders it can partner with) that it works with. It does this in Figure 6 in the "external processes with partners" level.

This is of course also intended to lead to beter outcomes for constituents but these outcomes are much further in the results chain and not directly affected by the Managing Authority. Together with national high level policy objectives, constituent outcomes are formulated much more to clarify the context Structural Funds aims to change than the direct outcomes a Managing Authority aims to achieve. These direct outcomes can be more mundane and include objectives such as getting delivery partners to become more efficient, to innovate, to offer a broader range of services etc.

The Managing Authority framework, rather than describing the inputs and activities of other or-ganisations that receive funding from the programme, then also focuses on its own resources and processes (in Figure 6 the internal process and capacity levels).

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47   See http://www.coprbm.eu/?q=node/579 for the Ghanaian example

In addition, in contrast to trying to foresee and aggregate all possible projects and programmes funded by the UN agencies in one overall results framework, the more strategic results framework of the COP RBM system does not try to cover everything a Managing Authority itself does and aims to achieve, but only what is seen to be critical to achieve the vision for change of the organisation as a whole. Clearly, not everything is crucial for achieving the vision. It separates ongoing processes for existing consituents that need to be maintained or improved from the key leverage points the MA has to address if it wants real change to become visible and if it wants to retain its mandate. The RBM framework aims to be truly "strategic" in this sense. In stark contrast to an UNDAF, it is therefore supposed to fit on one page in the form of a map rather than number 100 pages.

> **The COP RBM system focuses on the Managing Authority and what this organisation should be aiming for and doing to increase its added value to a country or region.**

Furthermore, the COP RBM system takes this strategic results framework at the top of the organisation to "cascade" it to lower levels. This entails reinterpreting the framework at lower levels and to engage into an iterative discussion with the higher level (that can also lead to changing the overall framework). Lower level frameworks can therefore differ substantially from higher level ones. The key point is NOT aggregation (which would require frameworks to be identical at all levels – as in the UN system) but alignment (can a lower level show how it conceptually contributes to a higher level).

In short, the UN system focuses on clarifying the entire range of national or regional outputs and outcomes it will be funding national/ regional duty-bearers (delivery partners in COP RBM jargon) for, within the context of overarching policy priorities. It however omits to clarify its own outputs and direct outcomes, derived from a challenging vision, within the context of a clear mission. In contrast, the COP RBM system focuses on the Managing Authority and what this organisation should be aiming for and doing to increase its added value to a country or region.

The UN system requests baselines and target for all results indicators. The COP RBM system in contrast talks about "gaps" that should be adressed. This means that it is necessary to have a good idea where action should be directed because there is a need but that it is not necessary to exactly quantify the size of the gap. The basis for the awareness of a gap can be qualitative data and research. The COP RBM system hence also does not require traditional targetting mechanisms.

Planning for the UN system also entails listing for each result assumptions and risks, as well as the partners involved and their role and finally, indicative resources that are to be deployed. The COP RBM system also identifies risks related to its overall strategic framework, without requiring to do this objective by objective, which is a burdensome and ritualistic exercise that detracts from prioritising main risks to the overall strategy.

A next step in the COP RBM system, "translating the strategy into operations", does not really correspond with any component of the UN system. This is due to the aforementioned fact that the COP RBM system is focussed on what the Managing Authority should be doing and achieving to increase its own performance in order to realise its vision of change, rather than on supervising and critiquing the performance of others it is funding. The COP RBM system request the MA to be clear about its ongoing processes (business as usual) and what it will do to improve these. In addition, more strategic initiatives – which do not qualify as business as usual – are set up to drive change forward in line with the vision. The UN system in contrast just lists the input, activities and outputs others will perform with its funding to achieve the intended outcomes. It is interesting to note that the UN system does allow results frameworks to only list outcomes, without outputs, activities and inputs. This is up to the UN country team. This may be the better choice.

5.3.3. PHASE 2: MONITORING

The first step in monitoring, setting up the M&E arrangements, unsurprisingly just completes the rest of what is in fact a standard logical framework. It involves clarifying for all the outcome and outputs indicators exactly how they will be measured and how the data will be collected.

A difference with the COP RBM system is that all results in the UN framework are immediately formulated as indicators. In the COP system, how to measure an objective is a separate issue from defining an indicator. The idea for the COP RBM system is that the choice of measurement in relation to a(n) (set of) objective(s) has to be driven by performance questions one wants to see answered, as suggested by Bernard Marr of the Advanced Performance Institute during the COP RBM meeting in Prague of of 29 November to 1 December 2010. This also means that, although some form of measurement has to be set up to generate data that can answer performance questions, this does not entail necessarily that for each objective sepearately, there have to be one or several indicators. What counts is the performance question related to the collection of objectives.

> " **The idea for the COP RBM system is that the choice of measurement in relation to a(n) (set of) objective(s) has to be driven by performance questions one wants to see answered.** "

This opens the way to a much larger range of data collection methods and approaches (ranging from action research to survey research) than those advocated by the UN system which limits itself to, on the one hand, numbers, percentages, ratio's or, on the other hand, perception, opinion, statisfaction levels, as expressed in all manner of standardised scales. Where the UN system confusingly (but similar to of many other sources) refers to the former as "quantitiative" indicators and the latter as "qualitative" indicators, the fact is that both kinds of measurement, being pre-structured, closed form tools for data collection, are firmly situated in the realm of quantiative research.

The second step in the monitoring phase of the UN system, "implementing and using monitoring" limits itself to reviewing the information as planned in the previous steps and deciding on the basis of this information if original strategies should be continued or modified. Under reporting the UN system also recommends to supplement the information from the results matrix with quotes, testimonials, photos etc. and to provide reasons for over/underachievement.

The COP RBM system, not very differently, puts emphasis on ensuring that the defined measurement proceeds in a systematic and high quality way and that the data is analysed and provided in a user-oriented way.

5.3.4. PHASE 3: EVALUATION

For the UN, evaluation should be independent and external. Monitoring is seen as one source of information that can trigger and support evaluation. The UN system also briefly mentions that adequate systems are required to ensure flexibility, revision, adjustment and learning as triggered by M&E. They provide some examples such as yearly/bi-annual review meetings and learning events (workshops, retreats).

> " **For the COP RBM system, evaluation is not seen as a separate "phase" from monitoring. Evaluation is just another kind of performance information.** "

For the COP RBM system, evaluation is not seen as a separate "phase" from monitoring. Evaluation is just another kind of performance information. However, two specific roles for evaluation are highlighted: the necessity for evaluation to give information about the ultimate "impact" of the interventions a Managing Authority finances and to evaluate new types of intervention before they are mainstreamed. The COP RBM system does draw attention to the necessity to be pluralistic in the use of the methods, while being committed to rigor. In addition, the COP RBM system is much more elaborate about how to achieve adjustment and learning than the UN Handbook.

5.3.5. COMPARING THE UN SYSTEM WITH THE COP RBM SYSTEM

It is useful, based on the above discussion, to understand how both systems try to deal with the key challenges to RBM listed earlier.

Table 6: comparison between UN and COP RBM system regarding RBM issues

Issue	UNDG	COP RBM
The difficulty in trying to connect lower level results frameworks to higher level frameworks and closely.	Tries to deal with this by imposing, top-down, one pre-defined framework that is identical to all actors, be they UN or external. The approach is one of standardisation and aggregation.	Tackles the issue by drawing an overall results framework, but then cascading this to lower levels of the organisation and even towards delivery partners outside the organisation. The approach is one of thinking through and substantiating contribution. Frameworks can be very different at different levels but should be aligned.
Tendencies to formulate excessive amounts of indicators, making the system rigid, difficult to change.	The Ghanaian UNDAF shows that there is still an overwhelming amount of indicators at the level of a country. At least the system allows to omit outputs, activities and inputs, focussing more on outcome and impact.	Objectives should fit on one page. This is possible because the results framework is strategic: only key levers for realising the vision for the organisation (instead of measuring everything the organisation does and aims for or everything the delivery partner does and aims for).
Difficulties in selecting appropriate indicators, setting up baselines, targets and verification mechanisms combined with difficulties in attribution.	The system favours quantitative measurement for every single objective. Attribution is not explicitly tackled. As the system is predominantly interested in the performance of external actors rather than its own performance, collecting (accurate) data is inherently more challenging.	The system is pluralistic concerning measurement methods and starts with key performance questions primarily regarding the MA itself rather than objectives primarily relating to delivery partners. It is recognised that attribution of outcomes to funded initiatives can be a performance question and therefore the system highlights the use of impact evaluation as a special form of performance information. The system does NOT require target setting although it does require to determine how improvement will be measured.
Tensions between using information for learning or for reporting progress.	A key feature of quantitative descriptive information favoured in the monitoring part of the UN system tends to be the fact that it is good at answering questions such as how much / how many but is not able to answer questions concerning why and how things worked or did not work. This means the system inherently favours reporting on progress above learning.	The system does not separate evaluation and monitoring as strictly as the UN. It rather emphasises the need to answer key performance questions with performance information. This can entail descriptive information but also information concerning why and how things worked. It is less relevant if this is called monitoring or evaluation (although these distinctions are used). The system does not expect to answer questions with data that is not suitable for it.
Tensions because RBM requirements are imposed without a relaxation of previous, conflicting, procedures.	The system does not acknowledge other paradigms of accountability and hence will always view implicit tensions with other paradigms (present in existing procedures) as a problem rather than a legitimate part of public management. In addition, the system is more a self-standing measurement system of the performance of external stakeholders than an integrated management system for the UN organisations. Procedures are therefore bound to conflict.	The RBM system is conceived as an integrated management system for the organisation that uses it. This means that part of using the system entails regularly reviewing existing processes inside the organisation, to check if they can contribute to the objectives in the results framework, if they can be improved, need to be maintained or if they need to be abolished. Threefold accountability as described in chapter 4.1 is always kept in mind.
Tensions because a myriad of objectives can be in conflict, at different levels of for different parties, making it difficult for managers to know what to prioritise.	The UN RBM system does not really start from a prioritisation mind-set. It rather provides an exhaustive catalogue of everything that it considers worth financing. Of course, very few things destined to address citizen's needs can be said to be useless. This means it is very hard to prioritise rationally (except if all value would be reduced to monetary values via economic cost-benefit methods).	The COP RBM system devises its one page strategic results framework in interaction with stakeholders, realising full well that this entails negotiating sometimes conflicting interests and that this means that such a framework cannot be merely based on analysis. This map is cascaded to lower levels, which again is every time a negotiation process.
Limited capacities and resources, internal and external, to define, collect, process, analyse and use information, combined with limited understanding of the purpose and meaning of RBM.	This is not really addressed in the Handbook.	This is addressed explicitly in the COP RBM system in the part on enabling factors.

5.3.6. ACCOUNTABILITY FOR THE UN RBM SYSTEM VERSUS THE COP RBM SYSTEM

To conclude the above discussion and comparison, it can be stated that, whereas the UN system still adheres mostly to a "lean and purposeful" paradigm of accountability, the COP RBM system will try to support all three kinds of accountability referred to in chapter 4.1 by subsuming them under the broader notion of accountability as defined in chapter 4.5.

As the UN RBM system is very similar to the system laid out in the Structural Funds regulation, the same threats and opportunities as mentioned in chapter 4.4 are bound to apply. The COP RBM system aims not only to deal differently with the issues listed in Table 6 but also with the four sub-systems of the New Synthesis framework.
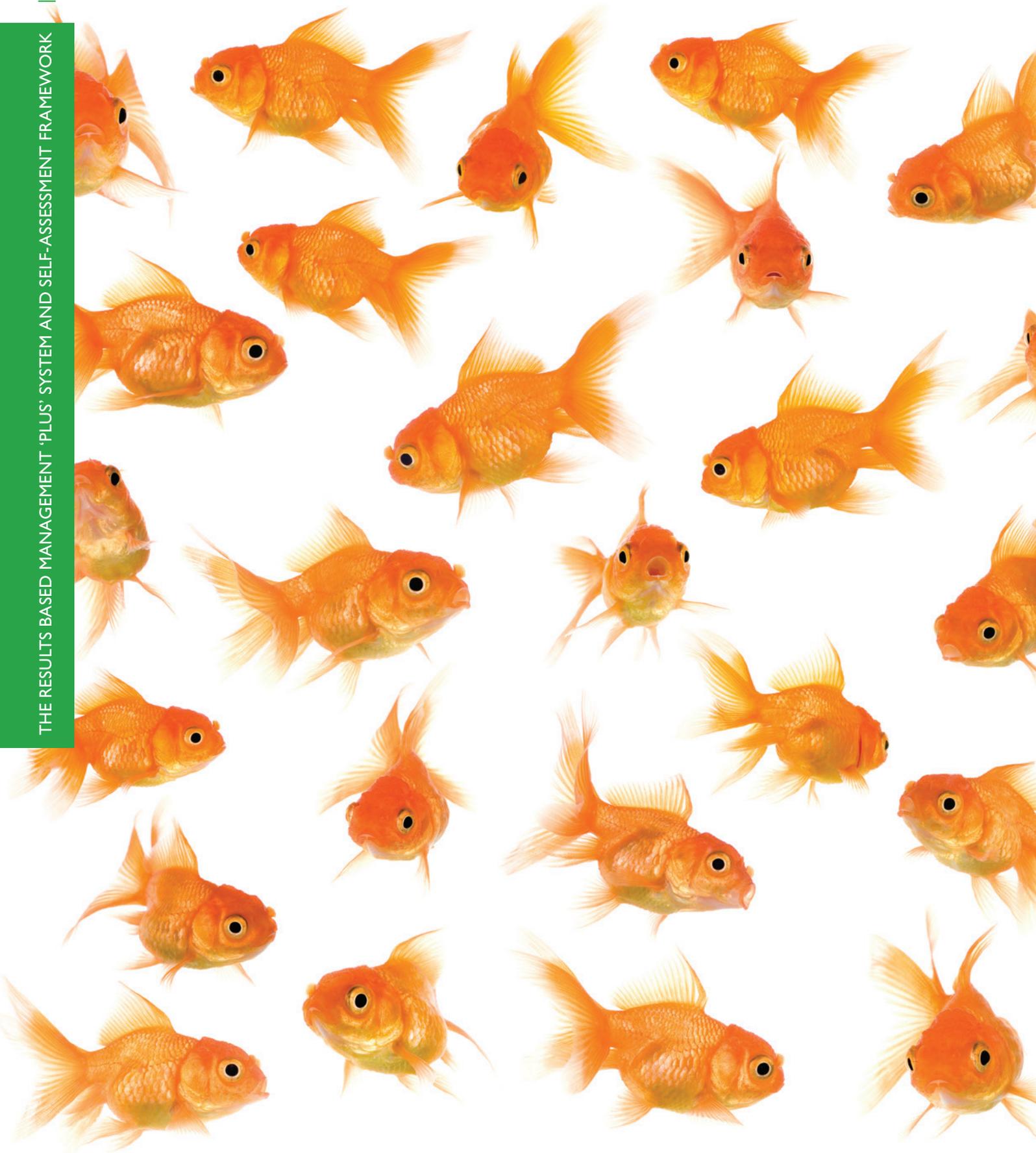
6. THE RESULTS BASED MANAGEMENT 'PLUS' SYSTEM AND SELF-ASSESSMENT FRAMEWORK

6.1. Introduction

6.1.1. ORIGIN OF THE SYSTEM AND FRAMEWORK

The COP RBM self-assessment framework is based on a wide range of existing frameworks from organisations considered at the cutting edge of RBM such as:

- the World Bank and others with CAP-SCAN (2010)
- Asian Development Bank with its Readiness Assessment Tool – Implementing a Results Focus in Organizations (2008)
- EIPA with the Common Assessment Framework (CAF) (2006)
- New Zealand Treasury with "Getting Better at Managing for (hared) Outcomes" (2005)
- the Office of the Auditor General of Canada with "The Managing for Results Self-Assessment Tool" (2003)

See http://www.coprbm.eu/index.php?q=node/429 for these sources.

CAP-SCAN was presented by the World Bank at the COP RBM seminar in Brussels of May 2010. John Mayne, the author of the Canadian tool, spoke at the same seminar.

In addition, these frameworks were merged with the assessment framework for being accepted into the "Balanced Scorecard Hall of Fame for Executing Strategy" (2010). This is a scheme oriented primarily towards the private sector but taken up more and more in the public sector as well as suggested by Bernard Marr, CEO of the Advanced Performance Institute (UK), who spoke at the COP RBM seminar in Prague.

All of these existing frameworks were examined in minute details. Similar statements from each framework were grouped together under common headings. The content of these statements was revised in accordance to knowledge derived from the COP RBM seminars and from expert and networks across the world.

6.1.2. STRUCTURE AND USE OF THE SYSTEM AND FRAMEWORK

The self-assessment framework consists of three parts. The first part included focuses on the execution of core practices of results based management by the organisation that is being assessed. The second part focuses on key enablers inside the organisation that support these practices (leadership, organization culture and structure and adequate capacities and resources). The third part focuses on enablers outside the organisation (e.g. country statistical capacity, government interest in results …).

The framework contains three levels of detail. The highest level describes six core practices:

1. The orientation of the programme management organisation is discussed;
2. Strategy is reflected in a strategic results framework ;
3. The strategy is translated into operations;
4. Performance information is collected and supplied;
5. Performance information is used;
6. External stakeholders are involved.

The second level provides more details about these core practices e.g. for core practice 1:

1.1 Vision and mission are not just paper but provide a call for inter-action
1.2 Values provide a reference point for daily decision-making
1.3 Management gives due attention to mission, vision and values

The statements at this second level are used to assess the organisation. This assessment is to be done with the key decision-makers of the organisation who can decide to support the implementation of the system. They should preferably facilitated by an expert familiar with the framework. The decision-makers should discuss their understanding of the statements and to what extent they think the practice exists in their organisation. Of key importance is to clarify this extent with concrete examples. The next step is for the facilitator to use the statements in the third level of the framework to point out apparent gaps in practice or to put existing practice into a different light. Based on this, the decision-makers can decide what steps to take to improve.

While the self-assessment system is useful on its own as an awareness raising tool, it should be understood that it is underpinned by an adaptive strategic management system (see Figure 7) that represents a continuous process (reflected by the main arrows linking phases) but also internal feed-back mechanisms (reflected by the smaller arrows) between components of the system[48].

Figure 7: RBM strategic management system
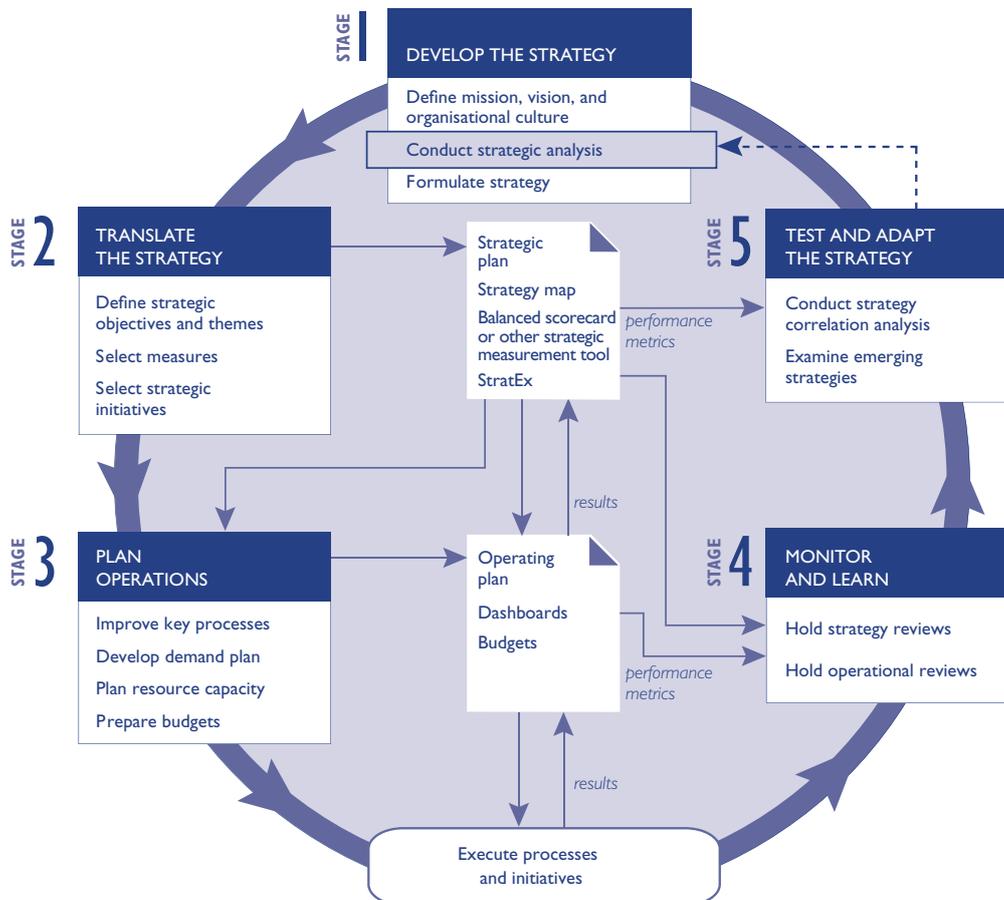
48 This overarching architecture is based on R.S.Kaplan and D.P. Norton, Mastering the management system, 2008, Harvard Business Review. In addition, much information on this kind of system can be found at http://www.coprbm.eu/?q=node/410

6.1.3. DEFINITIONS OF TERMS

The system and framework introduce a variety of new terms. Sometimes this is done because of the various, often inconsistent meanings that are attached to existing terms, sometimes, it is done to emphasis a new concept.

6.1.3.1. PMO

The "Programme Management Organisation" or PMO is the organization that governs the way programme financial means are used to reach objectives as stated in a programming document. In the case of multiple organisations involved in the deployment of a single programme, these can be viewed as parallel units at different levels of a single "corporate" organization. The PM organization thus may cross existing organizational boundaries with the various units distributed in various (parts of) separate organisations.

Sometimes it may make sense to view separate organisations that are responsible for part of a single OP as independent PMOs anyway. This is the case if they do not really have to collaborate to achieve common outcomes e.g. regional sub-programmes can all be part of one OP and relatively independent from the centre. Their focus lies on each achieving their own regional objectives. It is possible that the centre only requires receiving some progress reports on objectives and procedures defined in the common programme document.

The PMO can be composed of intermediate bodies as well as the Managing Authority and other official Structural Funds entities who have a part in governing the use of the programme funds without being themselves implementers of interventions (although it is possible that another part of the same overall legal entity such a PMO is located in, CAN be an implementer of an intervention). A strong PMO ensures that all those involved in governing the programme are clearly focused on the common programme.

An example of a PMO and its components is provided in Figure 8.

Figure 8: the PMO in Lithuania

Ministry of Finance (MA)

Ministry of Employment (IB)   Ministry of education (IB)

Etc…

ESF Agency
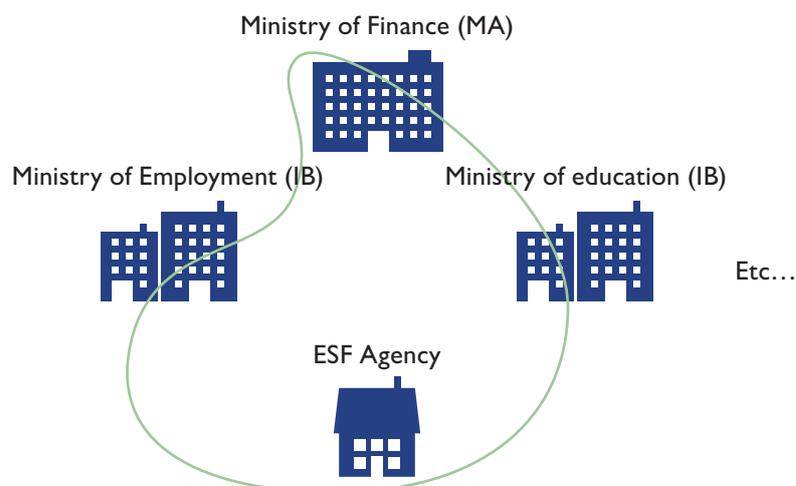
This shows that parts of the Ministries of finance, employment and education etc. as well as an agency are seen to form a PMO together for the single ESF programme in Lithuania.

6.1.3.2. CONSTITUENTS

"Constituents" are central to a PM organization as they are the ultimate beneficiaries of what the PM organization does. They are referred to in various contexts as end-users, target groups, citizens, clients, customers etc. The word "constituent" is used to replace all these terms as "constituent" denotes a person that is entitled to expect something from an organization.

It also denotes however that the organization (in this case the PMO) is entitled to expect something in return from the person.

In democracies, where the term is commonly used, a constituent can approach the elected parliamentarian for help. The parliamentarians expect in return some support at election time. For the programme management organization and the people they are trying to help, the same applies. Key is the reciprocity of the relationship.

6.1.3.3. DELIVERY PARTNERS

The PM organization also recognizes that the needs of constituents cannot be addressed by the PM organization alone. The PM organization uses a large portion of the programme funds at its disposal to stimulate delivery partners – project promotors or "beneficiaries" in EU jargon – by channeling the funding to them to deliver products and services that focus on constituent outcomes. These outcomes should reflect constituent's fundamental needs.
These delivery partners are assumed to NOT be under the control of the PM organization. If that were the case, they would just be part of the PM organisation.

In business, a similar situation exists between consumer goods companies and retail chains that distribute these good to consumers. The consumer good companies need the retail chains or their products will not reach consumers. So consumer companies need to keep retail chains satisfied as well as consumers. PM organisations similarly need delivery partners. A key difference is that PM organisations do not even produce themselves most of the products and services for their constituents ("consumers"). The PM organization only provides the funding so delivery partners produce and deliver to constituents.

The PM organization may work together with other partners that are not "delivery partners". Examples are: knowledge institutes, constituent representative organisations, social partners, etc. that may not receive funding to directly produce products and services that address the needs of constituents, but that may collaborate with the PM organisation in other roles (e.g. idea generation, consultation, etc.).

6.1.4. PREPARATION FOR AN ASSESSMENT (PHASE 0: DEFINING THE PMO)

Before starting a self-assessment exercise or starting to use the management system, it is important to define the PMO.

The best way to do this is to use a process model.

All organisation should understand what constitutes their **primary process**. This is, in traditional production environments, the process that acquires inputs from suppliers and converts these inputs into ouputs for a client. Therefore, it is also referred to as the transformation process. Within this process logistics (incl. processing orders), production, service (after-care) and sales/marketing (acquiring orders) are important sub-processes. However, a Structural Funds PMO is a service provider rather than a production unit. For service providers, the main processes are usually defined as intake, treatment/processing, after-care and sales/marketing.

An important concept in planning is the idea of the **order stream**. Customers – in the PMO case, delivery partners – trigger a chain of service components once they submit a proposal for funding. Typically, the "intake" refers to processing the proposal (registering it, checking it, appraising it, deciding on it, communicating the decision, engaging in appeals etc.). Once approved, the project will be "treated" until it is finished (entailing processing progress reports, payment requests, executing controls, answering questions of delivery partners and supporting them in execution, running appeals procedures etc …). "After-care" then entails typical services that are still provided even if the project is fully closed for the PMO.

This means that marketing (for the PMO relating to researching and conceptualising demand for calls for proposals, e.g. what should be in a call in terms of content and requirements, how should it be communicated, via what channels should it be made accessible – via a national contact point or regional contact points) as well as sales (for the PMO those people who will communicate about the calls and generate demand) are not part of the order stream but are essential to ensure there will be orders.

A further extension, coming from the perspective of value based management, of the idea of a primary process is to classify this primary proces in terms of innovation (define and develop the value), operations (deliver the value, including intake and treatment) and stakeholder management (relate the value, including sales/marketing and after sales).

To be able to run a primary process people and means are necessary. This is where **supporting processes** also come in. These take care of maintaining and permanently improving the primary process. They create the conditions for the primary process to work. Traditionally, these comprise facility management (incl. maintenance of the work environment and materials), ICT management, HR management, communications (incl. knowledge management), financial management, quality (incl. continuous improvement) and compliance management and finally purchasing.

Next to this, the work also needs to be steered. These are the **regulating/controlling** processes. These comprise all activities relating to planning, controlling (if plans are executed), evaluating (what is the problem) and adjusting (what to do about it) of the primary process.

Of course, supporting processes also need to be regulated and regulating processes also need to be supported, but this is not the main focus of the exercise. This idea is rather to focus on the primary process and to try to find out who does what when in this process. Afterward, the questions is who supports and regulates this process.

It is also important to understand that supporting and steering/regulating units can be situated at a corporate centre.

Indeed, some (usually larger) programmes may have adopted a structure where a central department is responsible mainly for "steering/regulating" and support processes but does not itself carry out any of the three sub-processes (innovation, operations, stakeholder management) of the primary process. This means that other units/departments act with considerable autonomy, within the framework of the steering of what is usually referred to as the "corporate centre". The autonomous units are referred to as "business units".

Within each business unit, further subdivisions may exist in terms of operational teams delivering the entire primary process in terms of particular services (e.g. calls for proposal) to particular delivery partners in particular contexts for particular constituents.

Figure 9 shows that there can be many relations among units at different levels of the PMO. For example, in business unit 2, a support team, supporting operational teams in the business unit, may itself be supported by a corporate support team. This can be the case where there is for example only one HR person in a business unit, dealing with business unit specific services and acting as a contact point for a larger, centralized HR department (e.g. dealing with pay-roll).

Figure 9: structure of the PMO
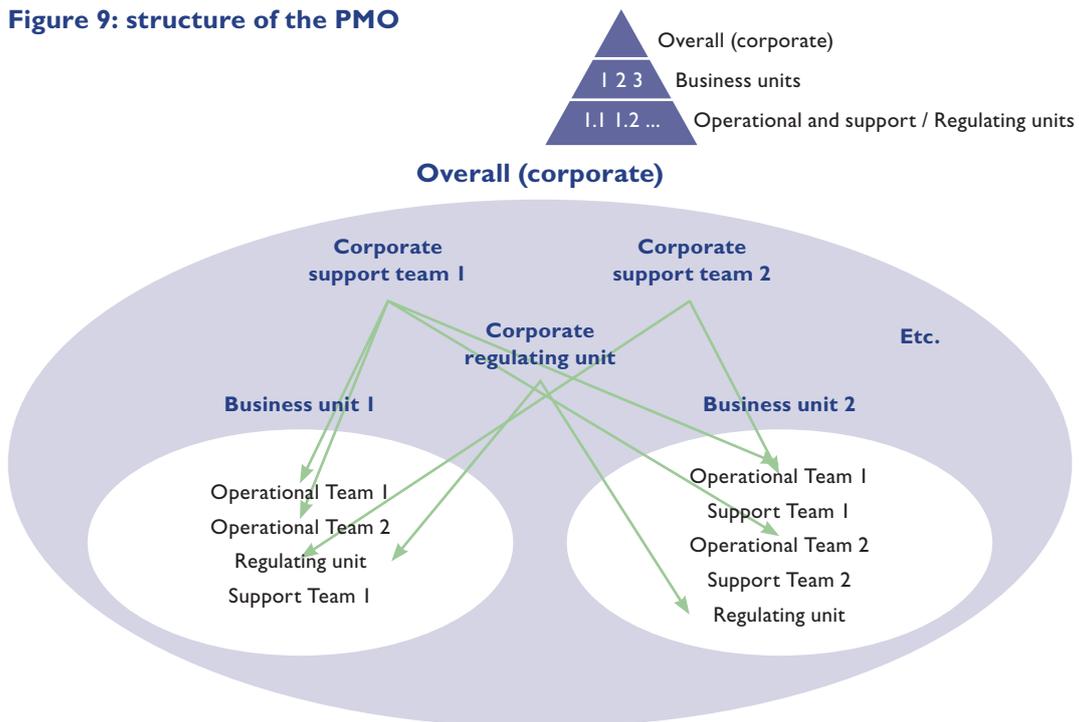
We now turn to the description of core practices – the heart of the COP RBM system.

6.2. Core RBM practices and phases

6.2.1. THE ORIENTATION OF THE PROGRAMME MANAGEMENT ORGANISATION IS DISCUSSED (PHASE 1: DEVELOPING STRATEGY)

6.2.1.1. VISION AND MISSION ARE NOT JUST PAPER BUT PROVIDE A CALL FOR "INTER"ACTION

A. Mission (purpose of the PM organisation: fundamental reason why it does what it does and who it does it for -e.g. delivery partners, key constituents and other key stakeholders) is explicit and expressed in an understandable language.

The mission defines the scope of activity – what the PMO does for whom – of the PMO. This scope does not change often so everything the PMO already does (or wants to continue doing) should fit in it. Therefore it is not an "ambition" (aspiration) although it can be inspiring.

Quality criteria to assess a mission are:
◎ it justifies current activities but provides enough space to adjust products/services without having to change it;
◎ it makes clear in one paragraph to an outsider what the core purpose of the PMO is;
◎ key elements must be easy to recall.

A famous example of a mission is provided by Google:
> *"Organize the world's information and make it universally accessible and useful".*

This is certainly an inspiration but it is not an "aspiration" (vision). It is not a destination that will be reached, triggering the need to set another destination. It is rather the rationale behind everything Google offers as products and services, in the past, now and the future.

I. THE ORIENTATION OF THE PMO IS DISCUSSED

An example for a PMO could read as follows:

"Based on permanent partnership thinking the PMO challenges – with EU and national resources – organisations to initiate actions that sustainably improve the functioning of the labour market. The PMO acquires and shares the knowledge to contribute to solutions for today and tomorrow."

B. Vision (longer term destination of the organization: what overall "success" for the PM organisation will look like in e.g. 3-10 years) is explicitly expressed in a verifiable way (everyone can visualise it and can agree if the destination has been reached or not), stating the difference with the current situation.

The vision for the PMO puts forward an ambition (within the strategic planning time horizon, usually 3-10 years ahead), given the mission (and values) of the PMO. It paints a picture of a destination, answering the question: "where do we want to be as an organisation within x years?" When the ambition is realised, another vision is meant to be put forward. To be truly visionary, the destination should be challenging, this means it should go beyond the current capabilities and view of what is happening outside the PMO.

Quality criteria to assess a vision are:
◎ it should create enthusiasm to get going and build the organisation as the means to create the future;
◎ it is not right or wrong (analytically) as it is not meant to be a prediction of the future but to create the future. Therefore it can be slightly unreasonable, outside of the comfort zone, with perhaps only 50-70% probability of success, denoting a belief that it can be done but only with huge effort and a bit of luck;
◎ it goes beyond daily, operational issues, pointing to the bigger picture for the coming years rather than weeks;
◎ it is clear: no jargon, short phrases, to the point, not wholly but verifiable (it should be clear to everyone that the destination is reached, when they get there);
◎ its timing is clear;
◎ it is not generic (e.g. NOT "we will be a world class organisation");
◎ it is in line / not contradicting with the mission (and values) of the PMO.

A famous example for a vision:

At the beginning of John F. Kennedy's presidency, the people of the United States of America were in crisis. The Soviet Union surprised the world with their technical skills when it rocketed a satellite into Earth orbit and then sent Yuri Gagarin, the first human into space. John F. Kennedy, could feel the discouragement and knew the country needed a bold stroke. In 1961 he proclaimed before Congress: "I believe that this nation should commit itself to achieving the goal, before this decade is out, of landing a man on the moon and returning him safely to Earth." On September 12, 1962, at Rice Stadium in Houston, Texas, John F. Kennedy gave America an historical challenge. He said, "the United States was not built by those who waited and rested and wished to look behind them. This country was conquered by those who moved forward." "… we set sail on this new sea because there is new knowledge to be gained, and new rights to be won, and they must be won and used for the progress of all people. We choose to go to the Moon in this decade and do the other things, not because they are easy, but because they are hard, because that goal will serve to organize and measure the best of our energies and skills, because that challenge is one that we are willing to accept, one we are unwilling to postpone, and one which we intend to win." [49]

An example for a PMO could be:

"By 2017 the PMO will be experienced internally and externally as an exemplary organisation. Our collaborators will devote their enthusiasm and expertise to proactively detect challenges in the labour market and incite organisations to take the initiative and innovate."

49   http://www.nasa.gov/vision/space/features/jfk_speech.html and http://er.jsc.nasa.gov/seh/ricetalk.htm

I. THE ORIENTATION OF THE PMO IS DISCUSSED

To further clarify the vision and illustrate the difference with the current situation, a so-called "extended" vision can be formulated (see Table 7).

Table 7: example of an extended vision statement

What are we like today?	What are we like in 2017?
Partnership thinking is paid lipservice but we are more frequently in opposition with our partners.	Partners recognise each others strengths and try to cover each others weaknesses by interacting and thinking like partners in order to come up with creative solutions for the labour market.
Appraising proposals amounts primarily to tick boxing. The number of boxes to tick has multiplied and this consumes time disproportionately. We try to cover ourselves on paper with all these ticks without really having a guarantee to select good projects that gets real results. Consultants are smart enough to figure out any system and to produce projects that look good on paper.	A project applicant has to be able to relate a project idea to us smoothly – also face-to-face, collectively/individually, depending on the complexity of the idea – that we can then accept or adjust quickly. We are consultants that work for free and that are able to attract the real initiative takers and innovators in the labour market. We do not try to cover ourselves fully when appraising a project. We cover ourselves by stimulating a project after approval to achieve sustainable results by our active (collective or individual) interventions. In this way we engage enthusiastically and immediately in reflection with project promotors to arrive at a project design that has good chances of succeeding. We make clear agreements about how we will follow up a project (e.g. by participating in a steering group or by checking deliverables). We do not wait until a formal interim or final report comes in to check on progress. We continue to engage in enthusiastic reflection with the promotor if, during project execution, changes to the plan are necessary. Problems that are related to poor capacities of the project promotor are also detected in a timely fashion. Again, we work with the promotor to work out actions that address these issues.
Controls on desk and on the spot controls take up too much time as we are not yet fully reaping the benefits of standardised costs, lump sums, etc.	Controls on desk and on the spot are done quickly because we work fully and thoughtfully with standard costs, lump sums and all other options allowed by EC regulations.
Our work with the projects we finance does not bring much knowledge about what is really going on and working.	We exchange the knowledge we gained from our contacts with promotors. We use this knowledge to adjust projects and to feed our partners who serve as active sparring partners when devising new calls for proposals and who serve as multipliers.
Project "managers" in the PMO are mostly administrators of a file where knowledge of our procedure is considered the most important.	We work on the basis of knowledge how to set up and run good projects. We also know how we can gain knowledge, also concerning upcoming challenges, from our projects and how we can enrich this with other sources (training, research, experts, …). We know how we can share this knowledge optimally, internally and externally.
In general, working together across units has to be initiated time and time again from the top down.	Knowledge and competence are brought together internally, to work together in an enjoyable way to allow us to score points in domains where each of us can let their talents and competences flourish and can be recognised as "expert".

C. The senior management of the PM organisation regularly communicate about the mission and vision of the PM organisation to staff in such a way that all staff, regardless of level and function, understand it and see how the PM organisation's strategy aims to achieve this.

Of course, each PMO has to go through a sound process to define its own mission and vision. Simply copying an existing mission and vision will not make these understandable. It is likely that such an approach will breed cynicism.

D. Staff acknowledge that the mission creates a connection between staff and the outside world, by reminding them not only of why they do what they do, but who they are doing it for.

Although the nature of the mission has already been clarified above, this practice emphasises that it is not sufficient to have mission statements. Staff should also find them useful. The primary use is that a mission statement creates a (flexible) boundary concerning the purpose of the organisation. That purpose can never be an internal purpose (e.g. organisations do not exist to run internal processes or to keep their staff happy) but has to be oriented externally (towards partners, constituents, policy-makers).

I. THE ORIENTATION OF THE PMO IS DISCUSSED

E. Staff acknowledge that the vision stimulates staff to think about new and better ways to execute its mission and is therefore a call for action. At the same time, it is recognised that a mission and vision for an entire organisations cannot be more than a starting point for reflection and interaction (what does it mean for an individual's work). Mission and vision are not used as instruments to settle discussions.

This is a very important warning as chapter 4.3 has abundantly cautioned against the eradication of diversity in an organisation, in the face of complexity and of accountability in terms of resilience, robustness and adaptiveness. Regrettably, mission and vision can be actively used to drive out critical voices. However, the idea is rather that mission and vision are the object of what Chris Mowles during the COP RBM conference in Maastricht referred to as "a community of inquirers". This refers to a process where practitioners start from their own day-to-day experience of trying to do the work, within the framework of a mission and a vision, but where the aim is to make subjective experience more objective through reflection and discussion with the manager and others. In doing so the practitioner and manager could open themselves up to different ways of working and perhaps move themselves on from stuck and less productive ways of working with peers. This entails that **what the mission and the vision "mean" at a practical level is constantly being (re)invented**.

6.2.1.2. THE DESIRED ORGANIZATIONAL CULTURE IS COMPARED TO THE ACTUAL CULTURE TO IDENTITY RELEVANT LEVERS OF CULTURE CHANGE

A. An analysis of the gap between the actual culture and the desired culture is made.

Typically, values are said to represent guiding principles that regulate the behaviour of an organisation, inside and towards the outside of an organization, e.g. a PMO. They imply a right AND duty to hold each other answerable to respecting them. They define the HOW (the PMO works), next to the WHY (the PMO does it) of the mission and the WHERE TO/WHAT of the vision.

Characteristics of values are:
◎ they are deemed so important (intrinsic value) that they are used as a reference point when considering which external stakeholder the PMO wants to work;
◎ they are explicitly recognised via the human resources system (in rewarding, recruiting ...) and in daily decision-making;
◎ they are felt to be authentic which means they are currently held or used to be held strongly. They should not reflect an aspiration as this belongs more in the vision e.g. if the PMO never valued responsiveness to external stakeholders and is not good at it, it should not make it into a value as this will breed cynicism;
◎ the set of values must be coherent (no conflicting values);
◎ the values must apply to the entire PMO. More specific principles can still be defined later department by department.

An example of one of the values promulgated by McKinsey (a consulting company) towards their staff is:
"This is not a firm of leaders AND followers; it is a firm of leaders who want the freedom to do what they think is right."

For a PMO, an example of a value could be:
"customer focus: PMO staff have an open and caring attitude, towards project promotors as well as other stakeholders. The promotor can easily get in touch and communicate smoothly with staff. The relation with stakeholders is based on mutual respect and appreciation. Agreements and promises are kept. All interests are taken into account. All of these aspects lead to a relationship of trust."

I. THE ORIENTATION OF THE PMO IS DISCUSSED

However, this typical approach does not offer a solution when the existing values are not well-aligned with what is needed for the PMO to be successful. Then espousing a new set of values in statements will indeed create cynicism as stated earlier. In addition, organizational culture cannot easily be subsumed in value statements.

The research of Geert Hofstede (see http://geert-hofstede.com/the-hofstede-centre.html) has shown that cultural differences between nations are particularly found at the deepest level, the level of values. In comparison, cultural differences among organisations are principally identified at the level of practices. Practices are more tangible than values.

Organisational Culture is defined by Hofstede as "the collective programming of the mind that distinguishes the members of one organisation from others."

The Organisational Cultural model, further developed by Bob Waisfisz in collaboration with Geert Hofstede, consists of six autonomous dimensions (variables) and two semi-autonomous dimensions.

Based on a series of questionnaires with staff and managers, the position of an organization on each of these six dimensions can be discerned. Above, the area in orange/red indicates that the organization is dysfunctional.

There are also questions relating to leadership acceptance and to identification with the organization. These provide insights but they are not, like the other six, autonomous (which means self-standing concepts without overlap with other concepts). To understand the model better, an online tool is available at http://geert-hofstede.com/culture-and-strategy.html.

At the same time, the leadership of an organization has to define where they would like to see the organisation's position. This is, at this stage, done in light of the mission and vision of the organization. It can also be revisited in light of a fully elaborated strategy.
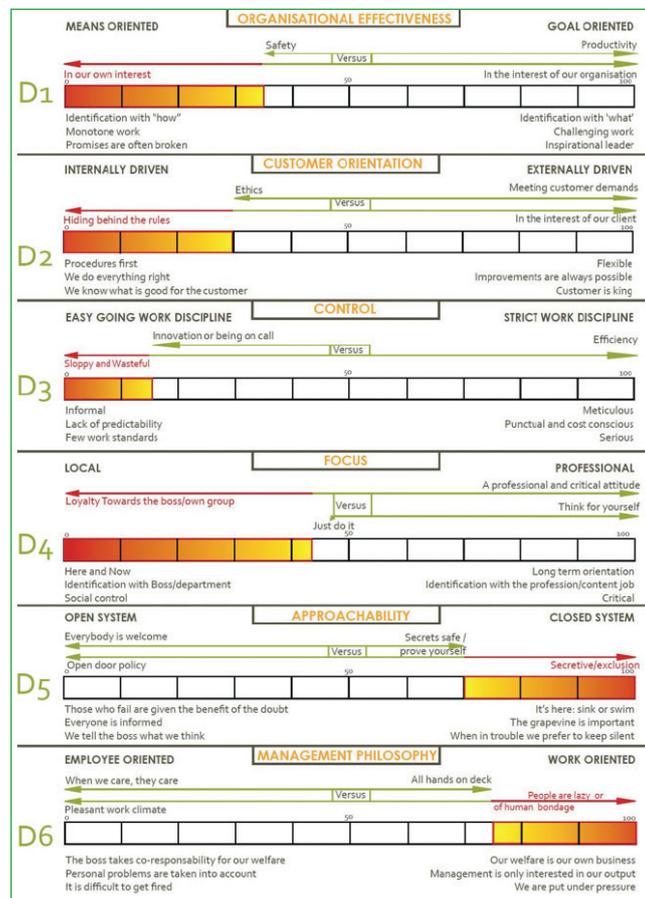
It may well be that different units within the organization exhibit and require different cultures and the questionnaires are built and distributed in such a way that this can be revealed and discussed.

B. Levers of culture change are identified and acted on.

Once the gap analysis has been done, levers of change can be identified and acted on. Symbols, behaviours, attitudes, rituals and beliefs can be acted on via the building of capabilities, strategies, rewards and sanctions and structures and systems.

I. THE ORIENTATION OF THE PMO IS DISCUSSED

6.2.1.3. MANAGEMENT GIVES DUE ATTENTION TO MISSION

A. Mission, is in a form that facilitates communication (e.g. a flyer, on the back of business cards, etc..) to staff and other stakeholders.

This shows that management is serious about keeping the mission under the attention of staff.

B. The vision of the PM organisation is regularly debated by senior management by asking questions such as: is the PM organisation still on track to achieving it? Have changes in the external environment of the PM organisation made the vision inappropriate? How are lower levels interpreting the vision? Is it helpful or do staff feel it is impeding them in their efforts to do the right things?

This is consistent with the idea of a community of inquirers as discussed above, as is the next point regarding mission.

C. The mission of the PM organisation remains relatively stable and its significance is continuously reinforced by senior management e.g. by actively engaging staff members who are reflecting on the mission of the organization and who are trying to figure out how to put it into practice in a meaningful way. Management is open about the fact that they also have to figure out what the mission means to them in practice and how they think they have made use of it.

As mission is meant to inspire rather than aspire, it also functions more as an anchor, to maintain some stability across the organisation, as opposed to driving change forward (as the vision does). Nevertheless, as a mission is defined at the level of an organisation as a whole, it is abstract and it is, just as for vision, necessary to interact about what they (could) mean in practice. **Management is crucial in not silencing these kinds of discussions but rather creating the necessary openness for them.**

6.2.1.4. OVERVIEW OF THE PROCESS: PHASE I – DEVELOPING STRATEGY: MISSION, VISION AND ORGANISATIONAL CULTURE

As was already alluded to above, a sound process is necessary for the core practice of "The orientation of the programme management organisation is discussed" to be a reality.

Figure 7 shows that the formulation of vision, mission and desired organisational culture precedes strategic analysis. This is in line with the earlier statement about vision not being right or wrong (analytically) as it is not meant to be a prediction of the future but to create the future. It is also in line with the idea that mission is to be "discovered" in daily reality of the organisation.

There are however also sources that do not adhere to this point of view and that state that vision should be based on strategic analysis or risk to be detached from reality. However, this creates the problem that strategic analysis is not informed by a destination. This makes it difficult to determine what trends in the external environment are relevant and what strength and weaknesses exist (e.g. what is a strength for one particular destination, may be a weakness or irrelevant for another; the same applies to threats and opportunities derived from external trends).

Therefore, the COP RBM approach chooses to start from mission and vision when developing strategy, but, regarding vision and organisational culture, will take an iterative approach where the vision and culture are a starting a starting point but may also be adjusted during the strategic analysis.

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I. THE ORIENTATION OF THE PMO IS DISCUSSED

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As **mission** as to be discovered in daily practice, an obvious way forward is to adopt a highly participative approach. Interactive workshops can be run with representatives of all parts of the PMO, as can more individual interviews (e.g. with management). It should be ensured that the findings from these workshops and interviews are shared and discussed with the broader population of the organisation.

A key questions to ask relating to the mission is: why do we really do what we do (mission)?

Key pitfalls to be aware of and avoid when defining mission are:

○ trying to nail down exactly what the mission means at an operational level. Mission is by definition abstract. It is useful to provide some examples of what it can mean in daily reality, but in essence mission is there to provide a focal point around which discussion can take place about what to do in practice when there are doubts how to proceed;

○ trying to achieve total consensus about mission. It is wise at some point to agree to disagree, as it is crucial for any organisation to maintain adequate levels of diversity. This should be communicated at the start of the process to manage expectations;

○ listing all products/services and/or existing processes in the mission statement. A mission statement is meant to be a unifying statement at the level of the entire PMO. The key question is what the deeper purpose is behind the set of processes and services/products they deliver. It is helpful to keep asking "'why" until the fundamental purpose is hit.

Once mission is clear, **the vision** can be tackled. Mission has to be clear as the vision is grounded in it. Key questions to ask can be: "If, in x years' time a journalist, who had heard about an amazing transformation at the PMO, would ask for a quote that describes this change, what would he hear?" Or "Imagine you receive Aladin's magical lamp. What would you wish the PMO would be like in x years' time?"

The nature of these questions is clearly a creative one. It is about dreams, not analysis. These dreams can be wild and unrealistic. At this stage, this does not matter. What matters is to find a vision of the future that would enthuse staff into action and create uneasiness with the status quo. This exercise is much more difficult than defining mission where at least what is already there, provides a foundation for discussion. In visioning, the reflection moves towards what should be there. As vision is neither right nor wrong, but simply a choice, it may be useful that top management puts forward how it sees the future and that this triggers a discussion with staff at all levels. Top management may, or may not, want to rethink the vision based on those interactions.

Some key pitfall for the visioning process are:

○ confusing mission with vision. Often, the vision is nothing different than the mission with the word "do it better" added to them. Inspiring and aspiring become confused. Whereas mission and values provide some (flexible) boundaries, vision transcends this and paints a picture of the future. This does not have to be a comprehensive picture but can focus on certain aspects;

○ again, seeking complete consensus. The drive for consensus seems to partly come from overestimating the importance of settling the vision for the organisation. It is, unlike the mission, prone to change, depending on what happens in the environment. It will also have to be interpreted in daily work life anyway, as it is meant to trigger discussions about the work, not to settle them. On the other hand, the drive comes from the idea that there is a "correct" vision to be defined. As we discussed earlier, vision as a form of dreaming cannot be right or wrong;

I. THE ORIENTATION OF THE PMO IS DISCUSSED

- having a vision just to have one. If top management is not enthused by the vision, it is highly unlikely that anyone else will be or remain to be;

- confusing the vision of the PMO with the vision of government for the country or region the PMO is serving. The PMO of course should contribute to the national/regional vision (this will become clearer in the next chapter) but it should do this by being clear about its mission and what change is required for the PMO (vision) to maximize its contribution. In the end, the key question is: what is necessary for the PMO to be able to retain its mandate? If ambition is too low or perceived to be irrelevant to those who decide on its mandate (in principle government and the EC), it is at risk of being attacked.

In the mean time, organisational culture can be analysed and, in the light of the mission and vision, the ideal culture can be defined and levers of culture change can be identified.

Once mission, vision and organisational culture have been discussed, the next step is to conduct strategic analysis which is discussed in the next chapter.

THE RESULTS BASED MANAGEMENT 'PLUS' SYSTEM AND SELF-ASSESSMENT FRAMEWORK

6.2.2. STRATEGY IS REFLECTED IN A STRATEGIC RESULTS FRAMEWORK (PHASE 1:DEVELOPING STRATEGY + PHASE 2: TRANSLATING STRATEGY)

6.2.2.1. THE VISION AND MISSION ARE LINKED TO OVERARCHING POLICY OBJECTIVES THAT ARE PUT FORWARD AS KEY OUTCOMES

A. The PM organization is aware of the need to link its vision to the achievement of ultimate policy objectives by asking: if the PM organization wants to realize its vision and mission, what ultimate policy expectations of those legitimising stakeholders (e.g. ministers, the EC, etc.) that decide the fate of the organization (whether it retains a mandate and funding to execute its mission) does it need to address in its strategy?

This practice refers to a key distinction with frameworks such as the UNDG one discussed in chapter 5.3. The UNDG framework takes as its starting point the vision of government as a whole for the country or region of relevance. In the previous chapter, **it was made clear that the vision of the PMO is not identical to this country or regional vision but relates to a vision of change for the PMO as an organization**.

However, the PMO is clearly not context free. It should make the effort to elaborate how its vision for organisational change is relevant to the country or regional vision. Otherwise, it risks having its mandate revoked.

The national and regional vision may, for example, pinpoint exact priorities for government action such as reducing unemployment in specific groups. The example of a vision provided in the previous chapter was: *"By 2017 the PMO will be experienced internally and externally as an exemplary organisation. Our collaborators will devote their enthusiasm and expertise to proactively detect challenges in the labour market and incite organisations to take the initiative and innovate."* This vision does not have to copy the national or regional priorities but it has to be clear that the envisioned change will contribute to these priorities. For example, being better at detecting challenges and promoting innovative action is one way to address the government's priorities.

The example of a vision provided here does not pinpoint any specific challenges in the labour market. However, if the reflection in terms of vision had been that it is crucial for the PMO to improve on a few critical issues or focus on specific groups of constituents in the labour market (if the PMO is to retain its mandate) then this can also be included in the PMO vision. For example, among many government priorities for action, may be to tackle poverty. This may be a new challenge and a PMO visioning exercise may lead to a statement such as "The PMO will, by 20XX, be acknowledged by government and relevant interest groups as having made real progress in terms of pushing back the negative trends regarding poverty in inner cities."

This does not imply that the PMO will not act to tackle many other issues for many other groups. As was made clear in the previous chapter, a PMO vision does not have to be comprehensive. Mission takes care of that. Rather, it is to **focus on what key challenges to tackle and show results for if the PMO wants to retain its mandate**.

B. Those ultimate policy expectations are reformulated in a programme document as positive outcome statements that relate to constituents of the programme (e.g. a programme outcome is NOT "a reduction of the unemployment rate" as this relates to the entire population of a country or region; an ultimate programme outcome related to this ultimate policy objective could be "unemployed involved in programme actions get a job"). The PM organization also does not confuse true ultimate policy outcomes from legitimising stakeholders (what objectives the PM organisation ultimately will have to contribute to in the eyes of legitimising stakeholders) with internal process objectives ("how" it does its business e.g. how fast it processes files) even though policy-makers may want to enforce some of these process objectives.

2. STRATEGY IS REFLECTED IN A STRATEGIC RESULTS FRAMEWORK

This statement therefore refers to two practices.

Practice 1:

This refers to the first step to take when formulating objectives that will be part of the official Programming Document, to be negotiated with the European Commission. Typically, government objectives are specified at a national or regional scale e.g. unemployment rates (which represent a % of a population) or average income levels (which are an average of a total population). While it is key for a programme to have a link towards these objectives, it should not simply copy them. This would lead to the illusion that a programme is capable of e.g. reducing the unemployment rate of the country or raising its average income level. In many cases, the size of these programmes is not enough for change to become visible in statistics at a national or even regional level. These kinds of national/regional objectives are also known as "context" objectives.

However, a programme can be capable of putting those constituents that are involved in its funded actions into a job – a programme objective. This can in principle contribute to reducing unemployment (its context objective). Therefore, the **reformulation of high level policy objectives into programme level objectives** should ideally be done in this way before they are introduced into an official programme document. This is in line with the demands of the Structural Funds regulations.

The Structural Funds regulations also specify what kinds of analysis have to be performed to justify these outcomes. As quoted in chapter 3.4, this concerns making use of:
◎ the National Reform Programme, assessing where appropriate the regional state of play with respect to national targets;
◎ applicable Council recommendations and the broad guidelines of the economic policies of the Member States, assessing where appropriate their relevance at regional level,
◎ relevant national and regional analysis and strategies identifying challenges and development needs.

Especially the latter point can be greatly supported by conducting a regional/national SWOT analysis. How to do this will be explained in chapter 6.2.2.7.

Practice 2:

The statement refers to a second practice as well: **to avoid confusing legitimate "policy objectives" that relate to society (e.g. unemployment) with process objectives that relate to the internal processes of the PMO**. An example can be: "speed of processing payment requests". Although government may want to have a good discussion about this with the PMO, it should not be mistaken as a high-level policy objective.

> C. In addition, those policy outcomes and constituent outcomes that are critical to realise the PMO vision are highlighted to be part of the PMO strategy.

This relates to the PMO strategy rather than the programming document (as in the previous practice).

The vision that was put forward by the PMO in the previous phase usually does not relate to all of the policy and constituent outcomes that will be part of the official programming document. Only those outcomes deemed absolutely crucial to achieve the vision should be highlighted at this point. If the vision does not specifically highlight any of these outcomes, then all of them should in principle be regarded as crucial. However, if everything is crucial, then nothing is crucial. A reflection should then be held what expectations legitimizing authorities and constituents could hold in relation to the programme (and the delivery partners that are key in deploying it) that are linked to the vision.

As a vision is about change and not about business as usual for the PMO, these outcome expectations should reflect new challenges for the PMO.

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2. STRATEGY IS REFLECTED IN A STRATEGIC RESULTS FRAMEWORK

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At this point, it can be very useful to conduct a SWOT analysis at the level of the PMO. A view of the strengths and weaknesses of the PMO (e.g. good representation of disadvantaged groups such as Roma inside the PMO is a strength), relative to achieving its vision, as well as the external trends (coming from outside stakeholders and events e.g. increasing discrimination of Roma) that may have a positive or negative impact on its vision, can help define strategic priorities for the PMO (e.g. improve the employment perspectives of Roma). It should be very clear that the PMO level SWOT is not the same as a SWOT carried out to define objectives for the programme. This will be further explained in chapter 6.2.2.7.

If no specific outcome from the programming document is deemed particularly critical for the vision, perhaps a more general outcome such as "constituents feel optimally involved in projects" should receive attention. It should be remembered that is not the intention (although this is not excluded) to include this into the official programme documents but rather to incorporate it into the management system for the PMO.

In this sense, not only expectations from constituents and legtimising authorities towards the programme (incl. its delivery partners) can be included, but also expectations from the PMO to-wards constituents and legitimising authorities. For example, an expectation by the PMO towards constituents can be that constituents are vocal e.g. in the media, about the value of the services they received due to Structural Funds.

6.2.2.2. THE ADDED VALUE THE PM ORGANISATION AIMS TO DELIVER IS CLEAR

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A. The PM organization understands that it will need to influence delivery partners to achieve constituent outcomes. The PM organisation makes a clear choice as to how it wants to work with delivery and other external partners to realise these constituent outcomes. There are three major possible orientations. Either the PM organisation is an <u>enhancer</u> that supports in a highly efficient way delivery partners to produce (a higher volume) of already existing products/services to satisfy existing constituent needs. This support is being continuously enhanced; or it is an <u>innovator</u> that supports delivery and other partners to continuously (re)develop new products and services for new constituent needs and deploy them until they become stable and mainstream; or it is a <u>solutions manager</u> where the focus is NOT on specific products and services but on developing detailed knowledge concerning specific challenges (a limited number of) delivery partners (the customers) are facing regarding their constituents and wor-king closely with them to solve these challenges. This entails supporting, through a portfolio of tailor-made actions, collaboration with other actors to integrate and customise a whole battery of products/services even crossing traditional policy domains (e.g. education, welfare, employment, economy, ...) to better suit the needs of the constituents. The PM organisation chooses to put a main focus on one of these orientations because it understands that this will attract different types of delivery partners and that it will then work differently with them (e.g. through different types of planning, communication, appraisal, monitoring, evaluation, control processes etc.) as well as with other external stakeholders/partners (e.g. knowledge institutes, constituent representatives etc.). The PM organization understands that it will be hard to excel if it engages in all orientations at the same time. If it does want to pursue these different orientations, then they are put into separate business units.

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A key point to understand is that **this practice is again not relating to drawing up formal programming documents that will be negotiated with the EC** (apart possibly in the sec-tion about the functioning of the technical assistance). Rather, this practice concerns how technical assistance will be used as leverage to lift the main funding of the programme higher. The Structural Funds regulations do not require this practice to be carried out as part of programme formulation. Nevertheless, it is absolutely crucial if the PMO wants to manage for results. Therefore, the three orientations will be elaborated in considerable detail in separate "fiches". These fiches are meant

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to stimulate thinking about the three orientations and what a PMO could work on to pursue them. They are not meant to provide a blue-print or must-do-one-size-fits-all checklist.

Each fiche introduces the particular orientation, provides a credo and details of the operating model in terms of key processes (stakeholder management, innovation, operations) as well as enablers such as structure, culture, people and systems. Finally, each fiche also discusses which elements of the Structural Funds regulations facilitate the orientation.

Box 11: Information fiche: "Innovator"

An innovator supports delivery (those actors that receive financing from the PMO to deliver products and services e.g. training, coaching, integrated pathways etc.) and other partners and stakeholders to continuously (re)develop new products and services for new constituent needs and deploy them until they become stable and mainstream.

These new products and services have intrinsic superiority over existing product/services, excelling in dimensions that end users care deeply about. The MA/IB innovator (possibly via a separate entity) takes charge of the innovation portfolio as well as management of service/product development. It does not have a hands-off approach to financing innovation but is actively keeping the innovation process on track. **The key idea is to finance an innovation process that leads to developed and tested products/services to be replicated at a larger scale.**

1. Credo of the innovator: "push the boundaries"

2. Operating model:

O **Innovation process:** the PMO is charged with ensuring that an innovation process will run smoothly taking into account the following guidelines:
  ◎ the process needs to allow all people involved in innovation (innovation partners incl. future delivery partners) to flex muscles and minds without disruption yet also keep people on track by organising the work in a series of well-paced challenges, each with a clearly defined outcome and deadline as intermediate milestones and the chance to celebrate a victory to generate the excitement on which talented people thrive;
  ◎ The process stresses procedure where it pays off the biggest as it:
    • uses a stage-gate process (where gradually more resources are committed to an innovation as it progresses from an idea to a concept to development and testing – see below for a more detailed description) to avoid discovering too late that an idea cannot be implemented or that end-users do not want it;
    • ensures that the root causes of poor results of an innovation throughout the process are understood and dealt with: map processes backwards to learn what created the poor results;
    • avoids slow serial systems but ensures that innovation work is cross-functional, cutting the development cycle in half, instead of basic research to design to marketing to implementation it has a development team where in each phase, from beginning to end, there are researchers, designers, "marketeers" and implementers involved, avoiding problems that would otherwise be noticed too far downstream and that would require to send the innovation back upstream;
    • makes it possible for an innovation to be sent back upstream if deemed useful (recognising the non-linear nature of innovation processes);
  ◎ the process ensures that the bases for innovation (dimensions that end-users care for) are constantly reviewed and that development times are continuously reduced;

2. STRATEGY IS REFLECTED IN A STRATEGIC RESULTS FRAMEWORK

◎ product/service integrity is crucial for credibility when launching an innovation and therefore needs to be stressed by the process:
  • internal integrity refers to consistency between function and structure of product/service (e.g. service elements work well together);
  • external integrity refers to how well a service/product's function/ structure/ semantics fit with the end-users;
◎ it should be clear that each developed product/service has a life cycle: what was once new and unique should become established/mainstream at some time. This entails:
  • support for the development of product/service extensions / upgrades to address the somewhat varied needs of untapped end-users, embedding real add-on value for them;
  • retiring funding for products/services before questions arise to what extent the PMO is still playing its role of incubator rather than keeping delivery partners in mainstream business: this requires balancing the defense of investing in already up and running products/platforms versus introducing new ones (incl. doing more fundamental research that has no clear pay-off yet);

O **Operations management:** the PMO should:
◎ accommodate continuous introduction of new products/services which means facilitating rapid mainstreaming (requiring excellent links with mainstream funders) or keeping the innovation alive with funding while working on mainstreaming so that innovative developments do not starve after a successful birth;
◎ be flexible to allow minor changes based on user feed-back and allow delivery partners to engage in inline experimentation to optimise product/service once product/service features are stable;

O **Stakeholder management:** the PMO should:
◎ facilitate identification of leading (end-)users (or representatives for end-users if end-users are not able to participate directly e.g. through networks and ensure learning is derived from them and disseminated (anticipating needs in terms of features, functionality);
◎ take steps to ensure innovations do not arrive too early e.g. (end-)users as well as decision-makers about funding and other key people should be involved throughout the track and appropriate communication channels should be set up to keep them informed;

O **Systems deployed by the PMO:**
◎ are oriented towards decisive risk taking with appropriate risk management infrastructure and systems that support rather than impair speed:
  • aim for handful of well-placed bets, hoping to get one big hit (an innovation the use of which becomes widespread, that compensates for the others;
  • focus resources on opportunities with biggest potential;
  • progressively squeeze as much uncertainty out of projects as possible as they move through the process;
◎ reward innovation capacity (e.g. by taking track record into account when approving new funding for new innovations);
◎ promote entrepreneurial atmosphere by inciting rivalry between competing innovations;
◎ promote technologies enabling (person to person) communication and cooperation as well as knowledge management that facilitates reusing what has been learned elsewhere;

O **Organisational structure:**
◎ the following roles are identified in the innovation process[50]:
  • <u>activators</u>: initiate process (put forward a need, a trigger). The activators tend to be policy-makers in collaboration with PMO staff;

50 Winning at innovation, Fernando Trías de Bes and Philip Kotler, 2011

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- • <u>browsers</u>: search for info, throughout the process. These browsers can be located within the PMO, but predominantly will belong to innovation delivery partners;
- • <u>creators</u>: produce ideas (new concepts, possibilities, solutions) at any point of the process. They are located mainly at the level of the innovation delivery partners;
- • <u>developers</u>: turn ideas and concepts into products/services and are again located mainly at the level of innovation delivery partners;
- • <u>executors</u>: bring innovation to the market. This is partly the role of the innovation delivery partners but also is a role for the PMO;
- • <u>facilitators</u>: approve (progressive) funding / unblock process if necessary. This is a role for the PMO, together with those who are providing the funding for the innovation;

◎ an innovator PMO does not have a traditional product/service/market structure but organises itself in an ad hoc, organic, cellular, fluid way by redeploying human resources to execute the roles of browser and facilitator, triggered by an activator, towards the most promising innovations contained in three kinds of portfolios:
- • inspiration portfolio: contains ideas/concepts from creators;
- • incubation portfolio: contains pilot actions to assess full potential of selected ideas/concepts, being conducted by developers;
- • operations portfolio: contains developed actions, being run by executors, that continue to receive funding until fully mainstreamed;

◎ those people who are good at (or have an interest in) managing inspiration may not be the same as those who are good at managing incubation or operations and hence may better be kept apart;

O **Culture of the PMO and the innovation delivery partners should be:**
◎ visionary: dreaming of improbable achievement, thriving on serious challenges, being future driven;
◎ with a distaste for bureaucracy and thirst for problem solving:
- • attack, go for it, win: better to make wrong decision and correct it, than to make no decisions at all;
- • not aimless experimentation and day-dreaming but working backwards from a clear goal (e.g. a one page target description) to figure out steps of what is needed;

◎ giving employees what they want:
- • whatever it takes (espresso bars, fitness gyms, tech toys …) to keep them;
- • also some extra time to explore anything they want;

O **People in the PMO as well as within the innovation delivery partners are highly competent (deep expertise), naturally curious and energised to tackle huge challenges:**

◎ ideally they display a combination of humility and creativity (out of the box mindset) to:
- • find/bring in ideas and to listen to and consider them with open-mindedness, no matter how unconventional or no matter if they originated outside of the usual environments (avoiding "not invented here syndrome", going for "open innovation");
- • act on these ideas with speed;
- • be open to criticism;

◎ as versatility is also required they need the ability to work with people from other disciplines, backgrounds, functions from anywhere so they can:
- • move easily from one innovation to another;
- • solve problems for which there are no manuals with standard solutions.

3. Facilitating delivery mechanisms in the SF regulations

As such, the regulations are not set up to facilitate innovators. It is more a question of matching the possibilities as defined by the regulation with the logic of an innovator.

The logic of an innovation process is described below in a typical innovation stage/gate process[51].

Discovery Stage		Scoping		Build Business Case		Development		Testing and Validation		Launch		Mainstream

| | GATE 1 | STAGE 1 | GATE 2 | STAGE 2 | GATE 3 | STAGE 3 | GATE 4 | STAGE 4 | GATES | STAGE 5 | | STAGE 6 |

| | Idea Screen | | Second Screen | | Go to Development | | Go to Testing | | Go to Launch | | Post Launch Review | |

| 0. Ideation | | 1. Initial concepts to (end)users, policy-makers | | 2. Full concepts to users | | 3. Develop components, getting feed-back, Full prototype presented for feed-back | | 4. Field test | | 5. Scale up | | 6. Mainstream policy: Maintain and enhance |

Stages are cross-functional (there is no separate research and development stage as all of those concerned with launching the new product/service will be involved in the project team from the first stage) and each functional activity is to be undertaken in parallel to decrease time to launch. To manage risk, the parallel activities in a certain stage must be designed to gather vital information – technical, user, financial, operations – in order to drive down the risks. Each stage costs more than the preceding one, resulting in incremental commitments. As uncertainties decrease, expenditures are allowed to rise and hence risk is managed.

For less risky ideas, there are also fast track processes that combine several stages before a gate (e.g. moderate risk would be when it concerns substantial modifications, improvements, extensions of already existing products/services where stages 1 and 2 as well as 3 and 4 would be joined up; low risk would be for minor changes where stages 1 and 2 as well as 3, 4, and 5 would be merged).

The structure of each stage is similar:

STAGES

O **activities:** the work the project leader and the team must undertake based upon their project plan;
O **integrated analysis:** the project leader and team's integrated analysis of the results of all of the activities, derived through cross-functional interaction;
O **deliverables:** the presentation of the results of the integrated analysis, which must be completed by the team for submission to the gate.

Gates serve as a Go/Kill and prioritization decision point. Gates are where mediocre projects are culled out and resources are allocated to the best projects only. Gates deal with several quality issues: quality of execution, relevance (innovative potential) and feasibility (how difficult will it be) and the quality of the action plan.

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51   See http://www.coprbm.eu/?q=node/581

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The structure of each gate is similar:

GATES

deliverables **+** criteria **=** outputs

- O **deliverables:** inputs into the gate review - what the project leader and team deliver to the gate meeting. These are defined in advance and are the results of actions from the preceding stage. A standard menu of deliverables is specified for each gate;
- O **criteria:** what the project is judged against in order to make the go/kill and prioritization decisions. These criteria are usually organized into a scorecard and include, depending on the particular gate, both financial (e.g. cost estimates) and qualitative criteria;
- O **outputs:** results of the gate review. Gates must have clearly articulated outputs including: a decision (go/kill/hold/recycle) and a path forward (approved project plan, date and deliverables for the next gate agreed upon).

A special stage in the system is the "discovery stage". In most innovation models, no gate precedes this stage. In keeping with the principle of open innovation, it is important to tap into networks of social innovators, (end)users and other knowledgeable parties to foster the development and detection of ideas. The innovator PMO can set up and fund several networks in areas where innovation is desired in order to facilitate this process. The primary task of such networks is to bring ideas to the first gate. But they will also be helpful throughout the development of selected ideas as presented in the figure below.

However, the PMO could also directly fund a discovery stage as a "project" or project phase. In this case, this stage IS of course preceded also by a gate where a proposal has to be submitted. However, this proposal cannot yet contain any "concepts" as these yet have to be found via the discovery stage and via ideation. Hence, proposals and their appraisal would focus more on experience with innovation and with the proposed approach to discovery.

Gate 2	**Stage 2** Build Business Case	Gate 3	**Stage 3: Development**	Gate 4	**Stage 4** Testing & Validation
	Full Prop Concept Test		Rapid-Proto & Test / Ist-Proto & Test / Next Proto & Test		Field Trial, Beta Test

Service provider and / or constituent representation
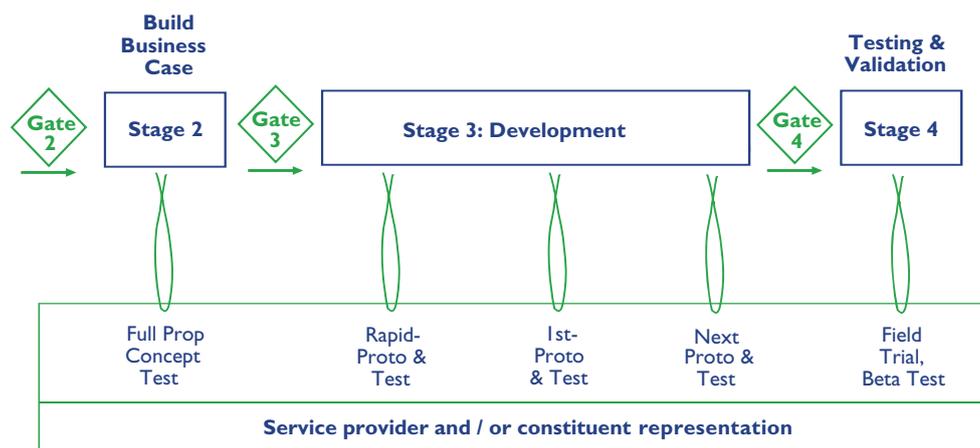
Knowledgeable parties may and actually must come from far beyond the traditional boundaries of the area you are trying to innovative in. The shift of perspective that they can bring can make the difference between incremental improvement and radical innovation.

2. STRATEGY IS REFLECTED IN A STRATEGIC RESULTS FRAMEWORK

Stage 1 should deliver an initial concept. A concept[52] is different from an idea. A concept follows, contrary to an idea, a format such as:

1. a name that makes clear what service will be delivered to whom in what context;
2. the need that will be addressed for the targeted constituents, their internal motivation to use the innovation, what will convince them. Here it is important to support the existence of this need throughout the innovation track (with qualitative rather than quantitative research);
3. the core benefit: how the need will be addressed by the innovation (this may involve at some stage the development of a full theory of change – see chapter 6.2.3.4 a);
4. trends within which the concept is situated;
5. images that embody the concept and contrasting images that do not;
6. alternative already existing solutions with which the new idea will have to compete. This is important for developers who will have to determine where/how the innovation is to be embedded;
7. verifiable, objective elements that can convince the targeted constituents that the benefit can be realised (e.g. because they can try the service out OR because third parties will provide a form of accreditation).

At stage 1, a focus can be on elements one to four, as derived from secondary (existing sources e.g. literature and internet) data analysis.

Stage 2 could involve developing a theory of change for the idea, supported by both primary and secondary research. Stage 3 involves prototype testing while in stage 4 a fully developed initiative would be set up and field tested. Stage 5 entails that the developed and tested innovation is also put in place and operated successfully at a larger scale in various contexts for a limited time and then assessed again. If the PMO is not able to ensure that policy-makers/ users divert mainstream financial means and resources towards offering these new services and products as mainstream, then the PMO can continue to sustain the innovation until mainstreaming is achieved (stage 6 which is not part anymore of the innovation track but the end results of it) or hope for achieving it must be definitely abandoned.

It is crucial to understand that in any given stage, the different roles described earlier (activator, browser, creator, developer, executor, facilitator) have to be taken up and interact.

The PMO needs to know which roles it intends to play itself and which ones it expects from others. As a funder, the facilitator role is clearly to be taken up by the PMO although there may be others that also play this part (e.g. other public and private funders).

The role of activator is also a role that is cut out for the PMO as it kicks-off the innovation process by defining the innovation framework[53]. This entails being clear about:

O **scope:** starting from policy priorities the activation process bringing policy-makers, service providers, constituent representatives, knowledge institutions and other relevant stakeholders together to determine answers to the following questions:
  ◎ whom should innovation target (organisations, citizens, government agencies ...) eg. unemployed migrants in large cities?
  ◎ what existing or future problems/threats and/or what more specific bottlenecks should be tackled? E.g. discrimination of unemployed migrants in search of jobs and /or their low level of qualifications, not having networks etc ...?
  ◎ what trends offer positive opportunities that should be capitalised on? E.g. widespread access to social networks?

52,53   Winning at innovation, Fernando Trías de Bes and Philip Kotler, 2011

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- **type:** furthermore, in the activation process, the question can be asked what type of innovation is expected. Should it improve existing services with new instruments, find new constituents (in terms of persons, needs or context) to deliver (customised) existing services to, develop new services for existing constituents, or should it develop new services for new constituents. The various types of innovation carry greater risk and imply different processes (more simple and speedy to more complex and lengthy);
- other key requirements e.g that for any innovation to receive funding there should be involvement of certain stakeholders, etc.;
- how support throughout the process will be provided (being clear about the content of the gates and what the PMO will do to facilitate clearing them).

The following paragraphs provide more details on how this system can be combined with structural funds regulations.

In terms of financial mechanisms, real costs, lumps sums (for smaller stages), flat rates and standard unit costs (primarily on scales of wage costs) can be used as with any other type of action. This is not where the issue is. The issues to be tackled in setting up a well-functioning innovation mechanism are more related to how to set up a call for innovation and what constitutes a "project" in such a process.

Ideally, a call should stimulate **many ideas** to feed the system, some to be taken further, some not. This can be done in the following two ways:

- a first alternative is to launch a specific call for proposals – encompassing all of the elements of an innovation framework as defined above – with a specific deadline for submitting ideas. After this deadline, the window of opportunity is closed. This means a fixed amount of ideas are to be progressively compared against each other with some being dropped and some receiving more funding as they move through the stage-gate pipeline (or move backward to an earlier stage);

- as an alternative, a permanently open call can accommodate ideas relating to any number of innovation tracks, each with their own scope and type specifications a well as extra requirements and support facilities. Regularly an assessment has to be made about which ideas to take forward e.g. every 3-6 months. However, as some competing ideas will have entered the pipeline earlier (went past gate 1 or a further gate), new ones that would in principle have had to compete against these prior ideas may come knocking at gate 1 subsequently. It is therefore important to make sure that proper portfolio management is in place, where it can be clarified if new ideas are either different enough from anything previously approved, to merit self-standing progress in the pipeline, or if they are very close to those already being developed in the pipeline. In the latter case, this idea must be compared to the similar idea that was already approved. If the new variation proves to be of added value, then it may be decided to feed this into the existing innovation track, rather than allow the idea in the pipeline as a self-standing track.

Working with an open call clearly has the advantage that idea generation and capture is not limited to a specific time period. However, it does require more effort to ensure that the portfolio of ideas is being developed in a sensible way. Otherwise, there is a risk that there will be two or more quasi-identical developments within different periods of time. In addition, an open call mechanism can be used flexibly to accommodate new elements in the innovation framework (with new definitions of scope, type etc.).

The whole stage-gate system also aims at managing risk: less resources are at stake when uncertainty is high. This raises questions as to **what constitutes a "project"**. There are two conventional options in terms of deploying programme funding for such a system. A third, less conventional, option will also be discussed:

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○ a first option is that an amount of money is allocated at the first gate by a PMO manager to cover the entire innovation track, with the possibility to kill the track and reallocate the funding to other tracks at any gate. This first option has as a disadvantage that overall funding is very quickly "committed" to only a few ideas while it is not possible to know

how many ideas will come to full fruition. Also, it is quite impossible to foresee at gate 1 how much funding will really be needed if all the gates are to be passed successfully. It may well be that an innovation needs to move back to an earlier stage before it can progress again. Indeed, the whole idea of a stage-gate system is that a stage is used to prepare a case at a gate to move into the next stage, including the appropriate amount of funding for that next stage, or whether it is still worthwhile to send it back to an earlier stage. Also, it tends to be quite difficult in practice to discontinue something once the overall funding has been approved. In principle, a PMO manager can make the decision to discontinue a project or not if the conditions for doing so are set from the start. It should be understood that, as projects comprise the entire process, but many will be discontinued at the earlier gates, overall project failure rates will be very high;

○ a second option is that money is allocated at each gate to fit the action plan that is submitted at that gate, effectively turning each stage into a self-standing project. This second option also has draw-backs. It requires that the systems of the PMO are able to manage a large amount of formal project approval and financing decisions, ranging from very small ones to sizeable ones, matching the various stages. This will overload the capacity of formal governance bodies such as the monitoring committee and its sub-committees that have to approve proposals for projects to be financed. In addition, to avoid that some successful innovations do not have access to funding at a later stage because all funding was used, a system of funding reserves has to be set up. This is a similar draw-back to the one of the first option in terms of having to commit the money up-front without knowing how many ideas will come to full fruition. The advantage is that it is easier to not approve a new stage than it is to discontinue an already approved project. If every stage is viewed as a project on its own, failure rates of first stages will still be very high and this might still be criticised but at least later stage success rates (comprising higher levels of funding) will tend to be higher. However, these advantages may not be sufficient to outweigh the disadvantage of overloading the capacity of the PMO governance systems;

○ a third, less conventional option, is to set up a limited amount of large "innovation domain" projects that themselves contain the resources to fully operationalize an innovation frame-work. This entails that the staff to set up, launch and manage a call as well as the finances to fund and manage a portfolio of developments at different stages is fully comprised within a project and comes from the relevant main priorities of the programme (or form a dedicated innovation priority). Also, setting up and running relevant innovation networks to feed and interact with the stage-gate process can also be an integral part of these few projects. The PMO is then responsible for managing only a few projects, massively reducing the demands on technical assistance finance of the programme, including for setting up innovation networks in support of the process. Within these larger innovation domain projects, relevant stakeholders can still be actively involved as facilitators at the various gates. This does imply that organisations that require funding for moving an idea through the stages, will have to become a partner in the "innovation domain project" to avoid having to move into tendering procedures. However, this is not a problem as such as flexible incorporation of partners is already possible under the EC regulations (although national rules may impede it). An additional advantage is that the unit of analysis for success should be an entire portfolio of innovation as contained in the domain project, rather than specific stages or specific ideas within that portfolio. The planning of these "innovation domain" projects revolves around setting up and maintaining the stage-gate system. As this is a standardised system, this should not be a major difficulty.

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Box 12: Information fiche: "Enhancer"

An enhancer supports in a highly efficient way delivery partners to produce (a higher volume of higher quality) of already existing products/services to satisfy existing needs of constituents. This support is being continuously enhanced.

Delivery partners are in many cases held captive by the PMO: if they want funding, they may be obliged to accept all the burden imposed by the PMO as there may be no other way to obtain the funding they need to execute their mission. If there would be funding elsewhere, and the burden is lighter, then the delivery partner would probably move towards the easier to obtain funding. In this sense, EU programmes are at a disadvantage as the PMO does not have the authority to remove a burden imposed at EU level. On the other hand, it is also true that Structural Funds PMOs, under pressure of the audit community, tend to increase the burden dramatically when interpreting and making the EU level rules operational. There is therefore considerable scope for improvement.

A PMO that wants to be an enhancer always has to ask: if it would be possible to finance particular established actions through non-EU funding would the burden be less? In assessing this burden, the entire transaction has to be taken into account from the point of view of the delivery partner: from becoming aware there is a possibility of funding, to being able to apply for, to having information on the status of the transaction, to contracting, reporting, being audited, having legal certainty throughout the transaction, etc ... E.g. there may be very little administrative burden involved in using a national funding source, but this may also imply there is little support to prevent problems or to resolve them quickly when something does go wrong at any time of the transaction.

The enhancer PMO may therefore emphasise reliability and convenience of their own services (swift, dependable response if a problem arises and assistance is required; transactions that are easy, pleasant, quick, correct and when mistakes by the PMO do happen, they are quickly rectified and compensated for) in order to keep the cost of the transaction as low as possible. The way the enhancing PMO supports delivery partners is therefore subject to continuous "enhancement".

While being highly efficient in providing support for delivery partners, the enhancer PMO does not forget that ultimately constituent and high-level policy outcomes have to be realised. Therefore, the enhancer PMO makes use of evaluation to ascertain whether delivery partners are in fact delivering. The enhancer will look to allocate resources to those delivery partners that provide the best assurance of outcomes for constituents. These evaluation activities should however put as little additional administrative burden as possible on delivery partners. Efficiency is also a key in performing evaluation activities.

The key idea is therefore the efficient financing of mature actions as well as their continuous improvement.

1. Credo of the enhancer: "total reliability".

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2. Operating model:

- **Innovation process:** the PMO should:
  - focus on financing mainstream, standard products and services to be delivered by delivery partners that have been developed long enough to be stable;
    - if a new service is to be launched – e.g. a new call for proposals – then ensure that the service is designed from the perspective of total cost (ask delivery partners what the maximum effort is they are willing to spend on what aspects of the transaction and make sure this is not exceeded);
  - focus most efforts on internal process innovation;
  - add capacity rapidly after new introduction to capture economies of scale;

- **Operations process:** the PMO should ensure:
  - efficient operating procedures lead to production/service by the PMO that is high quality, error free, timely with short cycle times and responsive to delivery partner demands;
  - relentless reengineering (end to end streamlining) of service processes for efficiency by cutting out wasteful activity;
  - transaction (also between internal activities) and overhead cost are kept low:
    - (virtual) integration by cutting out double verifications, paperwork with delivery and other partners/suppliers;
    - automating as much as possible the transaction processes once waste is designed out;
  - asset availability is maximised and disruption minimised;

- **Stakeholder management process:** the PMO should:
  - understand the variety of needs presented by delivery partners and their constituents (by market research) so the PMO meets their needs rather than create failure demand (work that is generated due to not serving them propely from the start);
  - ensure simple, accessible application procedures;
  - ensure superb service when dealing with complaints;

- **Systems:**
  - ICT systems are error free, accessible, convenient;
  - the PMO is obsessed with measuring to ensure rigorous quality;
  - accurate and timely data (also benchmarked internally) is provided to employees of the PMO: knowing about the cost, quality and cycle times of their processes and transactions empowers them in continuous improvement activities;
  - knowledge management focuses on local learning and sharing of good practices (move know-how from top performing units to lower performing ones);
  - IT systems enhance experience of delivery partners via ease of use;

- **Organisational structure:**
  - reduces organisational complexity by setting up units that are as much as possible in charge of the entire value delivering process (from input to the final output external recipients will get);
  - ensures appropriate levels of autonomy at the lowest operational levels to secure speedy responses to problems;

- **Culture:** a disciplined team is what counts, not the individual as made clear by:
  - employee of the year being the best team player and peer recognition the best compliment;
  - people that are interested in recognition, being put in the limelight;
  - process focus: abhor waste and reward efficiency;

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O **People:**
- ◎ require process improvement competences: knowledge of total quality management, JIT, ... ;
- ◎ operations training for all regarding high frequency predictable demand is a must; more rare demands are dealt with by pulling in expertise.

3. Facilitating delivery mechanisms in the SF regulations

The orientation of enhancer is probably the default strategy for most PMOs. Such PMOs would do well to remember that most of the administrative burden that Structural Funds are associated with, derives not from the EC regulations but from the way Member States choose to implement them. Audit practices that fail to look at the bigger picture and that insist on adding more rules on top of dysfunctional existing ones, in a vain effort to fix errors, rather than to question the dysfunctional rule that is the source of the errors in the first place, are a major threat to the strategy of an enhancer.

Facilitating mechanisms in the regulation are the financial simplification options (lump sums, standard unit costs, flat rates that allow also for output and results based payments) as well as results oriented financing mechanisms such as a Joint Action Plan (JAP). In fact, the JAP as used in an enhancer role is just the logical continuation of financial simplification. The PMO itself is financed in the traditional way from the technical assistance budget.

Box 13: Information fiche: "Solutions manager"

For a solutions manager the focus is NOT on specific products and services but on developing detailed knowledge concerning specific challenges (a limited number of) delivery partners – the customer – are facing regarding their constituents and work closely with them to solve these challenges. This entails supporting, through a portfolio of tailor-made activities, collaboration with other actors to integrate and customise a whole battery of (new and old) products/services even crossing traditional policy domains (eg education, welfare, employment, economy, …) to better suit the needs of the constituents of the delivery partners.

The key idea here is to finance **transformational processes that aim for sustainable change in what relevant actors are doing**. Although this may be deemed innovative in its own right, the idea here is NOT to develop and test replicable products/services for constituents, as in the innovator orientation, but to fundamentally change the way actors work with each other to address a variety of issues and to ensure that this new dynamic will be sustainable (long lasting without need for sustained finance from Structural Funds).

1. Credo for a solutions manager: "trusted adviser in solving problems".

2. STRATEGY IS REFLECTED IN A STRATEGIC RESULTS FRAMEWORK

2. Operating model key success factors:

○ **Innovation process:**
  ◎ entails focusing on the broader underlying problems partners have to deal with and the success they are aiming for e.g. a Public Employment Service may just get funding to do more of what they already do or to develop a new service/product. But their problem is not really lack of funding, it is to detect and solve current / future imbalances between supply and demand in the labour market. The PMO (or a separate entity set up by the PMO) in this case would be thinking together with the PES what the PES really needs to address those problems better and tailor the PMO grants/contracts and complementing services to this. For the PES, the success criterion is scoring better on their targets for the unemployed and employers (their constituents) and doing it at less cost;
  ◎ this entails a capacity at the PMO to understand why the delivery partners is not delivering (enough) on results, before the delivery partner understands it themselves. Research is oriented toward this;
  ◎ it also entails focusing on fewer partners that have high potential to move things in the labour market in a sustainable way but doing much more for/with them;
  ◎ the PMO in addition actively supports the full life cycle for the delivery partners:
    • before: when they are deciding what to do to fulfil their need for a result;
    • during: when they are doing what they decided;
    • after: when they are maintaining the results (reviewing, renewing, extending upgrading, updating);
  ◎ developing support from the PMO is evolutionary: building on what was developed before for delivery partners, while addressing limitations, new issues, where the partner currently 'is';
  ◎ the PMO agrees to be also accountable for increased success of the delivery partners, not just for delivering its own products and services well (true partnership);

○ **Operations process:**
  ◎ flexible and responsive work procedures enable to quickly adapt to changing requirements from delivery partners;
  ◎ a focus on supporting/coordinating partnerships with other delivery partners, organisations representing constituents, government departments (even in other, adjacent, policy areas), etc. that have complementing services and products and/or capabilities to the delivery partners the PMO is serving;
  ◎ share data with each other and openly criticise each other's performance;

○ **Stakeholder management process:**
  ◎ delivery partners do not need to deal with multiple contact points at the PMO: everything the PMO can do for them (providing finance for various actions but also complementing services like training, consulting) is managed by one contact;
  ◎ relations are to be developed by the PMO with middle management of the delivery partners (they are in best position to understand what is needed AND to make recommendations to their top management);
  ◎ delivery partners must be open to lose some independence, engaging in a value adding relationship rather than in mere arms-length transactions;
  ◎ focus must be on those processes the delivery partner acknowledges are not yet up to speed as there must be substantial potential to improve efficiency / effectiveness;
  ◎ as one challenge is being addressed, new ones are being discovered and a way to tackle them is being discussed, thus establishing a close, long-lasting relationship;
  ◎ the PMO offers customised relationship management (with modalities like reporting, payment claims, support, etc.) tailored to each targeted delivery partner;

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Systems:
- knowledge management: knowledge bases are built around expertise areas with focus on sharing learning among account teams especially from leading edge actors;
- HR: hiring and training policies that emphasize open-mindedness and creative decision-making as well as a broad range of talent;
- information technology: focus on data about served actors:
  - set up a database to collect, integrate and analyse data from many sources (internal and external) about the targeted actors, their environment and their challenges (rather than just about transactions with them);
  - focus on progressing the relationship with actors to encompass a broader range of their activity;
  - tracking of delivered value and reaction of served actors;

Organisational structure:
- entrepreneurial customer teams:
  - these draw on a virtual network of capabilities as not everything that is needed to solve issues for served actors can be provided by the PMO or its funding;
  - what matters is to coordinates expertise to deliver solutions: expertise can come from other Agencies, funds, etc.
  - this requires an empowering organisational structure (decentralisation) to enable staff to be close to the served actors and to come up with solutions that will work (giving them the info and power they need) as well as cross-functional expertise to mirror the served actor's side team (e.g. finance, management, etc.);
- one point of contact: dedicated account manager coordinates the development of the relation;
- to be really effective entire organisation must be oriented towards solutions management, AWAY from mere transactions:
  - if not possible: set up separate organisation for this (linked to the PMO);
  - if just starting and not possible to set up separate organisation: establish overlay group to facilitate and manage a few solutions projects;

Culture:
- relationship managers are like management consultants who study the client, find needs and determine how to solve them;
- responsive, flexible: 'customer can have it any way they want' which means there is a great deal of variation from delivery partner to delivery partner on the products and services delivered by the PMO;

People:
- employees are flexible and multi-talented (knowledge of diverse products and services and of the customer) allowing them to deliver any kind of response;
- mix of seasoned people, with deep insight into the customers reality (incl. their environment) as well as inventive, pro-active, out of the box, transformational thinkers;
- requires bringing in high-level executives from the targeted actor's context that are effective negotiators with senior managers inside and outside the served partner organisations.

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3. Facilitating delivery mechanisms in the SF regulations

A separate, dedicated team is ideally to be established at the PMO, focusing on the overall challenge facing the targeted customer. This team is not to be financed from technical assistance but from project resources in the programme (main priorities). This means a special "solutions" project is set up for each of the key targeted customers (e.g. a project for the PES). This could finance integrated interventions with sub-actions ranging from working on enabling conditions at the level of the customer (capacity building) to improving and running specific actions for the constituents they serve.

However, unlike as with the innovation domain projects where generic activities, based on stages and gates, will remain quite similar throughout the life of the project, in these solutions projects some elements may, when starting out, be more predictable and others more uncertain (emerging, complex parts). This makes it more difficult to "describe" such a project in a work programme and ideally, flexible methods should be used to plan and manage it e.g. regularly redefining the future actions in the planning (rolling wave planning).

However, as it is not yet fully clear what actions will have to be run to achieve progress, this poses a problem in determining the funding to be committed to a proposal. To establish an appropriate budget, the value of an intended level of progress concerning the overall outcome challenge could be monetised (e.g. what is the monetary value to society to reduce unemployment of a particular target group). Alternatively, if actions already exist, one could calculate how much the cost is of those to achieve given outcomes. The values derived in these ways could provide a basis for an overall financial envelope for the intervention.

Even if rolling wave planning is used, a clear basis for paying is always present. The payment relates to delivery up to the moment that the planning covered. However, disbursements should then NOT only be linked to the delivery up to the planned moment of reporting but also to the delivery of an appropriate plan for a next wave, demonstrably taking into account lessons learnt from the previous wave.

Due to the relative uncertainty concerning both the type and the amount of the actions that will be necessary within the project at the time of proposing the project, only real cost combined with financial simplification (focused on standardising the most common input, namely labour cost) is appropriate as a financial mechanism.

The orientations described in the fiches are very different from one another. While both the enhancer and the innovator orientations are focused on specific products and services, they embody this focus in an entirely opposite way. The first focuses on keeping total cost to users of the programme down as much as possible while the latter focuses on added value (with higher costs being offset by higher returns). The solutions provider departs from both the enhancer and the innovator in that it is not even focused on a product/service but on providing comprehensive solutions that may draw on many products and services, delivered by coordinating and integrating the efforts of many actors.

These fundamental differences are embodied in very different operating models. This means it will be very hard to be good at all of them. If multiple orientations are pursued in relation to different types of operations within a programme, it may be wise to set up separate business units within the PMO (possibly within a separate entity linked to the PMO) to deal with them, or, as an alternative, different operational units within a business unit, with staff dedicated to them as much as possible. One business unit or operational unit within a business unit may be acting as an enhancer while another unit may act as innovator and yet another as solutions provider. In any case, the expectations as to what kinds of people are to be involved in these different units are radically different so it is unrealistic to expect that one group of people can adequately implement

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the three orientations at the same time. This implies of course a minimum scale of the programme. Smaller programmes may need to have to make a decision for just one orientation.

Absorption of funds can be guaranteed in any of the three cases: for an enhancer, absorption comes from high volumes of mainstream operations while for an innovator, absorption comes from defining many domains for innovation in which networks are being funded throughout the programme life as well as a very high volume of initial ideas with relatively small budgets which progressively develop into smaller volumes with higher budgets. Also, once an idea hits the testing stage, this should happen in multiple contexts (different people, places ...). In addition, innovators keep funding a portfolio of tested and proven new products and services until these innovations are taken up by mainstream funding sources. A problem can be the spending profile where larger expenditures are expected only after some time. Finally, solutions providers ideally operate a relatively limited amount of relatively large budget projects.

Although deciding on an orientation for the PMO is not a requirement in the Structural Funds regulation, its importance has been addressed in an EC publication concerning the added value of the European Social Fund[54]. Four sources of added value were identified in this publication:

1. **Volume effects:** ESF action 'adds' to existing action, either by supporting national action in general ('mirroring') or specific areas of national policy ('boosting');

2. **Scope effects:** ESF action 'broadens' existing action by supporting groups or policy areas that would not otherwise receive support;

3. **Role effects:** ESF action supports local/regional innovations that are taken up at national level or national innovative actions that are then 'mainstreamed';

4. **Process effects:** ESF action influences Member State administrations and organisations involved in the programmes.

The enhancer orientation is aiming at realizing primarily volume effects. The innovator is going for both scope (focus on the type of innovation that aims to provide existing services to new constituent groups) and role effects (other types of innovation) while the solutions manager focuses on process effects.

If Member States want to ensure the continued existence of Structural Funds, it is advisable to make sure that added value is realized, rather than leaving this up to chance.

In Sweden, the ESF Managing Authority has realized that more is necessary than just "administering" a programme. It has set up a variety of support structures to this end (see Box 14).

> **If Member States want to ensure the continued existence of Structural Funds, it is advisable to make sure that added value is realized, rather than leaving this up to chance.**

Box 14: partner practice: adding value in Sweden

Each of the eight regions in Sweden has a joint Structural Fund Partnership for the European Social Fund and the Regional Development Fund with elected representatives from municipalities and county councils, labour organisations, county administrative boards, the

54 See http://www.coprbm.eu/?q=node/447

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Swedish Employment Service, and other stakeholders. Structural Fund Partnerships are tasked with prioritising cooperation projects deemed eligible by Managing Authorities. Providing projects with the right guidance and tools is achieved through a structured support process that offers assistance and expert advice on how to create and develop a project idea in an application and then put it into practice. This support is free for all projects but must have approval from the Swedish ESF council.

The key project support mechanisms (funded not from technical assistance but the main priorities) are national Thematic Groups which develop, analyse and discuss results in order to ensure long-term impact. The groups include: Integration into Working Life, Youth, Workplace Learning & Conversion, Business and Entrepreneurship, and Equality & Discrimination into Working Life. Advice is also provided on integration of the following cross-cutting perspectives into a project's work: (1) Accessibility for people with functional disabilities: through a help desk, regional coaches and liaison with Swe-dish organisations working on disability; (2) Gender mainstreaming: ESF Jämt, the Swedish Regional Authority responsible for gender issues, assists with the incorporation of gender equality in projects through information provision, training and workshops; (3) Project development: to help projects create an idea and convey it in an application. Steering and decisions regarding support are made by the Director of each regional ESF Council; (4) Strategic impact and learning (SPeL): offers methodological support for projects, stimulates regional learning, and assists in the dissemination of results through ongoing evaluation, communication, education of Steering Groups for sustainable development work, and the organisation of project learning processes. Working methods include telephone contact, meetings with individual projects, networks, seminars, training and written guidance.

Links are made between projects and regions through the Thematic Groups. At the same time, results are disseminated widely through seminars and conferences, input into government research, publications and articles on a web-based platform.

→ **More at:** http://www.coprbm.eu/?q=node/496

B. Outcome statements describe how delivery and other partners should experience the service/product characteristics delivered by the PM organisation in line with the chosen main orientation as well as what the PMO may expect from the delivery partners in return. Only outcomes deemed critical to realize the vision are described in this way.

Given the fact that the three main orientations aim to deliver a very different kind of added value, it should be clear that the outcomes the PMO will realise when adopting one of these orientations will be very different as well.

For example, if the PMO wants to be an enhancer, a key outcome expectation from the PMO towards the delivery partner could be to see "delivery partners have improved the cost-effectiveness of their relatively standard actions". An expectation from a delivery partner to the PMO could be "Delivery partners experience that their file is treated correctly, transparently and timely". This illustrates the fact that outcomes are not just reflecting expectations from the PMO towards the delivery partners, but are reciprocal.

If the PMO wants to be an innovator, a key outcome could rather be "creators with innovative ideas feel that their ideas are swiftly picked up by the PMO", etc.

> "
> **Choosing an orientation is clearly a very important step, as this leads to formulating very different outcomes for the PMO itself towards and from its delivery partners. It is for these outcomes that the PMO should be managing most intensively as this is where the direct influence of the PMO is situated.**
> "

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Choosing an orientation is clearly a very important step, as this leads to formulating very different outcomes for the PMO itself towards and from its delivery partners. It is for these outcomes that the PMO should be managing most intensively as this is where the direct influence of the PMO is situated.

6.2.2.3. OUTCOME AND OUTPUT STATEMENTS ARE CORRECTLY FORMULATED AND LINKED TO EACH OTHER IN A STRATEGY MAP

> A. All outcome statements reflect objectives that can only be influenced (not controlled) by the PM organisation. They are to be contrasted with outputs and the processes that deliver them and which are deemed to be within the producing PM organisation's control. Outcomes reflect a shift in ownership: they occur once the outputs leave the hands of those that produced them. Real performance in terms of outcomes therefore cannot be judged by the producer of the output. The recipient of the output (an external stakeholder) is the only one who can judge this.

This practice corresponds to the discussion already held in chapter 3.2.

An example can help to remind the importance of this practice. A PMO may decide (e.g. if it has chosen an enhancer orientation) that it is very important to pay delivery partners within certain time limit after receiving the request for payment from them e.g. within 90 days. However, a payment within 90 days is an output as it is within the control of the PMO. Whether or not the delivery partner who receives the payment is of the opinion this was fast enough is another matter altogether. Perhaps 90 days is considered to be very slow by the delivery partner! There is no way to know apart by asking them.

This practice highlights the importance of understanding that success at the level of producing outputs does not equate to success in terms of outcomes. It also highlights the fact that the outcomes the PMO is responsible for are those that are triggered by its own outputs. As already pointed out in the discussion regarding the difference between the COP RBM system and the UNDG system in chapter 5.3.2 is that the PMO should make clear what its own outputs are and what the outcomes linked to these outputs are, rather than just say what the outputs and outcomes of delivery partners should be. There is still a place for the latter, but it is situated at the level of the core practice of translating strategy into operations that will be discussed later (where alternative ways for engaging with delivery partners will be laid out) in chapter 6.2.3.4.

> B. Key outputs that the PM organization aims to deliver to its intended delivery partner and other external stakeholders, should be described in an output statement. The output of delivery partners should not be confused with the output of the PM organization itself. The production of outputs of delivery partners can only be influenced by the PM organisation and is therefore not under the control of the PM organisation. Hence, these delivery partner outputs are, from the point of view of the PM organisation, in fact outcomes. Again, only outputs deemed crucial for the vision are formulated in this way.

This practice serves to emphasize the previous point again, from the side of the outputs. Again, it is emphasised not to just list all possible outputs of the PMO, only those deemed crucial in achieving the vision.

THE RESULTS BASED MANAGEMENT 'PLUS' SYSTEM AND SELF-ASSESSMENT FRAMEWORK

2. STRATEGY IS REFLECTED IN A STRATEGIC RESULTS FRAMEWORK

C. To understand how various outcomes and outputs link to each other in a logical way they should be depicted in a strategic map. It should be clear from this map who is being influenced (delivery partners, constituents, other stakeholders) and what the chain of decreasing influence from the PM organisation is, starting from the PM organisation's core processes (innovation, production, stakeholder management) and its connected outputs.

This practice is key as it pulls together all of the previous statements and provides a visual representation that can greatly clarify the logic of the previous practices.

The best way to approach this is by showing an example (see Figure 10). This map corresponds to an enhancer orientation.

Figure 10: example of an enhancer map
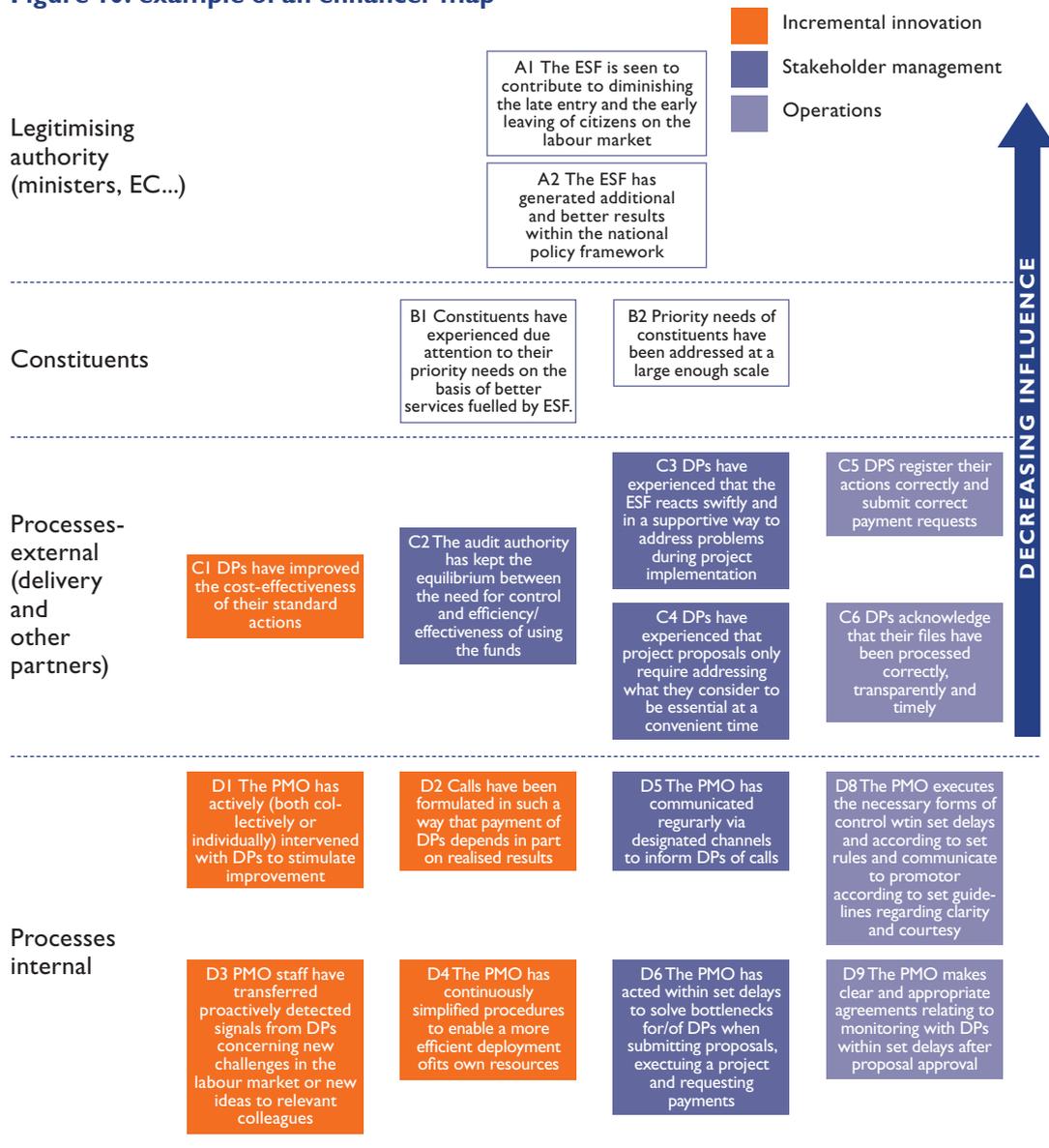
Note: DP = Delivery Partners

2. STRATEGY IS REFLECTED IN A STRATEGIC RESULTS FRAMEWORK

It shows how critical outputs defined from the perspective of "internal processes" are expected to lead to outcomes towards delivery and other external partners as situated in the "processes-external" perspective. Internal processes and the outputs they produce are supposed to be fully under the control of the PMO. However, the PMO only exerts influence on external processes. It exerts therefore even less influence on constituent outcomes and the least on legitimizing authorities outcomes.

The map also reflects in the internal process level, in accordance with a chosen orientation, the three core processes of any organization: stakeholder management, innovation (in an enhancer orientation rebranded as incremental innovation) and operations. At the external process level the predominantly influenced outcomes of the internal processes are visualized by retaining the same colour coding, even though there are not necessarily one-on-one relationships identified between the processes and outcomes.

As mentioned earlier, only outputs and outcomes deemed critical to achieve a vision are to be included. This means that the map is not intended to reflect all possible internal processes and associated outputs nor all possible external process, constituent and legitimizing authority outcomes. This would overload such a map and render it useless as an instrument for strategic action.

> D. In addition, objectives are formulated towards intangible assets (human, organization and information capital) of the PM organization that are essential to support the core innovation, production and stakeholder management processes of the PM organization. These are also positioned in the strategic map.

The map visualized key outputs from the PMO and the outcomes it expects for different kinds of stakeholders. However, one piece in the map is still missing. This relates to the assets the PMO is intending to deploy to ensure success of its internal processes. In particular it tries to describe the expectations in terms of intangible assets (human, organization and information capital) that are seen as key to achieve the vision.

Figure 11 displays a full map for the previous example of an enhancer. It shows that the three core processes are also served to a certain extent by various internal capacities.

This map represents the core of what is referred to as the "strategic results framework". The contrast with the more than 100 pages of the "strategic results framework" as defined by the UNDG system in chapter 5.3.2 is striking. Of course, it should be clear that at the level of operations planning and management, when the Structural Funds programme is being implemented through calls and initiatives that respond to these calls, use will be made of other results frameworks (see chapter 6.2.3.4) depending on the choice of delivery mechanism.

2. STRATEGY IS REFLECTED IN A STRATEGIC RESULTS FRAMEWORK

Figure 11: example of a full enhancer map

Legend:
- Incremental innovation
- Stakeholder management
- Operations

DECREASING INFLUENCE

Legitimising authority (ministers, EC…)

A1 The ESF is seen to contribute to diminishing the late entry and the early leaving of citizens on the labour market

A2 The ESF has generated additional and better results within the national policy framework

Constituents

B1 Constituents have experienced due attention to their priority needs on the basis of better services fuelled by ESF.

B2 Priority needs of constituents have been addressed at a large enough scale

Processes-external (delivery and other partners)

C1 DPs have improved the cost-effectiveness of their standard actions

C2 The audit authority has kept the equilibrium between the need for control and efficiency/effectiveness of using the funds

C3 DPs have experienced that the ESF reacts swiftly and in a supportive way to address problems during project implementation

C4 DPs have experienced that project proposals only require addressing what they consider to be essential at a convenient time

C5 DPS register their actions correctly and submit correct payment requests

C6 DPs acknowledge that their files have been processed correctly, transparently and timely

Processes internal

D1 The PMO has actively (both collectively or individually) intervened with DPs to stimulate improvement

D2 Calls have been formulated in such a way that payment of DPs depends in part on realised results

D5 The PMO has communicated regurarly via designated channels to inform DPs of calls

D8 The PMO executes the necessary forms of control wtin set delays and according to set rules and communicate to promotor according to set guidelines regarding clarity and courtesy

D3 PMO staff have transferred proactively detected signals from DPs concerning new challenges in the labour market or new ideas to relevant colleagues

D4 The PMO has continuously simplified procedures to enable a more efficient deployment ofits own resources

D6 The PMO has acted within set delays to solve bottlenecks for/of DPs when submitting proposals, executing a project and requesting payments

D9 The PMO makes clear and appropriate agreements relating to monitoring with DPs within set delays after proposal approval

Internal capacity

E1 The knowledge management system of the PMO is able to ensure a swift exchange of good practice concerning the financed projects

E3 The PMO has a strong capacity to improve and simplify processes and procedures

E4 Staff in the PMO have sufficient autonomy to deal swiftly with problems in service provision

E5 The PMO has a strong capacity to monitor projects

E2 The PMO has the capacity to conduct excellent evaluations

E6 The PMO values discipline in planning/executing processes as well as in taking the initiative to improve them

E7 PMO ICT delivers a stable and user-friendly interface for ESF staff towards external actors

2. STRATEGY IS REFLECTED IN A STRATEGIC RESULTS FRAMEWORK

E. If the PMO is a multi-business unit PMO, then there is also a separate corporate level map that contains objectives concerning obtaining synergies between business units (where each business unit contains the whole range of primary processes such as innovation, stakeholder management and operations) which are responsible for creating outputs for use outside the PM organisation; or it focuses on setting strategic priorities to be taken up by all business units (ranging from a full strategic orientation to some common strategic priorities).

As business units may be addressing different contexts, with different stakeholders and realities, it can be wise to allow them to develop their own PMO strategic results framework that is suited to this. However there may be some aspects the corporate centre considers critical for any business unit. These are then common strategic priorities that each business unit should translate into its own strategy map to the extent that they are relevant. These common priorities are then visualized with a corporate map. An example in the constituent perspective could once again be: "constituents feel optimally involved in the projects funded by the programme". How this is translated by business units may be different. Or they may simply copy the objective as such.

In a corporate map, some corporate centres may also wish to include objectives relating to synergies that can be achieved from coordination and cooperation between business units. An example in the internal capacities perspective could be: "business units have achieved considerable integration of their back office operations".

It is also possible that the corporate centre goes much further and decides to specify a full common orientation for its business units. The business unit maps are than identical to the corporate map. This could for example be the case where regional units are deploying a national programme.

6.2.2.4. PM ORGANISATION LEVEL STRATEGY IS CASCADED TO LOWER LEVEL UNITS AND SUPPORT UNITS

A. The overall corporate strategy (if multiple business units exist in the PMO) is cascaded down to business unit level. This is a consultation process that may lead to modification of the corporate level strategy.

As was made clear in the previous point, a corporate strategy map precedes the formulation of business unit maps. However, this is not merely a top down process. The idea is that there is a discussion where a lower level can argue for its interpretation of a higher level map and can even argue for modification of the higher level. Contestation is very much at the core of this process and it is crucial that higher level management incites this and creates openness for it.

> " Contestation is at the core of this process and it is crucial that higher level management incites this. "

B. From the business unit strategy is cascaded to operational teams within the business unit. The strategic outputs and outcomes are arrived at in consultation with staff in the cascading process. The business unit strategy may therefore be adjusted in the cascading process. Within operational business units, individual staff member objectives are then similarly aligned to unit objectives.

The same procedure as explained in the previous point is conducted all the way to individual staff members.

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C. Support units (at corporate or business unit level), responsible for creating outputs for use inside the PM organization, similarly align themselves to the strategy of the operational teams within business units. Corporate level support units that serve business unit support teams align themselves with these teams.

It is crucial that those units and staff that are carrying out the primary process, conduct the cascading exercise first. When they have finalised this, support units (e.g. HR) and units involved in control and regulating processes have to devise their own strategy and map.

However, while support unit maps do start with a clear understanding of corporate and business unit strategy maps, they cannot just cascade them as these maps are oriented towards the primary processes of the organization.

Each support unit should rather reflect what they can do to help units involved in these primary processes achieve their objectives. A mission, values and vision exercise is helpful in providing a starting point.

Each unit should identify a portfolio of strategic services it wants to deliver. Support units should act as a business themselves, looking at the services they provide as their own primary process and at the units they serve as their customers. In principle, they could choose a strategic orientation as well but in practice support units tend to choose the orientation of solutions provider. They build partnerships with their internal customers.

An example of a portfolio of strategic services can be provided for an HR unit. Their services typically fall into three categories:

- strategic competency development: developing competency profiles, analyzing gaps between job requirements and existing competencies, developing training and development programmes etc.;
- organisation and leadership development: develop leadership, teamwork, culture, share best practice, succession planning, job rotation schemes, ...;
- performance management: job design, appraisal, incentives, change management support, ...

Each support unit should build its strategy map as follows:

- a top level with a focus on both effectiveness (this contains the objectives from the corporate and business unit maps that the support unit can impact on) and efficiency (in terms of use of resources);
- a client level that identifies who the units serve and what these clients (or client groups, e.g. staff, managers, ...) expect;
- an internal process level;
- an internal capacity level.

D. Mission and vision statements exist at all levels of the PMO, with those at lower levels aligned with those at higher levels via the process of cascading.

The previous practice already clarified that vision, mission and values were to be elaborated by support units for them to be able to construct their strategy maps.

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Likewise, the proper way to conduct a cascading exercise in the primary process is for lower level units to first also conduct a mission, vision and values exercise at their own level, within the framework of the higher level ones, and then to look at the higher level strategy map from that perspective. This may lead to requesting adjustments to the higher level map or to adjusting mission, vision and values. Most frequently unit level mission, vision and values will just be helpful in translating a higher level map into a suitable lower level one.

> E. Staff across the organization acknowledge that strategy is not just a reality only in strategic planning documents at the level of the senior management team but that everyone understands how the roles that they execute in the PM organisation fit into and contribute to a bigger picture.

The statement above should become a reality if the cascading process has been properly conducted.

6.2.2.5. STRATEGIC RISKS ARE IDENTIFIED

> A. Risk is not just understood primarily as operational risk (closely associated to keeping processes and outputs under control). The PM organization also recognizes that risks / assumptions result from uncertainty in the external environment (e.g. economic cycle). If this uncertainty does not resolve itself as assumed (e.g. economic downturn rather than expected stability) then this will affect the PM organisations' strategic outcomes.

A useful categorisation of risks[55] is provided in Table 8. It adds a third category of risks to the usual categorisation of operational versus external risks: those related to decisions to "change". However, in practice, these "change" risks break down into external and operational risks.

It should be clear that the strategic risks referred to in the RBM practice relate only to the first category in the table (external). Strategic risks relate to uncertainties associated with high impact external trends and events. These external high impact trends and events were in principle identified in the PMO level SWOT analysis. The question then is whether the future realisation of these trends and events is predictable within the planning horizon with reasonable accuracy or not (uncertain). For example, while the position of a minister towards a certain issue may be predictably stable, elections within the planning horizon create uncertainty relating to positions taken by the current minister as it is uncertain whether or not he/she will stay on.

The next question is then whether an uncertain trend or event would have a negative impact in terms of realizing the PMOs strategic objectives as listed in its strategy map. If the impact is not negative (a change of position would not matter for realising the strategy of the PMO), it does not constitute a risk.

Once again, the idea is not to list all possible risks coming from the external environment but only those that provide a risk for achieving the objectives in the strategy map and subsequently, the vision.

This also does not mean operational/change related risk should not be managed. But this is part of the normal processes of any organization and not specific to managing for results.

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55   Orange book, UK treasury, 2004 see http://www.coprbm.eu/?q=node/582

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Table 8: risk categories as defined by the UK treasury

CATEGORY OF RISK		Illustration /issues to consider
1.	External (arising from the external environment, not wholly within the organisation's control, but where action can be taken to mitigate the risk) *(This analysis is based on the "PESTLE" model)*	
1.1	Political	Change of government, cross cutting policy decisions (e.g. – the Euro); machinery of government changes
1.2	Economic	Ability to attract and retain staff in the labour market; exchange rates affect costs of international transactions; effect of global economy on domestic economy
1.3	Socio cultural	Demographic change affects demand for services; stakeholder expectations change
1.4	Technological	Obsolescence of current systems; cost of procuring best technology available, opportunity arising from technological development
1.5	Legal/regulatory	EU requirements / laws which impose requirements (such as Health and Safety or employment legislation)
1.6	Environmental	Buildings need to comply with changing standards; disposal of rubbish and surplus equipment needs to comply with changing standards
2.	Operational (relating to existing operations – both current delivery and building and maintaining capacity and capability)	
2.1	Delivery	
2.1.1	Service/product failure	Fail to deliver the service to the user within agreed / set terms
2.1.2	Project delivery	Fail to deliver on time / budget / specification
2.2	Capacity and capability	
2.2.1	Resources	Financial (insufficient funding, poor budget management, fraud) HR (staff capacity / skills / recruitment and retention) Information (adequacy for decision making; protection of privacy) Physical assets (loss / damage / theft)
2.2.2	Relationships	Delivery partners (threats to commitment to relationship / clarity of roles) Constituents (satisfaction with delivery) Accountability (particularly to Parliament)
2.2.3	Operations	Overall capacity and capability to deliver
2.2.4	Reputation	Confidence and trust which stakeholders have in the organisation
2.3	Risk management performance and capability	
2.3.1	Governance	Regularity and propriety / compliance with relevant requirements / ethical considerations
2.3.2	Scanning	Failure to identify threats and opportunities
2.3.3	Resilience	Capacity of systems / accommodation / IT to withstand adverse impacts and crises (including war and terrorist attack). Disaster recovery / contingency planning
2.3.4	Security	Of physical assets and of information
3.	Change (risks created by decisions to pursue new endeavours beyond current capability)	
3.1	Objectives	Objectives challenge the organisation's capacity to deliver / ability to equip the organisation to deliver
3.2	Change programmes	Programmes for organisational or cultural change threaten current capacity to deliver as well as providing opportunity to enhance capacity
3.3	New projects	Making optimal investment decisions / prioritising between projects which are competing for resources
3.4	New organisational policies	Organisational policy decisions create expectations where the organisation has uncertainty about delivery

> **B.** These risks/assumptions are discussed with staff and stakeholders. Strategies to respond to such strategic risks / assumptions are formulated and implemented.

However, if there is a risk, the key idea is then to engage in risk management. This basically entails asking a few questions. Can the PMO influence the likelihood of a particular (more desirable)

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outcome? In the earlier example, it is unlikely election results can be influenced by the PMO. The next question then becomes: what will be the response of the PMO if one or the other outcome materialises? Can it reduce the unfavourable impact of an particular future outcome? The idea is to plan for this outcome so that, if it happens, the PMO is not caught unawares.

Of course, this kind of risk management remains limited to events and trends that have been identified. There will always be unforeseeable events and trends. For this, resilience inside organizations also has to be built, similarly to what has been discussed in chapter 4.3.

6.2.2.6. STRATEGIC MEASUREMENT IS DEFINED AND CASCADED AND GAPS ARE IDENTIFIED AND COMMUNICATED

> A. All strategic outputs and outcomes are measured at the highest level of the organisation. These measures reflect key performance questions that require data for informed discussion regarding possible answers. Measurement does therefore not necessarily equate to an indicator. If relevant, questions and associated measurement are cascaded at the same time as the objectives they measure. This means that cascaded objectives also have cascaded measurement at unit level.

The idea of "Key Performance Questions" (KPQ) was presented by Bernard Marr of the Advanced Performance Institute who was a speaker at the COP RBM seminar of December 2010 in Prague[56].

According to Marr "KPQs derive from the definition of your strategy. Once you have clarified your strategic objectives and mapped them into a strategic map or value creation map you can start designing KPQs." However, where Marr still recommends to look at each objective separately and to then define one to three KPQs, each to be answered by a KPI (Key Performance Indicator). However, it could sometimes make more sense to look at the strategy map as a whole and to come up with questions that relate to the map in its entirety. This does not exclude the possibility that some KPQs relate to individual objectives but does not restrict KPQs to the latter.

It would also makes sense to be more pluralistic regarding the nature of the KPI. Marr still implicitly relies on quantification (all be it of opinions, feelings, etc.) either by means of questionnaires or by drawing on other structured data sources. The resulting collection of indicators constitutes a traditional balanced scorecard.

However, a KPQ could conceivable be answered by a piece of qualitative research as well. Indeed, Marr recommends that KPQ's be open questions (what, why, how) rather than closed questions (yes, no, how much). He gives the example "how well are we managing our budget?" This is a question that cannot be answered by a yes, no or a number. It could be answered by an attitude scale (e.g. a Likert scale) but it also points to the inclusion of qualitative research (e.g. doing a case study on a particular budget item, from decision to expenditure) towards answering KPQs, complementing and enhancing quantitative measures.

An innovative example of a way of measuring that mixes quantitative and qualitative information, was provided at the COP RBM final conference in Maastricht in November 2012 by Laurie Webster where she presented the Sensemaker approach[57]. This approach had already been introduced by Irene Guyt, an evaluation expert, at the COP RBM meeting in Sweden in September 2012.

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56 See http://www.coprbm.eu/?q=node/410 for a paper entitled What are Key Performance Questions? by B. Marr, 2010
57 See http://www.coprbm.eu/index.php?q=node/589 for a video presentation of the approach

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This approach entails looking at the strategy map as a whole, thinking about the key concepts that underpin this map and questions that relate to it and then constructing a "signifier" framework (a list of questions with fixed answer options) that captures these concepts.

The approach however does not just ask questions of a respondent. It rather starts with a question like "share a positive or negative story relating to your experience with the PMO", prompting respondents to tell a story (the qualitative part).

After finishing to relate their story (which can be written online or on paper or even recorded) they are asked to "index" (referred to as "self-signification") this story by means of the "signifier framework" (constituting the quantitative part on which statistical analysis can be applied).

Once again, examples are needed to clarify. Figure 12 shows part of the signifier framework that respondents are asked to use to situate their story visually by means of a triangle (referred to as a triad). Positioning a story in the middle means the three concepts at the ends of the triangle are equally present. All of the dots represent one story (with the possibility that one respondent wrote and indexed several stories). The triangle uses concepts that underpin a traditional strategy map. The designer of the triangle formulates these concepts in such a way that a story that is positioned in the middle reflects and ideal scenario. The Sensemaker software that supports this type of research allows an analyst to access the stories reflected in the triangle to understand better what is behind this and why these stories were positioned like this.

Figure 12: triad used in Sensemaker

T1. If you were to characterize your experience shared, what aspects stand out?
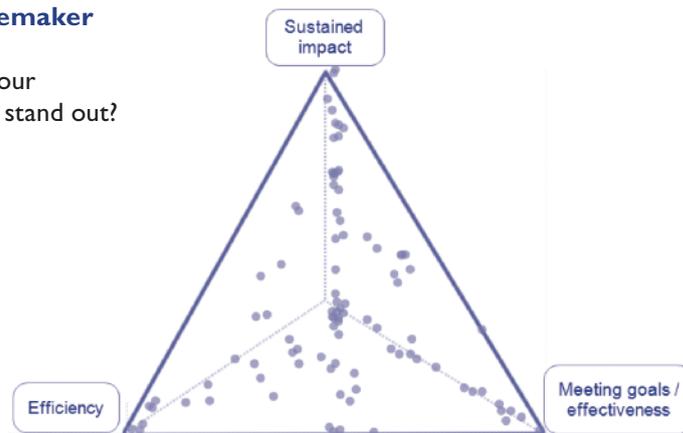
Triangles are not the only type of question used in the Sensemaker approach. Polarities (referred to as dyads) are also used as in Figure 13.

Figure 13: a dyad used in Sensemaker

D1. In the story, PMO could be described as …
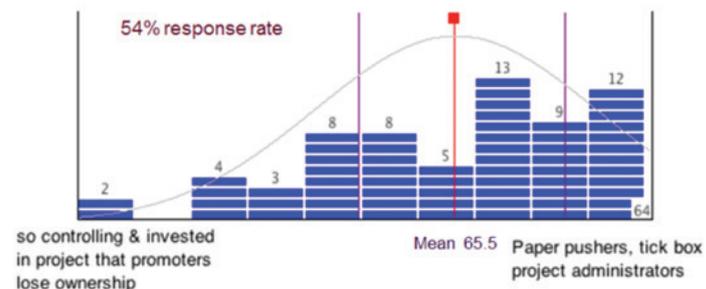
In this case, the two concepts at the ends of the scale are two undesirable extremes, both equally to be avoided. The respondent are asked to situate their story visually again with a positioning in the middle meaning that both extremes are equally present.

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Ideally, stories would not index themselves at all using this polarity. Luckily, almost half of the stories did not find that any of these two situations applied. Yet, that still means about half did. The example makes clear that of the two to be avoided situations, at least one (relating to taking over ownership of projects) is not so frequent.

There are still other ways to visualize responses e.g. using a matrix as in Figure 14. This shows how stories related predominantly to change in interaction with others.

Figure 14: matrix used in Sensemaker
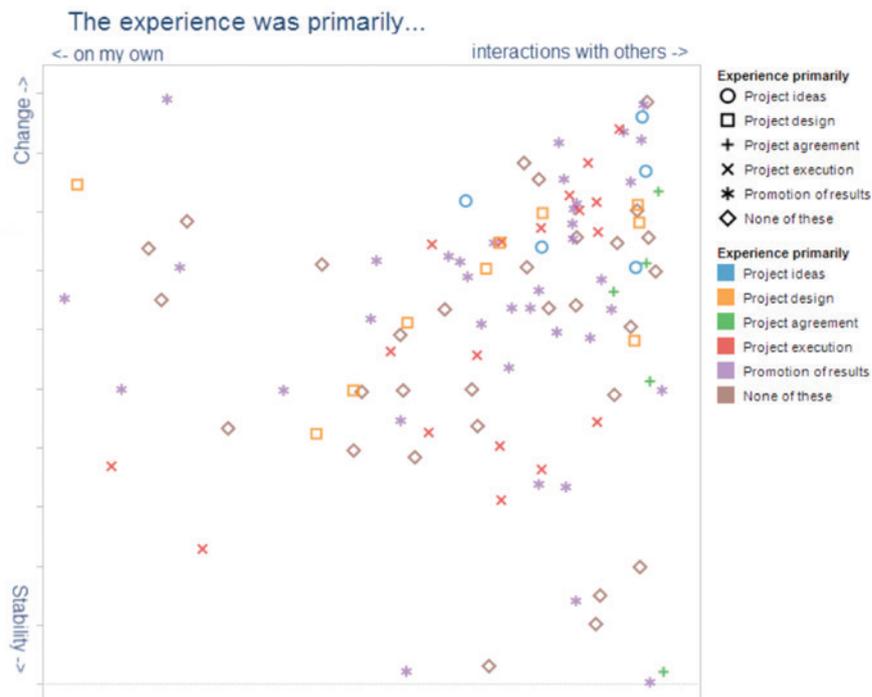
However, if measurement is to be useful, there should also be a possibility to cascade it. This means that lower level units can decide to adopt the same measurement as the overall organization, but ask for information to be disaggregated at their level. It can also mean that certain measures will be deemed irrelevant or that other, additional measures are required at the level of the specific unit, to be able to track performance in terms of the unit level strategy map.

In the Sensemaker example, respondents could be asked to identify the units of the PMO the story relates to. This allows to perform analysis on a sub-set of data and to compare with other units.

> B. For the overall strategy, the current situation (baseline) is assessed and explicitly communicated.

Whether traditional quantitative indicators, qualitative research or a mixed approach are used, a baseline is established when measurement is conducted for the first time. It is not very useful however if it is not widely disseminated in the PMO.

> C. In consultation with relevant staff inside the PM the current situation and trends are discussed as well as what improvement may look like and how it can be achieved.

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A next step is to discuss with relevant staff whether and how improvement can be achieved and how the PMO will know if things are moving into the right direction. This does however not entail quantifying the desired situation into a target. As made clear in chapter 4.3, the use of targets is riddled with difficulties.

When using quantitative indicators, it entails ensuring that the direction of the desired trend is discussed. When using more qualitative research, the key characteristics of the desired situation should be discussed.

In the case of a mixed methods system like Sensemaker, the first measurement using the signifier framework provides a baseline. Trends can be expressed in many different ways as displayed in the example (relating not to a PMO but to illustrative research concerning visitor experiences in a museum) in Figure 15.

Figure 15: trends in Sensemaker
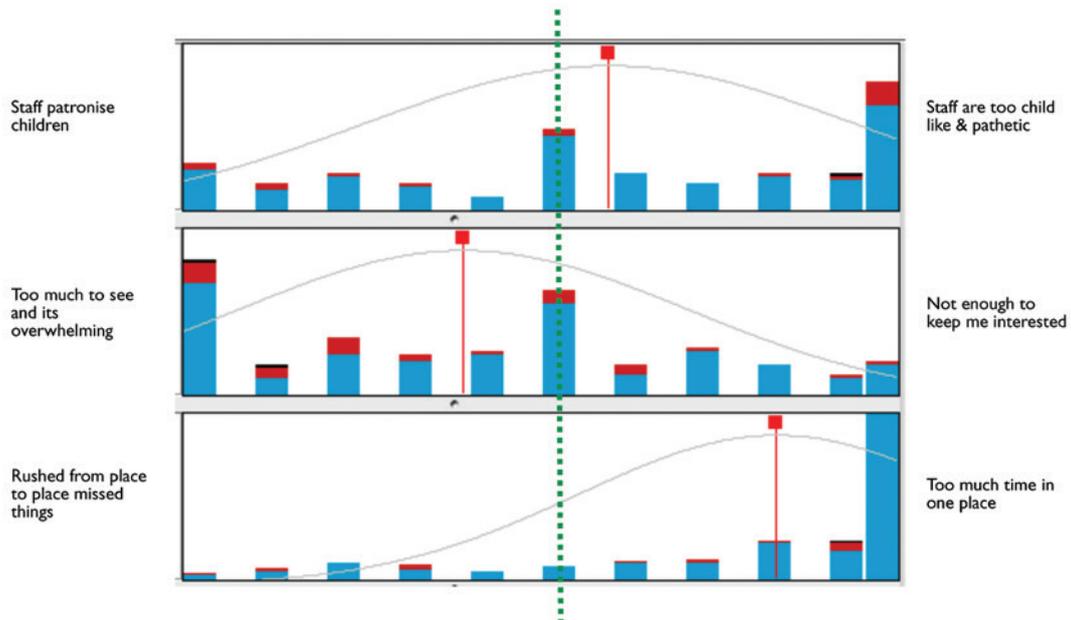
The example shows where, in an next round story collection, stories were added. These stories can be accessed to see what is going on. Of course, the hope was rather that no stories would be added to these undesired polarities. To understand why this did happen, it will be interesting to read the stories that were added.

**6.2.2.7. OVERVIEW OF THE PROCESS:
PHASE 1 – STRATEGY ANALYSIS AND STRATEGY FORMULATION
AND PHASE 2 – DEFINE STRATEGIC OBJECTIVES AND SELECT MEASURES**

(a) Phase 1: strategy analysis:

As the vision, mission and value were clarified in the previous step, these now can be used as as a reference point for a strategic analysis at the level of the PMO. Typically, a SWOT (strengths, weaknesses, opportunities, threats) is conducted. At this point, confusion may arise between the SWOT that is conducted to formulate the content of the Structural Funds partnership contract and the programing documents that are developed on the basis of the contract.

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(i) National/regional SWOT

The "national/regional" SWOT ideally is conducted by government as a whole. It will be looking at threats and opportunities derived from future trends and events that impact the country or region as a whole (or relevant parts such as the labour market). It will also look at strengths and weaknesses of the country and region. It should do this relative to a vison for the country/region as a whole.

A key decision to make when doing this kind of national / regional SWOT is to identify the entity to which the SWOT relates.

This is crucial as the SW part relates to capacities, resources, means that are at the disposal of or lacking in the country and region that is being analysed. The OT relate to external trends and events that impact the country/region and that cannot be controlled.

This means that if "highly educated workforce" is labelled as a strength, then this assumes that this workforce can and is willing to be used to address opportunities or strengths. Perhaps it is important to be cautious here.

Figure 16 shows that as we move outwards from the sphere of government towards citizens, more actors that hold resources, capacities and means are present and the government has less control over them – either to fix a lack of capacity, resources or means (in the case of weaknesses) or to reliably use them (in the case of strengths). In effect, as we move outwards, actors can increasingly be seen as external rather than internal.

Figure 16: the partnership playing field
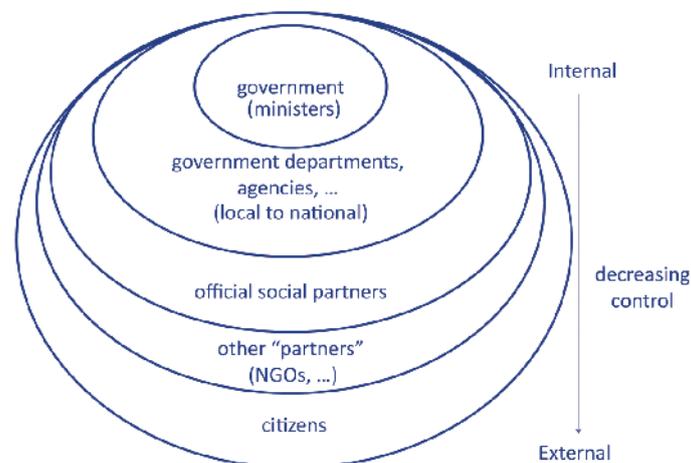
The key question will therefore be when a factor has been identified: to what extent are strengths and weaknesses related to various actors in society amenable to be "used" (for strengths) or "fixed" (for weaknesses) by government in collaboration with other actors? If it is felt that government cannot easily mobilise means, resources, capacities held by some actor then it is best to regard this as an external trend or event. If it is positive, it is an opportunity, if it is negative it is a threat.

The idea of partnership is very important here. If actors are bound by a well-functioning partnership with government, then more parts of the sphere can be "internalized". However, if actors are acting fully independently, then whatever they do can be an opportunity or a threat. This is why the figure is referred to as the "partnership playing field". A highly educated workforce is from this perspective rather an opportunity that a strength. This means government can use strengths at is disposal to capitalize on this, or has to fix its own weaknesses.

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Another key question revolves around whether or not a strength or weakness is one commonly held by countries/regions to which one compares oneself, or not? This is the idea that what counts is relative strength or weakness, NOT absolute. Indeed, if the countries to which one compares oneself all have excellent road infrastructure, then this is hardly worth mentioning as a strength. Otherwise this kind of analysis tends to generate an endless list of items.

As to opportunities and threats, here a selection should be made in terms of those external events and trends that have the highest potential for (negative and positive) impact on the vision for the country. Also, some trends and events will have their impact faster than others. Urgency is therefore another criterion. Apart from trends and events related to the partnership playing field, some trends and events come clearly from outside this field (e.g. from global developments) described in Figure 16. Traditionally, a PEST analysis (Political, economic, social, technological factors) informs the identification of these OTs.[58] This exercise can be combined with a scenario development exercise to properly deal with uncertain OTs for which some of the projected outcomes may be negative for the PMO.

Ideally, participation from all stakeholders into identifying the SWOTs and doing a scenario development should be maximized.

(ii) PMO SWOT

The PMO SWOT will follow a similar analysis. However, in this case, the focus is on the vision of the PMO, not the country or region. It is also much clearer where the boundary of the PMO is situated (external versus internal). Identifying strengths and weaknesses as opposed to threats and opportunities is therefore easier.

However, many PMOs do not have a reference organization to which they can relate relative strengths or weaknesses. The PMO analysis of strengths and weaknesses will therefore mainly focus on their relative importance for achieving the vision.

When conducting the internal analysis, the following framework can be useful[59].

Table 9: internal analysis of the PMO

PMO value chain / PMO functions	A. Define the value (innovation) to meet new needs	B. Realise the value (operations) to ensure quality and user-friendliness	C. Relate the value (stakeholder relations) to identify, acquire and sustain relations with stakeholders
A. Primary function			
1. Intake		Process demand	
2. Processing		Deploy new /improved services, execute services	
3. Marketing / sales	Determine level of effort needed to access services		Acquire customers/stake-holders, detect needs of customers/stakeholders
4. Service			Support customers/stakeholders when there are questions or problems as well as taking pro-active action to avoid them (e.g. training)

58 See for more guidance concerning both PEST and scenario development at http://www.coprbm.eu/?q=node/583
59 Based on Michael Porters' value chain concept in Competitive Advantage: Creating and Sustaining Superior Performance, 1985

2. STRATEGY IS REFLECTED IN A STRATEGIC RESULTS FRAMEWORK

PMO value chain / PMO functions	A. Define the value (innovation) to meet new needs	B. Realise the value (operations) to ensure quality and user-friendliness	C. Relate the value (stakeholder relations) to identify, acquire and sustain relations with stakeholders
B. Support			
1 Purchasing		Purchasing, build relations with suppliers	
2 Technology development (research & development, IT, service and process development)	Analyse opportunities (market research), build relations with R&D partners, develop new services, improve processes		
3 HR	Selection, training, development, incentives …	Selection, training, development, incentives…	Selection, training, development, incentives…
4 Infrastructure	General management, planning, finance, legal, institutional relations, etc.	General management, planning, finance, legal, institutional relations, etc.	General management, planning, finance, legal, institutional relations, etc.

The framework provides some key aspects of running the PMO, classified according to function (left column) and value chain (top row). It helps ask questions such as: "what are we doing in terms of training to support our capacity to innovate?" (by crossing 3 HR with A. Define the value, in the table).

Strengths and weaknesses can also be identified using other frameworks such as the Common Assessment Framework (CAF). However, the above mentioned framework has the advantage of situating identified elements relative to each other and to provide a comprehensive overview that is already in line with the way strategy maps will be constructed (three core primary processes). The input from CAF can also be transferred into the above framework.

There may be many activities that are identified as strong or weak. It is always important to ascertain what is meant with strong or weak (relative to what, in what way, …). For weak activities, those that are directly noticed by outside stakeholders (especially delivery partners) and are considered especially problematic in terms of realising the vision, should be prioritized. For example, lack of training of PMO staff is not immediately noticed by outsiders, but the poor service that may result from this, is.

As to the strengths, a similar approach can be taken or more analysis can be done. A next step is then to ascertain what are the reasons for successful activities. Another tool can be used for this (see Table 10). This tool will help identify strategic resources and competences of the PMO. A competence here signifies a coordinated use of resources. The tool focusses on those activities that were listed as successful AND that directly affect the customers (in principle delivery partners) of the PMO.

Table 10: decomposing prioritised processes into resources and competences

Prioritised activity "X"			
Resources used	Quality/quantity of the resource	How is the use of the resource supported (technical competences)	Does the activity support efficiency (low cost for customers) or effectiveness (high benefit for customers)
How are the various resources used in the activity coordinated? (social competence):			

2. STRATEGY IS REFLECTED IN A STRATEGIC RESULTS FRAMEWORK

When describing the quality and quantity of resources, it is useful to use the following classifications:

- **physical resources according to age, quality, location, amount;**

- **financial resources:** source, amount, budget category (take into account this is relating to funds used by the PMO to maintain the PMO, not to finance delivery partners);

- **intangible resources:**
  - strategic resources: inherited and not available to others (e.g. good working relationship with social partners);
  - reputation: "brand", unique relations with employees, suppliers, partners etc. that can be used for leverage;
  - know-how that is not easy to transfer outside the PMO (e.g. specific knowledge concerning partners, constituents, knowledge embedded in networks and databases etc.)
  - change resources: culture, leadership, systems, structures and people (in terms of their creativity, analytical capability, flexibility ...).

An example can make things clearer. Perhaps it was identified that the "PMO has a strong track record of simplification of procedures". This was identified in the box technology development/ define the value in Table 9. It directly affects the delivery partners in that it reduces the cost of engaging the PMO.

The resources being used in this activity are intangibles such as know-how, derived from a long history in Structural Funds, creativity of a core number of staff and leadership (daring to be a pioneer). As such, these resources can be seen as strengths. They may pop up again when other successful activities are being decomposed. Typically, core strengths will underpin many different successful activities.

Going a step further, it could also be analysed whether the successful use of these resources depends on technically supporting (support directly the quality and quantity of the resources) or socially supporting competences (support coordination of the resources).

In the example, it could be discovered that general know-how concerning Structural Funds is itself supported directly by a technical competence "quick and easy consultation regarding Structural Funds rules". This competence itself consists of the coordination of a well-elaborated manual that codifies much of the knowledge concerning the rules in combination with a few key experts that can be easily consulted by staff.

Furthermore, the know-how, leadership and creativity are coordinated by a strongly elaborated system of continuous improvement (socially supportive competence).

The proposed way of decomposing successful activities is ultimately meant to create a good understanding of what is underpinning successful activities and to decide where the core strengths really lie. These core strengths should underlie many activities. They can be put to good use to realize the vision.

Once a good picture has been painted of strengths and weaknesses, opportunities and threats should also be identified. Focus should be put on identifying important future events and trends at the level of actors that the PMO interacts with in pursuit of its vision. These can range from ministers, other government departments and agencies, delivery partners, constituents, the EC, social partners, etc. In addition, similar to the analysis at the level of the country/regions, some more general political, socio-cultural, economic and technological factors may be relevant to the vision of the PMO. It should always be clearly explained "how" these future trends and events may impact positively or negatively on the vision of the PMO.

Staff and managers from all PMO units should be maximally involved in identifying the SWOTs.

> 2. STRATEGY IS REFLECTED IN A STRATEGIC RESULTS FRAMEWORK

(b) Phase 1: strategy formulation:

(i) Programme strategy

Ideally, a rigorous regional/national SWOT analysis conducted in the previous step will focus on a limited number of S/W/O/Ts (maximum five for each) as the next step is to turn these SWOT's into strategic priorities for governmental action. This is done by reflecting on the following questions:

- What strengths can we use (as a partnership) to capitalise on opportunities? To defend against threats?
- What weaknesses have to be amended to not miss out on opportunities? To be ready for threats?

These questions should be answered together with the partnership whose resources, means and capacities have been internalized. The answers should then be related to the priority axes and specific objectives as specified earlier in Table 3.

(ii) PMO strategy

At this point, the key question will have to be asked towards which – if any – of the three strategic orientations described in Box 11, Box 12 and Box 13 the analysis is pointing. It may well be that it is clear that one orientation, given the SWOT analysis, is better suited to realize the vision than others. It may also be several orientations seem to be justified, pointing to the need of setting up separate business units who will formulate their own strategy, based on an overall corporate map.

Even if only one orientation seems to be justified, it may still be decided to set up various business units. How to define such units may derive from thinking about administrative challenges, external changes and more political preferences. This is elaborated more below[60]:

- external challenges: the alteration of the external context, the growth of new demands and priorities to grapple with (as revealed in the O/Ts of the SWOT) may prompt the (re)structuring of the PMO. Some of these changes can be coped with in other ways e.g. by forming cross-cutting task forces or working groups. But where this has not fully worked, or the new priority or issue has begun to look more permanent or more serious, then a re-structuring may be advisable;
- administrative challenges: these relate to internal bottlenecks and operational problems (incl. low efficiency), and hence the SWs of the SWOT analysis, that could be solved via restructuring. This can involve revamping business units to differently encompass the process directed at customers but also to look at decision-rights (who can decide what at what level);
- more political preferences: some (powerful) actors may be pushing through their own particular interests into the structure of the PMO.

If it is decided to set up various business units, then the next step is to formulate a corporate strategy and after that, a corporate map to visualize the strategy (as described in 6.2.2.4).

In any case, the strategy should make reference to the SWOT analysis. It should provide an answer as to how strengths will be used to capitalise on opportunities or to defend against threats and how weaknesses will be amended to not miss out on opportunities and be ready for threats.

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60   Inspired by http://www.coprbm.eu/?q=node/584

2. STRATEGY IS REFLECTED IN A STRATEGIC RESULTS FRAMEWORK

Ideally, again, representatives from all PMO units as well as management are intensively involved. Plenty of time should be foreseen, particularly if this is the first time such an exercise is conducted. The expectation should not be that it will be a fast, linear process. Participants may want to revisit earlier steps in the process, depending on what came out at a later stage. For example, once a strategic orientation is to be chosen, this may lead to discussing and modifying the SWOT analysis again.

(c) Phase 2: strategic objectives and measures:

Phase 2 begins by formalizing the choices in terms of corporate and business units and strategic orientations and priorities of the previous step, into a strategy map.

If there will be a corporate centre and business units, a corporate map is defined first. The process of cascading will then be used to develop business unit maps, who will themselves choose an appropriate strategic orientation (they may even decide to do a SWOT analysis for the business unit first, to support this decision) or they may have the orientation imposed on them from the corporate level. Along with setting the objectives, KPQs are formulated and appropriate measurement devised to provide answers in the future.

Next, the maps are cascaded further downwards, together with KPQs and measures. Finally, support/regulating units also define their strategies, maps, KPQs and measures.

6.2.3. STRATEGY IS TRANSLATED INTO OPERATIONS (PHASE 2 AND PHASE 3: PLANNING OPERATIONS)

6.2.3.1. STRATEGY IS LINKED TO STRATEGIC PROJECTS THAT AIM TO CLOSE PART OF THE STRATEGIC PERFORMANCE GAPS

> A. The organization understands that strategic initiatives are required to realize the strategy. These strategic initiatives do not represent business as usual or ongoing improvement/maintenance of existing processes and outputs. They are proactively preparing the organisation for the future (e.g. by addressing new products/services e.g. new calls for proposals, and/or relations, competences, expanded capacities) rather than merely improving the current processes and outputs. They require coordination from many parts of the organisation.

The vision for the PMO relates to the next 3-10 years. Hence so does the strategy. This entails the strategy map is future oriented. If the vision was challenging enough (as it should be) then it would be hard to imagine that this can be realized by doing more of whatever the PMO is already doing or by doing it better with whatever means it is already using.

Rather, the PMO will have to do things it does not do yet at all or acquire new capacities, competences and/or relationships it does not have yet. But most of the time, no one gets round to actually working on this as everyone is fully occupied with today's operations. A first step forward is to understand this reality and that the PMO will not be able to realise its vision if it does not deal with this.

An example: if the PMO has a challenging vision that is being served by an innovator orientation and whose strategy therefore entails setting up well-functioning innovation networks that will feed the PMO with ideas, then this is not going to happen if everyone in the PMO is busy running today's operations. Or worse, it may happen on the cheap, by staff doing this on their off-hours, leading to failure and the PMO being a step further removed from achieving its vision rather than closer to it.

Typically also, more than one unit in the organisation will need to be involved. In this case, several operational units, dealing with different topics, may want to use such a network in the future. Also, the IT support unit may have to be involved as setting up such networks may require an IT platform, etc.

> B. Strategic initiatives are identified and rationalized against the strategy, and funded separately using a dedicated strategic expenditures budget.

The previous point is why top management of the PMO must reserve resources for so-called strategic initiatives (such as the example of setting up an innovation network) to ensure that the strategy is actually implemented. Without resources, nothing will happen. To safe-guard this, a minimum fixed yearly percentage of overall PMO financial resources (which may include PMO staff salaries) is to be spent on executing strategic initiatives.

> C. Specific senior managers are held accountable for strategic initiatives by being assigned ownership of a particular strategic theme (a collection of related strategic objectives) – to which a portfolio of initiatives is connected – as well as being allocated responsibility for mentoring the respective cross-functional theme team. The senior managers work with staff to identify the resources necessary for strategic initiatives.

Next to having resources for executing an initiative, it is also important to have commitment from top management. Top management should primarily be safe-guarding the future of the organisa-

3. STRATEGY IS TRANSLATED INTO OPERATIONS

tion and hence be interested in strategic projects. However, all too frequently, top management is spending 100% of its time on daily operational issues, usually due to a lack of strategic vision.

As some strategic initiatives may be related (complementing each other or feeding each other), they should be grouped under overarching themes that can be visualized in the strategy map. For example, in Figure 11, there are three themes corresponding to the three core processes. For each theme, a senior manager can be made responsible for ensuring coordination between initiatives. The senior manager should therefore stimulate all the staff working on the various initiatives that belong to a theme to see themselves as an overall cross-functional team that needs to work together.

The senior manager also shows commitment by working with staff to unlock the necessary resources. Of course, there will be competition from other senior managers for the scarce resources so senior managers should make sure that they mentor staff for preparing a convincing case why their initiative should get resourced.

6.2.3.2. STRATEGY IS LINKED TO PROCESS IMPROVEMENT INITIATIVES

A. Strategic objectives are linked to operational process flows and their outputs and associated critical operational measures that units and employees can focus on in their ongoing, daily activities in order to maintain and/or improve the current business.

This is an important step as otherwise there could be a misconception that existing processes cannot be strategic. While it is true that existing processes cannot be sufficient to achieve a challenging vision and strategy, it would be problematic if staff therefore start to neglect existing processes. This would be like trying to fill a bucket with water while it has a leak. Maintaining and improving current operations can of course also help achieve strategic objectives.

As there are no current PMO examples of this approach, a non-PMO example (still of services and not for profit) to show how this link can be made, is provided in Box 15.

3. STRATEGY IS TRANSLATED INTO OPERATIONS

Box 15: from strategy map to existing processes: non-PMO worked example

Case Study – A healthcare system strategy map articulates strategic themes and objectives (provided by Palladium Inc.)

Revenue / Funding   Revenue / Funding

F1 – Build a strong financial base to achieve our mission & vision

Financial

| F2 – Generate revenue from markets and services with favorable margins | F3 – Generate revenue from innovative products and services | F4 – Expand funding from grants, investments and philanthropy | F5 – Reduce costs and increase efficiencies while ensuring quality |

Customer

| **Patients & Families** | **Referring Physicians** | **Academia** | **Community** |
| C1 – "Provide me with the highest quality of care in a safe and respectful environment that is easy to navigate" | C2 – "Provide easy access to excellent service for me and my patients" | C3 – "Provide me with an excellent learning environment to enhance my development as a health care professional" | C4 – "Understand our community health care needs and work with us to address them" |

Processes

Customer Relationships	**Operational & Clinical Excellence**	**Academic Innovation**	**External Relationships**
P01 – Assure service excellence & optimize the customer experience by continuously improving process flow and interaction	P04 – Achieve exceptional outcomes through coordinated, evidence-based care, health promotion & improved clinical processes	P08 – Excel in research & clinical innovations in partnership with major universities	P10 – Proactively ensure compliance and transparency within our internal and external environment
P02 – Build a meaningful partnership with physicians to enhance the continuum of care	P05 – Achieve outstanding patient safety and quality of care	P09 – Become the leading innovator in clinical education among academic health care systems	P11 – Working with community partners & government, influence issues and drive change relevant to health & wellness
P03 – Communicate our brand & capabilities as an academic health center to meet the community's health care needs	P06 – Optimize utilization of our capital & human assets to operate efficiently		
	P07 – Improve efficiency and reduce cost of non-clinical processes		

Learning & Growth

| Skills | | Culture | Information / Tools |
| L1 – Recruit, retain, develop and reward the best people for the right job | L2 – Develop a common understanding of our strategy and communicate in effectivety | L3 – Foster a culture of ownership, pride, collaboration and trust | L4 – Provide technology, tools and education in a timely fashion to manage the information environment for sound decision making |

3. STRATEGY IS TRANSLATED INTO OPERATIONS

The strategy map above pertains to a hospital. Out of the map, objective P01 is highlighted to demonstrate the approach further below.

Access – how patients enter the hospital (Emergency Department or Direct Admissions) and how their care is coordinated between the access point and the unit where they will receive care

P01 – Assure service excellence & optimize the customer experience by continuously improving process flow and interaction

Patient Access

Care Coordination

Discharge

Care Coordination – once a patient is within the hospital, how the patient receives care once in the unit or operating room

Discharge – once care is complete, how the patient is prepared to exit the hospital

The major process components relating to P01 are identified and described in the figure above. These major components are success factors for the strategic objective.

These components represent value steps for patients. A first question is if they are indeed already delivering the value that existing patients need. A recommended way to improve operations is by using the Toyota Productions System (TPS) adapted for services as exemplified by Vanguard (see http://www.systemsthinking.co.uk).

It may however turn out that the organization is actually still missing some crucial processes and services to meet the needs of the future as implicit in the vision and elaborated in the strategy. Developing these services and processes is then a strategic initiative rather than an improvement initiative of existing operations.

In the hospital example, it should be noted that many (if not most) of the so called "strategic" objectives are actually not about new challenges but about improving business as usual. Many strategy maps indeed confuse "do better on what we did yesterday" (improvement) with "tackle new challenges that exceed what we have on offer today".

B. By focusing on those critical operational measures, process improvement (e.g., TQM, reengineering) or maintenance initiatives are therefore also considered in the light of strategic objectives and gaps (as they aim to improve processes that contribute most to them rather than trying to excel at everything.).

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Similar to strategic initiatives, maintenance (e.g. replace ageing assets) and improvement initiatives (e.g. upgrade expertise, rethink procedures, etc.) have to be properly planned and resourced or risk being done on the cheap or not at all as staff are fully occupied with running the daily business.

However, these initiatives do tend to be within the sphere of responsibility of existing units (as they concern existing operations) so no senior manager has to be specifically allocated to them. It should be part of the normal responsibilities of managers in running the operation.

Linking operations to the strategy map does have the advantage to also be systematic in deciding which improvement initiatives to prioritise. This may conflict with quality management approaches that want to aim for excellence in everything that goes on in the organisation. However, not everything can be strategic. Processes that cannot be linked to the strategy map should be maintained at a reasonable level, but should not be overinvested in.

6.2.3.3. CURRENT BUSINESS ACTIVITY IS PLANNED, ASSUMING EFFICIENCY GAINS FROM PROCESS IMPROVEMENT

> A. Demand for the current mix of outputs and recipients of these outputs as well as short term new offerings is forecasted (declining, growing, stable) taking data from previous achievement levels and benchmarks into account.

Potential interest from delivery partners for submission of proposals (the "order" for a PMO) to the PMO regarding existing funding possibilities (usually operationalized via calls for proposals or tenders) has to be forecasted. As the PMO has already been running these possibilities, it should be able to project steady levels of demand for them or make assumptions about declines or increases in demand. It also entails that the PMO knows how much volume is typically generated in the downstream parts of the order stream by the initial intake (e.g. for each proposal, on average only 50% approvals will be generated etc.).

It should be understood that if a PMO is launching a completely new call (as opposed to for example improved versions of existing calls), it is much harder to estimate demand for this. However, completely new calls (as a new service, possible with a new delivery mechanism, relating to new delivery partners) would constitute strategic projects, rather than business as usual. These strategic projects have already been planned separately.

In any case, plans should always be regarded as just plans. They are not targets that have to be achieved at all costs. But clearly, an organisation has to have an idea of the volume of demand it can expect to avoid having too few resources to deal with this demand, even though such scarcity may actually trigger innovative responses. The opposite, having too many resources is perhaps less of a problem as there will always be opportunities to put them to good use.

> "
> **In any case, plans should always be regarded as just plans. They are not targets that have to be achieved at all costs.**
> "

It should also be clear that "demand" can take various forms depending on the orientation chosen by the PMO. For an enhancer, it is very likely that the traditional order stream starting with the intake of proposals from delivery partners (responding to calls) that have to be read and approved, whose execution has to be monitored via reports, controlled on the spot, whose payment claims have to be processed, … will be the work of the PMO.

In the case of an innovator and a solutions manager, the way these orientations are deployed is very important. For example, the innovator may be operating through "innovation domain" projects. At the level of the PMO, this entails only a limited amount of domain projects that are to be planned

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for in the usual way. But of course, the domain project will itself have to handle the order stream from delivery partners who will be responding to its possibilities. The PMO should still have a good idea of what the order stream at the level of the innovation domain project should look like, as well as what is expected in terms of sales/marketing and after-care, if it wants to launch a call for these domain projects to be set up in the first place. The actual estimation of demand for this order stream can then be left to that who are submitting proposals. In principle, the PMO could itself be the organisation that bids for such a proposal.

More traditional options for an innovator were to let the PMO work with more traditional calls where a project was either covering all stages of the innovation pathway or set up a project for each stage. Here, demand estimation will be up to the PMO again.

Solutions managers mirror the innovation domain project approach : here again only a few large "solutions" projects may exist at the level of the PMO, but inside the project, demand from the targeted delivery partners still has to be planned for and so the PMO should know what this order stream and the rest of the primary process should look like in order to call for "solutions projects". Again, actual estimation of demand can be left to those who submit proposals and again, the PMO could itself be the organisation that bids for such a proposal.

> B. Operational plans (with a one year time horizon) then specify which outputs will be delivered at what standards and by which parts of the PM organisation with which timing.

It is important not just to plan for outputs (produced at various points in the order stream as well as in the rest of the primary process) in terms of quantities but also to be clear about what is understood to be a "good" output. This matters in view of the next step which is to estimate how many resources (staff time, facilities, equipment) will be necessary to deliver this output. It is clear that if standards are low, less resources may be fine. But if standards are set high, adequate resources are also required.

> C. Procurement and resource capacity plans are then linked to the operational plan. Management works with staff to identify the resources necessary to achieve the operational plan, again taking past performance and benchmarks into account and if the resources are not available and cannot be procured, adjusts the operational plan.

Given the fact that the PMO has been running a large proportion of its services on a regular basis, it should have a decent understanding of the associated direct resource requirements for them. When estimating these resource requirements, it is important to also take into account a reasonable capacity utilisation ratio (how much of the time of staff, equipment etc. will be planned for use, how much will remain unplanned as a reserve capacity).

As explained earlier, the order stream (starting with intake of proposals and ending with closing of a project) is a key concept for planning. The resources necessary to realise the order stream break down into two categories:

○ direct requirements can be attributed directly to parts of the order stream as well as to aftercare (if an order – a project – is fully closed). For a PMO, a major part will be labour used directly in the provision of these parts of the order stream. This is in principle easy to do. It requires an answer to the question: on average, how much time is used to perform (part of) a particular part of an order stream; some usage of materials can be directly linked to the parts of an order stream (e.g. every approved project gets a booklet). The consumption of direct resources is to be directly tracked in relation to the service provision (i.e. in the booklet example, for every approved proposal, a provided booklet would indeed be registered);

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○ indirect resources consumption has to be attributed to parts of the order stream with a formula / a rule of thumb. This includes indirect/auxiliary materials/equipment (e.g. printing of documents when processing payment claims, implying usage of printers and of paper), indirect labour (from support and regulating units, but linkable to service provision), general facility costs (e.g. electricity used in running the printers, again linkable to service provision).

What can be directly attributed and what indirectly is a matter of being pragmatic. The cost of tracking direct resources consumption should not outweigh its benefits. For example, how much paper is used in processing payment claims versus how much is used in processing a proposal (two different parts of the overall order stream) could be directly tracked but the cost of this tracking will outweigh the benefit of being able to track this. Therefore, it is more useful to use average % estimates to spread these resources requirements over the various services.

Finally, resource consumption that is not generated as such by orders still has to be estimated. On the one hand, this relates to sales/marketing activities that are meant to generate orders (and hence are part of the primary process). On the other hand, this relates to supporting and regulating services that have to be maintained, even if no orders for services come in. For example, most of the HR cycle (incl. payment of wages) will still be there as will many other general supporting and regulating services (e.g. people will have to be put in offices, that have to be heated, even if no orders come in etc.). Once again, what is worth linking to the order stream rather than putting it under more general resources is a matter of being pragmatic. For example, even though electricity cost for running a printer is in principle attributable via a % to specific parts of the order process, it is probably not worth to do this, even though, if no orders come in, electricity cost will be lower, but to such a small degree that it does not really matter.

Strategic projects have already been separately resourced. This also means that for completely new calls that are set up as strategic projects, the resources at the level of the PMO (in terms of staff, facilities, equipment, …) necessary to develop and deploy them are provided separately by senior management and will be closely followed.

Likewise, improvement and maintenance projects are planned separately.

> D. In all plans, expected efficiency gains from the process improvement initiatives are factored in.

Ideally, each process improvement project provides an estimate of the efficiency gain it can provide. This is factored into the resources planning.

> E. Associated operational and capital expenditure budgets are split up into maintenance/enhancement (incremental ongoing improvements or maintenance of processes / outputs), ongoing operations and general infrastructure maintenance budgets.

Once resource requirements are clear, these have to be translated into the proper budgets. Figure 17 described the overall process of translating planning (of resources) to budgets.

3. STRATEGY IS TRANSLATED INTO OPERATIONS

Figure 17: from resources (plan) to budget
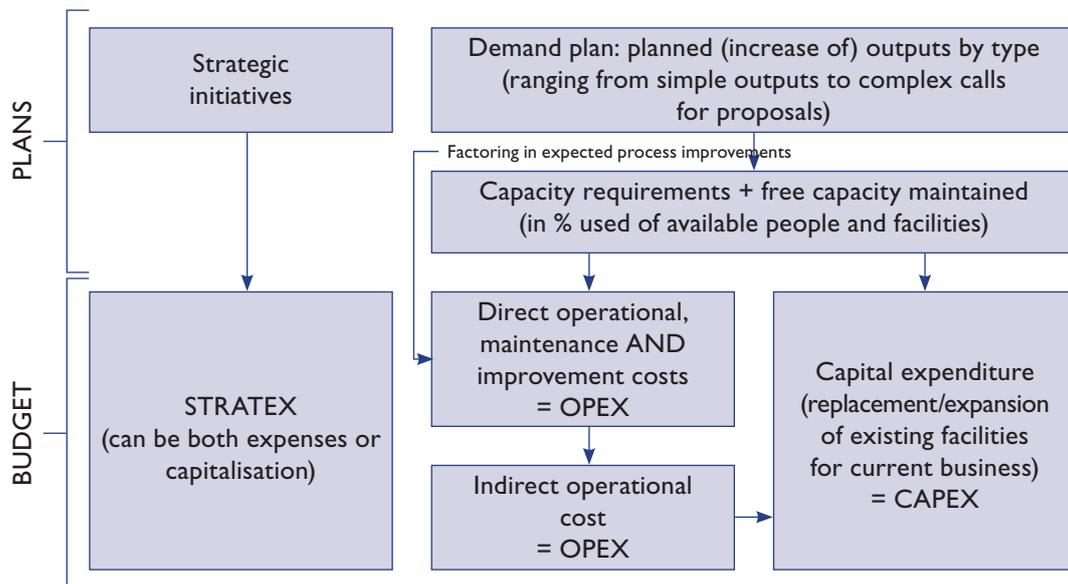
For strategic projects there is a separate budget category, consisting of both operational costs and capital expenditure (which can be depreciated). The cost of a strategic initiative is calculated on the basis of the estimated resource requirements for the activities of the projects.

The demand plan was already translated into resource requirements, taking into account reserve capacity as well as gains from improvement projects. The latter (as well as maintenance projects) were also estimated in terms of their resource requirements.

Both resources linked to demand and those linked to maintenance and improvement are translated into direct operational costs and capital expenditure. Indirect costs in terms of overheads from support units and regulating units are also calculated on the basis of the average consumption of support and regulating unit resources established previously. These support and regulating units also may require capital expenditure.

F.   The units within the PM organisation that have been assigned responsibility and resources for production of the outputs / execution of improvements/maintenance, receive managerial freedom to deliver these outputs / improvements as well as accountability.

6.2.3.4. DELIVERY PARTNERS ARE SUPPORTED WITH A VARIETY OF APPROACHES IN TERMS OF DELIVERY MECHANISMS

This section on delivery mechanisms (approximately 60 pages) discusses the various ways to deliver the programme in alls for proposals or tenders.

(a) Theory of change and logical framework approaches

(i) The logical framework approach

The logical framework approach (LFA) and project cycle management (PCM), as a more general management system within which the logical framework approach was embedded, are methodologies that have been around for a very long time as stated in chapter 5. The European Commission has its own guidance for external aid that is used as a reference point[61]. However, within Structural Funds no such general guidance exists apart from a highly specific adaptation developed in support of the EQUAL programme in the 2000-2006 period[62].

Only a brief overview is provided here of this approach as it is well documented in the cited references.

In short, LFA goes through several phases with a variety of exercises to formulate a project.

Phase 1 is the analysis phase where the context and stakeholders are analysed, where a problem analysis is conducted (usually in the format of a "problem tree" that depicts cause and effect relations between problems), an objectives analysis (where problems – undesired current conditions – are turned into objectives – desired future conditions) and finally strategy analysis (where a focus on a sub-set of objectives can be decided on).

The next phase is the formulation phase. Here the logical framework itself, consisting usually of a four by four matrix, is filled based upon the insights from the analysis phase (see Table 11). This entails determining the intervention logic (the hierarchy of objectives and the activities that will aim to achieve these) in the project description row and also indicators, sources of verification and assumptions for each of the objectives.

Table 11: logical framework

| Project Description	Indicators	Source of Verification	Assumptions
Overall Objective – The project's contribution to policy or programme objectives (impact)	How the OO is to be measured including Quantity, Quality, Time?	How will the information be collected, when and by whom?	
Purpose – Direct benefits to the target group(s)	How the Purpose is to be measured including Quantity, Quality, Time?	As above	If the Purpose is achieved, what assumptions must hold true to achieve the OO?
Results – Tangible products or services delivered by the project	How the results are to be measured including Quantity, Quality, Time?	As above	If Results are achieved, what assumptions must hold true to achieve the Purpose?
Activities – Tasks that have to be undertaken to deliver the desired results			If Activities are completed, what assumptions must hold true to deliver the results?

These exercises provide input for the so-called project cycle manager (who is the officer in charge at the funder side) into the identification and formulation stages of the project cycle as depicted below (again for EC external aid but easily transposable to Structural Funds).

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61 See http://www.coprbm.eu/?q=node/119
62 http://www.coprbm.eu/?q=node/561

3. STRATEGY IS TRANSLATED INTO OPERATIONS

Figure 18: project cycle
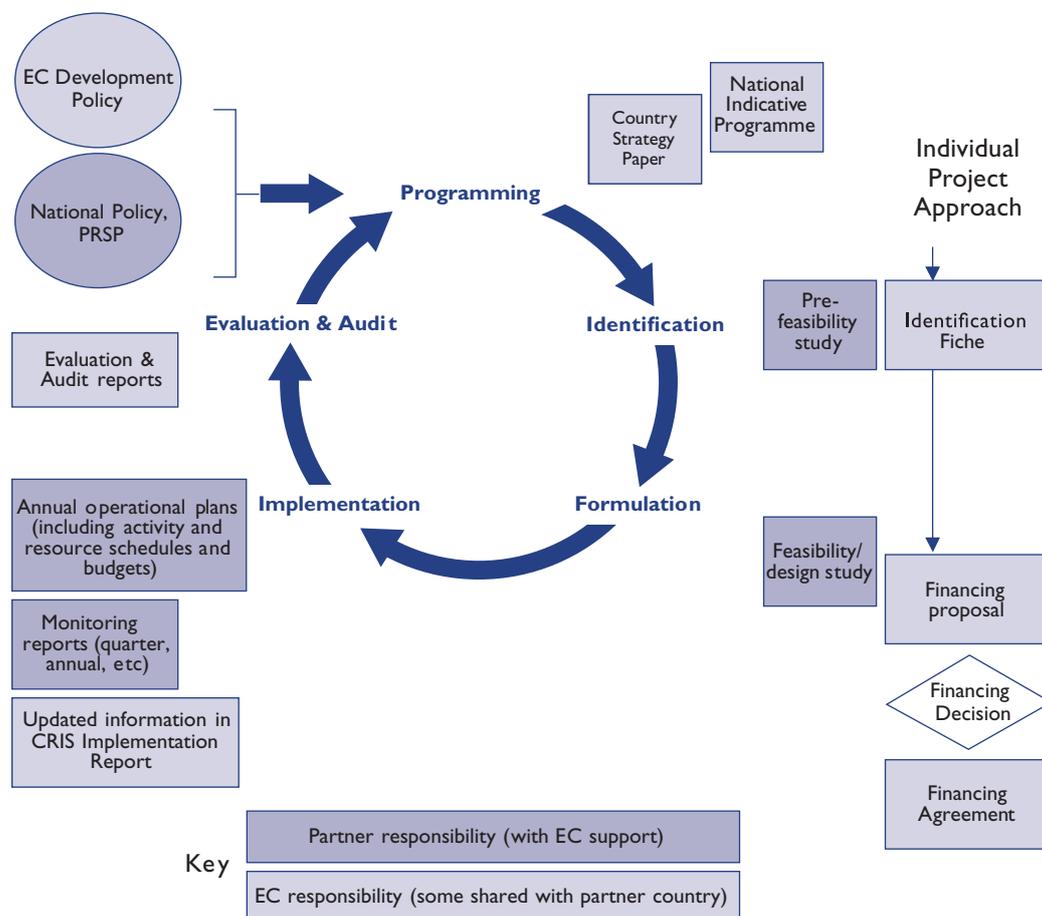
Once a project is approved (using criteria of relevance, feasibility and whether the PCM process is well-managed) it plans next year's operations and goes into implementation. At the end of a year, it is reported on (including proposing a plan for the next year execution). Evaluation and audit activities may also take place at some stage and are then reported to the project cycle manager.

A key feature of LFA is the involvement of the relevant stakeholders for each of the exercises.

While LFA and PCM refer to very specific and detailed set of exercises, the closely related "logic modelling" is used in a looser way[63]. Here the starting point is usually the distinction between inputs, outputs and outcomes/impact as depicted in Figure 19 (a popular format provided by the University of Winsconsin[64]) that is intended to help clarify an initiative. This way of working shows clearly the origins of the logic model as a tool for evaluators that afterwards became a tool for planners.

63 See http://www.coprbm.eu/?q=node/606 for a Logic Model Development Guide
64 http://www.coprbm.eu/?q=node/144

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Figure 19: University of Wisconsin logic model template
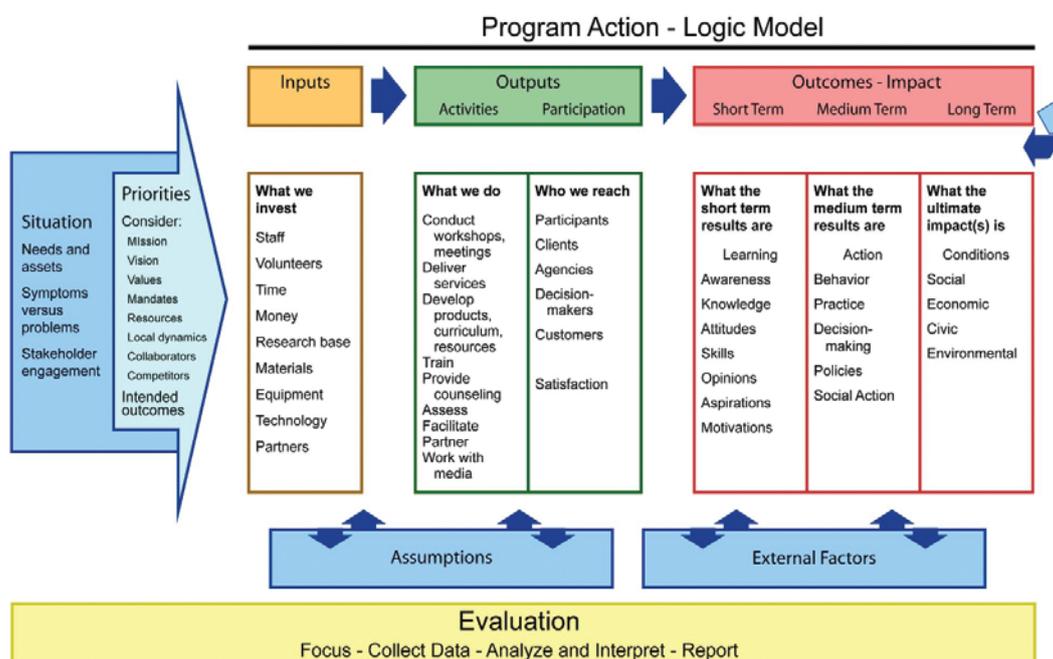
Although the origins are different, both the LFA and logic models clearly lead to a similar output of planning: an overview of an hierarchy of objectives and what input and activity is deemed necessary to achieve them and what assumption/ external factors are believed to be of importance yet outside of the interventions' scope of influence. In addition some sort of monitoring and evaluation plan is expected.

Richard Hummelbrunner, an international expert who spoke at the COP RBM seminar in Athens of May 2012 made a review of criticisms on LFA[65]. There are two types of critics: those who feel that LFA is basically a sound approach but misused and those that feel that there are more fundamental issues with it.

The advantages of the LFA are seen to be:
- helps think about and conceptualise interventions in a structured manner;
- provides common terminology that can help facilitate discussion;
- formalised way of representing the intervention that those who have been trained in it can read and understand;
- provides an overview of the main aspects of the intervention as well as the info needed for monitoring and evaluation, which is especially useful for busy funders.

P. Dearden[66], an academic and consultant from the University of Wolverhampton in the UK, is an example of those who feel the problem is with the misuse of the LFA. He puts forward that problems start when people mistake the logframe for the LFA. However, LFA entails a participatory planning process that is user driven and objectives led. The logframe is just a tool within this process that helps to provide a summary of the intervention. He has several points of advice when considering the use of LFA (or PCM as a broader framework):

⊚ potential users of the approach on the funder and recipient side should be adequately trained concerning the consequences of misusing the tool and they should receive more than the standard set of tools (e.g. include also visioning rather than just problem analysis);

65 http://www.coprbm.eu/?q=node/612
66 http://www.coprbm.eu/?q=node/613

3. STRATEGY IS TRANSLATED INTO OPERATIONS

◎ it is critical that users are also trained in facilitation skills and that the trainer models these skills in the training itself (e.g. active listening);

◎ there should be active and visible support by senior management for the approach;

◎ to ensure the logframe becomes a living document, inception and start-up workshops should be used to involve stakeholders and the stakeholder analysis should be used as the basis for project communication strategies to promote greater ownership;

◎ the logframe should be used to build a common language among stakeholders and achieve consensus on objectives, hence resolving conflicts;

◎ reporting procedures should encourage reviewing and changing the logframe.

However, whether this deals with the observed problems of PCM/LFA is another matter. R. Hummel-brunner lists the various criticisms as follows, drawing also on experiences with the PHARE programme:

◎ differences of opinion among stakeholders are bound to exist and it may not be feasible to resolve them without resorting to abuse of power;

◎ the logframe often is a "logic-less frame" where a project had been prepared earlier and then is forced to fit within the logframe;

◎ the logframe may also be a "lack-frame" that is too simple and omits vital aspects of a project;

◎ LFA overemphasises control as opposed to flexibility under conditions of uncertainty and where there are diverse stakeholders. The logframe tends to be a "lock-frame" which, after preparation, tends to be fixed in stone and therefore blocks learning and adaptation and supports "tunnel vision" which emphasises the importance of achieving intended objectives via intended routes and does not support looking for unintended routes to unintended effects. Even if this does happen, it is usually not linked to the original logic, to help explain what happened and why. This is a big problem in situations where these unintended routes and effects are important as such to assess an intervention or where relations between an intervention and its context are entangled and hard to foresee and where intended routes are not clearly understood or based on prior experience. In short, in situations of great complexity where innovative responses are required. The apparent rigidity associated with "lock-frames" is due in part to funders who distrust recipients and who consider the logframe as a contract against which the recipient is to be held account-able. Allowing the recipient to change it is felt to be a loss of control. Even when the funder allows changes, getting these approved may take so long (e.g. because it is only possible at pre-determined reporting times) that it is useless. Also, it should be understood that the participatory process that is deemed crucial in the approach contributes to "lock-frames" as stakeholders do not want to question compromises that have been fought over;

◎ the control focus of the logframe tends to lead to a preference of easy to measure variables and short term effects to the detriment of longer term or qualitative information;

◎ the assumptions side of the logframe is often superficial if not fully neglected;

◎ the terminology is often adding to the confusion rather than lifting it (e.g. with endless debate of what is an output and what results);

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◎ external experts tend to dominate in terms of supporting the use of LFA but these experts do not understand fully the local context nor are they involved in implementation afterwards (creating a division between thinking and doing);

◎ the logic of the logframe is linear: it is assumes project actions set into motion a chain of events more or less automatically (where, once started, no further intervening is required) without feed-back loops or delaying effects;

◎ the logframe tempts users to believe the observable effects are due to the project;

◎ LFA has a focus on problems (retrospective, remedial bias) which neglects prospective creativity (focus on future);

◎ the logframe cannot show how elements at each level of the intervention logic interact with each other.

Hummelbrunner states that PCM, although in theory more focused on mutual learning, participation and a positive debating culture did not achieve this in practice.

Within the COP partnership, in the Czech Republic, a logic model was used to base indicator formulation on (Box 16).

Box 16: partner practice: measurement based on a logic model in the Czech Republic

Although mandatory indicators were agreed with the EC as part of the Operational Programme for Human Resources and Employment (OP HRE) document, we were keen to look at the usefulness of indicators as a management tool, particularly as the OP document was written in a way that allowed openings for different interpretations of results. We felt that what we needed was a solid logic model with good indicators and management support for the use of the tool. Our first step was to visualise the logic model based on what is written in official OP documents (on the level of priority axes). We then asked our contractors to re-invent the logic model in order to make it more realistic. The logic model that emerged was unclear and the contractor was not very creative in re-inventing the logic but we learnt that in order to ensure that the logic model was consulted, verified and really re-invented we should not be restricted by the current OP structure and the idea of one logic model for one priority. Some priorities may consist of different types of activities and more logic models for one priority may be a good idea. A clearly visualized logic model should be therefore form part of our future OP.

Our next step was to check on how the logic model was covered by indicators. We found some blind spots and areas where the indicators provide only indirect or low resolution information. Our lessons were that in the ex-ante evaluation of the next programme, rather than to try to fit existing indicators into a logic model, we should try to invent good indicators for key nodes of the model. The evaluation then focused on indicators as project targets to ascertain the unintended effects of the targeting system, how project promoters "cheat" indicators, and whether it is possible to reduce project goals to quantitative indicator-style targets only. All of our projects have quantitative targets for indicators and failure to reach these is subject to sanctions. The indicator thus becomes the goal rather than the objective it is supposed to measure and may thus provide "perverse incentives".

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It is not possible to reduce project goals to indicator targets in the current system as the indicators used are too general to cover project variability and we lack human capacity to establish such processes. A way ahead for the future may be to develop a three-layer system of indicators with: (1) a minimum of obligatory indicators; (2) obligatorily optional indicators to be selected by the applicant from an indicator list; and, (3) project-formulated optional indicators to characterise specific aspects of a project which could also be of a qualitative nature. However, such a system requires a much deeper understanding of indicators at both project and programme administration levels.

→ **More at:** http://www.coprbm.eu/?q=node/329

(ii) Theory of change (ToC) approach

A recent literature review[67] concerning the concept states that the idea of the ToC approach seems to have first emerged in the United States in the 1990s, in the context of improving evaluation theory and practice in the field of community initiatives. In its early conceptualisation in 1995, Weiss described a ToC as "a theory of how and why an initiative works"[68]. The review states that different organisations are using the term ToC to mean very different things which may lead to some confusion and unrealistic expectations of what it can do.

This chapter focuses on how ToC can be constructed conceptually. For practical details and tips how to facilitate workshops and other activities to formulate a ToC, the reader is referred to the various guides that are being mentioned.

One of the pioneers of turning ToC into a practical tool has been Hélène Clark who spoke on ToC at the final COP RBM seminar in Maastricht[69]. She defined ToC in her presentation as "A representation of how and why a complex change process will succeed under specific circumstances" and stressed it is both a process and a product. It requires critical thinking, a range of perspectives, local knowledge and research. It is a "living" and changing framework that improves as you learn.

A depiction of a ToC provided by Clark can be found in Figure 20.

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67 http://www.coprbm.eu/?q=node/608

68 Weiss, C.H. (1995). Nothing as Practical as Good Theory. In J. Connell, A. Kubisch, L. Schorr and C. Weiss (Eds.) New Approaches to Evaluating Community Initiatives.

69 http://www.coprbm.eu/?q=node/357 for a guide mirroring closely the described approach. However, this guide only uses the term pre-conditions and does not distinguish these from assumptions. The word assumption is reserved in this guide for what Clarks refers to as rationale as well as for assumptions.

3. STRATEGY IS TRANSLATED INTO OPERATIONS

Figure 20: theory of change example

Real incomes of poorer people in developing countries increase

Increased wealth accumulation for poorer people

More inclusive economic growth

XYZ Initiative

Illustration of the Theory of Change Concept for XYZ
Selected examples of expected outcomes
20 January 2012

Financial Inclusion for Poorer People in Developing Countries

Poorer people in developing countries have access to safe savings accounts/products that provide an economically efficient rate of return

Poorer people in developing countries have access to credit at sustainable, economically efficient interest rates

Poorer people have access to financial payments / transfer mechanisms or tools with low and economically efficient transfer costs

Rapid increase in policy development and implementation of effective financial inclusion policies

Policy makers continue to learn and share their good practice learning with other developing countries.

Financial inclusion policies more effective as they are in more in line with needs, opportunities/barriers in developing countries

International support for FI solutions generated in Developing countries

Multi-lateral agencies support financial inclusion and policy solutions of developing countries

Developed countries support FI policies emerging from developing countries

Rationale: To leverage further policy change, a key objective to to provide deeper and more extensive information based on learning the key lessons on policy formulation and implementation.
XYZ will collect this and facilitate its wide dissemination, which will lead to further change, more lessons learned, more effective information - a positive cycle of deepening understanding widely disseminated

Developing countries better equipped to develop policies appropriate to needs in their countries

Intervention: M&E strategy developed including M&E frameworks for grant aid and other areas of XYZ's service offerings

International Advocacy and Alliances

Strengthened international collaboration among developing countries on financial inclusion

Strengthened international partnerships with multi-lateral organisations/agencies

Strengthened international partnerships with developed country governments

Intervention: Grant scheme developed to fund policy makers to document needs, formulate and implement policies. Funded interaction ranges from exchange visits to bigger funding for implementation.

Intervention: XYZ in particular allows for testing of six key policy innovations.

Policy makers in developing countries share policy learning with other developing countries

Rationale: If enough members belong to XYZ, attend global meetings, and implement policies, then XYZ is positioned to have more influence internationally

Rationale: If enough members belong to XYZ, attend global meetings, and implement policies, then XYZ is positioned to have more influence internationally.

Rationale: Increasing demands from policy makers in developing countries for information and technical support from other countries - especially in the fields of agent banking and mobile-phone banking where most of the experience (and success) has taken place. (XYZ Policy Proposal to BMGF, 2008)

Policy makers in developing countries work together to develop and implement financial inclusion policies

XYZ has international credibility and clout

Intervention: XYZ makes grants available to support developing countries to work together in developing policies.

Rationale: 2007 BMGF-funded GTZ study provides evidence that policies matter in promoting financial inclusion. In the 10 countries studied, policies have played an important role in enabling and expanding pro-poor financial service delivery. Inclusive financial systems reforms: What works, what doesn't and why? (GTZ, 2007).

Key Policy Makers in developing countries are aware of importance of financial inclusion policies in promoting development

Relevant policy makers in developing countries aware of public policy innovations for promoting financial inclusion

Intervention: XYZ highlights success of public policy innovation at global policy forum and through other events and communications channels..

Intervention: XYZ global policy fora and other communications events and mechanisms promote importance of financial inclusion policies among developing countries.

Intervention: XYZ provides grants to developing countries to facilitate exchange of knowledge, policy formulation and policy implementation.

Strong evidence that financial inclusion important for addressing poverty

Evidence that public policy is crucial to supporting and promoting financial inclusion commensurate with protecting the financial system

Intervention: XYZ holds Global Policy Forum and other events and communications developed to address policy makers in developing countries.

To Clark, ToC is to be used:

- as a roadmap of your outcomes– how you get where you want to go;
- as the basis of an agreement (buy-in) of all partners about what needs to happen and who does it;
- as a framework for implementation (required interventions/actions);
- for on-going check-ins to see if you are on track;
- as a basis for evaluation.

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A first step is to turn a long term vision into a well-defined ultimate outcome e.g. 95% of students graduate from high school; tobacco use among 16 to 21 year olds in region is cut in half; etc. This ultimate outcome is not meant to be the outcome for which an intervention wants to be held accountable.

It is deemed important to be precise about this outcome as vague outcome statements
- lead to fuzzy thinking about what needs to be done to reach them;
- sabotage the ability to build a consensus about what is important in terms of programming and allocating funds;
- make it difficult to figure out how to develop a measurement strategy to tell when and if they have been achieved.

The next step is to create a pathway of change: a cause and effect chain of outcomes that are all necessary for the ultimate outcome. The process used to create the map is "backwards mapping." This means that the group should imagine that they are starting at the end of the initiative and walking backwards in their minds to the beginning by asking themselves over and over "What is necessary for the outcomes at this step?" It is important that outcomes are achievements and not actions. First, the longer term outcomes that the intervention wants to be held accountable for have to be identified and placed at the end of the chain, just below the ultimate outcome.

Two kinds of outcomes should be distinguished in the pathway:
- assumptions: these are conditions that the initiative believes are already in place and hence not problematic. It will not be required to take action to achieve them;
- preconditions: the initiative will have to work on achieving these with actions.

These actions are represented as red boxes in Figure 20 that act on establishing links between conditions or assumptions and further conditions. Sometimes there will be conditions that are the result of a "domino effect," meaning that achieving the first thing will lead to the second without any additional intervention. In most cases, however, a particular activity, policy, or program will be required to bring about each of the conditions on the map.

A general description of the type of strategy or type of intervention (i.e., parent education classes, home ownership workshops, micro-loans to local entrepreneurs) should be described in just enough detail to allow the group to determine if it is plausible that the intervention would bring about the outcome being considered. Planning the details of the implementation strategy is a task that they will take up once they have completed the theory of change and know exactly what types of intervention they have to implement.

In existing programs, it is often helpful to identify gaps in the current menu of intervention offerings. Mapping each element of an existing program to the range of outcomes in the pathway allows to see where one needs to create or implement new activities.

It is not sufficient to just claim that preconditions and/or assumptions lead to the achievement of preconditions further in the chain. A rationale has to be formulated for this. This is represented by the green boxes in Figure 20.

Next, the question is asked "What evidence will we use to show that this has been achieved?". Indicators should be devised that measure progress in terms of the outcomes answering the following questions: what (e.g. reading scores to measure whether students are ready for an academic career)? For Whom (students)? How Many (target threshold level)? How Good (target threshold level)? By When (timing)?

It is very important to clearly think about the best indicator first (assuming whatever information one wants to use as an indicator can be gathered) and then turn to the task of figuring out how to do get it done in practice. Otherwise, this limits thinking by bringing up only indicators related to the data stakeholders have access to. Also, indicators should match the point in time that the outcome will occur and should therefore not measure pre-cursors of this outcome.

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Finally, a narrative has to accompany the visual representation of the ToC. To facilitate this, the complicated depiction in Figure 20 can be simplified as in Figure 21, which also serves as a map to show progress.

Figure 21: simplified ToC representation
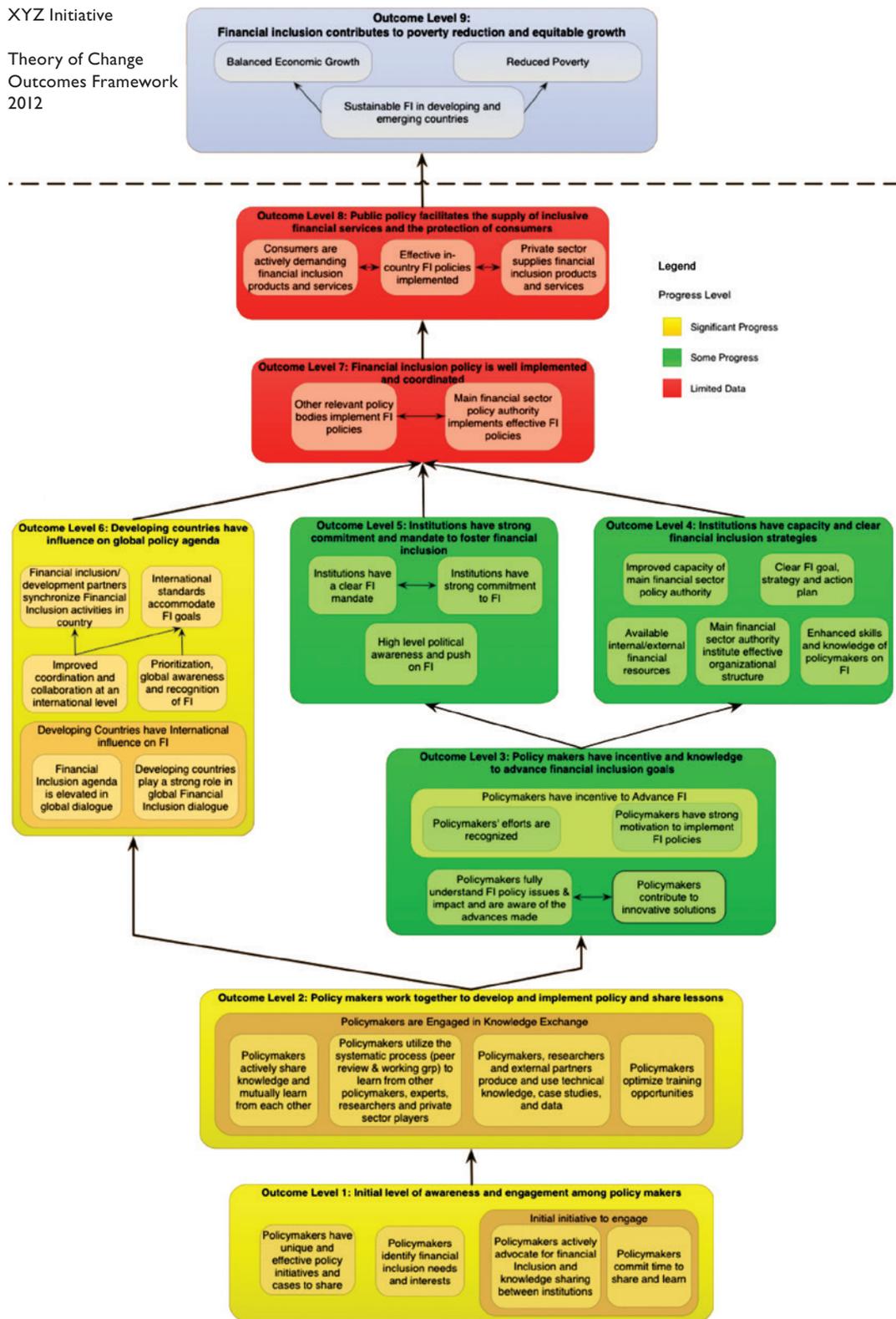
3. STRATEGY IS TRANSLATED INTO OPERATIONS

The narrative derived from this figure is described in Box 17.

Box 17: ToC narrative

Outcome level 9: Financial inclusion contributes to poverty reduction and equitable growth

Ultimately, as illustrated at the top of the outcome boxes in the ToC map, the aim of financial inclusion is to contribute to poverty reduction and to balanced economic growth in developing countries. The XYZ concept of financial inclusion in this respect is a broad and holistic one, going beyond a narrow focus on micro-finance to include a whole range of factors and elements associated with sustainable financial inclusion. These include six policy areas that XYZ has specifically focused on since its inception: mobile financial services, agent banking, formalizing micro-savings, consumer protection, financial integrity and measurement and data.

Outcomes level 8: Effective Policy is Implemented: Public policy facilitates the supply of inclusive financial services and the protection of consumers

The implementation of effective public policies in developing countries to facilitate the supply and demand of safe and affordable financial services is the key long-term outcome that XYZ is specifically working towards. Public policy is posited in the ToC as an essential precondition for the achievement of the broad goal of sustainable financial inclusion.

In particular, the policies of the main financial regulators and other institutional stakeholders are considered essential elements in facilitating the private sector to avail of new innovations (for example, mobile phone technology) to deliver affordable financial services to poorer people while at the same time protecting the stability of the financial system. Equally, public policy is considered essential in supporting the protection of consumers of these new financial services, including the promotion of financial awareness and protection against exploitation and fraud.

Outcome level 7: Financial inclusion policy is well implemented and coordinated

Although the policies of central banks and other national financial regulatory bodies are critical, promoting financial inclusion also has implications for a wider set of institutional actors. These include for example, ministries of education (relevant to generating consumer awareness) or on the supply side, telecommunications regulatory bodies relevant to new services based on mobile phone technologies. A key learning from the work of XYZ to date is the need for co-ordination of policies across the institutions and the involvement of a wide set of stakeholders relevant to the multi-dimensional nature of financial inclusion.

Outcome level 6: Developing countries have influence on global policy agenda

The XYZ model theory also recognizes that two strands of the work of its policy maker network – national and global/international – have reinforcing synergies. Bringing financial inclusion and the voice of policy makers in developing countries to the forefront of international forums, such as the G20, gives financial inclusion greater prominence (which in turn can give financial inclusion and the policy makers who champion it greater prominence in individual developing countries). It also allows for the practical needs and policy successes of developing countries to inform international polices relevant to financial inclusion and complements the work of other actors and stakeholders working on this issue. Particularly important outcomes of this work in this respect include ensuring that key the policies of international standard setters (in relation to financial stability or anti-money laundering) can accommodate national level financial inclusion goals.

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Outcome level 5: Institutions have strong commitment and mandate to foster financial inclusion

An important precondition for the development of effective financial inclusion policies is that the institutions have both the commitment and the mandate to do so. This is one of the reasons that XYZ has focused on building up a network of key financial regulators such as central banks and ministries for finance as these are more likely to have the clout and influence to advance and mainstream effective financial inclusion policy in their respective countries. The central importance of institutional commitment to drive effective policy change has been posited by XYZ at outset and has been one of the clear lessons from its work to date.

Outcome level 4: Institutions have capacity and clear financial inclusion strategies

The implementation of effective policies requires commitment but also capacity and direction. Important outcomes that XYZ has sought to contribute to under this heading is that national institutions have financial inclusion strategies or other structured processes with clear goals based on the particular context and challenges faced by individual developing countries. Capacity includes the financial resources, institutional structures and skills and knowledge necessary to develop, implement and evaluate the impact of financial inclusion policy.

Outcome level 3: Policy makers have incentive and knowledge to advance financial inclusion goals

An important precondition posted by XYZ for the development of institutional commitment and capacity is that individual policy makers have both the knowledge and the incentive to promote and advance financial inclusion goals within their respective institutions. The core XYZ concept of facilitating peer-to peer knowledge exchange is considered to have huge potential in achieving outcomes under this heading. Policy makers from different national financial regulators already engage with one another on financial issues more generally and are likely to be influenced (and incentivized) by their policy making peers. XYZ seeks to build on this 'social capital' among policy makers for the purpose of promoting financial inclusion.

Outcome level 2: Policy makers work together to develop and implement policy and share lessons

As stated, a core part of the XYZ concept is that a strong network of policy makers from the primary financial regulators in developing countries working together to implement policies (and exchange learning as they do so) has a uniquely important role to play in generating the various higher level outcomes, including the capacity and commitments necessary to drive national financial inclusion policy development and implementation. Under this heading XYZ is seeking to ensure that policy makers actively engage and share knowledge, avail of training opportunities and produce knowledge products that allow for the maximum possible dissemination of learning.

Outcome level 1: Initial level of awareness and engagement among policy makers

XYZ posited a number of 'foundational' outcomes as preconditions for generating deeper and self-sustaining levels of knowledge exchange between policy makers. Important outcomes it has worked to in this respect include ensuring that policy makers actually have unique and effective policies to share. Other outcomes include generating initial levels of engagement and the identification of financial inclusion needs and interests.

3. STRATEGY IS TRANSLATED INTO OPERATIONS

For Clark, a key issue when starting a ToC exercise is to determine scope.

◎ **narrow and shallow:** this shows the least amount of information. It identifies relevant conditions to the long-term goal, but not all necessary conditions. Usually it focuses "narrowly" only on those conditions that the initiative may address. For example if a long-term goal is employment, a narrow scope may only identify the skill-related conditions to employment and not identify things like available child care, stable lives, or attitudes that may be necessary for people to get and retain jobs, but that are outside the purview of the initiative. Similarly, the framework is "shallow" as the pathways are not worked all the way back to the beginning (where the initiative would start) or multiple outcomes are summarized for simplicity. This scope choice should be avoided;

◎ **narrow and deep:** as with "narrow and shallow", in this case all of the conditions for the long-term goal are not identified, but for those that are, detailed pathways are developed, so that every intermediate outcome is identified. This scope provides enough detail for the initiative to make decisions within the narrow framework it identified. This scope may be most practical for very small-scale initiatives who just want to map out what they need to do. Since some conditions to reaching the long-term goal have not been accounted for, the initiative needs to be realistic about what level of success it can expect, given that it will only change what it has identified;

◎ **broad and shallow:** in this case, all of the conditions for the long-term goal are identified. However, in this framework, the pathways may not go back much further. This type of framework is sometimes used by funders, or intermediaries, to identify a set of outcomes at a high level, and then ask individual grantees to develop the pathways to reach one or more of those higher-level outcomes. This type of framework can provide a unifying principle for multi-site, or multi-topic initiatives at the expense of providing guidance on how to reach long-term goals;

◎ **broad and deep:** it identifies all of the conditions to change, and has a pathway of outcomes needed to bring all the outcomes about. This scope provides a level of detail that allows for the most internal learning, provides a blueprint to make decisions, and a finely honed evaluation that can sort out what is really happening.

It should be noted that there are ToC approaches that are inspired much more by research than by planning such as the depiction used by Chen[70] that turns the ToC into a causal model, referred to as a change model, composed of variables rather than discrete events (e.g. rather than formulate an outcome such as "participant gets employed" the model depicts a variable such as "employment status of participants").

The same author provides also a useful way to describe the interventions that will be deployed to achieve the outcomes and refers to this as an action model. This action model affects determining variables that in turn affect the ultimate outcome as depicted in Figure 22.

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70 http://www.coprbm.eu/index.php?q=node/395

3. STRATEGY IS TRANSLATED INTO OPERATIONS

Figure 22: action model acting on change model
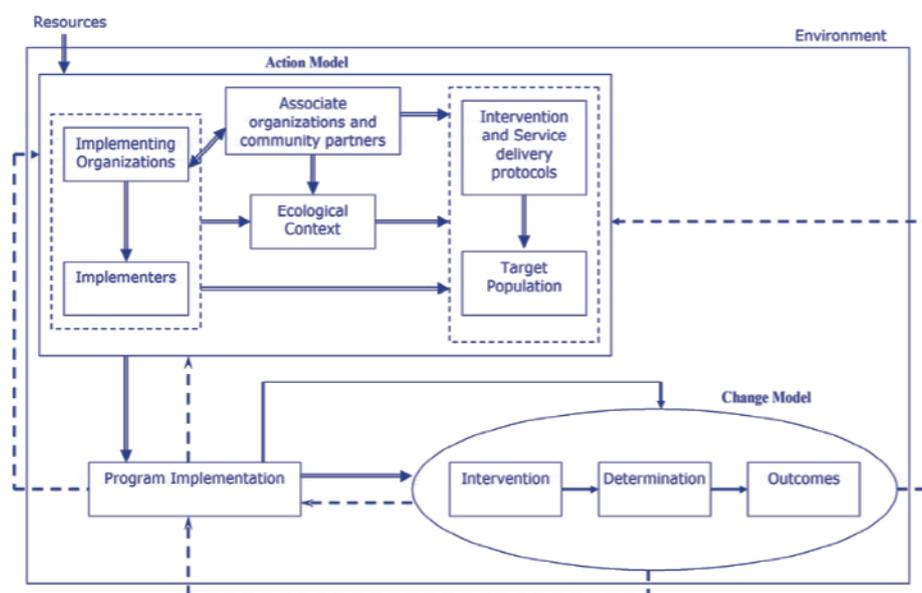
◎ **implementing organization:** this organization is responsible for organizing staff, allocating resources, and coordinating activities to implement an initiative. The capability of the organization affects the quality of implementation;

◎ **implementers:** these are the people who are responsible for delivering services to clients such as case managers, outreach workers, school teachers, health counselors, and social workers etc. who should have the right competencies and commitment;

◎ **associate organizations/community partners** that are a benefit for or a requirement to collaborate with;

◎ **ecological context:** this is the portion of the environment that directly interacts with the initiative. Support from environments may be needed such as social supports and social norms to facilitate success;

◎ **intervention and service delivery protocols:** an intervention protocol is a curriculum or prospectus that states the exact nature, content, and activities of the intervention. The service delivery protocol refers to the particular steps to be taken to deliver the intervention in the field;

◎ **target population:** this is the group of people that the intervention is intended to serve. Success is affected by the following factors: the presence of well-established eligibility criteria, the feasibility of reaching eligible people and effectively serving them, and the willingness of potential clients to become committed to or cooperative with the program.

Another guide from 2012 by HIVOS[71] adds a number of useful elements to the approach proposed by Clark and substantially alters the approach in some aspects.

71 http://www.coprbm.eu/?q=node/607

3. STRATEGY IS TRANSLATED INTO OPERATIONS

The vision, as a "creative, appreciative and positive visualisation of a situation that we wish to attain at a later time", is recommended to be a "rich picture" rather than just a statement. It should:

- show the context in which we are evolving (temporal, geographic, social, cultural, economic, political, etc.);

- identify the issues that we face;

- represent the actors involved (public, private, civil society, political), their relationships, values, attitudes, abilities and behaviour as they would exist in the new, visualized framework;

- incorporate formal and informal institutions (public policies, legal framework, standards, customs, cultural patterns, values, beliefs, consensual norms, etc.) that support the desired change;

- emerge as a result of visualizing the present and, after analysing current reality, projecting an image of the future so that the rich picture embodies as much a vision of the present as of the future;

- project 5-10 years into the future, depending on the decision taken by those who are designing the ToC;

- be plausible in that it concentrates on changes in and among individuals, organisations, social structures, cultural patterns and institutions on which influence can really be exerted so change is not only possible but also probable.

Once the vision is established, it is useful to identify and discuss the actors that will be affected by change. Also, the vision is broken down into three to four "strategic areas" implied by the vision. Strategic areas are identified using the following questions:

- Which are the main factors emerging from our conversation when defining the vision?

- Are there some emerging categories that we can identify? Can we find among all these factors some sort of convergence? Can we sort them out and define some categories?

- Among all these categories, which are those that can make the system move towards our desired change more than other categories?

- Based on our organizational expertise, role, and capacity to which areas can we contribute better?

After identifying these key categories (3-4) and rephrasing them in such a way that their strategic value is clear, we develop a strategic objective for each of those categories selected.

A next step is to surface as much as possible the assumptions that those involved in drawing up the ToC have. This can range from formal social theories those involved explicitly subscribe to, to more implicit "mental models" that shape how they view the world.

This is not a trivial step. A commonly held assumption of how change happens is depicted in Figure 23[72].

72 http://www.coprbm.eu/?q=node/615

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Figure 23: a generic theory of change
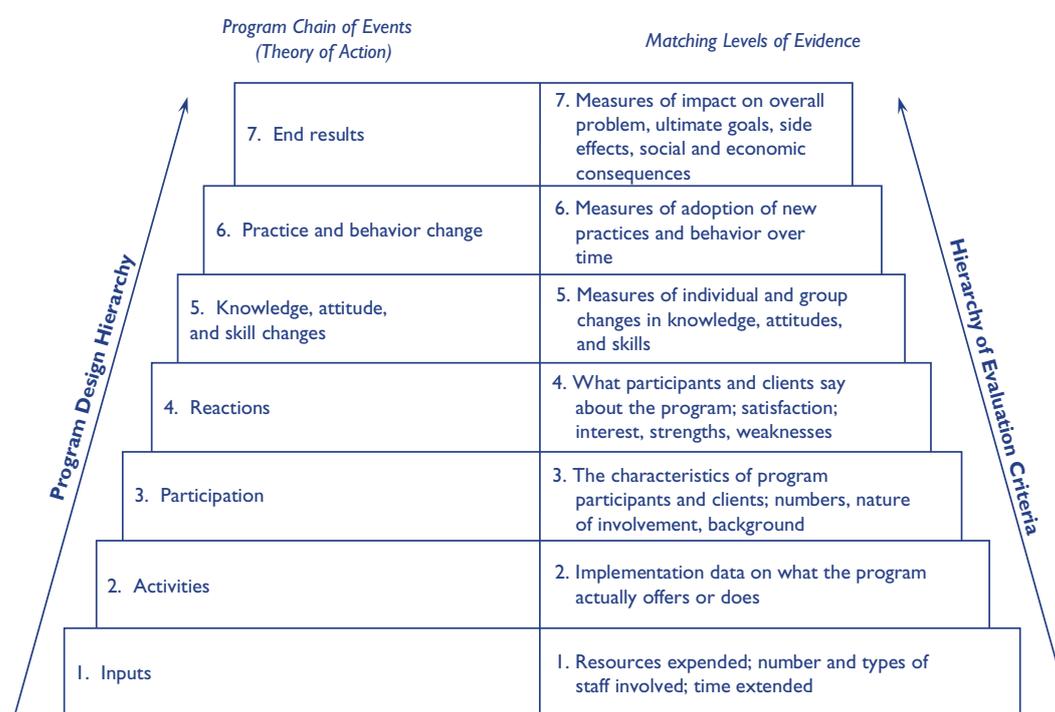
However, this is just one theory of how change can happen[73]. It is linked to a research based theory known as the "attitude change approach" which focuses on controlling information to which people are exposed and how they process that information. It is prominent in the fields of communications, marketing and consumer behavior. A rivaling theory focuses not on attitudes and beliefs but on motives. This states that behavior occurs in a force field where multiple pressures operate simultaneously on an individual. Some push towards the goals, some away from it. Behavior represents the equilibrium. Many more theories concerning change exist[74].

The next steps in the HIVOS approach deviate considerably from Clarks' approach.

Rather than going into backward reasoning to draw a cause and effect scheme with a longer term outcome as a starting point, it is recommended to just brainstorm necessary conditions. Some of these may already be met and some of them can be realised in the set timeframe. If too many cannot be realised, the scope of the vision and the strategic areas may have to be changed.

Then, those ideas that can be grouped into a single condition are framed as "outcomes". These conditions can occur in at least three ways:
○ Sequential: A cannot occur until B has happened;
○ Simultaneous: C cannot occur without the joint action of A and B;
○ Emergent: M occurs because of the un-predictable or not well known interaction of D, J, I and Q.

These conditions involve changes in institutions, quality of the relations between actors, presence and action of certain actors, social and/or technical abilities, collective/organisational/individual behavior and attitudes, more conducive environments (legal, operative, physical, knowledge, technology, etc.).

73 Psychological levers of behavior change by D.T. Miller and D. A. Prentice, in "The Behavioral Foundations of Public Policy", 2012, by Eldar Shafir (eds.)
74 See http://books.google.be/books?id=A9Iid1tcGwgC&hl=nl&source=gbs_navlinks_s

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Once we have come to know these conditions better, we start developing the pathway of change. For this, there are at least two options. The first option looks at the strategic areas in detail and develops a pathway of change for each. The second option lies in developing a more general pathway of change based on a broader analysis of the vision and strategic areas altogether.

A warning is issued against linear depictions such as visualised in Figure 20. The emphasis should be on telling a story of change.

After this step, the initial assumptions should again be reviewed, this time from the point of view of the story of change. These need to justify why the particular set of outcomes will indeed contribute to the vision.

Another key difference lies in the use of indicators. Whereas in Clark's approach this embodies the traditional quantitative approach, including the setting of targets, HIVOS takes a looser approach: "what do we need to see in our context to understand to what extent our actions are contributing to i) the desired change, ii) the achievement of our outcomes". Methods are left open completely and targets are not mentioned.

The shift away from pathways of change as cause and effect models towards less linear depictions and from quantitative targets for indicators towards describing "what we need to see" should not come as a surprise. Professor P. Rogers[75] who spoke at the COP RBM seminar in Stockholm, draws on the distinctions between simple, complicated and complex systems as elaborated in Box 5 to paint the consequences for the use of ToC. Toc as proposed earlier by Clark is very useful for depicting complicated systems that have multiple causal strands. It may be that all strands are necessary for success or only a few (alternate solutions, each of which may work). Also, some causal strands may be more critical or may be irrelevant in certain contexts and this can also be taken into account by drawing up variations of the basic model for the different contexts.

Rogers also puts forward that complex systems pose additional challenges to the linear cause and effect schemes. The causal path shown in a logic model might only occur at critical levels of activity, or once certain thresholds of earlier outcomes have been achieved. This is hard to show diagrammatically, and is perhaps best communicated through annotations on a diagram.

One of the most challenging aspects of complexity for ToC is the notion of emergence – not that certain patterns emerge as our understanding of them improves (knowledge which can then be used to predict similar interventions in the future), but that the specific outcomes, and the means to achieve them, emerge during implementation of an intervention. Emergent outcomes may well require an emergent ToC – or in fact one that is expected to continue to evolve. A more flexible ToC is needed, where an initial model is developed, and then used to guide planning and implementation, but also revised as plans change.

Another approach is to formulate a model that is rather generic and broad so that it can encompass anything that will emerge. A quite different approach is not to present a causal model at all, but to articulate the common principles or rules that will be used to guide emergent and responsive strategy and action.

The HIVOS method as well as other guidance on ToC it refers to such as provided by Keystone[76] is more in line with the last two approaches mentioned by Rogers. The method by Clark is more in line with the first approach.

So, what have been the experiences with ToC? We draw on three reviews concerning the use and prospects of ToC to answer this question.

75 http://www.coprbm.eu/?q=node/370
76 http://www.coprbm.eu/?q=node/614

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A review from the UK department of International Development[77] yielded the following conclusions

- theory of change is both a process and a product. It should be seen as an on-going process of discussion-based analysis and learning that produces powerful insights to support programme design, strategy, implementation, evaluation and impact assessment, communicated through diagrams and narratives which are updated at regular intervals;

- the quality of a theory of change process rests on 'making assumptions explicit' and making strategic thinking realistic and transparent. Practical experience highlights that this is not straightforward to do, as these tap into deeper beliefs, values, worldviews, operational 'rules of thumb' and analytical lenses that all individuals in development bring to their work. It takes time and dialogue to be able to challenge assumptions. Power relations, both in the programme's context and within organisations, limit the ability to challenge established ways of working;

- the time and resource needed to work effectively with theory of change needs to be taken seriously. Staff in donor agencies, country programmes and civil society organisations are all under time pressure. Pragmatic approaches can get theory of change habits seeded, but institutional and funding support for theory of change processes is needed to get the benefits in terms of more robust log-frames, results frameworks and better implementation of programmes;

- working with theory of change thinking can be challenging but it can create a strong organising framework to improve programme design, implementation, evaluation and learning if some of the following enabling factors can be achieved:

  - people are able to discuss and exchange their personal, organisational and analytical assumptions with an open, learning approach;
  - theory of change thinking is used to explain rationales and how things are intended to work, but also to explore new possibilities through critical thinking, discussion and challenging of dominant narratives for the benefit of stakeholders;
  - critical thinking is cross-checked with evidence from research (qualitative and quantitative) and wider learning that brings other analytical perspectives, referenced to stakeholders', partners' and beneficiaries' contextual knowledge;
  - a number of theories of change are identified as relevant 'pathways' to impact for any given initiative, rather than a single pathway, with acknowledgement of the non-linearity and emergent nature of these;
  - documented theories of change and visual diagrams are acknowledged as subjective interpretations of the change process and used as evolving 'organising frameworks' to guide implementation and evaluation, not rigid predictions or prescriptions for change;
  - theory of change frameworks and visuals are used to support a more dynamic exchange between donors, funders, grantees, development partners, programmes and communities, to help open up new areas and challenge received wisdoms;
  - funders and grant-makers are able to find ways to support justified adaptation and refocusing of programme strategies during implementation, while there is time to deliver improvements to stakeholders and communities.

77   http://www.coprbm.eu/?q=node/610

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Another review commissioned by UK NGO Comic Relief[78] highlights several challenges:

- the challenge most frequently mentioned was how to continue the process of learning: some did not manage to reconcile it with other organisational processes and tools; and many never reviewed their theory of change so left it as a one-off process;

- not all facilitators adapt the process to the particular needs or stage of an organisation. Everyone agreed that it demands very skilful and sensitive facilitators;

- some organisations also find it hard to represent their theory effectively, finding that the diagram over-simplifies or loses key elements of their analysis; or else becomes over-complicated.

On the other hand, people and organisations that contributed to the review highlighted a large number of benefits that can emerge from using theory of change as an approach – though not everyone will experience them all. The benefits may depend on the purpose of the process, the approach taken and the situation of the organisation or partners. People mentioned the following benefits frequently:

- developing a common understanding of the work and surfacing any differences;
- strengthening the clarity, effectiveness and focus of programmes;
- providing a framework for monitoring, evaluation and learning throughout a programme cycle;
- improving partnership by identifying strategic partners and supporting open conversations;
- supporting organisational development in line with core focus and priorities;
- using theory of change to communicate work clearly to others and as a reporting framework;
- empowering people to become more active and involved in programmes.

The review makes several recommendations:

- take time for team reflection: agree how you understand theory of change; explore the team's own broad theory of change across all its programmes; and work out how you will engage with partners in regard to theory of change;

- meet with other key groups and individuals who are using theory of change to share learning and agree some common principles and understandings;

- create opportunities for partners to explore their theory of change but avoid imposing it as much as possible. Take a flexible approach to what it might look like for different organisations. Provide opportunities for sharing through guidelines, visits and group workshops;

- take care in recommending facilitators and leading processes: invest in supporting training for team members and facilitators;

- integrate key questions regarding the ToC, into existing assessment, application, reporting and evaluation guidelines and in partner visits and discussions.

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78   http://www.coprbm.eu/?q=node/609

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Finally, the review by Stein and Valters[79] notes the following issues:

- there is a basic problem that different organisations are using the term ToC to mean very different things. If there is no consensus on how to define ToC and it has endless variations in terms of style and content, how can anybody successfully grapple with it? If ToC is to be more than another development 'fuzzword', then greater clarity is needed on a number of levels, starting with common terminology, use and expectations of ToC approaches;

- there is a tension between ToC as an externally-imposed and as an internally-driven process. While some organisations may internally opt to undertake ToCs as a way to better rationalise their efforts, others may simply complete the process in response to funder demands. This can be problematic, as the need to use ToC to "sell" a programme may privilege the inclusion of funder requirements or politically preferable approaches in the ToC and in wider project planning. These approaches may ultimately supersede the concerns of the implementing organisation and/or the needs of the programme's intended beneficiaries;

- there are a number of potential levels of analysis when thinking practically about social change, from the organisational to the societal, and from conceptualisation to implementation. It is not clear at what level ToC should be used and, if used at several levels, how these theories should be linked to each other;

- many funders both emphasise evidence-based policy and require ToCs from their grantees. While pairing these approaches may be a way to develop more rigorous policy and practice, in reality these seem to be headed on divergent courses. As undertakings such as DFID's Research for Development portal build databases of systematic evidence reviews, projects based on ToC often rely more on conceptualisation and narrative than evidence. Clearer ways of assessing the value of different forms of evidence, including formal research and lived experience, are also needed.

- the extent to which political and institutional concerns allow power to be honestly discussed, and end users to be involved in ToCs, is seldom addressed in the guidance literature. As development is inherently political, organisations that honestly present their understanding of the change process may at times risk alienating partners and local communities. The risk of failure may be viewed as too high by funders. This issue is particularly significant when organisations must publicise their ToCs and reveal both their strategies and assumptions.

Clearly, ToC is not as simple as it sometimes is presented to be. In Flanders some use has been made of the idea of theory of change as presented in Box 18

Box 18: partner practice: results chains in Flanders

Results chains represent the expected effects of ESF financed actions over time. They should contain clear outputs, outcomes and impact; reveal how long it takes to achieve impacts for each action and link (multiple) indicators to each effect. In Flanders three interlinked results chains focus on: Employed persons by (1) changing the way organisations work, and (2) giving options independent of the employer; and (3) unemployed disadvantaged persons. The results chains were constructed by university evaluation experts to support the monitoring of direct effects (when projects are still running) and evaluation (through sample-based extrapolation). This information should help set more realistic objectives

79   http://www.coprbm.eu/?q=node/608

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(in terms of target levels and time horizons) for actions in the future as well as ensure OP coherence and coordination by helping ESF staff to set up complementing calls for proposal or appraise the intervention logic of project proposals.

Results chains are to be inserted into an overall OP Strategy Map. This Map has different levels representing different stakeholder perspectives: a perspective at the top puts forward "policy" objectives, endorsing the mandate of politicians (referred to as legitimising authorities); the next perspective is that of target groups whose conditions should improve based upon access to strategic ESF-financed solutions. Next, what ESF project promoters (applicants) are supposed to do is formulated into objectives. Finally, the role of the ESF Managing Authority itself in supporting promoters, target groups and policy-makers is reflected in an internal process perspective and a learning and growth (capacity) perspective. The objectives in these latter perspectives are included in a "contract" with the Flemish government.

With the help of a strategy map linked to intervention results chains, the senior management team can ensure focus by: determining ambition levels/accountability in agreement with the legitimising authority and following-up on strategy through learning. The learning is achieved by checking progress within and across perspectives (using strategic themes) and engaging in discussion about whether linkages between objectives are correct and/or whether objectives may be missing or incorrect. The strategy map can also be used as a starting point for cascading to lower hierarchical levels. Ultimately individual staff can use it to define coherent and realistic objectives for ESF actions. Instead of trying to measure everything in their job descriptions, they can also link personal action plans and objectives in annual staff planning exercises to the objectives of the map.

→ **More at:** http://www.coprbm.eu/?q=node/332

The above practice description makes clear that it is useful to clarify where the ToCs (or more basic results chains as in the Flemish example) for initiatives of delivery partners that get funding from the PMO fit in the strategic results framework – the strategy map – of the PMO. This is visualised in Figure 24. As a ToC should at some point address and name a need that exists at the level of the constituents and this is also a point of attention in the PMO strategy map, the connection is easily made. The initiative level theories of change contribute to the objectives expressed in the PMO strategy map.

> " **A Theory of Change should at some point address and name a need that exists at the level of the constituents and this is also a point of attention in the PMO strategy map.** "

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Figure 24: initiative level ToC within the PMO strategy map
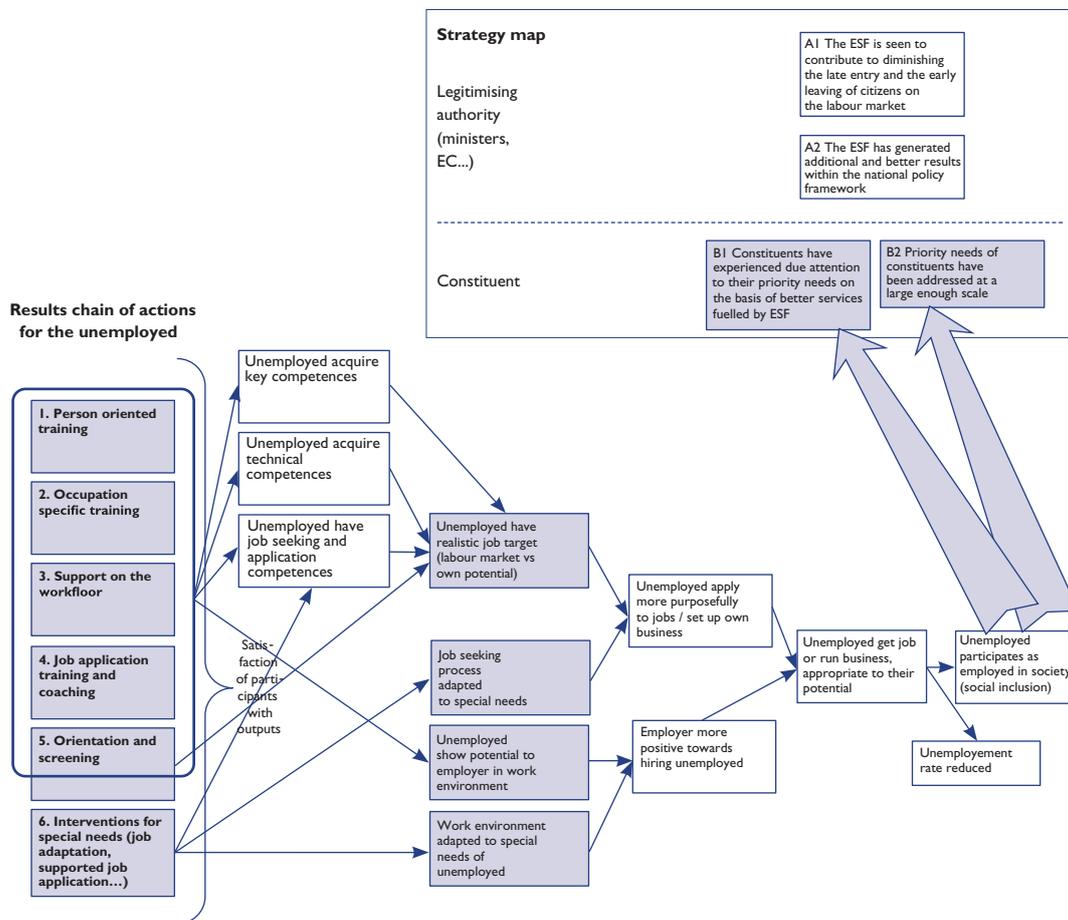
The link between this kind of ToC and the overall Structural Funds programme is even more straightforward as, at some point, a programme objective will appear in the ToC.

Of course, the ToC itself should not be part of the programme documentation because, as stated earlier, it is meant to be a "living" and changing framework that improves as you learn. It may even be that you need to come up with a very different ToC at some point because the one you have does not seem to work.

(iii) From logframes to ToC?

So, what is better to use? Should everyone shift from the LFA to a ToC approach. For this we go back to the criticism on the logframe.

Box 19: ToC vs LFA

Logframe criticism	ToC response (+ = better; - = worse; +/- = equal).
Conflict is inherent when many stakeholders involved	+/- Reviews recognise that power relations will determine if established ways of working can be challenged.
Logic-less frame	+ A ToC makes the logic (or lack of it) more visible.
Lack-frame	+ A ToC will omit less aspects; however, it also remains a simplification as was noted by the reviews. The more complex the situation is, the less a ToC can capture it.

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Logframe criticism	ToC response (+ = better; - = worse; +/- = equal).
Lock-frame	+/- Although it is stressed the ToC is a tool for learning, this is also claimed of the logframe. The issue seems not to be with the tool but with the use of it. As a tool, it provides more insight and hence more scope for learning. However, as a ToC requires even more effort than a logframe, resistance to tampering with it may be even greater. Funders can still use it as a contract. Newer approaches have dropped the requirement for targets easing this fear somewhat. The reviews highlight that many ToCs remain untouched once the project starts.
Focus on easy to measure and short term effects	+ The ToC makes all conditions visible and requires to find a way of observing change in all of them. Newer approaches even move away from quantitative measures to a wide diversity of observation methods.
Assumptions not elaborated	+ ToC has a more natural way to surface assumptions (factors that will not be affected by the project but will affect it) by asking for all conditions necessary to achieve a higher level outcome (no "box" to fill with some assumptions). Also, its interest in actual research based theories makes it more likely that assumptions surface.
Terminology confusing	+ There is less scope for terminology issues as there are no unnatural divisions in a ToC. The emphasis is on visualisation rather than categorisation.
External experts dominate	+/- The reviews state that it is crucial to have adequate facilitation.
Linear	+/- ToC are as linear as logframes. However, later versions of ToC move away from cause and effect modelling.
Tempts to believe observable effects are due to project	+ ToC can make clear how far down the chain a longer term outcome is expected and how many assumptions (conditions the project will not affect) are present.
Problem focus	+ ToC starts with a vision, rather than a problem analysis.
Does not show how elements interact	+ ToC visualises interactions.

So, on the whole, the ToC approach does seem to be a superior tool to the LFA. The main disadvantage is that it is even more demanding and costly to do well than LFA.

(b) Performance based contracting

(i) Introduction

A 2011 publication by the Public Services Trust entitled "Payment by outcome: a commissioner's toolkit"[80] states that "for the past 40 to 50 years, performance management with a focus on programme objectives has been attempted in various ways under a variety of titles – Management by Objectives, Program Budgeting, Performance budgeting and Management by Results. For the most, these initiatives have not been a great success, and some of the most highly respected thinkers in the field of management and public administration have warned against them." This is very much in line with the argumentation in chapter 4.3.3.

However, the publication goes on to say "performance budgeting … has rarely been a success. In part this is because of the inherent tensions of the budgetary process, in part because of the challenges that a focus on outcomes or outputs brings for existing organisational structures, and in part because of the incremental nature of public sector budgeting. However, if we look at payment-by-outcome through a contractual lens the magnitude of these obstacles is significantly reduced. Contracting can be undertaken outside of the budgetary cycle. It is multi-year rather than annual, resulting in lower transaction costs. It can be used selectively, applied only to those programmes presently capable of being managed for results. It can be utilised for all of the funding allocated for a particular function, rather than just the increment of an existing budget; in this way it is possible to stimulate zero-base budgeting each time the function is re-competed. The provider can be held to account financially for the failure to deliver the contracted results. A great deal more risk can be transferred to providers under a contractual framework than is possible through informal 'service level agreements' between government agencies. And the negotiation of a contract focuses

80   See http://www.coprbm.eu/?q=node/600

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debate on operative goals rather than abstract high-level outcomes, forcing policymakers to deal with the problem of multiple and inconsistent objectives. Thus, performance contracting appears to create a much stronger link between resources and results. It may be possible to employ other forms of performance budgeting to accomplish this, but robust examples are difficult to find. For the purposes of this report, it was decided to use the contractual model as a way of framing the issues in the exploration of payment-by-outcome."

The report identifies three categories of schemes:

○ **payment-by-results:** this term implies that providers have sufficient control over the resources that impact on outputs or outcomes to be financially accountable if the desired results do not eventuate;

○ **outcome commissioning:** this focuses on the specification and incentivisation of the ultimate policy or programme objectives. While it may not be possible to design performance measures that directly drive the delivery of primary outcomes, outcome commissioning seeks to clarify the ultimate ends for which a programme was established, and if necessary, to incentivise the delivery of intermediate outcomes or high-level outputs that serve as surrogates for these primary goals;

○ **invest-to-save:** this requires providers to finance the up-front investment necessary for service improvement, with compensation being made out of savings that are directly attributable to that investment.

The focus of the report is on the first two categories. As will be clear later in the chapter, output based aid is an example of the first, while cash on delivery is rather the second. This means that choice-based systems of pay for performance (e.g. vouchers for intended users) are not covered. The report covers only supply side incentives (oriented directly towards service providers) NOT demand-side incentives (oriented towards users).

The report makes an attempt at comprehensively covering all that is known about these kinds of schemes, within the scope of a contracting framework. It is therefore part of thinking about Structural Funds programme delivery mechanisms much more than about formulating and governing such a programme as a whole. The latter is rather situated within the framework of performance budgeting where, as specified earlier, little successes have been observed.

Table 12 describes the key aspects of relevance to performance contracting.

Table 12: key aspects and issues of performance contracting

Key aspect	Issues	Solutions	Further issues
1. Focus on outcome/output measures rather than effort (input/process)	Outcome measurement can be difficult as: • Unmeasurable (e.g. for prevention – cannot observe prevented suicide); • Cost of collecting data may be prohibitive • Change can be observed only after very long period, so contracting for it becomes impractical and cost of data collection become greater • Measurement would capture so many extraneous variables and the complexity associated with human nature that change cannot be attributed to action (especially if long time periods assumed)	Use outputs or intermediate outcomes where linkages between outputs (such as access to a service) and outcomes are well-established and widely-agreed.	Achieving outputs or intermediate outcomes does not mean the final outcomes of interest will be achieved.

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Key aspect	Issues	Solutions	Further issues
1. Focus on outcome/output measures rather than effort (input/process)	If measure does not reflect attributable impact, then provider has an opportunity for cream-skimming (prioritising those "clients" that will lead to the measured outcome with the least effort) and parking (minimal effort for hard to serve clients). This opportunity will be acted on depending on the intensity of the incentive (see below).	Adjust raw measure e.g. using: • regression analysis • yardstick competition (outcomes of two or more providers operating under the same conditions and towards same type of clients are compared) • counterfactual impact evaluation (e.g. randomised control trials). Measurement should focus on % of assigned population that achieved outcome rather than on just counting individuals that achieved an outcome.	Collusion between providers has to be avoided. Homogeneity of population has to be ensured by proper segmentation. Counterfactuals are not always possible to establish. % of population measurement requires monitoring cohorts over time with payment to be made at end of contracted period.
	Assumes that outcome is clear but to garner support from broad constituencies, politicians may keep outcomes ambiguous and inconsistent. In addition, several layers of commissioners (e.g. from national down to local government) may add to this difficulty. Providers will be reluctant to accept additional risk of this.	Reduce measures to a relatively small number of clear and consistent objectives. Designate a lead agency.	What is left unmeasured may suffer. This is fine if so intended. Then it should be explicitly mentioned.
2. Measurement must capture all dimensions of performance	• Too many measures increase burden of data collection and reporting • Too many measures may constrain ability to innovate and personalise • Some measures will be easier to measure and these will tend to be prioritised.		
3. Measures and standards should be appropriate for all sub-groups	Broad target group definitions may hide substantial differences in terms of levels of need, cost and/or benefits of serving as well as amount of extraneous influence to be expected for certain groups before they can achieve an outcome. This may lead to creaming and parking. It may also lead to winners curse (winner has bid for a price or quality that was not realistic) if the population is not well-understood.	Segment the population.	
4. Standards should be based on solid understanding of status quo to ensure targets are realistic but sufficiently challenging to stimulate innovation	• Risk of winner's curse • Threshold targets are challenging but lead to focus attention on borderline (via cream-skimming and parking) and delayed performance (if next threshold set on an a periodic basis, based on achievement in the previous period). If there is a fixed payment for effort and a bonus for achieving a threshold, then a threshold that is too challenging will not motivate at all • Distance travelled standards (reward incremental improvement rather than achieving an absolute level) may be less challenging • Milestone payments represent a mix of both: payment is made at various thresholds (e.g. when a person is placed in a job and when a person remains for x weeks in the job etc.).	Counter winners curse: • Emphasise quality over price • Set a minimum price • Build in periodic price re-sets • If a fixed fee part exists, allow negative bonuses (as long as the threshold is not reached, deductions are made from the fixed part). In addition, thresholds should change only because of factors outside the control of the implementer (e.g. market conditions changed). To keep providers motivated beyond the threshold, instate distance travelled or milestone payments. • With milestone payment the key is proper selection of the various milestones. This requires adequate understanding of the path towards a final outcome. • Of course, it is possible to also set milestones AND pay some incremental fee in between the milestones.	• Commissioner may pay too much • Bids tend to swarm towards the minimum price that is set.

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Key aspect	Issues	Solutions	Further issues
5. The more complex tasks are, the greater collaboration is required among different providers, the more judgement is expected of providers, the more the quality of outcomes is difficult to measure, then the lower intensity the performance incentives should be (up to none at all)	High intensity incentives (where sufficient proportion of revenue is at risk or potential impact on measure based reputation is high) will reinforce any distortions implied in the measurement regime leading to: • change in persons served by creaming and parking • outright gaming (ways to perform better on the measures with little influence at all on intended outcomes).	Use a mix of incentives, next to financial rewards and penalties, of varying intensity e.g. • a prize can be used where it is not know in advance what standard will attract what reward • use intermediation of a public official to judge results e.g. to what extent there was distortion. This also impacts on reputation. This impact will be reinforced if this is a factor in reassigning contracts. • resegment, adjust measures and standards and incentives • detect, prohibit and/or deal with via criminal law if necessary.	
6. Contract duration should be appropriate	If duration is too short: • may not be realistic to achieve the outcome in the period, especially given the need for a start-up period • contract is unattractive as it does not allow to recuperate fixed start-up costs through several cycles • does not make it attractive to innovate as no time to reap rewards of this (especially in highly transparent competitive tendering where intellectual property rights are set to reside with the commissioner). If duration is too long: • competitive pressure is weak, leading to less quality and innovation.	• stagger dates when contracts are up for tendering • impose minimum standards that allow to terminate contracts • appoint a regulator who will re-set prices at pre-determined intervals.	

It should be clear that, apart from stressing the importance to set targets to be realistic yet also challenging (to trigger innovation), there is no practical guidance as to how to do achieve this. It seems to be a continuous learning process.

Furthermore, it is interesting to note that gaming is sub-dived into creaming/parking and other forms. The first is seen as a positive opportunity to learn more about the population by doing. In any case, the report does not elaborate on ways to become aware of and deal with any of these types of gaming.

The report also stresses that human judgement may have to balance performance measures when making decisions. It refers to the following statement: "when a measure becomes a target, it ceases to be a good measure".

The three paragraphs above, combined with the many pitfalls to avoid as described in Table 12 hint at hidden transaction costs that may well be very substantial.

The report does not provide guidance as to how to establish the price to be paid for the realisation of targets. For this we turn to a publication[81] by GHK International, a consulting company heavily involved in the move towards payment by results in the UK. They propose:

○ taking the average of the current cost of service delivery (or modelling a normative cost when average cost data are lacking). This has the advantage of being at a level where the commissioners can be confident that providers can deliver; it has the possible disadvantage of 'locking in' any current inefficiencies;

○ using the value of outcomes avoided. This is an analytically more sophisticated approach that gives the commissioners a clearer sense of what they ought to be willing to pay for a given outcome. Considerations here include: which stakeholders are considered when looking at costs avoided (where do benefits fall?); and the degree to which benefits represent cashable savings.

81   See http://www.coprbm.eu/?q=node/604

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Answers to this final point vary by policy area: reduced welfare payments are a simpler case than reduced use of hospital services (since, to a point, doctors and capital equipment are still paid for and no cash is released). In addition, public sector savings must be realised over the same period that the costs of the intervention are incurred (i.e. savings should be bankable at the time providers receive payment). This may be problematic for policy areas – such as public health – where there are substantive lags between intervention and outcome.

A key question now is: what evidence is there that these performance based ways of managing contracts represent a superior delivery mechanism? For this, we turn towards three recent reviews of such schemes. These reviews deal with both supply side as well as demand side incentive schemes. Several schemes are identified and the subject of these reviews to a greater or lesser extent.

Figure 25: results based schemes[82]
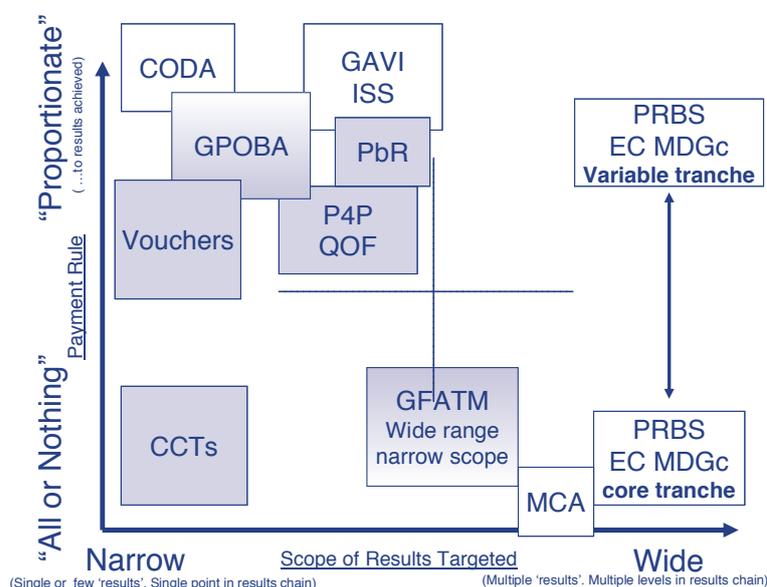
Our interest lies in approaches that are more narrow, as used for contracting. Two such approaches will be discussed in more detail below, namely CODA (Cash on Delivery Aid) and GPOBA (Global Partnership on Output Based Aid). Approaches such as the EC MDG-C are wider in scope and have been discussed earlier in chapter 4.3.3. Others are sector specific (mainly health sector such as GFATM-Global Fund to fight AIDS, Tuberculosis and Malaria and GAVI-Global Alliance for Vaccines and Immunisation, P4P-Medicare Pay for Performance, QOF-NHS Quality and Outcomes Framework) or do not represent a well-documented standard methodology (such as PbR-Payment by Results in the UK). Conditional cash transfers entail directly subsidizing the demand side (citizens) which is a more difficult concept in Structural Funds that are oriented towards service providers. Vouchers can in principle be used as they unlock a service from several possible providers. As will become clear when discussing GPOBA, vouchers can be used within this mechanism so it will not be elaborated on as a stand-alone mechanism.

Nevertheless, although we will be covering in detail only CODA and GPOBA, interesting insights can be gained from the broader reviews.

A 2008 systematic review was executed by the Norwegian Centre for Health Services. It is focused on schemes oriented towards the health sector and contains these key messages[83]:

82 See http://www.coprbm.eu/?q=node/602
83 See http://www.coprbm.eu/?q=node/601. A few key messages that were highly specific to the health sector were omitted.

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Box 20: key messages of Norwegian study on health sector schemes

- there are few rigorous studies of results-based financing (RBF) and overall the evidence of its effects is weak;

- RBF is typically part of a package of interventions and it is difficult, if not impossible to disentangle the effects of RBF from other components of the intervention packages, including increased funding, technical support, training, new management structures and monitoring systems;

- the flows of money required for RBF may be substantial, including the incentives themselves, administrative costs, and any additional service costs;

- there is almost no evidence of the cost-effectiveness of RBF;

- RBF can have unintended effects, including motivating unintended behaviours, distortions, gaming, corruption, cherry-picking, widening the resource gap between rich and poor, dependency on financial incentives, demoralisation, and bureaucratisation;

- RBF can only be cost-effective if the intervention or behaviour it is intended to motivate is cost-effective and worth encouraging and there is low compliance with the desired behaviour;

- financial incentives should be designed to motivate desired behaviours based on an understanding of the underlying problem and the mechanism through which financial incentives could help;

- financial incentives are more likely to influence discrete individual behaviours in the short run and less likely to influence sustained changes;

- the mechanisms through which financial incentives given to governments or organisations can improve performance are less clear;

- RBF schemes should be designed carefully, including the level at which they are targeted, the choice of targets and indicators, the type and magnitude of incentives, the proportion of financing that is paid based on results, and the ancillary components of the scheme;

- stakeholders should be involved in the design of RBF;

- the focus should be on addressing important problems in order to achieve goals – i.e. starting with the problem, not the solution;

- RBF should be used if it is an appropriate strategy to help address priority problems and goals;

- for RBF to be effective technical capacity or support must be available and it must be part of an appropriate package of interventions;

- RBF schemes should be monitored, among other things, for possible unintended effects, and evaluated, using as rigorous a design as possible to address important uncertainties.

Another report was published in 2010 by the UK Department for International Development. This did not have a particular sector scope and contained the following messages[84].

84 See http://www.coprbm.eu/?q=node/602

THE RESULTS BASED MANAGEMENT 'PLUS' SYSTEM AND SELF-ASSESSMENT FRAMEWORK

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Box 21: key messages from DfID report on results based aid (RBA) and financing (RBF) schemes

- RBA and RBF do deliver results but it is generally unclear whether this is due to the results focus or simply whether it is down to the extra money it brings. Well-designed studies that could disentangle the two are rare. They are also difficult as most RBA/RBF schemes are implemented alongside a range of other reforms. As a result attribution is, and should be, extremely difficult. Whilst little is known about impact even less is known about the cost effectiveness of RBA/RBF schemes (in relation to alternative approaches);

- transaction costs are poorly defined and almost never measured. However, it seems clear that they are often extremely high (sometimes unnecessarily high) yet it is still unclear whether they achieve what they set out to deliver;

- long term sustainability of the schemes is questionable. Agents may adapt, the method of implementation may weaken/fail to strengthen national systems and the schemes may reduce the need for necessary reforms;

- the equity picture is mixed and is driven as much by who implements as how the schemes are implemented. Targeting is possible but can be both complex and costly. Some design features may support more equitable outcomes;

- politics matters. It is not only important that key policy makers support the schemes it also matters why they support them. Sound political analysis should be an integral part of any design phase;

- good design is essential ... and may help to reduce unintended effects;

- the case for conditionality needs to be continually revisited. It is far from clear what it adds in terms of better performance in some settings.

Finally, the following excerpt is drawn from a paper prepared by international consultancy company GHK for the 2012 UK evaluation society annual conference which focused on "Evaluation for results"[85]. It stresses the need to avoid seeing performance based schemes as a "black box" and to use evaluation to understand better what is going on.

Box 22: the key role of evaluation in performance based schemes

- "PbR" (payment by results) is being trialled in various policy areas and circumstances. It is not yet clear how far (and under what circumstances) the theories implicit in PbR will achieve results in practice. It is therefore important that process evaluation is used to extract lessons to inform PbR's development. In short, there is a way of viewing PbR as a black box (payments go in, results come out); this should not be the evaluator's perspective;

- GHK's experience of evaluating PbR schemes suggests that a theory-driven approach is central to success. We have found that defining underpinning theories helps to provide clarity about the expected outcomes, as well as allowing designers, stakeholders and beneficiaries a framework within which to reflect on the associated mechanisms and processes. At a fundamental level, PbR works on the theory that incentives matter;

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85   See http://www.coprbm.eu/?q=node/507

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○ good process evaluation can illuminate ways in which changes in incentives alter the delivery of services – and thereby the outcomes achieved. Tracing these processes also allows the evaluator to play a hands-on and formative role – highlighting, for example, the existence of perverse incentives. An approach to evaluation based on learning is therefore central to the development of PbR. Results must be measured; implementation assessed; lessons learnt. How far evaluators are able to address and balance these requirements will determine evaluation's value in this area of policy. Asking the right questions is a pre-condition to success here. GHK's view is that we need to know not just whether 'PbR works' – but how, why, for whom and under what circumstances.

To conclude, these three sources support a view that there is a need to be very cautious about these kinds of schemes. The idea that they can be used across the board as an easy way to decrease administrative burden and at the same time get more results for less money would seem to be unwarranted.

Nevertheless, the two most generic approaches – output based aid and cash on delivery aid – suitable for a contracting setting are worth discussing further.

(ii) Output-based aid

Luis Tineo from the World Bank's Global Partnership on Output Based Aid (GPOBA) presented the methodology at a COP RBM seminar in Rome in April 2011[86] as well as at the final seminar in Maastricht in 2012. The following text has been drawn from various guidance materials provided by the GPOBA[87].

Many public services can be financed through user fees, without recourse to taxpayer funding. This is increasingly the case for infrastructure services such as electricity, telecommunications, water supply, and many modes of transportation, and for many health and education services. But reliance on user fees alone can give rise to policy concerns regarding efficiency and equity:

○ Efficiency concerns will arise if a service has characteristics that make individual preferences as expressed through user fees a poor measure of social welfare:
  ◎ for services that have "merit good" features – as some education services do, for example – consumption creates benefits for society in addition to those captured by individual consumers. For these services, reliance on user fees alone would lead to underconsumption relative to the socially optimal level;
  ◎ for services that have "public good" features – such as public defense and public health interventions – the benefits from consumption are not depleted by additional users, and it is difficult or impossible to exclude people from the benefits even if they are unwilling to pay for them. For this reason, user fees usually are not a feasible financing strategy for services with the characteristics of pure public goods;

○ Equity concerns will arise if reliance on user fees limits the ability of the poorest members of society to meet their basic needs.

OBA is an alternative to dealing with these concerns via the usual route of lowering the user tariff via a subsidy. But if the problem is low usage by certain groups then overall tariff reduction may be an inefficient and ineffective approach due to two factors:

86 http://www.coprbm.eu/?q=node/340
87 http://www.coprbm.eu/?q=node/523 and http://www.coprbm.eu/?q=node/401 and http://www.coprbm.eu/?q=node/402

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- limited connection to / local availability of a service. If the existing service is subsided, those who already use it benefit, those who do not have access do not benefit at all (ineffective);

- usage patterns between the targeted user group and others are similar or non-targeted users consume more. Hence, benefits flow to a groups that does not need it (inefficient).

Hence, OBA focuses on connecting targeted users and ensuring sustained service to them.

Before going ahead, it is crucial to determine to what extent users are willing and able to pay for a service (e.g. through surveys or by analysing what potential users already pay on substitute services). OBA will only aim to close the gap between ability to pay and the actual cost to provide the desired level of service.

At the core of the OBA approach is the contracting out of service provision to a third party – usually a private operator but also possibly a community-based organization (CBO), a non-governmental organization (NGO), or even a public service provider – with payments made after the delivery of specified outputs. The cost of managing the OBA scheme as such is to be funded from a separate budget.

OBA is based on six principles:

- **targeting of subsidies:** it is clear to whom, why, and for what the subsidy is provided. End-users are intended to benefit directly. Where the policy concern is equity, this tends to be a smaller group as when compared to merit and public goods where the entire population may be affected;

- **accountability:** by paying only after delivery of pre-agreed and verified outputs, risk is shifted to the service provider;

- **innovation and efficiency:** OBA leaves service "solutions" partly up to service provider. Competition produces efficiency;

- **using incentives to serve the intended target group:** OBA encourages service providers to serve those they might otherwise disregard by making connection cost and/or user tariffs affordable to end-users and allowing service providers to recover costs of providing service (of operating, maintenance and management). For "green field" projects or expansions where investments have to be made, it allows leveraging the subsidy to finance these investments. The fact that only connection or usage (the output) is paid encourages service providers to look for the demand;

- **output verification and monitoring:** monitoring of outputs is easier and more precise in an OBA scheme as the payment is made only for verified outputs;

- **sustainability:** OBA focuses on affordability for users (pay user fees they can afford and are willing to pay), cost recovery for service providers and future sources of funding. If the issue was that the initial connection to the service was too costly but users can afford fees for usage afterwards, OBA can subsidise connections. There is then no need for subsidies beyond this anymore. If usage after connection is also too expensive for users, then the OBA subsidy can be used to lower the user fee. However, this implies that OBA funding will have to be replaced if sustained usage of the service is desired.

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The steps in establishing an OBA scheme are:

1. Determining the output: What service is to be provided?

   a) Several services or one?

   The OBA may relate to a package of services or a single one. This depends on the policy objective, potential economies of scale/scope, budgetary constraints and attractiveness for potential providers.

   Schemes seeking to shift significant risk to service providers may need to start with a more narrowly defined package, expanding the scope as providers and those who finance them become more familiar with the arrangement.

   b) Close to the outcome but under control

   Outputs under an OBA scheme are meant to be as close to the desired outcome as possible while still remaining under the control of a provider. They are the immediate results of the service provider actions in terms of the number and quality of services maintained over a period of time (or initial working connection established). Service provision is indeed assumed to be under the control of the service provider, not influenced by other factors.

   Quality will therefore tend to be defined from the point of view of the provider. This entails referring to the inputs used in the service (e.g. construction materials, qualifications of service staff, ...). The more this is done, the lesser the potential for the provider to innovate.

   When it is possible for several providers to be allowed within the OBA scheme to compete for the same group of users, there will be less need for detailing quality standards as competition for users will put pressure on maintaining quality.

   In other cases, standards should always be established with input from users. This may lead to variations of standards to match local conditions and preferences. When there are multiple parameters of quality, it may be necessary to signal the relative importance of each.

   This concept of an "output" also means that, in principle, the quality of the service as perceived by the user is not part of the output as this reflects a shift of ownership from the service provider to the user and would therefore be the direct outcome. However, in practice, this is likely to be a grey zone and may be included in some arrangements.

   Increasing quality demands will of course lead to higher costs. In addition, it may be that the definition of "a service" entails ongoing activity towards users for several years.

   An example is useful: access to health care in terms of users using the particular health service should be an output for OBA as opposed to medical facility constructed which is an input for OBA. A good check whether the output has been well-specified is to ask whether the specification implies that the service provider will have to actively look for demand. If the medical facility will be paid for directly, this does not entail any efforts to look for people to serve to recuperate the investment. Therefore it is not a good output. Use of a health service does imply the need to look for users. Depending on the nature of the service, there may be an obligation to keep serving the user for an extended time period before payment can be made (e.g. cancer treatment, where standards for the treatement are to be based on well-established medical protocols).

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2. Reaching target population and selecting targeting methodology

A first question is how to ensure the right users will be reached. There are four standard ways of targeting:

◎ **geographic:** sometimes the targeted users are located in a particular area where few people outside the target group live;
◎ **self-selection:** entails designing the output in a way that those targeted are likely to be the users (e.g. basic services tend to attract mainly the poor);
◎ **testing:** this entails screening potential users for eligibility criteria;
◎ **community based targeting:** getting a community or its representative to help identify those most in need of the service. This poses a risk of being hijacked by special interests and can be costly and time consuming. On the other hand, it can increase ownership and reduces the risk of criteria being rejected by the population in the service area.

The choice for a mechanism will also depend on cost/benefit considerations.

Table 13: targeting mechanisms

Targeting	Cost/Admin. complexity	Effectiveness
Geographic	Low	Low-moderate
Self-selection	Low	High
Criteria testing	Moderate-high	Moderate-high
Community based	Moderate-high	Moderate

Another key question is also whether the scheme will cover a single sector or a broader range of related sectors. Also, should it cover an entire country or be restricted to certain regions (where, in the case of geographic targeting, several specific places are being targeted)?

Broader scope may allow pooling of scarce expertise, bundling of services, economies of scale (e.g. cost of targeting beneficiaries is leveraged over services and sectors) and sharing lessons across sectors.

3. Choosing an appropriate subsidy form – sustainable and linked to the outputs

OBA uses a cash payment. This is considered more transparent and appropriate than tax credits and/or special privileges for service providers.

A key question is whether the scheme will be allowed to draw finance from one source or several. The latter can reduce administrative costs and ensure sustainable funding. Of course, whether this is possible depends on whether these sources share common objectives.

Another questions is the type of subsidy:

◎ transitional tariff subsidy, tapering off as user contributions increase;
◎ one off subsidies for initial access (connection): the user fee is set at a level that covers ongoing costs of service provision. The OBA subsidy serves to repay the one-off connection cost;
◎ ongoing subsidies.

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4. Determining the value of the subsidy so that user is willing and able to pay at a level that is profitable for a service provider to provide efficiently

    The amount of payment depends on the cost of providing the service to the required standard, less any user fees from recipients. The actual cost is usually unknown and has to be estimated. This can be done by looking at cost information from existing providers, a competitive bid process or benchmarks.

    If service providers will be offered longer term contracts, they can leverage initial investment costs over a longer period and hence may need a lower subsidy on top of the user fee.

5. Linking outputs to subsidy disbursement to maintain balance between transfer of risk to service providers and their ability to pre-finance

    Ideally OBA only pays for delivery of service. Incentives can be fine-tuned by paying a bonus for above standard quality and a penalty for sub-standard quality. Multiple dimensions of quality for various services may have to be weighted to determine disbursement.

    However, it may be necessary to deviate from this "pure" form of OBA.

    ◎ when there are issues regarding access to finance to pre-finance investment and/ or service delivery. This is likely with green field projects where construction risks are so significant that they would limit interest from service providers. Then some disbursements are possible upon completion of some key inputs;
    ◎ as a transitional measure, with output related disbursement evolving from a smaller to a full portion of payment over time, to allow service providers to adjust.

    Also, where service delivery depends on highly fluctuating inputs, particularly in long term contracts, it may be necessary to have a mechanism to allow adjusting the height of the subsidy or the ceiling of user fees. This can also be used to deal with potential unforeseeable shocks.

    The duration of the contract should allow the service providers to amortise their up-front investments. If the service provider will be allowed to request user fees, it may be possible to limit the subsidy payments to a shorter period than the overall service contract.

    There should in any case be a mechanism to settle disputes amicably.

6. Organizing the institutional framework

    a) Designating an implementing agency

    All schemes require an entity responsible for their overall management. This can be an existing or new public agency or it can even be contracted out (with a government agency retaining overall responsibility but dealing very little with the operational side). The credibility and competence of this entity is crucial to getting service providers interested as well as their possible sources of pre-financing.

    This entity carries out a large variety of tasks: designing contracts and awarding contracts (including through competitive bidding), distributing vouchers for users, monitoring and verifying service delivery and paying service providers, dealing with OBA project administration, ensuring adequate and consistent targeting, building capacity of and accrediting service providers if required, etc.

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It may also decide to allocate these roles to other entities. This will depend on issues like the expertise required, need to ensure arms' length relation with service providers, cost (it may be cheaper to bundle roles) and benefits from involving e.g. communities.

Especially the role of verification agent (see below) may be taken up by others that have the necessary expertise such as existing regulators, independent institutes, consulting firms, local communities, ...

b) Identifying service providers

An important part is to determine who will be the service providers. Some minimum level of technical qualifications may be required although requiring unnecessarily high qualifications may result in higher prices than necessary.

An OBA scheme does not imply monopolistic service delivery. It is preferred to allow several service providers to target the same group of beneficiaries. This may require some additional action to educate users or requiring service providers to publish information so that users can exercise well-informed choice.

Competition in service provision may not be feasible due to very small markets or natural monopolies (such as for some infrastructure like roads). In these cases monopolistic service delivery may be chosen for the OBA scheme. This requires adequate regulatory oversight. It should also be decided to have one larger national monopoly (allowing to achieve economies of scale) or several smaller local ones (with the benefits of smaller financing burden per player, more tailoring to local conditions, potential for comparisons between providers serving similar markets).

c) The bidding process for service providers

Ideally, there is also possibility for a competitive bidding process to take place. This requires that potential service providers are at arm's length from the scheme administrators and the relevant regulators. In addition, there should be a reasonable level playing field among providers. There are two occasions where this can be problematic: there is already an incumbent provider and /or one of the potential providers is a public entity. NGOs, community groups and private providers are to be preferred over public sector parties in an OBA scheme.

The bid variables can include:

◎ greatest number of outputs for a given total subsidy amount;
◎ minimum subsidy needed to reach a number of outputs;
◎ lowest user fee given an amount of subsidy and a number of outputs.

If there is already an incumbent provider, it is crucial to check what regulatory regime may already apply to them. It may well be they are already under an obligation (e.g. by a concession, license, etc.) to provide the output. This creates a risk that the provider would be paid twice. It would be better to use an OBA scheme towards competing service providers. Of course, there may be some barriers to introduce competition that have to be addressed:

◎ a first step is to see if the output can be specified in such a way to allow competition by allowing new solutions to serve the same needs e.g. if the concession for piped water connections is already held by a provider, the OBA mechanism could specify the output to be "provision of X litres of water per person per day". This allows to by-pass the existing arrangement;

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◎ if the incumbent has an exclusive right to approach users then it is necessary to renegotiate the concession. Other changes to a regime can be offered in return for relinquishing this exclusivity;

◎ if alternative providers would depend on the incumbent for wholesale supply and this incumbent refuses to provide it or asks onerous pricing or other conditions then appropriate regulations have to be set to fix this;

◎ if the user group or project is too small to attract competition, then one can look at pooling several services with additional funding mechanisms, review the service definition, etc.

If introducing competition is not possible then a negotiation with the incumbent is unavoidable. Regulatory reviews usually allow for tariffs and service standards to be reset periodically. This may create an opening to move towards an OBA scheme.

Another approach to deliver an OBA with a monopolistic incumbent if the output has already been properly specified in the existing regime and the intention is only to ensure more coverage of users than is currently interesting to the provider, is to use an OBA scheme to reduce user fees for the intended users only while keeping revenue for the provider the same.

When an incumbent will deliver on the OBA scheme it is key to ensure that only that portion of the required investment costs of a service that is attributable to supply the OBA targeted users should be met by the OBA payment. The rest of this investment cost should be recovered through general tariffs.

When only an incumbent, e.g. after expiry of a concession, is bound to bid for a new scheme using OBA, a challenge process may still be used to ensure value for money. This would entail telling the incumbent that there is an independent cost estimate and ask to offer a price under the estimate, without revealing the estimate, or that alternative proposals have been received from community groups or entrepreneurs and told to come with a better offer without being told the details of the challenge offers.

d) The independent verification agent (IVA)

This is a role that tends to be contracted out by the implementing agency. It exists to recommend payment (or not). The selection of the IVA depends on the complexity and the location of the output. The IVA can range from an individual consultant, an engineer, a teacher etc. to large international consultancies. It may also be a role an existing regulator takes up. It is crucial that the IVA is independent from service providers or other recipients of benefits. There is a risk that smaller IVAs relative to large service providers can be captured by these providers. In some case, it may be necessary to go abroad to find an IVA.

Non-transferable vouchers can be used within the verification of delivery to ensure service providers have in fact served an intended user.

e) Regulators

A regulator is an independent party that implements the regulatory policies and oversees tariff setting and adjustment processes. They can be crucial to ensure that an OBA project does not conflict with existing regulations. In the case of an OBA scheme with an incumbent service provider, it may be useful to appoint the existing regulator to do verification.

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7. Evaluating and mitigating project risks

Especially for new schemes, it is important to identify potential suppliers and get their input on feasible levels of risk sharing as reflected in performance standards and the level and structure of payments.

The service providers are to take up the following risks.

a) Construction risk

This includes the risk of cost overruns or shortfalls due to non-delivery of inputs or insufficient outputs. It should be clear that schemes requiring large investments and service commitments may be beyond the reach of smaller providers. However, smaller schemes may not attract the larger players.

As stated earlier, a portion of the OBA funds can be used to pay for completed inputs to cover pre-financing needs. OBA credibly caps the subsidy that will be received so the provider is clear that cost overruns cannot be reimbursed.

Other actions can be to help service providers obtain working capital from lenders or other funding sources.

Next are a collection of operational risks.

b) Unit cost change risk

Some inputs may vary considerably in price over the life-span of a project. As stated earlier, a mechanism to adjust payment can be useful. But also the initial study of unit costs and those components that are volatile should be done well and integrated in the average cost estimates.

c) Performance risk

The risk of not being able to deliver the output to the required standard. Here it is key that providers have the required capacities when selecting them. As stated earlier, this may entail capacity building. It is also key to have a high quality IVA to verify the outputs.

Next come user related risks.

d) Demand risk

This is the risk related to getting enough users to request the service. This can be mitigated by ensuring that users are aware (e.g. via campaigns and involvement of NGOs) and by doing sound demand/affordability studies. The territory to be served should also be large enough. Finally, the service provider can allow oversubscription to a service, assuming some subscribed users will never show up.

e) Collection risk

User may not be able or willing to pay their portion. To avoid problems here it is key to study willingness to pay and to build capacity of users to understand their role.

Service providers can ask pre-payment or require a deposit. They should also factor in a degree of collection risk in their cost structure when bidding. Ideally, they should be able to disconnect users.

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Finally there are some broader risks.

f) Payment risk

The credibility of payment of the subsidy will also affect interest, given the fact that service providers will have to make considerable up-front costs without being reimbursed and that these up-front investments cannot be taken back. If there are doubts in this regard (e.g. in case the European Commission would decide to stop payments to a programme, the OBA disbursements could also come to a halt), then this risk has to be contained e.g. by setting up a specific trust/management fund or appointing an escrow agent in which an appointed intermediary holds the funds etc.

g) Regulatory and political risk

The regulator may be unwilling or unable to adjust tariffs in line with what is assumed in the OBA project.

Also, all sorts of instability (ranging from expropriation to war) in a country constitutes a political risk.

Due diligence is required of the track record and clarity of policy and regulations.

8. Monitoring for results

The IVA does have to ensure that verification work does not interfere with what implementers are doing. The IVA should be constructive in identifying (future) problems and to design and implement actions to address these. The service provider should have the right to explain and even disagree with findings of the IVA.

If an incumbent is also delivering services via an existing regulatory arrangement and being paid via a user tariff, it has to be ensured that the provider does not get paid twice for one service delivery (via the tariff and the OBA subsidy). In addition, it should be ensured that if there are existing coverage targets, the users supplied via the OBA mechanisms should not count towards this coverage target.

Information regarding delivery of outputs and their price should be widely communicated.

OBA is compatible with broader evaluation exercises such as impact evaluation. In fact, the verified nature of the outputs is very useful for these kinds of evaluations.

A particular concern is the need to monitor compliance not only with the defined output standard but also with existing regulations and laws. These should be incorporated as much as possible in the bidding requirements.

At the final seminar in Maastricht in 2012, an application of OBA was presented by the Czech ESF Managing Authority. The OBA scheme is also used to test the new Joint Action Plan mechanism that is provided by the new Structural Funds regulation.

Figure 26: Czech child care OBA example
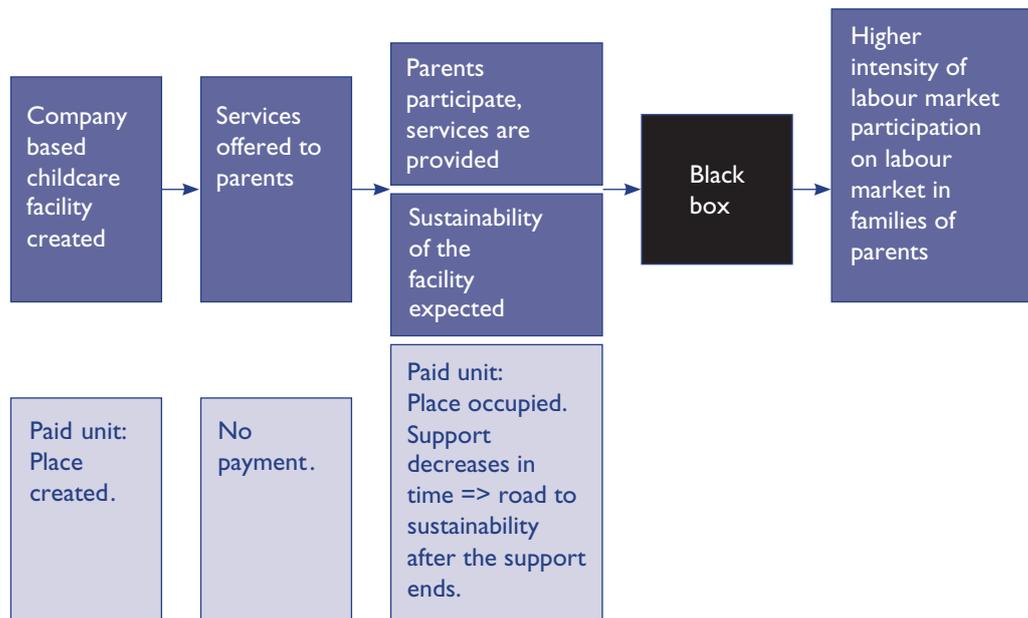
The figure shows the general logic of the Czech scheme. The output is the provision of child care services to parents. There will be an initial payment linked to input (for each place created within 4 months of the start of the scheme). After that, only occupied places will be subsidised. The first 6 months the facility operates, it will be subsidised 100%. The next six months 75% and the last six months 5%. After this, the facility is assumed to be financially viable by charging users.

Verification will focus on:
- quantity of attained units;
- compliance with the requirements for quality of the facility (e.g. the educational requirements for caregivers, eligibility of the target groups, etc.);
- compliance with the rules for public procurement and the rules for state aid.

The figure shows that it is still unclear whether the provision of these services (if the OBA is a success) will actually lead to more participation in the labour market of the family of the children (black box in the figure). Evaluation will have to be done to research this further.

(iii) Cash on delivery aid

Cash on delivery was presented at the final seminar in Maastricht by Rita Perakis of the Centre for Global Development (CGD) who is pioneering this approach. The text is based on the guidance document published by the CGD[88].

In contrast to OBA, CODA is aiming to incentivise incremental progress towards outcomes. This means that by definition, there may be a lot of factors, other than government actions, that impact on this outcome.

The approach has some commonality with the EC budget support variable tranche as discussed in chapter 4.3.3 as it concerns payment for incremental progress on outcomes. However, in contrast, CODA focuses on only one outcome per contract and may be applied at any level (not just EC versus a recipient country but also a country versus service providers).

88 http://www.coprbm.eu/?q=node/338

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CODA has 5 key features.

- ◎ payment is made for outcomes agreed by funder and recipient of the funding. The outcomes must be measurable and continuous to allow incremental progress to be rewarded;
- ◎ the funder embraces a hands-off approach. Conversely, the recipient has complete discretion and responsibility;
- ◎ progress is independently verified by a third party (neither funder nor recipient). This is a financial and performance audit with no restrictions on the nationality or other characteristics of the auditor. Audits are paid by the funder separate from the outcome linked disbursements to the recipient;
- ◎ transparency is achieved by publicly disseminating the content of the CODA contract, the amount of progress and payments. To encourage public scrutiny, the indicator for the outcome should be as simple as possible;
- ◎ CODA is meant to complement other initiatives. It is not a stand-alone instrument. This is a key principle as it is recognised that otherwise, it may be difficult to finance investments and operations in the period before progress on outcomes starts to be visible.

CODA is set up in 6 steps.

1. Negotiate the contract

    This entail determining the indicator, the amount of payment for progress, the length of the contract and a list of mutually agreed auditors. A minimum contract period of 5 years is recommended to allow the recipient to plan, execute, evaluate and adjust their strategies. This is therefore meant to support learning by doing.

    Contracts like this avoid the too-frequent practice of renegotiating after the fact whether particular expenses were allowed, bidding procedures were acceptable or targets adequately met.

2. Take action

    The recipient takes actions towards progress. The funder does not interfere. This does not mean that the recipient cannot make use of technical assistance offered by the funder. It does mean that this is up to the recipient and that the recipient decides what to do with the advice.

    The existence of a CODA contract may help to create support for financing from the private sector or other sources, including borrowing to secure funds to finance investments and operations until progress becomes visible.

3. Measure the outcomes and make data public

    The direct costs of data collection, analysis and publication may be covered directly by the funder.

4. Independent verification

    The funder hires an auditor from the pre-approved list. This auditor verifies the report of outcomes.

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5. Payment

Payment occurs when the auditor confirms the outcome. Steps three to five happen every year.

It should be clear that payments are not restricted for any particular use. They are not conditional on the existence of any general or specific policies. Nor are they tied to any particular inputs, outputs or actors nor can any input, output or actor be excluded. However, the CODA guidance does put forward that general up-front conditions may be set as eligibility criteria (such as standards for public financial accountability).

It is perfectly acceptable that the funds are used in normal government planning processes. In fact, avoiding that parallel systems have to be set up is seen as an advantage in terms of sustainable capacity building towards delivering on the intended outcome.

The size of the payment per unit of outcome (e.g. putting a person into employment) is not necessarily related to the cost of achieving this unit of outcome. However, if the size of the payment does not cover the cost then it is possible that funding is diverted away from other policy outcomes to cover the funding gap to gain access to the CODA funds.

Other perverse effects such as trying to help those who need it least first to make easy progress are also mentioned. The CODA perspective on this is that this should be handled via a countries' political process.

CODA disbursements can also be set up as a "prize". This means that rather than disbursing for units of outcome achieved, funding can be distributed among several parties, proportional to their relative achievement e.g. if three service providers are engaged in the contract and one achieves 80% of the total outcomes, another 15% and another 5%, then CODA funds would be disbursed accordingly.

6. Research

This is an optional evaluation step focusing on the dynamics set in motion by the contract.

Box 23 describes a hybrid approach presented by the Flemish Employment Agency at the COP RBM meeting in Rome of April 2011. Here, disbursement is made for 80% on the "output" of persons served with an individual training or counseling action. At the same time, 20% of the disbursement is made on the basis of the employment outcome.

Box 23: partner practice: tendering services for the unemployed in Flanders

In 2008, the Flemish Employment Agency (VDAB) and the Flemish ESF Agency launched a tendering project for the vocational training and personal counselling of job seekers. 70 different partners were contracted for a period of 2-4 years with the ESF Agency co-financing the project for a maximum of 45% of the total eligible cost. In 2009 this amounted to an annual 7.000.000€ for counselling towards the employment/vocational training of 8,000 disadvantaged job seekers. This agreement terminates at the end of 2013. VDAB reports progress in achieving this target to the ESF Agency on a 3-monthly basis with detailed reports of eligible actions and data on each unemployed person receiving counselling or

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vocational training so that the ESF Agency can decide on the eligibility of the actions for that specific person.

In order to guarantee efficient and effective use of the stipulated budget, the project payment system is (partially) based on the measured employment rate achieved by the partners. In this project 80% of the payment for individual training or counselling action is based on output, and 20% on the employment result achieved for that action. One of the criteria for selection was that each partner determined an achievable but ambitious rate of intention. The actual amount paid for a successful action is calculated in relation to this rate. If unachieved the full contracted amount for that year will not be paid.

Monthly payments are based on partner registrations on the VDAB online monitoring system which are checked and verified by both parties. An annual audit by VDAB on a minimum of 10% of the actions ensures that online registrations are backed up by a signed physical document. The VDAB team coaches partners from the start and follows-up on the quality of services offered. Following referral to a partner by a VDAB counsellor, the precise needs of the job seeker are agreed in a joint plan of action which is signed and registered on the VDAB online-system. This agreement signals that the payment process can begin. As it takes 4-6 weeks to process the measurement of an action and make the payment for a specific individual action, partners are paid continuously for their ongoing efforts.

Because a public agency is not permitted to pay in advance for services or goods, the payment of each individual action is split into 13 parts, one of which is the outcome-financing. The output-financing is split into 12 monthly parts that are paid as the individual counselling or vocational training progresses. The VDAB has tried to reduce the number of parts in more recent projects so that payment reports are less complex and more transparent. The VDAB measures its own comparable actions using the same results-based system as its partners. This is based on the employment status registered in each client's personal online file. The outcome of actions is measured at the end of the month in which partner and client agree on ending the counselling or training.

→ **More at:** http://www.coprbm.eu/?q=node/361

(iv) Regression adjusted targets

Randall Eberts of the Upjohn Institute for Employment Research presented the approach taken in the United States regarding target setting for federal workforce development programs in Prague in 2010[89]. The methods used in the US are described in a recent paper[90]. These methods were also reviewed in a study by consulting company Ecorys that was commissioned by the European Commission[91].

Due to the highly technical nature of this methodology, only a brief description of the general ideas is presented here.

The methods starts by acknowledging that outcomes are subject to many influences that are not under the control of the government, the most prominent being the business cycle (from economic growth to decline to growth). In addition, the method recognises the influence of the characteristics of participants in interventions (an older unemployed person may for example be much more difficult to place in employment that a younger one) on the chances for successful outcomes.

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89 http://www.coprbm.eu/?q=node/300
90 http://www.coprbm.eu/?q=node/605
91 http://www.coprbm.eu/?q=node/494

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The method uses data from past participants in programmes to estimate the influence of both the business cycle and personal characteristics. Projections are then used of the mix of characteristics and the business cycle to set a target that takes these projections into account.

It is hoped for that in this way, service providers do not feel the need for cream-skimming and parking as the target already takes into account the fact that more difficult to serve beneficiaries require more effort and are less prone to succeed.

Afterwards, performance relative to these targets is monitored and discussed with the aim to take corrective action. There is no automatic link to disbursements. This means this is not a contracting approach as such but it can complement approaches such as CODA.

(v) From output based aid to (regression adjusted) cash on delivery?

How do these various contracting approaches measure up to the general framework presented in Table 12? Our focus is on CODA and OBA as regression based adjustments are seen to complement an approach like CODA.

Table 14: CODA and OBA in perspective

Key aspect	OBA versus CODA
Focus on outcome/output measures rather than effort (input/process)	Both approaches move away from input and process. However, OBA takes into account the issue of attribution to a far greater extent than CODA (although regression based adjusting could be used with CODA to improve this somewhat). Cream-skimming is therefore a much greater risk in CODA. Of course, the reverse side is that it is not sure that OBA will really lead to improvement regarding outcomes. These are not even measured.
Measurement must capture all dimensions of performance	Both approaches do not really deal with the issue that performance regarding what is measured can improve at the expense of other domains.
Measures and standards should be appropriate for all sub-groups	Both approaches allow to segment a population. With OBA, as it focuses on delivering a specific service, it is easier to research relevant differences beforehand than with CODA where it is not necessarily clear up front how the outcome needs to / will be addressed and hence it is also hard to determine what differences in the target population are relevant.
Standards should be based on solid understanding of status quo to ensure targets are realistic but sufficiently challenging to stimulate innovation	In OBA there is a risk of a winner's curse (the provider who gets the OBA contract) whereas in CODA this does not exist. OBA does allow milestone payments even though the pure form only pays for incremental service delivery. CODA also pays for increments.
The more complex tasks are, the greater collaboration is required among different providers, the more judgement is expected of providers, the more the quality of outcomes is difficult to measure then the lower intensity the performance incentives should be (up to none at all)	OBA does not foresee any mix of incentives but only a financial one. The IVA is expected to judge quality of the output in OBA. The IVA is also charged to detect gaming and cheating. CODA foresees a reputational next to the financial incentive as transparency is a key component. It should also be clear that CODA is always meant to function alongside other existing mechanisms so it is an additional incentive alongside other existing ones. In fact, OBA also recommends not to be used as the only mechanism (e.g. as pre-financing from other sources may be required).
Contract duration should be appropriate	In OBA, contract duration is set so the provider can leverage up-front costs. OBA also prefers to contract several, providers at the same time to enable some competition. In CODA, the recommended horizon is 5 years to enable to experiment and see outcomes of this. CODA assumes other mechanisms exist to enable this experimentation to be financed before outcomes start to become visible.

Finally, it is worth taking some time to discuss the difference between these approaches in a contracting perspective and setting targets at the overall Structural Funds programme level.

It would be easy to think there is no difference between OBA and setting output targets or between CODA and setting results targets in Structural Funds programmes. Yet, there are a few marked differences.

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As regards OBA compared to programme output target setting:

○ common output indicators as put forward by the EC are not outputs as defined in OBA. They are for OBA "inputs" rather than the provision of a service as close as possible to an intended outcome but still under the control of service providers. Clearly, this kind of output cannot be defined top-down at EU-level without taking into account the constraints and possibilities of a given context. In fact, service providers should be extensively consulted when designing the output as capacities and conditions are likely to be very different in different places;

○ next, the price of the output nor the amounts of outputs are set by the PMO in charge of the Structural Funds programme but via a competitive process. Unless this process takes place before the programme is defined, it would not be feasible to budget or plan the outputs accurately. In fact, setting unit prices in the Structural Funds programme and then engaging in a competitive process defeat the purpose of this process;

○ also, there is no threshold to be reached as in the output target setting put forward by the Structural Funds regulations as in OBA providers are paid incrementally without any pre-established schedule being in force. The longer it takes the provider to deliver services under OBA, the longer it takes before they are receiving funding;

○ finally, and perhaps most importantly, service providers are not obliged to bid for an OBA contract. They will only do so when they are confident they can perform. OBA does not assume that is it the PMO that has all the required expertise to adequately price the risks involved in setting up the service as the PMO is not the entity that will provide any services. In Structural Funds, the PMO is obliged to pretend it is a service provider for a huge variety of services.

As regards CODA compared to programme results target setting:

○ CODA is a complementary bonus system, aimed at providing a little extra next to other flows of funding. In Structural Funds the system is rather punishing than rewarding;

○ similar to Structural Funds, the actual indicator that is of interest tends to be a higher level one that is not under the control of the recipient of funding;

○ however, in contrast to Structural Funds and like OBA, CODA rewards increments of performance rather than set any thresholds. This means that absolute target levels are not required;

○ also in stark contrast to the Structural Funds, where outputs have to be tied to results in the programme, in CODA, there should be no restriction whatsoever regarding what the money is used for. Only the result itself counts. Even for a JAP (Joint Action Plan), where in principle all disbursement can be made against results indicators, this is not possible, as the starting point in financial terms is always the real cost of an activity, which therefore has to be known and divulged. In CODA, there does not even have to be any relation between what it costs to achieve a result and the CODA payment for it.

Interestingly, none of the approaches propose to link disbursement on a mix of output and results indicators. The two are seen as incompatible. A strict choice is to be made between being output or results-based.

> **"**
> **Interestingly, none of the approaches propose to link disbursement on a mix of output and results indicators. The two are seen as incompatible.**
> **"**

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(c) Participatory learning process approaches

(i) The capability approach as a foundation[92]

Both the LFA and ToC approach have similar underpinnings. They take their inspiration from enginee-ring project management tools and methods where emphasis is put on planning as a design activity. Designers are meant to have profound knowledge (from previous experience or studies) of the situation that may be used in a rational process to determine the best possible – in terms of cost-effectiveness – project to reach some predefined result. The "intervened" are subject to methods and tools of "interventionists" (usually experts) that tend to come with knowledge and approaches developed elsewhere (e.g. at a university or a government agency) and that are more often than not imposed.

Performance contracting approaches like CODA and OBA are also associated with this engineering view. OBA focuses on designing the ideal "output", implying this output provides a (cost-effective) path towards an ultimate outcome. CODA does not require to identify the pathway to the pre-defined outcome of interest but implies that such pathways do exist and that the intended recipient of CODA funding is able to identify them and if deploying the appropriately designed action, will deserve a reward.

These approaches tend to reflect a rather narrow utilitarian perspective of "achievement", focusing on "means" as "states" embodied in people's incomes and other (in)tangible assets and their satisfaction with them (where people can be satisfied with a very poor situation because they have never known anything else). To understand this, the principles of the "capability approach" as formulated by Nobel prize winner A. Sen have to be explained[93]. The capability approach places human beings and their "flourishing" as the ends of development. A number of concepts relevant to this have to be elaborated.

"Functionings" are being and doing activities that people value and have reason to value. Functionings relate to many different dimensions of life – including survival, health, work, education, relationships, empowerment, self-expression and culture. An activity or situation "counts" as a functioning for that person only if that person values it. This encourages the participation and engagement of those peo-ple whose lives are at stake, in order to ascertain whether they will value changes that might ensue.

The phrase "reason to value" acknowledges that, given our disagreements about what we value (which could include functionings that are harmful to others) as individuals, we do need to make some social choices. This raises the issue of what process, group, philosophical structure or institution has the legitimate authority to decide what people have reason to value. It stops well short of proposing one particular process as relevant in all contexts, and rather depends on the agency of people acting in those contexts to address these questions themselves and build up and share their repertoire of good practices.

It should be clear that to this approach, people are intrinsically different and unique. Next to valuing very different things, they also would need different amounts and kinds of goods and services to reach the same levels of well-being. This is however influenced not only by personal factors but as well by the social and institutional context that affects what people can do with these goods and services – in other words, to what extent they can be converted into functionings. So, context mat-ters greatly for this approach to understand whether the circumstance in which people choose from their opportunity sets are enabling and just. This leads to being averse of one size fits all policies.

"Capabilities" are the freedom to enjoy valuable functionings. So they combine functionings with a kind of opportunity freedom. Just like a person with a pocket full of coins can buy many different combinations of things, a person with many capabilities can elect between many different functionings and pursue a variety of different life paths. Key is again that capabilities include only possibilities that people really value. It is important to introduce the concept of freedom as otherwise, if we only focus on expanding functionings, we could do so by force, coercion or domination. For example, a student who could live well if he worked may instead endure poor and overcrowded housing conditions so

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92 This chapter draws heavily on http://www.coprbm.eu/?q=node/616
93 See for an overview of this approach http://www.coprbm.eu/?q=node/617

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that he might obtain a degree. People should be free to refrain from a particular functioning for good reasons if and when they so choose.

There is still a difference between freedom as choosing among choices you have and freedom as being able to create choices for yourself that you do not yet have. The latter is the concept of "agency" which refers to a person's ability to pursue and realize what he/she values and has reason to value. Agency is related to other approaches that stress self-determination, authentic self-direction, autonomy, self-reliance, empowerment, voice and so on. The strong collective desire for agency suggests that development processes should foster participation, public debate and democratic practice. Agency includes effective power as well as direct control, that is, it includes not just individual agency, but what one can do as a member of a group, collectivity or political community.

To sum up, the capability approach sees human development as a process of expanding freedom to choose to be and do what people deem of value, as well as a process of empowerment that refers to the ability of people to help themselves expand this freedom, rather than rely on others to do it for them. This includes providing people the freedom to make their own mistakes.

> **The capability approach sees human development as a process of expanding freedom to choose to be and do what people deem of value, as well as a process of empowerment that refers to the ability of people to help themselves expand this freedom, rather than rely on others to do it for them. This includes providing people the freedom to make their own mistakes.**

Sen's ideas have exerted great influence e.g. such as embodied in the Millennium Development Goals, but the key question at this stage is: how to embody these ideas into a Structural Funds delivery mechanism?

Some have argued that a broad set of practices that focus on people, corresponding to Sen's capability approach, can be subsumed under the heading "participatory learning process approaches" (PLPA). A specific method associated with this is the Participatory Learning and Action (PLA) approach with Robert Chambers of the UK Institute for Development Studies as one of the main proponents, who gives the following overview of its roots in Rapid Rural Appraisal (RRA) and developing practice in a 2007 paper[94].

To Chambers, RRA began as a coalescence of methods devised and used to be faster and better for practical purposes than large questionnaire surveys or in-depth social anthropology. Its methods include semi-structured interviews, transect walks with observation, and mapping and diagramming, all done by outside professionals. In the late 1980s and early 1990s participatory rural appraisal (PRA) evolved out of RRA. In PRA outsiders convene and facilitate. Local people, especially those who are marginalised, are the main actors. It is they, typically in small groups, who map, diagram, observe, analyse and act. The term Participatory Learning and Action (PLA) introduced in 1995 is sometimes used to describe PRA but is broader and includes other similar or related approaches and methods. In fact, many of the approaches that will be described further in chapter 6.2.6.1 can probably be used as ways to conduct PLA.

Three components make up the idea of PRA/PLA for Chambers.

"PRA methods", as they are often called, are visual and tangible and usually performed by small groups of people. These are the most visible and obviously distinctive feature of PRA. Maps and diagrams are made by local people. Many sorts of map are made – most commonly social or census maps showing people and their characteristics, resource maps showing land, trees, water and so on, and mobility maps showing where people travel for services. Using a variety of materials women, men and children make diagrams to represent many aspects of their communities, lives and environments.

94 http://www.coprbm.eu/?q=node/618

"Behaviour and attitudes", the second component, were regarded by many as more important than the methods. Some behaviours and attitudes were expressed as precepts like 'Hand over the stick', 'Don't rush', 'Sit down, listen and learn' and 'Use your own best judgement at all times'.

A third key component was "sharing" which initially referred to the sharing of training, ideas, insights, methods and materials between organisations, mainly NGOs and government. By the mid-2000s, the sharing circle has come to include relationships.

In the evolution of PRA to PLA, there was much intermingling and innovation with influence from approaches such as action science (Argyris), reflection-in-action (Schön), popular education (Freire) and participatory action research (Lewin) etc.

> **The methods have been developed to give power to those who usually have no voice. PRA/PLA is meant to be an empowering process in itself. This means participation is an end not a means.**

The term participation as used in PRA/PLA has to be elaborated further. In PLA/PRA power resided with the people. The methods have been developed to give power to those who usually have no voice. PRA/PLA is meant to be an empowering process in itself. This means participation is an end not a means. Institutionalising participatory spaces and practice, beyond projects, is therefore key. This is different from approaches where participation is integrated either to extract information (as it was in the original RRA) or to increase effectiveness (as it has been done in LFA). External staff / investigators therefore should serve the people who have the power to investigate, interpret data, design, plan and act.

However, PRA/PLA is just one set of approaches that can be associated with the broader PLPA. The Canadian International Centre for Development Research's "outcome mapping" as a more structured approach has also been associated to it. And, as will become clear, an even more recent approach such as the World Bank's problem driven iterative adaptation is also part of the family.

All of these approaches can be said to adhere to the broader principles in Box 24.

Box 24: participatory learning process approaches key characteristics

1. PLPA's ... recognize the nature of the processes of development by identifying:
   i. the inherent complexity and uncertainty of these and consequently, the impossibility of "designing" a process, due to the impossibility of a previous knowledge or predicting the behaviour of persons;
   ii. the existence of multiple interests and the inherently conflictive nature of the processes, recognizing the political nature (apart from the economic and social) of these;

2. start from the basis that development processes can be orientated, facilitated and catalysed, but not designed or managed. The interventions (policies, plans, programmes, projects …) are the ones that can be managed towards and for people's development process;

3. have a territorial base (of different scales, according to each specific case), as the organizations and institutions cannot be detached from the local context or environment (where other interventions may also be present);

4. are oriented towards the institutionalization of an empowered participation (continuous, and not linked to isolated events such as a project formulation workshop);

5. are oriented towards the local management of resources, and the mobilization of local potentialities, and based on the knowledge, experiences and creativity of the people;

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6. are oriented towards catalysing the experiential learning process at the level of people in the local environment (as one of the foundations of expanding capabilities), the intervention itself and at the level of the relevant organizations;

7. conceive the activity of 'design' as permanent and simultaneous with a monitoring and evaluation process, also permanent and simultaneous (in effect, learning by doing) and hence see the intervention as open-ended in terms of time and resources, with a flexible budget (where resources are not linked to predefined activities and products);

8. emphasise that there should be no requirement of making explicit the details of "the long or medium term roadmap", but only the activities and results in the very short term (as a maximum two years) and always as "orienting activities and results";

9. recognize unintended effects as the "soul of the process": the routes not foreseen, and the invisible effects and impacts are of great importance, usually more than the expected ones;

10. avoid formulating a logical link between the short term activities and results and their longer term effects. A particular intervention can be seen as a "contribution to the process" and never as "attribution of effects or impacts";

11. avoid quantitative targets; if they are formulated they should be considered as "orienting targets". The central element of the monitoring and evaluation will be the process itself, with special attention to the particular "intangible" and qualitative elements that are revealed as important to the process;

12. make explicit within accountability and evaluation instruments (e.g. intervention documents) the convenience of allowing an evolution relative to the initial terms of the development project. "Judgement" of the management of the particular interventions should be realized, exclusively, over the emergent results in the mid and long term (spanning no less than 10 years), and most of all, over the qualitative changes, without a link of the judgement with previous targets;

13. put forward minimum 'elements' to launch the intervention:
    i.   a long term reference (a vision, as most shared as possible, but one that recognizes differing objectives, without 'hiding' them or 'denying' them);
    ii. clarity in the mission of the intervention, rather than in its general or specific goals / results;
    iii. the initial institutional arrangements (likely of a changing nature), including the technical capacity and resources for management;
    iv. an operational, short term plan that can serve as a mobilizing agent towards action; only at this level should the activities, resources, and results in the short term be specified for orientation purposes only;
    v.   a budget taking into account fixed costs (associated with the human resources necessary to facilitate the intervention and adequate participation of the people) and variable costs (the investments in infrastructure or activities of another type). The latter are not predictable ex-ante with exactitude, except at the very short term, because they emerge as the intervention oriented to the process advances, mobilizes initiatives and learns. For this reason, the instrument of financing of the interventions should contemplate an initial budget of the fixed costs and a menu of possible variable costs, with easy access to funding for the latter as new demands or needs rise.

Adherence to these principles clearly reflects Sen's capability approach. It puts people at the centre, meaning that the project is not seen as the centre of action but only as another element in the personal and collective development process.

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It should be noted that Structural Fund financial rules do not necessarily form a hindrance for this kind of approach. Nowhere is it stated that budgets have to be allocated to specific tasks or deliverables BEFORE the project starts. Of course, there has to be clarity on what the money was spent AFTERWARDS, but that is not a specific difficulty for these PLP approaches.

Now we turn towards two approaches that are adopting the above mentioned principles.

> **It puts people at the centre, meaning that the project is not seen as the centre of action but only as another element in the personal and collective development process.**

(ii) Outcome mapping

Outcome mapping was presented by expert Jan Van Ongevalle at the COP RBM seminar in Vilnius of September 2010. The approach was developed in Canada by the International Development Research Centre[95].

As development is essentially about people relating to each other and their environments, the focus of outcome mapping is on people. The originality of the methodology is its shift away from assessing the development impact of a programme (defined as changes in state, for example, policy relevance, poverty alleviation, or reduced conflict) and toward changes in the behaviours, relationships, actions or activities of the people, groups and organisations with which a project works directly. This shift significantly alters the way a project understands its goals and assesses its performance and results.

The project's contributions to development are planned and assessed based on its influence on the partners with whom it is working directly to effect change. At its essence, development is accomplished by, and for, people. Outcome mapping does not belittle the importance of changes in state (such as cleaner water or a stronger economy) but instead argues that for each change in state there are correlating changes necessary in behaviour.

There are three stages, and within each stage a number of steps.

Figure 27: outcome mapping stages
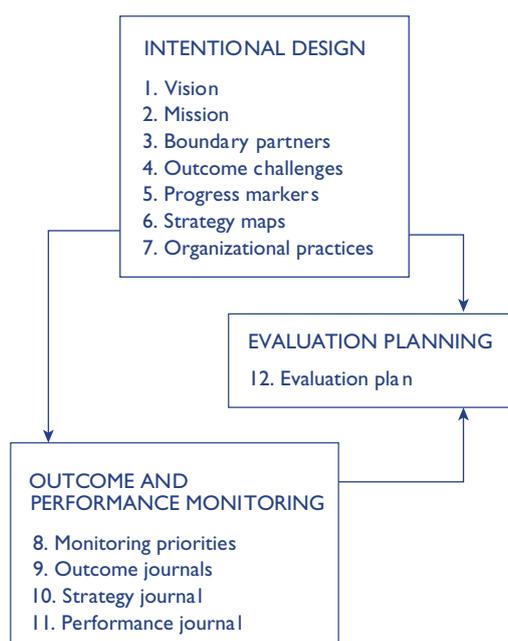
INTENTIONAL DESIGN

1. Vision
2. Mission
3. Boundary partners
4. Outcome challenges
5. Progress markers
6. Strategy maps
7. Organizational practices

EVALUATION PLANNING

12. Evaluation plan

OUTCOME AND PERFORMANCE MONITORING

8. Monitoring priorities
9. Outcome journals
10. Strategy journal
11. Performance journal

95 http://www.coprbm.eu/?q=node/619

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Stage 1 Intentional design helps a project team to clarify and reach consensus on the macro-level changes they would like to support and to plan appropriate strategies. The team should clearly express the long term, downstream impacts that they are working towards, bearing in mind that the project will not achieve them single-handedly. A vision guides, motivates and inspires and is an 'accountability-free zone'. It does require good knowledge of the situation.

Next, the **mission** describes what you do, produce in the project: it identifies your principle collaborators – referred to as **"boundary partners"** and tells how you work with them. Of course, the project's boundary partners may also have their own boundary partners (some of them are the ultimate beneficiaries) they are trying to influence. And then there are also strategic partners that are exerting influence that is deemed useful already so the project does not need to exert any influence towards them. Figure 28 provides an overview of how actors relate to each other.

Figure 28: boundary partners and other stakeholders
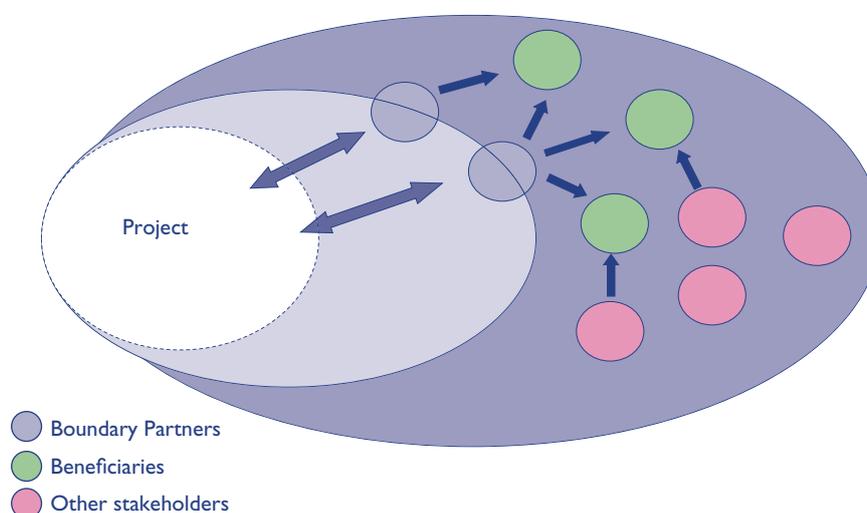
A next step is to formulate for each boundary partner an **outcome challenge**. This describes how one boundary partner is contributing maximally to the vision, formulating its ideal actions, relationships and activities.

Progress markers which are used to track performance, are developed for each boundary partner. Each progress marker describes a change in the boundary partner's behavior and can be monitored and observed. As a set, progress markers are graduated from preliminary to more profound changes and describe the change process of a single boundary partner as made clear in Table 15.

Table 15: outcome challenge and associated progress marker example

Outcome Challenge: The project intends to see local communities that recognize the importance of, and engage in, the planning of resource management activities in partnership with other resource users in their region. These communities have gained the trust of the other members of the partnership and the recognition of government officials so that they can contribute constructively to debates and decision-making processes. They are able to clearly plan and articulate a vision of their forest management activities and goals that is relative to their context and needs. They call upon external technical support and expertise as appropriate. They act as champions for model forest concepts in their communities and motivate others in the partnership to continue their collaborative work.	

EXPECT TO SEE LOCAL COMMUNITIES:	
1	Participating in regular model forest (MF) partnership meetings
2	Establishing a structure for cooperation in the partnership that ensures that all local interests are represented (mechanics of setting up the structure)
3	Acquiring new skills for involvement in the MF
4	Contributing the minimum human and financial resources necessary to get the MF operational

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LIKE TO SEE LOCAL COMMUNITIES:	
5	Articulating a vision for the MF that is locally relevant
6	Promoting the MF concept and their experiences with MFs
7	Expanding the partnership to include all the main forest users
8	Calling upon external experts when necessary to provide information or meet technical needs
9	Requesting new opportunities for training and extension
10	Producing and disseminating concrete examples of benefits arising from MF activities
11	Identifying opportunities for collaboration with other institutions and actors
12	Identifying opportunities for, and successfully obtaining, funding from a range of sources
LOVE TO SEE LOCAL COMMUNITIES:	
13	Playing a lead role in resource management with a view to long- and medium-term benefits
14	Sharing lessons and experiences with other communities nationally and internationally to encourage other MFs
15	Influencing national policy debates and policy formulation on resource use and management

After clarifying the changes the project intends to influence, the team should select activities that maximize the likelihood of success. This entails drawing up strategy maps (not t be confused with maps such as depicted in Figure 11) that reflect actions to be taken towards influencing each boundary partner or their environment in a variety of ways. Finally, it also entails drawing up organisational practices that reflect how a project team or organization aims to stay relevant, viable and effective (e.g. concerning knowledge sharing).

A key feature of OM, distinguishing it from LFA and TOC is that it does not attempt to design the path towards an ultimate outcome. Rather, it focuses on influencing the behavior of key actors that have a role to play in this overall vision. The next step is therefore to watch carefully how these actors react to the attempts to influence them.

Stage 2: Outcome and performance monitoring provides a framework for monitoring actions and boundary partners' progress towards outcomes/goals. The performance monitoring framework builds on the progress markers, strategy maps and organisational practices developed in the intentional design stage. There are three data collection tools: a) an outcome journal monitors boundary partner actions and relationships; b) a strategy journal monitors strategies and activities; and c) a performance journal monitors the organisational practices that keep the project relevant and viable. These tools provide workspace and processes and help the team reflect on the data they have collected and how it can be used to improve performance. Within this framework, the team can identify a broad range of monitoring information, possibly more than they can feasibly use. Consequently, they may have to make choices, selecting only the information that they can afford to collect.

> " A key feature of OM, distinguishing it from LFA and TOC is that it does not attempt to design the path towards an ultimate outcome. Rather, it focuses on influencing the behavior of key actors that have a role to play in this overall vision. "

Stage 3: Evaluation planning helps the team set priorities so they can target evaluation resources and activities where they will be most useful. At this stage, evaluation planning outlines the main elements of the evaluations to be conducted.

Outcome mapping is usually initiated through a participatory process at a design workshop led by an internal or external facilitator who is familiar with the methodology. This event is geared to the perspectives of those implementing the project and focuses on planning and assessing the changes they want to help bring about. It is useful to include boundary partners in the initial workshop for their input on the relevance, activities and direction of the project.

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A review[96] of 10 years of outcome mapping concluded the following:

- OM is useful in situations other than international development cooperation, including in more economically developed countries;
- interviewees reported a high level of satisfaction with OM. OM is widely held to have contributed to a paradigm shift in PME (planning, monitoring, evaluation) that enables interventions to be better focused, more realistic, participatory and sustainable. It is the intentional design stage of OM that has been used most often and has been most appreciated;
- users who are most satisfied with OM are usually those who adapt or simplify their use of OM from the ideal scenario presented in the OM manual.

Three factors are seen as crucial:

- the existence of complexity in an intervention or a significant part of an intervention, i.e. uncertainty about results and / or the processes by which they are to be achieved. In situations such as the provision of services in which results are more predictable, OM is unnecessary;
- recognition of AND willingness to act upon complexity. Awareness of complexity is insufficient: implementers must be willing to move beyond the familiarity of linear cause-effect logic and understand the rationale for using OM, otherwise its use may be mechanistic and of limited value;
- the commitment of one or more champions and the availability of appropriate technical support. Support for novel approaches such as OM takes time to build and without champions it is unlikely to be sustained.

Additional, non-essential, enablers are the support from an intervention's funder; support from the executive of the implementing organisation; the promotion of an organisational learning culture; appreciation of the value of a results and learning-oriented monitoring and evaluation system at multiple levels in the organisation; and availability of the resources required for the OM implementation.

(iii) Problem driven iterative adaptation and HCD (Human Centered Design)

Michael Woolcock, Lead Social Development Specialist with the Development Research Group of the World Bank, spoke at the COP RBM final conference in Maastricht concerning an approach[97] developed at the World Bank to deal with public reform.

According to Woolcock, development projects have, by and large, been successful at building physical stuff: schools, highways, irrigation canals, hospitals and even building the buildings that house government ministries, courts and agencies. But building the capabilities of the human systems is much harder. That applies to the human system called "the state". Getting the human beings in the state to use the physical resources available to produce the flows of improved services (learning in schools, water to farmers, cures for patients) that lead to desirable outcomes for citizens has proven much more difficult.

Development interventions – projects, policies, programmes – create incentives for organizations to adopt 'best practices' in laws, policies and organisational practices which look impressive (because they appear to comply with professional standards or have been endorsed by international experts) but are unlikely to fit into the particular context. There is an emphasis on form (what organizations are made to 'look like') over function (what they actually 'do').

96 http://www.coprbm.eu/?q=node/620
97 http://www.coprbm.eu/?q=node/509

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Woolcock proposes that efforts to build state capability should rather

(i)   aim to solve particular problems in local contexts ...

(ii)   through the creation of an "authorizing environment" for decision-making that allows "positive deviation" and experimentation ...

(iii)   involving active, ongoing and experiential learning and the iterative feedback of lessons into new solutions, doing so by ...

(iv)   engaging broad sets of agents to ensure that reforms are viable, legitimate and relevant – i.e., politically supportable and practically implementable.

The basic message must be that interventions are successful if they empower a constant process through which agents make organizations better performers, regardless of the forms adopted to effect such change.

Efforts to build state capability should begin by asking "what is the problem?" instead of "which solution should we adopt?". Focusing on prevailing problems is the most direct way of redressing the bias to externally prescribed forms towards internal needs for functionality; it ensures that problems are locally defined, not externally determined, and puts the onus on performance, not compliance.

"Issues" have to be politically and socially constructed to gain attention as "problems". This involves raising the visibility of issues through spectacular "focusing events" (such as crises), the use of statistical indicators, or manipulation of feedback from previous experiences. Initiatives to build state capability can focus on problems by facilitating this kind of "construction".

Problems always have multiple causes, which a well-constructed problem focus helps emphasize. This could involve using use tools like the "5-why technique" or Ishikawa diagrams. Agents who see the complexity of real problems are seldom likely to accept the mirage of one-best-way solutions.

External agents may possess potential answers but those "answers" must still be experimented with through a process that empowers the search for technically viable solutions to locally perceived problems. The approach holds that groups typically "find" institutional solutions through a series of small, incremental steps, especially when these involve "positive deviations" (doing something different than the convention but for good reason) from extant realities. Such steps are relatively cheap and have the prospect of early success, or quick wins. The blend of cheapness and demonstrable success characterize positive deviations and are important in contexts where change encounters opposition. The small steps also help flush out contextual challenges, including those that emerge in response to the interventions themselves.

Summing up, the awareness of factors that are causing problems ensures that the chosen solutions are possible, given contextual constraints. Stepwise reforms contribute to building capacity and loosening these constraints over time.

The process of positive deviance is however only possible when novelty is encouraged and rewarded within the authorizing environment within which key decisions are made. In particular, it may always be difficult to "sell" the outcome of such reforms to outsiders who were not deeply involved in them, and whose primary metric of success is the extent to which a given option complies with a known global "best practice" ("professional", "expert") standard.

Active learning through real-world experimentation allows reformers to learn a lot from the "small-step" interventions they pursue to address problems (or causes of problems). This learning mechanism in the approach differs significantly from traditional monitoring and evaluation that focus on compliance with a linear process of reform and allows "lessons" only at the end of a project. This kind of experimentation and learning is also very different from the field

> **Active learning through real-world experimentation allows reformers to learn a lot from the 'small-step' interventions they pursue to address problems.**

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experiments used in randomized trials, where the context is suspended and the intervention (by construction) is not allowed to change or vary over the life of the experiment in an attempt to prove that specific ideas or mechanisms universally "work" or do not work. Rather, it is about trying a real intervention in a real context, allowing on-the-ground realities to shape content in the process.

However, change is only possible if something bridges the agents with power to those with ideas. At its most simple, this could involve a direct or third party link between a central leader and front-line agent. Such a bridge could open the elite to an alternate awareness of their reality and spur a process of entrepreneurship, through which multiple agents combine to define and introduce change in their contexts. These can be organizations or individuals. They connect over time – directly and indirectly – in networks that facilitate transitions from one rules system to another. Different agents have different functional roles in these networks: some provide power and others bring awareness of problems; some supply ideas or resources, while others act as connectors or bridgers. Change comes out of their interactions, not through their individual engagements.

Therefore the adoption of convening and connection mechanisms that allow broader engagement in designing, experimenting and diffusing reforms intended to strengthen states, is key. "Convening" typically involves bringing groups of leaders together with key implementers to craft local experiments and solutions, while "connection" involves ensuring second and third degree interactions with frontline workers who will ultimately have to implement final changes.

In Table 16, the key differences with the mainstream state capacity building approach are highlighted.

Table 16: comparing PDIA to conventional state capacity building approaches

Table 1: Contrasting current approaches and PDIA		
Elements of approach	Mainstream Development Projects/Policies/Programmes	Problem Driven Iterative Adaptation
What drives action?	Externally nominated problems or "solutions" in which deviation from "best practice" forms is itself defined as the problem	Locally Problem Driven – looking to solve particular problems
Planning for action	Lots of advance planning, articulating a plan of action, with implementation regarded as following the planned script.	"Muddling through" with the authorization of positive deviance and a purposive crawl of the available design space
Feedback loops	Monitoring (short loops, focused on disbursement and process compliance) and evaluation (long feedback loop on outputs, maybe outcomes)	Tight feedback loops based on the problem and on experimentation with information loops integrated with decisions.
Plans for scaling up and diffusion of learning	Top-down – the head learns and leads, the rest listen and follow.	Diffusion of feasible practice across organizations and communities of practitioners

PDIA is not really a new approach. It is almost identical to Human Centered Design (HCD) as pioneered by international consulting firm IDEO. IDEO provides many of its tools and methods for free. The IDEO HCD toolkit can be accessed via http://www.ideo.com/work/human-centered-design-toolkit/. There is also a free online training course (see http://plusacumen.org/courses/hcd-for-social-innovation/). HCD is being used more and more in the public sector to design or improve services.

(d) Delivery mechanisms: can we have our cake and eat it too?

Many approaches to deliver a programme have been highlighted. The question is of course: when to use what?

A first response by some has been to try hybrid approaches. Blending of LFA/ToC and contracting approaches would seem straightforward, given their similar underlying assumptions. For example in Poland, a PCM based system has recently been developed where disbursement is linked to achievements in terms of outputs and outcomes.

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Box 25: PCM in Poland

This practice was introduced in Poland in 2011 with the central idea of changing the ESF implementation system into one which was result-oriented rather than activity-based. This involved important changes to programme documents and application procedures. A Project Cycle Management (PCM) based participatory approach to project design was recommended and key elements of goal-oriented project planning philosophy were included in the application form, e.g. problem analysis; analysis of objectives (including project purpose and specific goals/results); target group description; tasks and products; risk analysis; overall objectives (impact and added value); experience and capabilities of the project promoter and project management. The set of appraisal criteria is now clearer in the programme and the project description must be based on a Logical Framework Matrix, including intervention logic, indicators, sources of verification and assumption/risk analysis.

To ensure result-oriented implementation, the rule of proportionality is obligatory. This means that the amount of the expenditure eligible under the contract during project financing should be proportional to the degree of achievement of the objectives specified in the application. Possible reduction of funding can be associated with tasks that were planned to deliver outcomes /objectives, project management costs and indirect costs. If the project promoter fails to achieve the accessibility criteria they are ineligible for the full amount of the money spent.

To assure effectiveness of the ESF projects, project management and indirect costs limits have been introduced. Appraisal of financial viability is based on the beneficiary's annual turnover which must be at least equal to the first (or highest) annual budget of the project. To avoid targets being set too high or low the appraisal criteria are related to this question with checklists and training for assessors. During the appraisal process it is the responsibility of assessors to have SMART projects and Intermediate Bodies (IBs) to achieve their Operational Programme (OP) goals. If targets are set too low, project promoters risk not getting enough points during the appraisal phase. If targets are set unrealistically high they risk having to give the money back at the end of the project because of the rule of proportionality.

To avoid gaming (being compliant with the rules but going for easy targets) the system also imposes some indicators from the OP on project promoters. To ensure project promoters actually achieve their objectives the final appraisal at the end of the project includes indicator verification. The proper frequency of measuring indicators must be outlined in the application form, a monitoring and (self) evaluation system must be created, and external influences must be included in risk/assumption analysis. For innovative projects a different application form and appraisal procedure is used with the involvement of external experts who assist in providing realistic targets.

→ **More at:** http://www.coprbm.eu/?q=node/362

Blending participatory learning process approaches with LFA/ToC has also been tried by various experts.

R. Hummelbrunner[98], who spoke at the COP RBM seminar in Rome, for example used elements of outcome mapping and other process approaches and tried to blend them with the standard logic model for Structural Funds to set up a "process monitoring" system. The system consists of four main steps.

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98 http://www.coprbm.eu/?q=node/611
    concerning process monitoring of impact as proposed for Structural Funds in general and Interreg more specifically.

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1. Identify areas of intended effects: results (shorter to longer term)

Priority areas can be selected, which are considered crucial for successful implementation and where information from process monitoring can be particularly useful (e.g. results which are particularly relevant, outputs whose actual use is crucial – or doubtful).

2. Derive / agree on hypotheses for the achievement of effects:

Make assumptions about how inputs / outputs are used and by whom in order to produce intended effects. These assumptions can be based upon past experience, logical connections or professional knowledge. They should be described as processes (activities, behaviour or communication patterns of partners, target groups etc.) which constitute the links between the activities of a project and intended results and impacts.

Figure 29 provides an example derived from Interreg.

Figure 29: process monitoring example
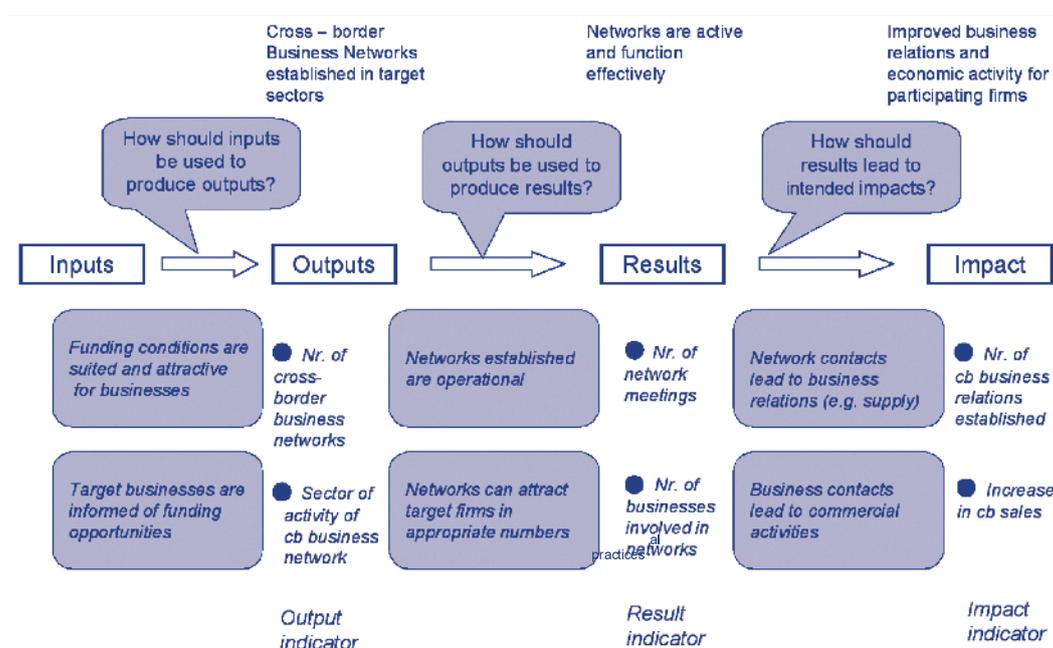
3. Define areas of observation to monitor these processes: hypotheses must be observed to test whether they actually take place during implementation. Important questions for this purpose are: who is expected to act or change? How much? Until when? Observation might require the definition of milestones or indicators. However, these indicators will mostly be qualitative and considered as a product of preceding processes.

4. Data assembly and interpretation: process monitoring will most likely be a task distributed among several actors, thus responsibilities for the collection of data and information need to be defined. Procedures are influenced by the time requirements, available budget and work routines (can data collection be coupled with other activities?). Care should also be taken to capture as much as possible the entire range of effects which can be observed (i.e. unintended or unexpected effects) and to regard deviations from intended routes not a priori as negative phenomena, but deal with them in a more differentiated manner. Differences between plan and implementation as well as exceptions or unexpected effects are important sources of information for learning and improving implementation, as they can help to identify weaknesses, point at possible alternatives or lead to new solutions. Important questions to be answered by data analysis are: are original assumptions

about use of outputs still valid? What are specific problems or weaknesses in this respect? Should original assumptions or even intended results be modified? What can operators do to improve use of outputs? How can the behaviour of direct addressees be influenced more effectively in the intended directions? What can be done to curb unintended effects?

Another author who has attempted to reconcile LFA and outcome mapping is D. Roduner from the Overseas Development Institute[99]. His "fusion" model is depicted below in an adapted form.

Figure 30: LFA – OM fusion model
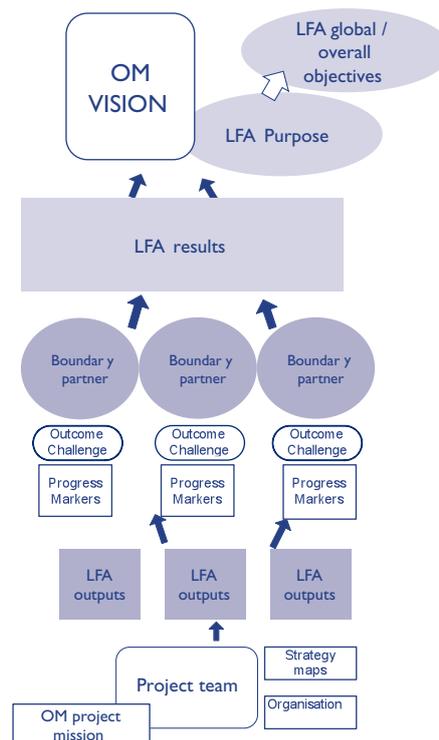
However, given the radically different nature of PLPA and TOC/LFA (and OBA/CODA), the question remains whether blending these approaches just resorts to "window dressing" (at the expense of one or the other) or whether they really add value to each other. In any case, this may not be an issue at all if there is a good understanding when to use one or the other approach.

It can be argued that PLPA is more suited to deal with complex situations. H. Jones, who spoke at the COP RBM seminar in Athens in May 2012[100] characterized the reasons why more traditional approaches to planning projects are not suitable when dealing with complexity as follows:

○ first, the capacities to tackle complex problems are often distributed across a range of players. Problems manifest themselves in different ways at different levels, and decision-makers at one level see only the dynamics of a problem for which they have responsibility. No single organisation is in full control of progress towards a particular objective, and action may require collaboration from, and negotiation with, a variety of actors;
   ◎ traditional approaches to implementation are ill-suited to these problems as they assume that the implementing organisation has the capacity to tackle the issue alone, and that policy

99 http://www.coprbm.eu/index.php?q=node/164
100 http://www.coprbm.eu/?q=node/621

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responses will have a smooth hierarchy. Other actors are a 'means to an end' and their participation is as instruments to achieve pre-determined goals;

O second, complex problems are, by their very nature, difficult to predict. Some issues are not amenable to detailed forecasting, and processes of change always encounter trends that have not been foreseen. Rather than fixing the shape of policy responses in advance, responses need the flexibility to adapt to emerging insights;

◎ however, traditional approaches too often assume that causality is well-established, and that the dynamics of a problem are readily predictable. Much work goes into analyses and negotiations before action; implementation is then relatively rigid, with programmes and projects tied to a fixed schedule and plan;

O third, complex problems involve conflicting goals. There may be many divergent but equally plausible interpretations of a policy issue, with different groups coming at it from different start points or assumptions, and proposing measures to meet different objectives. With this ambiguity and seemingly conflicting evidence, decisions must be interpretive and communicative, based on negotiated understandings and the integration of contrasting perspectives;

◎ traditional approaches assume that knowledge is a neutral and apolitical instrument to achieve well-agreed goals. Implementation tools rely on tightly defined goals and narrow sets of indicators, with information fed in to promote 'what works'.

Jones recommends to take on board several principles to deal with complexity under three broad headings:

O **Where:** implementing agencies need to collaborate and facilitate decentralised action and self-organisation. Ways to do this include decentralisation, engaging local institutions, facilitating processes that build trust and collaboration between stakeholders, building adaptive capacity, removing the barriers to self-organisation, supporting networked governance, providing facilitative and enabling leadership, support incremental intervention starting from existing networks;

O **When:** implementing agencies need to deliver adaptive responses to problems, building space for interventions to react to emerging lessons from implementation. Ways to do this include light and flexible planning with accountability tied to clear principles for action, and / or preset rules for the adjustment of plans, ongoing-monitoring of effects, stimulating autonomous learning, experimentation through intervention, creating short, cost-effective feedback loops, accountability for learning;

O **How:** implementation processes must draw on an eclectic mix of knowledge sources at different levels and times. However, tools that allow the negotiation between and synthesis of multiple perspectives are vital such as decisions via deliberation, focusing on how change happens, realistic foresight, peer-to-peer learning, broadening dialogues, sense-making for common ground, facilitation and mediation.

Clearly, these principles are much more in line with those described in the chapter on PLPAs. However, does this mean there is no use for LFA/ToC or contracting approaches?

Doug Reeler, an international development expert, sees a role for all types of mechanisms[101].

He visualizes three types of change that have connections with each other.

First, the standard way change happens in complex human systems is visualized as more or less conscious emergent change.

101 http://www.coprbm.eu/?q=node/622

Figure 31: emergent change

Less conscious emergent change.

More conscious emergent change.
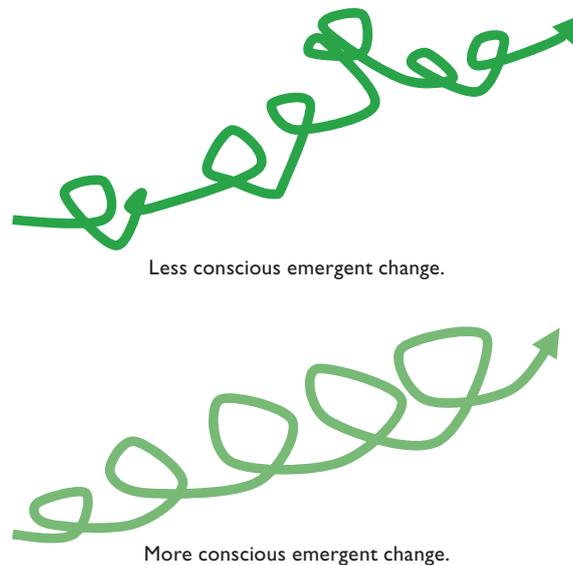
It should be noted that this corresponds to what authors such as Snowden referred to as complexity in chapter 4.3.1.
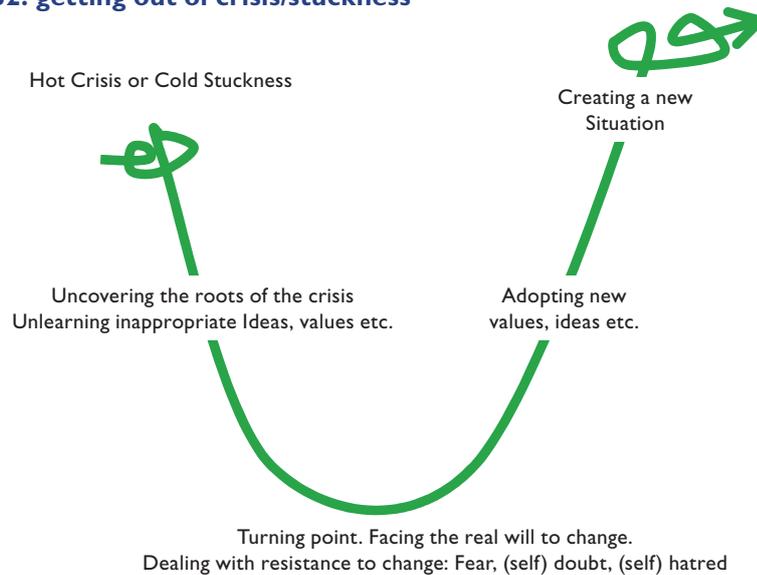
The difference between more or less conscious emergence derives from the degree that identities, relationships, structures and leadership are more formed and the environment is more stable and less contradictory. Reeler puts forward that PLP approaches (to which he also adds horizontal learning approaches such as communities of practice and other learning networks) are well-suited to support progress under these conditions. The more generic, emergent types of ToC can also have their place here.

However, Reeler also puts forward that at some point, this progress may be halted as it hits a point where a crisis manifests itself or were it simply gets stuck. This would correspond rather to what Snowden referred to as chaos in chapter 4.3.1. For Reeler, PLP approaches are not suited to getting out of such a crisis or stuckness. Dealing with crisis more consciously is described as a U-shaped process, depicted in Figure 32. This differs from a PLP approach that is characterised as "learning by doing", as the U-shaped process is rather a process of facilitation of uncovering and "unlearning" ideas, values etc. that have led to getting stuck. PLP approaches are therefore not so suitable. Neither can the U-shaped process be "planned" to happen as in a traditional project.

As depicted in the figure, a crisis has evolved out of emergence (either generated internally or externally) and will, if resolved, move back into it. Reeler states that all crises get resolved at some point if left alone, but that they can also be tackled more consciously with the U-shaped process. It must be clear that this process can only start if the crisis or stuckness is ripe for resolution i.e. there is enough awareness that there is a crisis and this instills a will to get out of it. It may be tempting to try to trigger this awareness and will by an intervention but there is a danger that the crisis is not mature enough and that the prospects for change will be retarded.

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Figure 32: getting out of crisis/stuckness

Hot Crisis or Cold Stuckness

Creating a new
Situation

Uncovering the roots of the crisis
Unlearning inappropriate Ideas, values etc.

Adopting new
values, ideas etc.

Turning point. Facing the real will to change.
Dealing with resistance to change: Fear, (self) doubt, (self) hatred

A larger process of emergence may actually still be going on, with stuckness and crisis relating only to a particular aspect.

Finally, Reeler puts forward "projectable" change. This corresponds to what Snowden called in chapter 4.3.1. complicated (and simple) systems. This can either take problems as a starting point or a creative vision. It is amenable to a "plan the work, work the plan" approach. Reeler depicts this in Figure 33.

Figure 33: projectable change
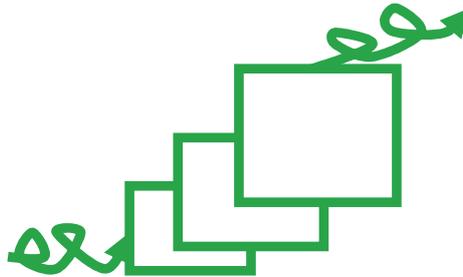
Once again, there is a relation to the basic condition of emergence. The figure tries to make clear that "traditional" projects (depiced by the "boxes") can be spawned by the underlying emergent process. It is however also clear that, as the emergent process progresses, new projects will have be spawned that are suitable for a particular time and place to support the broader emergent process in its progress. Therefore, projects are likely to be smaller initiatives instead of one grand design to achieve some huge performance leap. More linear LFA/ ToC can be useful in conceptualising these smaller initiatives.

Also, it is possible and preferable to allow some quality of emergence in these projects by not overstructuring them. Projects, given that they are embedded in a background process of emergence, inevitably will encounter unexpected events or yield unexpected outcomes which can derail the work or lead to creatively redefining it. This applies especially to projects that start from a vision. Problem based project tend to be based on more visible and simple problems and solutions and are hence more amenable to well-structured plans and monitoring. Still, they can also benefit from regular reflection as part of monitoring.

Ultimately, PMOs will be wondering how to finance these different change processes.

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The provision of mainstream public services serves projectable change in the sense that usually clear and key needs are being adressed (e.g. access to water or education). A highly structured approach like OBA (that can be situated in a ToC) is then suitable to finance this. Of course, to what extent this provision of services expands people' capacity (the freedom to choose between functionings), as put forward by Sen's capability approach in 6.2.3.4 c) (i), will be different for each person. And even such provision of services is to be seen against the background of emergent change as these services may lead to unintended/unexpected effects that emerge over time and that require adapting or replacing the service. It should also be understood that an participatory learning process that is supporting emerging change may at some time spawn a community based OBA project. This would be clear evidence of empowerment ("agency" for Sen). It will be referred to as "co-production" in chapter 6.2.6.2.

On the other hand, Reeler states that emergent change is best supported by providing core financing to trusted facilitators (these can be NGOs but may include any capable actor or even networks) who have a good track record in supporting this kind of change. Accountability can be ensured by requesting evidence of participatory action learning and of course, finacial probity. A flexible budget that allows to finance fixed and variable costs as proposed in Box 24 fits this quite well. For new actors without a track-record, some form of seed funding should be put available so they can build their record.

Core funding for transformative change can similarly be allocated to trusted facilitators. Accountability here is derived from reporting on the story before, during and after the change process, assessing impact by the resolution of the described crisis.

It should be noted that the "innovation domain" projects as discussed in Box 11, as well as "solutions" projects as discussed in Box 13, are both a particular way of operationalising this kind of core funding and accountability, where these mechanisms can be used to deal with both emergence and crises.

As funding is expected to be limited and unable to address all needs everywhere at the same time, some have proposed to make this kind of core funding digressive over a longer time period. This approach has been applied for example by international development NGO Action Aid in their Ethiopia programme[102]. "They will go to a site where they are trying to help people build up their capacity, say for public services. They are there for some time, but they try to do something 5 years before they are going to leave. They will call a meeting and say "we will fund 1 year for 100%, after that, we will drop to 80%, and you need to support 20%, then down to 60%, and so on ... If we are financing something good, then you should want to carry it on. If not, that's fine, the project closes."

6.2.3.5. OVERVIEW OF THE PROCESS: PHASE 2: SELECT STRATEGIC INITIATIVES AND PHASE 3: PLAN OPERATIONS

(a) Phase 2: select strategic initiatives

The previous phase entailed maps for all units, cascaded downwards, together with KPQs and measures. Also, support/regulating units defined their strategies, maps, KPQs and measures.

The challenging nature of the strategy should prompt ideas, both in terms of improving what is there (improvement projects) as well as new services and capabilities beyond what is there.

> **The challenging nature of the strategy should prompt ideas, both in terms of improving what is there (improvement projects) as well as new services and capabilities beyond what is there.**

The ideas behind this have already been described at length in the previous chapter.

In this chapter the focus will be on the process of selecting and setting up the framework for executing strategic initiatives[103]. The overall process is depicted in Figure 34.

102 http://www.coprbm.eu/?q=node/623

103 Inspired by Initiative Management: Putting Strategy into Action by P. Lacasse and T. Manzione, in Balanced Scorecard Report November-December 2007

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Figure 34: overall strategic initiative process
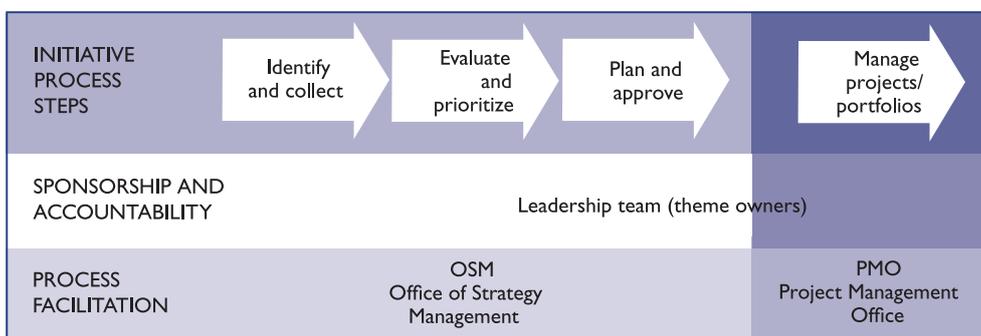
A first step is to identify and collect ideas. An idea should consist of a broad brush description of the idea with objectives, an explanation of how it is linked to the strategy map and a very high-level cost-benefit assessment. These descriptions are reviewed by the senior management team and, for those that are withheld, a sponsor from the team is allocated. Ideas that do not get sponsorship are dropped from the pipeline. Sponsorship is key because the sponsor will have to fight for resources and will be held accountable (discouraging to overestimate benefits and underestimate costs).

A second step is to evaluate and prioritise the ideas that have a sponsor. The sponsor will work with the person who submitted the idea to make a better estimate of the resources that will be required and hence the cost of the project. Other elements can also be refined. Then, the senior management team looks at all the ideas and prioritises them on the basis of pre-established weighted criteria e.g. such as visualised in. Figure 35. It should be understood that each PMO should, in function of its strategy, draw up their own criteria and weighting.

Figure 35: example of a prioritization framework

Each of the three criteria is weighted and then ranked on a 1, 3, 9 scale. The ranking is multiplied by the weighting for each criterion. All sums are added together for a total score. The higher the score, the more promising the initiative.

If an initiative is not prioritised, it goes back into a pool for possible future approval. Those that have been prioritised move into the planning stage where a more detailed plan is written in terms

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of resources, milestones and deliverables, cost/benefit ratio and risk. If the plan is deemed sufficient, it is approved and resourced.

The entire process can be facilitated by a dedicated unit or staff member in charge of supporting strategy development and execution referred to as the Office(r) of Strategic Management (OSM).

The next step will rather be supported by a project management office(r). It entails that initiatives are regularly reported on and reviewed. Major ones should ideally be reviewed by the leadership team once a month, less complex ones every quarter.

It is not sufficient to review initiatives in a stand-alone fashion. They should also be viewed as part of a larger portfolio, linked to a number of strategic themes present in the strategy map. In this way, underperforming initiatives may be cancelled and substituted by new ones. In addition, changes in the strategy map can be reflected in the initiative portfolios. These portfolio reviews should be conducted quarterly or semi-annually.

(b) Phase 3: plan operations

Operations planning, including selecting delivery mechanisms, as a general process has been sufficiently explained in chapter 6.2.3.4. This chapter will focus on the selection processes for improvement and maintenance initiatives. Execution of these initiatives and support by the project management office(r) will be very similar to what was described above for strategic initiatives and will therefore not be repeated.

Many improvement initiatives may already be underway. In many cases, these have been generated by quality improvement systems such as CAF and ISO. However, most quality improvement systems want to achieve excellence in absolutely everything. This is essentially a non-strategic approach in a world where resources are scarce.

However, areas for improvement that were identified using quality systems, can provide a good starting point for identifying improvement initiatives that should indeed be supported.

Figure 36 attempt to clarify how this works.[104]

> **Most quality improvement systems want to achieve excellence in absolutely everything. This essentially a non-strategic approach in a world where resources are scarce.**

Figure 36: improvement initiative matrix

	Weaknesses	Strengths	
Strategic	Improve levels of quality excellence	Maintain high quality levels	Competitive Advantage
Balanced Scorecard			
Non Strategic	Improve to minimum acceptable quality levels	Potential to cut back current investment	´hygiene factors´

Self Assessment & Excellence Model

104 http://www.coprbm.eu/index.php?q=node/588

3. STRATEGY IS TRANSLATED INTO OPERATIONS

Quality models are good at identifying whether or not certain aspects of running a PMO are below or above the minimum threshold. If above the threshold, they can provide information as to the degree of excellence that has been achieved. If this is combined with strategic relevance (as revealed by the strategy map, e.g. inferred by the process described in Box 15), then four options are revealed in the figure.

The figure makes clear that even non-strategic elements may have to be invested in to achieve minimum thresholds. But once achieved, no further investment is required. Areas that are rated as weak in a quality system and that are strategic are of the utmost priority to be improved. Areas where the PMO is already strong and that are strategic need to be maintained. These areas can also point towards the need for more strategic initiatives if mere improvement cannot produce much progress anymore. Finally, improvement initiatives towards non-strategic areas where performance is strong, should be investigated for the possibility to cancel them.

An example of a quality improvement system that could be used together with the COP RBM system to identify and prioritise improvement initiatives is provided in Box 26.

Box 26: partner practice: quality improvement in Lithuania

ISO 9001 is a quality management standard designed to help organisations ensure that they meet the needs of customers and stakeholders, as well as statutory and regulatory requirements. The standard consists of separate sections, including: a quality management system, management responsibility, production and services, etc. In Lithuania, following the decision to implement ISO 9001 by the ESF Agency management, an external consultant was hired to prepare a draft procedures manual and training on the standard. The central aim was to ensure that the Agency's Quality Policy, drawn up by the Quality Assurance and Control (QAC) division, was carried out by all staff with help from the ISO 9001 quality management system. The Policy includes: compliance of activities with Lithuanian legislation; effective cooperation with Intermediate Bodies and other institutions; implementation of quality management principles; permanent improvement of staff professional skills, service delivery processes and quality management system; employee discipline and effective quality control.

Key activities for the implementation of the quality management system were identified as: endorsement of a quality policy; a quality manual; and an internal quality audit plan. The processes for this work were jointly formulated by the consultant and unit heads and included: the production of a draft procedures manual (with different procedures for payment claim verification and validation; changing contracts; 'on the spot' checks, etc.); an introduction to the standard manual for Agency staff; a quality manual prepared by the QAC division to determine the quality management system of the Agency and ensure its compliance with the requirement of ISO 9001; and internal audits on the practical applications of procedures.

After 10 months of preparation the Agency received ISO 9001 certification. The QAC division then prepared an audit plan with annual supervision audits that had recommendations for improvement and/or discrepancy reports (useful if performance does not accord with procedures or if there are delays in carrying them out). In future, the Agency Director will approve an annual audit plan and the QAC division will perform system and content audits as well as check the application of new procedures. The QAC division also prepares an annual quality data report which contains details of complaints, information on the quality of seminars organised for project applicants and promoters, payment claims and application appraisal reports, as well as contract agreements and external audits of the Agency.

→ **More at:** http://www.coprbm.eu/?q=node/288

6.2.4. PERFORMANCE INFORMATION IS COLLECTED AND SUPPLIED (PHASE 4: MONITOR AND LEARN)

6.2.4.1. DATA COLLECTION IS PLANNED

> There is a plan that lists for all measurement why it is being measured, what the source of data is, what methodology will be used to collect it, how often the data will be collected, and who is responsible for collecting it (including at the level of delivery partners). Collection hence happens on a systematic basis, not in an ad-hoc fashion.

In terms of the strategy map, the KPQ's (as defined in 6.2.2.7) determine what data will have to be collected. Critical operational measures (KPI's) to manage and improve existing processes may also have been defined and for these data will also have to be collected. KPI's also answer an implicit KPQ: are we doing what we planned, the way we planned it (in terms of quality)? A KPI usually cannot answer the question: why not? That requires a more specific investigation.

It is crucial not to confuse both measurement sets. The first will be used to reflect on the strategy, the second to manage ongoing operations. This has impact on the frequency with which measurement has to be executed. As will be discussed in more detail in chapter 6.2.5, different kinds of meeting with different purposes will make use of different measurement efforts.

Operational measures tend to be required regularly (depending on the speed of the operations cycle) while the frequency of strategic measurement depends on the nature of the KPQs. Answers to KPQs will have to be provided on a quarterly (for questions looking at progress of strategic initiatives and of process improvements and possibly their impact on the strategic objectives) to a yearly basis (for questions relating to the overall logic of the strategy as visualised by the strategy map).

Clearly, an overall plan that keeps the overview of all measurement efforts is very important to avoid confusion and measurement overload and to ensure measurement is systematic.

6.2.4.2. MEASUREMENT IS OF HIGH QUALITY

> A. Measurement should provide good answers to key performance questions relating to (operational or strategic) objectives. For questions regarding a state or change, the degree of quality of the state or change that is expected has to be defined. Performance information is disaggregated and differentiated to be able to understand if unique observations or averages are hiding differences between sub-categories (e.g. different types of constituents that may score differently on selected measures).

As we are interested in being able to make conclusions about concepts we have in mind, and not just about measures, a first step is to check if measurement is of high quality, is to see if an attempt was made to understand properly what one wanted to measure. This entails understanding the "quality" of what one wants to measure (its concept) as well as what one wants to measure concerning this quality e.g. its current state, a trend, a change attributable to a cause, ...

For example, a KPQ may be asking whether delivery partners are satisfied about the speed with which the PMO reimburses them for project expenditures. A first step would then be to define the concept of "satisfaction". What is meant with being satisfied or not satisfied with the speed of payment? Some exploratory research may be required to properly define this. It could mean: "in time for my NGO not to go bankrupt". It could mean "on time as promised by the PMO". It

could mean "within the timing set by delivery partner accounting department guidelines" etc …
Clearly, "qualifying" even such a, at first sight, straightforward concept may require some thinking.

If the concepts involved in a KPQ were clear, it should be clarified if selected data gathering and
analysis methods can lead to a useful answer. In many cases, this implies thinking about sub-categories
that have to be explicitly addressed to ensure one does not overlook specific patterns that are
different from overall ones (e.g. overall positive trend but negative in rural areas).

> B. All measurement efforts should adopt a pluralistic stance towards measurement methodology, recognising the complex nature of social systems, yet adhere to broad criteria of rigor.

A key question now becomes: what constitutes rigor in measurement?

Traditional theory requires measurement to be reliable and conclusions based on it to be valid[105].
Reliability is a property of measurement itself. All measurement has error. The less error, the higher
the reliability. Error consists of random error and systematic error. Random error is caused by any
factor that randomly affects the measurement of the variable across the sample (e.g. some people
will be more in shape than usual when tested for physical fitness and others in worse shape but
for the whole sample these differences cancel each other out). Random error adds variability (a
wider distribution of values) but does not affect the average for the sample: this is then just noise.
Systematic error does affect the average (e.g. because there was construction noise during the IQ
test everyone did worse): this average is therefore biased.

There are four kinds of validity. Validity is NOT a property of the measurement itself but relates
to propositions, conclusions, inferences based on and relating to the measurement. There are four
such kinds of inferences, conclusions etc. and they are cumulative. This means there is no sense in
talking about a higher level of validity if lower levels are not sufficiently guaranteed (see Figure 37).

Figure 37: types of validity
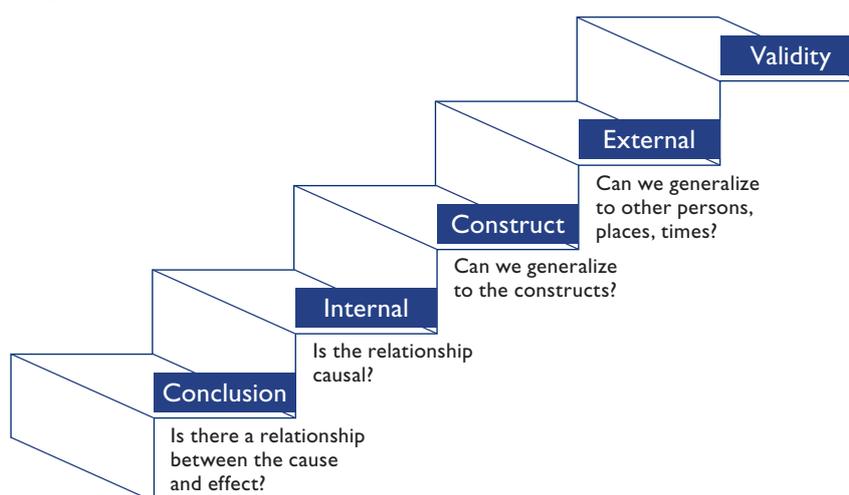
The figure is relating validity to the most complicated question: those that ask whether there is
a causal relationship (cause-effect). However, if no such relationship is sought, this just means
that internal validity is not an issue. The other types remain valid. Conclusion validity can then
for example be: "is there a difference in average values regarding a variable between 2 groups
or between two moments in time?" This is a univariate question as it relates to one variable. A

105 http://www.coprbm.eu/index.php?q=node/590

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multivariate question could be to understand the relation between several variables without being interested if this relation is causal.

It should be understood that conclusion and internal validity relate to conclusions, propositions etc. that have to do with the collected data; obtained from a sample, measured with specific data collection instruments and analysed with particular methods. A (causal) relation may be esta-blished within the data set, but that does not mean there is a (causal) relation in terms of the concepts someone had in mind. Those concepts are theoretical constructs that have been operationalized into measurement. For example, there may be a relation established between someone's average score on a multiple choice exam and their parents income level. But this does not mean someone's abilities and social class are necessarily related. This would entail being able to state that average test scores are a good reflection of what you understand by "ability" and that parental income is a good reflection of social class. If you can substantiate that, you have a claim to have achieved construct validity. Next, it should be understood that conclusions regarding the concepts you have in mind are valid only for the place, time and persons you measured. The question of external validity is then: can we generalise the conclusions beyond that?

How to fully establish reliability and validity are beyond the scope of this publication[106]. However, it should be clear that reliability and validity are only a specific sub-set of what constitute criteria for good evidence.

> **Reliability and validity are only a specific sub-set of what constitute criteria for good evidence.**

This traditional view of rigor has been tailored to the needs of quantitative research. It can be encompassed by a broader view of rigor that allows for a far greater variety of research approaches to be deployed and that allows to deal with complexity as des-cribed in chapter 4.3.1.

A pluralistic use of methods is apparent in the practice described in Box 27.

Box 27: partner practice: plurality of methods in a Czech evalaution design

As nearly all the information Managing Authorities (MA) receive about target groups comes from project promoters, an evaluation project was developed for the Operational Programme for Human Resources and Employment (OP HRE) with the goal of establishing a direct link between target groups and the MA. This information will allow the MA to compare learning from project promoters with that found in the field, as well as assist strategic decision-making in the next programming period.

The general evaluation design is composed of three main tools:

1. investigation of project promoters using Computer Assisted Web Interviewing (CAWI);
2. investigation of one set of target groups using semi-structured interviews and/or focus groups to investigate the variability of their life stories;
3. investigation of a second set of target groups using 28 continuous qualitative case studies with data drawn from secondary sources.

21 different target groups were identified and specific information for each of them was obtained through: goal trees analysing the OP HRE goals versus individual calls; problem trees identifying key target group problems through expert analysis and interviews; and, "blind spots" analysis assessing which parts of the problems trees were not addressed by calls and/or projects.

106 See http://www.coprbm.eu/index.php?q=node/590

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The first investigation of project promoters had a response rate of 40% and included information about funding, changes as a consequence of project realisation and evaluation of factors influencing this. Results show project promoters to be highly dependent on OP HRE funding. 30% of them have increased their staff and 42% feel it would be possible to focus on a new target group. 99% declared that their administrative burden has increased, and 43% that the contextual setting of the OP HRE is a factor preventing the implementation of the project. 33% responded to an open question about possible negative impact on target groups and cited an increase in target group expectations as a potential threat. Due to the availability of OP HRE funding it was felt that the target groups expect everything to be paid for and have lost any sense of appreciation or gratitude. Long-term support in some groups increases a feeling of entitlement to OP HRE support, thus suggesting a loss of self-responsibility. Findings also suggest the a risk of a vacuum following termination of the OP HRE project as projects often cover gaps in social services where finance from national resources is unlikely.

→ **More at:** http://www.coprbm.eu/?q=node/444

M. Patton, an internationally recognised evaluation expert, brought the "rigor attribute model"[107] to the fore at an evaluation conference in the Netherlands in March 2012[108]. The key elements of the model are described in Box 28.

Box 28: rigor attribute model

1. information search relates to the depth and breadth of the search process used in collecting data (triangulation);

2. hypothesis exploration relates to the extent to which multiple hypotheses are considered in explaining data. In a low-rigor process there is minimal weighing of alternatives (looking at alternative explanations);

3. information validation details the level at which information sources are corroborated and cross-validated (triangulation);

4. stance analysis is the evaluation of data with the goal of identifying the stance or perspective of the source and placing it into a broader context of understanding;

5. sensitivity analysis considers the extent to which the analyst considers and understands the assumptions and limitations of their analysis;

6. specialist collaboration describes the degree to which an analyst incorporates the perspectives of domain experts into their assessments;

7. information synthesis refers to how far beyond simply collecting and listing data analysts went in their process;

8. explanation critique is a different form of collaboration that captures how many different perspectives were incorporated in examining the primary hypotheses.

107 See http://www.coprbm.eu/?q=node/591
108 See http://www.coprbm.eu/?q=node/467

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C. More specifically, the use of evaluation of funded initiatives – be they relatively standard under an enhancer orientation, innovative developments under an innovator and/or more capacity building integrated solutions under the solutions manager orientation – is appropriate to the particular purpose of the evaluation in line with the chosen orientation.

Evaluation is a specific form of measurement. Evaluation is defined by DG REGIO[109] as: "The process of determining the merit or worth or value of something; or the product of that process. The special features of evaluation include a characteristic concern with cost, comparisons, needs, ethics, and its own political, ethical and cost dimensions; and with the supporting and making of sound value judgements, rather than hypothesis-testing. The term is sometimes used more narrowly to mean only systematic and objective evaluation, or only the work of people labelled "evaluators".

In this sense, evaluation activities are conducted by all those who are using data and analysis to make conclusions about the value of something (e.g. management and staff discussing if strategic initiatives are having an impact on strategic objectives in a strategy map, if the strategy is working? etc.). However, the sense in which the term is used in the practice statement is the more restricted use of the term as referring to systematic and objective evaluation, not of the technical assistance priority in Structural Funds programmes (and hence the PMO) but of the projects (that are being funded through the main programme priorities) by designated (in principle independent) "evaluators".

DG EMPL guidance states that:

"Two broad categories of impact evaluations are widely recognised:

○ theory-based impact evaluation, which follows each step of the intervention logic identifying mechanisms of change, answering the questions why and how an intervention works. This approach mainly produces a qualitative estimate of the impacts;

○ counterfactual impact evaluation, which uses control or comparison groups. This method is useful in answering how much of the change is due to the intervention and for whom, and in comparing the effects of different instruments (or the same instrument applied to different target groups). Rigorous quantification of the impacts of programmes/interventions involves counterfactuals which allow to identify/estimate what would have happened in the absence of a specific intervention. Defining such counterfactuals requires to identify a control group (comprising people who might have been targeted, but were not subject to the intervention/programme) and to compare it with a group of programme participants (the treatment group). Essentially, two approaches to establishing a control group can be distinguished, i.e. experimental or quasi-experimental designs."[110]

Both approaches are further elaborated by DG REGIO and DG EMPL respectively and it is not within the scope of this publication to elaborate in detail on them.[111] They do reflect already a pluralistic stance towards measurement in terms of allowing both quantitative and qualitative research.

That this is not unimportant was addressed by leading experts in evaluation such as Jim Rugh and Patricia Rogers who spoke at the COP RBM seminar in Sweden in September 2011.

They raised the issue that counterfactual impact evaluation methods assume that an intervention is sufficient and necessary to achieve an objective (see example in Figure 38).

109 Evalsed: http://ec.europa.eu/regional_policy/sources/docgener/evaluation/evalsed/glossary/glossary_e_en.htm#Evaluation
110 See http://www.coprbm.eu/index.php?q=node/567
111 http://www.coprbm.eu/index.php?q=node/520 and http://www.coprbm.eu/index.php?q=node/505

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Figure 38: the assumption of necessary and sufficient conditions

If 200 potted plants are randomly assigned to either a treatment group that receives daily water, or to a control that receives none,

and both groups are placed in a dark cupboard,

the treatment group does not have better outcomes than the control. Possible conclusions: Watering plants is ineffective in making them grow.

Better conclusion: water is not sufficient.

Theory based impact evaluation was presented as very useful to determine if the assumption held by counterfactual impact evaluation actually holds. In other words, if someone forgot to not only give water to the plants but also to give them light.

In Flanders, an unorthodox form of theory-based impact evaluation was used that attempted to use quantitative research to measure the intervention theory.

Box 29: partner practice: theory based quantitative impact evaluation in Flanders

An evaluation was carried out by HIVA (Catholic University of Leuven) in 2009-10 on the actions for the unemployed financed by ESF in the first period of the Operational Programme (OP). The aim of the evaluation was to assess: the efficiency with which the ESF reached intended target groups, specifically those with the strongest needs; the extent to which realised effects still matched target groups needs; the realisation of effects, and extent to which objectives of the OP were realised by these effects; and, the extent to which other labour market actions strengthened ESF actions or were in conflict with them.

The evaluation was designed in three phases:

Phase 1: Development of a results chain (a theory of how the intervention is supposed to work) for actions by the ESF Agency. This results chain represented all the effects expected to materialise over time towards the final intended outcome – a job. Measurement instruments were developed for the effects as represented in the results chain. As many of these effects were related to competences, attitudes and behaviour that could not be measured using existing data, a questionnaire was developed.

Phase 2: Six months after finishing an action, a representative sample of participants was contacted by phone to fill in a first questionnaire

Phase 3: One year later, the same people were to be contacted again with a follow-up questionnaire to gauge more long term effects.

To ensure research quality, participant bias was addressed by: conducting the questionnaire away from the project location, guaranteeing anonymity for respondents, using sub-question

rotation for each participant, pre-testing the questionnaire and using simple questions. To avoid researcher bias, academics listened in on test interviews. For validity it was concluded that power analysis would minimise the risk that non-significant results turned up due to too small a sample. Regression analysis (causal and control variables) was combined with opinions on causality by the respondent and there were no control groups, only comparison groups (as in Flanders, all unemployed are in some action). The operationalisation of measures was checked by experts and, as most actions are part of an integrated pathway towards a job, respondents were asked to have a specific ESF action (the most significant one) in mind when responding. To ensure external validity, samples were not drawn to represent the population of unemployed in the ESF but to compare between the various types of actions for the unemployed that ESF finances.

→ **More at:** http://www.coprbm.eu/?q=node/445

However, both impact evaluation approaches still have to deal with the issue raised by M. Woolcock, who spoke at the COP RBM final conference in Maastricht[112], that the impact trajectory of most interventions is not known (see Figure 39). He calls for more ongoing data collection and analysis before and next to counterfactual evaluations.

Figure 39: impact trajectories
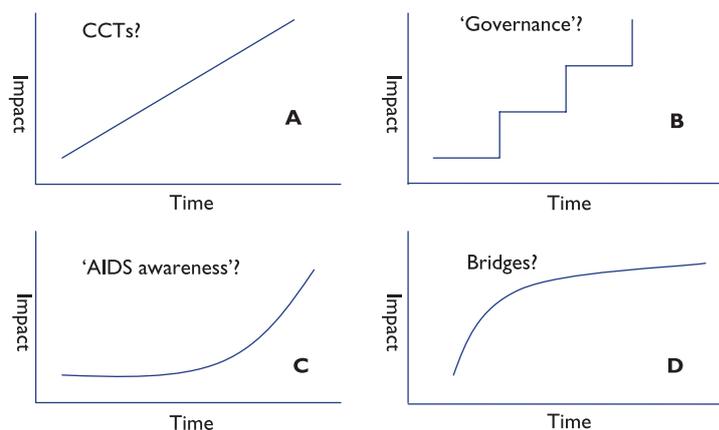
The usually assumed linear nature of the impact trajectory is also contradicting the complexity view of how things work as described in chapter 4.3.1.

A key feature of this was the idea, presented by Jean Boulton, of tipping points (nothing much happening and then suddenly major break-through or the reverse, a sudden collapse). These tipping points are clearly recognisable in parts B, C and D of Figure 39. Dave Snowden had also shed some further light on the limitations of traditional qualitative and quantitative research, even when combined, in dealing with complex reality, when he puts forward that cause and effect relations can be established in a complex environment in hindsight, but not beforehand. In other words, how we specifically got to a present situation from a past one may seem perfectly reasonable and natural but we should not forget there could have been many different paths and present situations resulting

> "
> **The usually assumed linear nature of the impact trajectory is also contradicting the complexity view of how things work.**
> "

112 http://www.coprbm.eu/?q=node/592

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from them. This also means there is no predictive power in such research and therefore it cannot do much to inform decisions about what to do next.

To address complexity, Jean Boulton draws on action research[113] as a research paradigm that is not recognised by the guidance of DG REGIO or DG EMPL. This should not come as a surprise as we have already seen that Participatory Learning Process approaches were well-suited to dealing with complexity and that they have integrated principles of action research not into monitoring and evaluation as standalone activities but into their entire process. A participative learning process can be said to essentially be an evaluative approach to making progress rather than evaluating progress as such.

> **A participative learning process can be said to essentially be an evaluative approach to making progress rather than evaluating progress as such.**

Boulton is supported in her interest in action research by evaluation experts such as M. Patton who launched the term "developmental evaluation"[114] and who refers to action research as one of the more specific methods to deal with the complex within such an evaluation approach.

Developmental evaluation is placed by Patton as a tool for supporting evaluation in complex situations e.g. when working on innovation. It focuses on the question: "What is getting developed, what is not getting developed and what are the implications?". Key characteristics are:

- focus on development (versus improvement or summative judgment);
- takes place in complex dynamic environments;
- feedback is rapid (as real time as possible);
- the evaluator works collaboratively with innovators to conceptualize, design and test new approaches in a long-term, on-going process of learning, adaptation, intentional change, and development;
- the evaluator can be part of the intervention team;
- the evaluator's primary functions are to elucidate the innovation and adaptation processes, track their implications and results, and facilitate on going, real-time, data based decision-making in the developmental process.

The accountability question is therefore whether something is getting developed rather than whether something works such as in summative evaluation or how to prepare something for summative evaluation such as in formative evaluation (see an overview of differences in Table 17).

Table 17: types of evaluation

	Situation
Summative evaluation	At the end of a program or initiative when key decisions about its future are going to be made. When judging the model's merit or worth for continuation, expansion, going to scale, or other major decisions.
Formative evaluation	When fine-tuning a model. When a future summative evaluation is expected and baseline data will likely be needed.
Developmental evaluation	When working in situations of high complexity. When working on early stage social innovations.

Developmental evaluation is more associated with exploration as proposed by Hurst in chapter 4.3.1. The difference between summative and formative evaluation is more a difference of purpose than

113 http://www.coprbm.eu/index.php?q=node/594
114 See http://www.coprbm.eu/?q=node/528 and http://www.coprbm.eu/?q=node/467
      and http://www.coprbm.eu/index.php?q=node/593

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of methods. In both case theory-based and counterfactual impact evaluation methods can be used all be it with a different purpose. Formative evaluation is meant to prepare an initiative (fine-tune, stabilise it) to be ready for summative evaluation. Summative evaluation is to render a more definitive judgement. Both formative and summative evaluation are more associated with exploitation as described by Hurst.

Snowden's recommendation in chapter 4.3.1 to deal with the complex by first creating probes to make the patterns or potential patterns more visible, then sensing those patterns and then respond by stabilizing those patterns that we find desirable, by destabilizing those we do not want, and by seeding the space so that patterns we want are more likely to emerge, is also very much in line with an action research approach as well as with Patton's idea of developmental evaluation.

To elaborate further on action research and developmental evaluation is not within the scope of this publication[115]. The point to be made was that complexity may require a very different research approach than those advocated currently in DG EMPL and DG REGIO guidance. Other evaluation approaches connected with developmental evaluation are Most Significant Change[116] and Outcome Harvesting[117]. The Sensemaker approach described earlier can also be used for developmental evaluation.

These approaches correspond also to the need to look for the unexpected as opposed to the expected (usually in the form of indicators) when evaluating. The knowledge this yields can then be leveraged across a broader set of actors. As colleagues from the Swedish ESF council say: "An excessively one-sided focus on indicators does not create openings for surprising and unexpected effects from development initiatives ... . If programmes and projects kick start learning processes in other development activities, then we can speak of long-term multiplier effects i.e. where effects are formed, value added and leveraged."[118] This once again resonates with the participatory learning process approach where key principles in Box 24 were "catalysing the experiential learning process at the level of people in the local environment (as one of the foundations of expanding capabilities), the intervention itself and at the level of the relevant organizations" and "the routes not foreseen, and the invisible effects and impacts are of great importance, usually more than the expected ones".

The need to have a pluralistic stance towards evaluation approaches and methods becomes more pressing when placing evaluation within the context of the three different strategic orientations a PMO can pursue:

○ an innovator PMO should be interested in supporting all forms of evaluation and understand when to apply what. Developmental evaluation will be required, until the point where a concept is developed into a real service that is ready to be fine-tuned by field-testing on a small scale. Once this is achieved, either several more field tests are carried out in different contexts to fine-tune them to these contexts or there is a full scale launch and summative evaluation;

○ an enhancer will be mainly interested in summative evaluation as funded initiatives are supposed to be stable already;

○ a solutions manager will be mainly interested in developmental evaluation as they are investing in developing the capacity of their selected delivery partners to serve their constituents better. However, a solutions manager will also devote resources to actually ensuring the improved capacities are put to use in the form of better services for constituents. Then, formative (starting with only part of the delivery partner and some of their constituents) and summative evaluation will also be of use.

115 For an assessment of the use of action research for evaluation in complex situations see http://www.coprbm.eu/?q=node/625
116 http://www.coprbm.eu/?q=node/627
117 http://www.coprbm.eu/?q=node/626
118 http://www.coprbm.eu/?q=node/624

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A study commissioned by the UK Department for International Development (DfID) in 2011 confirms that complexity poses specific challenges to the specific form of evaluation that we refer to as "impact" evaluation and that is the focus of the guidance from DG EMPL and REGIO concerning evaluation[119]. According to the study, a first challenge is to recognise for which parts of an intervention it is necessary to take an approach suited to deal with complexity. This issue was similarly addressed by P. Rogers at the COP RBM seminar in Sweden[120]. Table 18 provides some pointers as to how to determine if (part of) an intervention is more or less complex and how to deal with it. It is beyond the scope of this publication to elaborate further on this[121]. It should also be recognised this field is currently in full development.

It should however be clear that complexity theorists such as Chris Mowles, who spoke on this topic at the COP RBM final conference in Maastricht, reject the idea that complexity theory can be "operationa-lized" in this way to judge "impact". This is because for this kind of endeavour, abstractions are always used, to make it easier for distant decision-makers to grasp and act on what is in reality an unpredict-able continuous interplay of concrete individuals who are at the same time enabled and constrained in relationships of power. Evaluation can be defined as "finding things of value" but this cannot be reduced to finding "what works or does not". To Mowles, so-called realist evaluation[122] (itself taken up in DG REGIO's guidance on theory based impact evaluation) comes closest to dealing with a complexity orien-ted "impact" evaluation. However, he also asserts that realist evaluation still maintain concepts such as "mechanisms" that can be identified and replicated. In fact, via this criticism, we approach the idea of developmental evaluation and action research again which aim to move things forward in the concrete, rather than to judge a static situation from an abstract point of view as in "impact" evaluation. However, as the latter is a reality, the methods proposed in the DfID study may be of considerable use anyway.

Table 18: design implications for dealing with complexity

Least Complex	Most Complex	Possible Design Implications for 'more complex' programme and settings
Bounded	Embedded	Systems analysis – based on an expanded 'unit of analysis' that includes wider system. Mapping of feedback loops and 'external influences' and their interaction. Comparisons of 'contexts' and mechanisms – realist logic.
Centrally specified	'Locally' Customised	Need to assess the relevance of local programme variant. Input from programme stakeholders. Data collection more complex should be participative.
Standardised interventions	Diversified interventions	Process track and compare different ToCs. Meta evaluations and comparisons of different programmes – QCA /matrical designs.
Predictable and linear impacts	Difficult to predict and non-linear impacts	Assess the 'trajectory' of intended change. Ensure timing of evaluation matches this trajectory. Monitoring systems that provide rapid feedback. Real-time evaluation.
Single or few causal strands that are independent	Multiple causal strands that are interdependent	Process track different causal strands and how they interact (ToC). Identify alternative potential causal paths to same goal. Identify 'blockages', virtuous and vicious circles.
Mechanisms are universal	Different causal mechanisms operate in different contexts	Study mechanisms in context – realist/mechanism based designs. Develop typologies of contexts. Realist synthesis. Configurational designs/QCA.
Causes and effects are independent of each other	Causes and effects influence each other	Review different context/mechanism configurations. Matrix of effects. Conduct case studies of cause/effect interactions.
Homogeneous systems	Nested diversified systems	Systems mapping to identify 'zones' of greater or less complexity. Differentiate designs accordingly.
Pre-identified effects	Emergent effects	Real-time evaluation to track how goals are redefined. Staged designs to adapt to evolving ToC. System analysis and monitoring.

119 http://www.coprbm.eu/index.php?q=node/529
120 http://www.coprbm.eu/?q=node/384
121 http://www.coprbm.eu/index.php?q=node/529 for the DFiD study and also http://www.coprbm.eu/?q=node/628 for another study of 10 specific cases
122 See http://www.coprbm.eu/?q=node/595

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> D. Data quality assessment procedures are established and conducted regularly on all measurement initiatives and action is taken to improve measurement if necessary.

No measurement is perfect and improvement can always be sought for. Of course, this hits limits of what is affordable versus incremental benefit in terms of confidence in results of measurement.

In the Czech Republic, a review was undertaken of the way data concerning programme realisation was being collected.

Box 30: partner practice: improving measurement in the Czech Republic

In order to meet mandatory monitoring requirements from the EC in the 2007-13 programming period, a **Central Monitoring System** (CMS) was used in the Czech Republic. The CMS collects data from Operational Programme (OP) applications/projects funded by Structural Funds (SF) and the Cohesion Fund (CF) at three levels, with modules suited to the needs of different users:

Level 1: Applicant/Beneficiary collects data from project applications and monitoring reports from data entries by applicants/beneficiaries;

Level 2: Managing Authority (MA)/Intermediate Body (IB) aggregates data from Level 1 and collects data from the MA/IB to give a cumulative overview of data for the whole OP; and

Level 3: National Coordination Authority (NCA) aggregates data from Level 2 (18 OPs) which is mainly used for reports that inform the general public and politicians about the state of the N+3/N+2 rule fulfilment (commitment to spend funds by the end of the second/third year following allocation), and the quality of SF/CF funded projects. This level is also used by the MA for submitting reports and requests to the EC.

The mandatory stages included in the CMS are: call for proposal, project submission, project appraisal, project approval (signing of a contract), project stages (monitoring reports), and requests for payment and approvals between the beneficiary, MA/IB, Paying and Certifying Authority (PCA) and EC. Two types of mandatory data are collected in the CMS: The first type measures the amount of finance and is used to monitor the flow of SF/CF finances with regard to N+3/N+2 rule fulfilment. The second type is measured by indicators and is used to monitor whether the objectives for which the SF and CF were established have been fulfilled. Although it is possible to have different IT providers at the first and second levels, mandatory data for central monitoring has to have a clear path for aggregation at Level 3. Most Czech MAs have the same IT provider as the NCA. Other IT programmes are also incorporated into the CMS, e.g. the Ministry of Finance uses accounting programmes to check whether financial information about beneficiaries corresponds to national accounting information.

The NCA is responsible for fulfilment of the National Strategic Reference Framework (NSRF) indicators but does not have direct contact with project implementation and thus relies on data from MAs and IBs. As there were concerns about the poor quality of this data the NCA undertook an exercise that identified incompatibility of data (indicators) and errors in data entry as key areas for improvement. In order to address the challenge of synthesising diverse OP indicators and report to the NSRF, unification of all indicators in the SF and the CF became a requirement. The NCA created a National Codebook of Indicators (NCI) for this purpose. At the same time an automatic IT check that reduces "human errors" in the monitoring system was introduced.

→ **More at:** http://www.coprbm.eu/?q=node/328

> ### 4. PERFORMANCE INFORMATION IS COLLECTED AND SUPPLIED

6.2.4.3. PERFORMANCE INFORMATION IS SUPPLIED UP TO DATE AND IN A TIMELY FASHION TO THOSE WHO NEED IT

> A. Up-to date performance information is supplied to those who need it, in a form and a point in time that enables them to use it for management by answering key performance questions (e.g. by providing ratios of resources versus results, comparisons with benchmarks, progress in implementation of strategic and improvement/maintenance initiatives, information about links between operational key performance information and strategic measurement, etc.).

This practice is crucial if the information is to be used. The modalities for making use of this will be covered in chapter 6.2.5.

> B. It is clear who is responsible for ensuring that not only data is provided but real information for decision-making.

There is a difference between presenting data and presenting decision-making information. This means that interpretation in the form of commentaries and judgment as to whether there is an issue or not should accompany relevant analysis.

6.2.4.4. OVERVIEW OF THE PROCESS: PHASE 4: MONITOR AND LEARN

The part of phase 4 that was described above consists in summary of planning for performance data collection (including evaluation), execution of this plan and then analysing and supplying the data.

Out of the previous phases several plans have emerged:

○ the operational plan which contains ongoing operations and improvement/maintenance initiatives and the operational budget;
○ the strategic plan which contains the strategy map, strategic initiatives and the strategic budget.

KPQs (Key Performance Questions) were connected to these plans.

For the operational plan implied KPQs were:

○ Are we doing what we planned according to the quality we planned in the form of KPIs?
○ Are initiatives on schedule?
○ Are initiatives improving KPIs?

For the strategic plan explicit KPQs were formulated:

○ Are strategic initiatives on schedule and/or developing?
○ Are strategic initiatives contributing to realising strategic objectives?
○ Is the strategy the right one (including the relevance of objectives and how they are linked to each other) or should it be modified?
○ Is the programme deployed by the PMO having an impact?

These KPQs are then guiding decisions as to which data to collect how and from where and how to analyse it. This requires taking into account what "rigor" means and to be suitably pluralistic in terms of methods choice as was elaborated in the previous chapters.

4. PERFORMANCE INFORMATION IS COLLECTED AND SUPPLIED

The data collection plan then is split up – mirroring the plans from which they are derived – into:

- strategic measurement plan;
- operational measurement plan.

Both plans not only detail who will collect what, when, how and for what purpose but also contain resource allocations and budgets, incl. for quality improvement of measurement.

The strategic and operational measurement plan also incorporate:

- the programme evaluation plan containing[123]:
  - a list of evaluations to be undertaken, their subject and rationale; with particular attention to impact evaluation at the level of each priority axis;
  - methods to be used for the individual evaluations and their data requirements;
  - provisions that data required for certain evaluations will be available or will be collected;
  - an overall timetable;
  - internal/ external/ mixed expertise used;
  - human resources involved;
  - possibly a training map;
  - a strategy to ensure use and communication of evaluations;
  - the budget for implementation of the plan;

- the programme monitoring plan containing:
  - arrangements for collecting data via administrative systems;
  - arrangements for the collection of data for common longer-term result indicators if collected by means of a survey or other methods.

The information derived from the strategic measurement plan can be presented in a format that helps keep the overview e.g. a balanced scorecard. Most balanced scorecards tend to collect several measures connected to each objective on a strategy map and shows whether the situation/ progress is satisfactory or not in terms of that measure. It should be clear that the scorecard is just a tool that provides an overview regarding single objectives. If done in that way, it does not automatically provide answers to KPQs as these can concern several objectives. It should therefore be understood that a report that is structured by KPQ may be a useful addition.

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123 See http://www.coprbm.eu/index.php?q=node/567

> 5. PERFORMANCE INFORMATION IS USED

6.2.5. PERFORMANCE INFORMATION IS USED
(PHASE 4: MONITOR AND LEARN AND PHASE 5: TEST AND ADAPT STRATEGY)

6.2.5.1. STRATEGY IS REVIEWED MONTHLY

> A. Strategy review (SR) meetings are used monthly to quarterly to discuss progress concerning strategic objectives and the monitoring of identified risks as well as progress of strategic initiatives to fine-tune and adjust (incl. financial and other resources) if necessary.

The leadership team of each business unit (or the entire organisation if there is only one business unit) should, as stated in chapter 6.2.4.1, meet on a monthly to quarterly basis. This helps ensure that strategy stays at the top of their minds. However, the timing also depends on when important performance information becomes available. A strategic management officer can be helpful in facilitating the strategy review process.

Operational issues should not be discussed at these meetings, unless they have a direct bearing on strategic performance. This includes findings from formal evaluation exercises (be they impact evaluation or other approaches) that were discussed previously at an operational review (see 6.2.5.3) but that had strategic implications e.g. in terms of discontinuing or ramping up support.

The SRs are to focus on issues, not on lengthy presentations. Therefore, participants should come prepared, familiar with the performance information to be discussed and with ideas for moving forwards. They should have discussed this with the people they are leading.

At the meeting themselves, the issues are discussed, as are their implications and ideas are exchanged and debated, resulting in action plans. Progress on previous action plans is also reviewed.

Usually, it will not be possible to discuss the whole strategy and there will be a focus on a particular theme. Next to this, a "hot topic" can be put on the agenda to cover urgent strategic issues that are not covered by the theme that is being covered. The meeting takes strategy as a given and in principle does not question it as such (that is done in the annual strategy testing and adaption meeting that will be discussed in 6.2.5.2).

> " **The role of the top manager is crucial. He/she should model the behaviour that is expected of each senior manager towards their own subordinates. This entails questioning, probing and encouraging debate while ensuring focus is kept.** "

The role of the top manager is crucial. He/she should model the behaviour that is expected of each senior manager towards their own subordinates. This entails questioning, probing and encouraging debate while ensuring focus is kept.

> B. There is also documented evidence of regular environmental scans to identify new risks. The information of these scans is also integrated into the strategic planning process and resource allocation cycle.

The external environment does not sit still while the PMO is executing its strategy. The original SWOT analysis and associated risk analysis (in terms of high impact uncertain opportunities and threats) has to be updated regularly to judge impact on the strategy.

> C. Decisions made in SR meetings are cascaded to lower level units and to support units.

5. PERFORMANCE INFORMATION IS USED

Just as the SR meeting was prepared with relevant staff, the decisions made at the SR meeting should follow a cascading process. This means lower level staff discuss how to deal with the decisions and can make alternate suggestions to the higher level.

6.2.5.2. STRATEGY IS TESTED (MINIMALLY) ANNUALLY

A. Strategy testing and adaptation (STA) meetings are used (at a minimum) annually to discuss whether the strategic hypothesis (how strategic objectives influence each other) embodied in the strategy map were valid and to subsequently improve or transform the strategy (incl. strategic objectives, measures and gaps) and decide on strategic initiatives (whether to start new ones and /or dis/continue running ones).
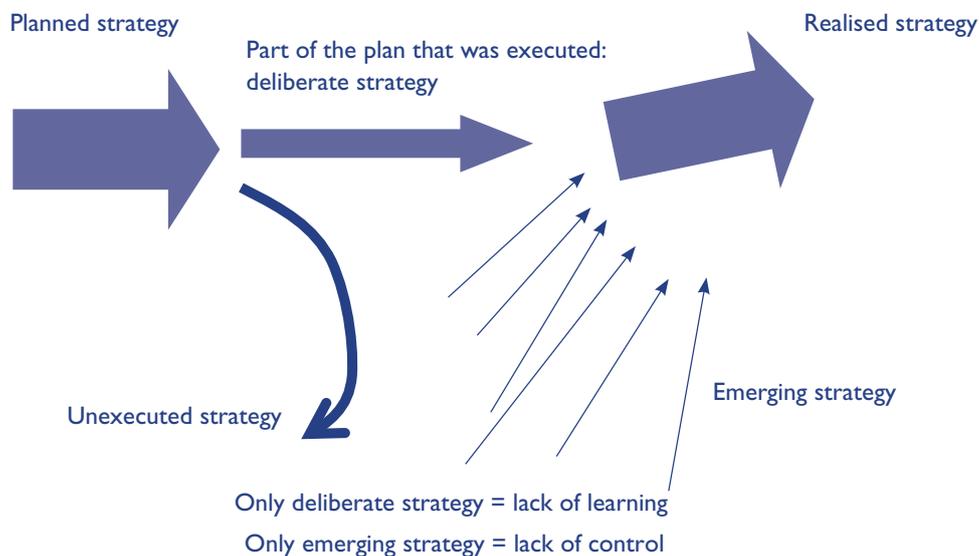
The STA meeting takes place at a regular interval (minimally once a year) or could be prompted by a major new threat or opportunity arising out of regular environmental scanning. It is different from the SR meeting in the sense that this time, the strategy as such is being questioned fundamentally, even if there is no apparent reason – when looking at performance information – to do so. Of course, discussions from the various SR's may be brought to the agenda in so far as these discussions surpassed the SR meeting focus because they ended up questioning the strategy fundamentally.

The STA is therefore an opportunity to look at emergent (bottom-up) strategies and at unfulfilled strategies and to judge the implications on the deliberate strategy (see Figure 40). The conclusion may be that the deliberate strategy should be adapted in line with the realised strategy.[124] Emergent strategies are very important as they reflect the responses staff have found themselves adopting when confronted with challenges in their daily work. Once, again, this meeting therefore has to be prepared from the bottom-up with relevant staff. A strategic management officer can also be helpful in ensuring a sound process.

> **Emergent strategies are very important as they reflect the responses staff have found themselves adopting when confronted with challenges in their daily work.**

Here again, the top manager should behave in a similar way to the SRs, but goes one step further by questioning more fundamental assumptions regarding the strategy.

Figure 40: strategy testing

Planned strategy

Part of the plan that was executed: deliberate strategy

Realised strategy

Unexecuted strategy

Emerging strategy

Only deliberate strategy = lack of learning

Only emerging strategy = lack of control

124 Adapted from: Of Strategies, Deliberate and Emergent by Henry Mintzberg and James A. Waters in Strategic Management Journal, Vol. 6, No. 3 (Jul. - Sep., 1985)

5. PERFORMANCE INFORMATION IS USED

B. Decisions made in STA meetings are cascaded to lower level units and to support units.

As with SRs, STAs also follow a cascading logic.

6.2.5.3. OPERATIONAL REVIEWS FOCUS ON PROBLEM SOLVING AND CONTINUOUS IMPROVEMENT

A. Operational review meetings are held at appropriate levels with staff at a frequency that reflects the speed at which critical operational performance information becomes available.

On the agenda of operational meetings are issues such as proposals coming in, delays in processing, quality levels, complaints, staffing levels, new requirements that impact the daily work, etc. The frequency depends on how quickly new data comes in, related to the speed of the operation cycle, as stated in 6.2.4.1. This can therefore differ from organisational unit to unit.

The review meeting participants are typically from one single unit, supplemented with key staff functions (HR, ICT, finance, …) allocated to support these units.

This means that evaluations of call and projects managed within a unit, be they impact evaluations or other types, can be on the agenda of an operational review, as stated earlier. If the discussions regarding such an evaluation have more far reaching consequences e.g. in terms of discontinuing support or ramping up support, then this discussion may move up to the strategy review level.

B. The information is used to discuss how to tackle short term problems relating to critical operational objectives and to promote continuous improvement.

The main idea of operational reviews is to address issues with an action plan and assign responsibility for carrying it out. Meetings can therefore be very short. It should be avoided to move into lengthy presentations of information that has no issues attached to it.

It is possible that an issue is coming back again and again. This should be a prompt for thinking about a more structural improvement project.

C. When corrective action plans are decided they also lead to decisions to change resource allocations: additional financial and other resources may be allocated to an area with strong performance, or, conversely, managers may decide that an area where performance was not satisfactory requires additional financial/other resources.

Of course, resources and budget may need to back up actions that are decided. Otherwise, nothing much will happen.

D. The two-way information flow between the SR meetings and operational review meetings is well coordinated.

5. PERFORMANCE INFORMATION IS USED

As stated in chapter 6.2.3.2, there is a link between operations and the strategy map as key processes contribute to sustaining or improving performance relative to the strategy map in use in a particular unit. This map was in turn cascaded from the overall strategy map. Therefore, performance on a strategy map also requires information concerning ongoing operations.

6.2.5.4. STAFF ARE HELD TO ACCOUNT ON THE BASIS OF PERFORMANCE INFORMATION

> The people in the PM organization who are responsible for holding units, groups, or individuals to account, do so to a large extent on the basis of relevant and agreed strategic and operational performance information. Such performance information is therefore used as an input to discussion on promotion, disciplinary action, compensation, incentives.

In chapter 4.5 accountability was defined as "the way people give an account of what they have done and why, rather than describing in a more limited way if they have hit a target or not". This does not mean that performance information is not used in discussion of accountability. On the contrary, this information is crucial to be interpreted and debated. However, there is never any mechanistic and automatic link between performance information and consequences (e.g. an incentive attached to achieving a target).

> " **There is never any mechanistic and automatic link between performance information and consequences.** "

6.2.5.5. KNOWLEDGE IS SHARED

> Lessons learnt concerning performance are shared throughout the organisation.

When interesting lessons – about successes or failures – have been learnt, they merit discussion elsewhere. The temptation should however be resisted to believe that a success can be simply replicated or a failure prevented by doing the same things as done elsewhere. However, this does not mean that these lessons from elsewhere cannot be inspirational. In fact, they are a source of additional diversity in the way discussed in chapter 4.3.

Institutionalised learning events are a useful tool. They can be structured around a current issue of concern, where the available information and evidence is brought together in a digestible format, for an informed discussion by interested parties.

Time has to be available for other group learning opportunities. But also on the job, a great deal of learning can be achieved if this is done in a focused way.

INTRAC, the International NGO Training and Research Centre provides an overview of ways to support knowledge sharing and learning[125]. An important step is to ensure there is a "space" for learning (see Table 19). Otherwise, wonderful tools for sharing may be left unutilised.

> " **An important step is to ensure there is a "space" for learning.** "

125 http://www.coprbm.eu/?q=node/598

5. PERFORMANCE INFORMATION IS USED

Table 19: creating a space for learning

	Individual	Collective
Formal	Organisations can: • legitimise learning by building it into job descriptions; • manage workload planning to avoid overload; • use HR mechanisms such as staff supervision and appraisal to monitor and evaluate individuals' contributions to organisational learning; • ensure that each person has an individual plan for their own learning and development; • develop 'reflective practitioner' competences; • set up individual mentoring and coaching schemes; • encourage and enable attendance at training courses, workshops, conferences and meetings; • create opportunities for individuals to represent the organisation in networks; • encourage individuals to write articles for publication.	Organisations can: • build learning objectives into project and programme plans and organisational strategy; • develop team work as a required way of working; • develop mechanisms for establishing collective responsibility for results; • set up action learning sets, learning groups and communities of practice; • organise training courses, workshops, conferences and meetings; • introduce 'no-travel' times, 'homeweeks' and 'reflection periods'; • commission learning reviews to examine themes of work; • create cross-functional teams to develop guidelines, procedures or policies; • include an explicit 'lessons learnt' section in all regular reporting formats.
Informal	Individuals can: • build in time for reflection at the end of each day and at significant stages of pieces of work; • engage in informal networking; • join and use on-line discussion forums; • develop 'habits' that support reflective practice (e.g. keep a learning journal).	Organisations can: • provide physical space that encourages informal networking; • set up intranets, newsletters or other ways of keeping people informed about each other's work.

6.2.5.6. CONSISTENCY BETWEEN INTERNAL AND EXTERNAL REPORTING IS HIGH

> A. Information used for managing is consistent with the information reported externally.

The practice does not imply that all internal information should also be disseminated externally, nor vice versa.

However, it does imply that whatever information is used both internally and externally, should be consistent with each other. Otherwise, questions regarding integrity of the PMO can be raised.

> B. Information used for managing and reporting externally shares common outcome-oriented priorities.

In addition to the basic consistency advocated in the previous practice, the internally professed outcome orientation should also be clear externally. Otherwise, commitment to the strategy could be in doubt. In addition, clarity about outcomes is important for coordination with other external entities that may share outcomes. This will be further elaborated in chapter 6.2.6.

6.2.5.7. OVERVIEW OF THE PROCESS: PHASE 4: MONITOR AND LEARN AND PHASE 5: TEST AND ADAPT STRATEGY

Phase 4 (monitor and learn) refers to the operational and strategy reviews, while phase 5 (test and adapt strategy) refers to the strategy testing and adaptations reviews. Phase 4 and 5 consist of organising these meetings and supplying them with the proper information. Supporting this for the more strategic meetings can be the task of a strategic management officer.

The major differences are reflected in Table 20.

5. PERFORMANCE INFORMATION IS USED

Table 20: types of review meeting

	MEETING TYPE		
	Operational review	**Strategy review**	**Strategy testing and adapting**
Information requirements	Dashboards for key performance indicators; weekly and monthly financial summaries	Strategy map and (balanced scorecard) reports	Strategy map, balanced scorecard, Activity Based Costing reports, analytic studies of strategy, external environment analyses
Frequency	Daily, twice weekly, weekly, or monthly, depending on operations cycle	Monthly	Annually
Attendees	Departmental and functional personnel; senior manage-ment for financial reviews	Senior management team, strategic theme owners, strategy management officer	Senior management team, strategic theme owners, functional and planning specialists, business unit heads, strategy management officer
Focus	Identify and solve operational problems	Implement strategy	Test and adapt strategy based on causal analytics, changing external environment, emergent strategies, new technology developments ...
Goal	Respond to short-term problems and promote continuous improvements	Fine-tune strategy; make midcourse adaptations	Incrementally improve or transform strategy; establish strategic and operational plans; authorize spending for strategic initiatives and other major discretionary expenditures

The different kinds of reviews can be seen as supporting the kind of zigzagging between explora-tion and exploitation as advocated by Hurst, to avoid the boom and bust logic of Holling's adaptive cycle (see Box 6 earlier). A good way to explain this is by drawing on the strategies as espoused by Snowden[126] earlier in Box 5.

Operational reviews will predominantly operate in the simple and complicated domains of Snowden's framework.

In the simple domain, we "sense, categorise, respond":

○ e.g. we assess the facts (e.g. a project has not reported on time), categorise them (review procedures to see how this should be dealt with), respond with established practice (apply the procedure);

○ problems with this way of working are: miscategorisation (e.g. oversimplifying), entrained thinking (blind to new approaches) and complacency (not detecting changes in context e.g. that may disrupt the current way of working) from leaders.

Simple issues normally do not make it on the agenda of the operational review but are taken care of directly.

However, complicated situations may make it on the agenda. In the complicated domain, we "sense, analyse, respond" as it is not possible to "categorise" as it is not immediately obvious what the situation is: this requires experts to investigate several possible options:

126 http://www.coprbm.eu/?q=node/573

5. PERFORMANCE INFORMATION IS USED

- e.g. we assess the facts (e.g. the database that contains all information regarding funded projects does not generate automatic alerts anymore for project managers), experts make an analysis (IT staff look into the code and trace back the source of the problem), experts fix the problem (apply their expertise gained from having dealt with problems like this before);

- problems with this can be: entrained thinking, "analysis paralysis" from experts where decisions can take a long time (trade-off between finding the "right" answer and just making a decision in time).

If answers remains elusive and decisions have to be based on incomplete data, the situation is probably "complex". Complex issues can be identified in an operational review, but then necessitate a different kind of response. This involves novelty rather than business as usual and is therefore better situated in a strategic project, to be reviewed in the strategic review meetings. In the complex domain we "probe, sense, respond": instead of attempting to impose a specific course of action, leaders must launch several "safe-to-fail" experiments (probe), then carefully watch what patterns emerge (sense) and then support those that are deemed positive (respond):

- e.g. the people behind Youtube carefully watched to which creative uses their software was being put (e.g. as a platform to voice political opinion), then moved in to support those usage patterns they deemed to be positive (e.g. sponsoring presidential candidates with video feeds);

- problems can be: to treat the complex as simple, demanding "fail safe" business plans with defined outcomes, becoming impatient when those predefined results do not materialise, ... as such pre-empting any opportunity for patterns to emerge (by starving them for resources) rather than launching a wide variety of probes, tolerating "failure" in a lot of them, but capitalising on those that do pay-off in some, sometimes unexpected way.

It should be understood that planning PMO "strategic projects" can draw from the ideas on different kinds of delivery systems as presented in chapter 6.2.3.4 d). Clearly, A series of "safe to fail" actions correspond to emerging change as addressed by a PLP approach.

Snowden also referred to dynamic strategies (moving between domains). These can also be linked to the different review mechanisms in the organisation.

At the level of the operational review, one strategy referred to as **incremental improvement** entails a movement from the complicated to the simple and back. To Snowden, this is the engine of mainly "technical" growth but a risk is that this becomes detached from a reality that has changed fundamentally (again entrainment/ complacency). It fits at the operational level and refers to launching and reviewing process improvement initiatives.

Another strategy at the level of the operational review is **just-in-time transfer**. This implies a move out of the complex into the complicated where tacit knowledge is held by people in, often informal, networks. This can be drawn upon when needed (e.g. via online interest groups), while it would be too costly to try to make it tacit in case someone may need it. This again can be embedded in an improvement initiative or can just be an ad hoc request.

The strategy of JIT-transfer depends on a twin strategy (moving from the complicated into the complex domain) referred to **as exploration**: where possibilities are opened up by reducing/ removing central control without total disruption of connections, e.g. by allowing informal communities of practice / interest to flourish and take actions while also ensuring careful but unobtrusive monitoring to avoid risks of being precipitated into chaos.

5. PERFORMANCE INFORMATION IS USED

The strategy of exploration belongs at the strategic level as informal communities are by definition not bounded by organisational structures. They can be embedded into a strategic initiative and followed up via the strategy reviews. They can also provide valuable input that may question the strategy as such in the strategy testing and adaptation review.

At the strategic level, more dynamic strategies can be pursued:

○ from the complicated over the chaotic to the complex: **entrainment breaking**
  ◎ e.g. give a group of experts a tight deadline, an assignment to come up with a radical new idea and some sanction for not achieving the task; then confront them (generating a brief moment of chaos) with experiences from a totally different kind of business/sector;

○ from the simple to the complex to the complicated: **liberation**
  ◎ stimulate the interaction of agents within systems to allow the emergence of new ideas, coalitions and leadership;
  ◎ e.g. drop vague ideas and / or deliberately ambiguous goals and tasks in a broad environment to see where an interesting reaction in terms of the strategy is triggered; as soon as this reaction is detected quickly shift the new idea, coalition or leader into the complicated domain;

○ from the simple to the chaotic and back: **immunisation**
  ◎ dip into the chaotic, enough to cause reflection but not to destabilise, which helps to be better prepared for change and brings new perspectives that cause disruption at a later stage into the complex domain;
  ◎ e.g. by using "metaphors" (pretend you are ...) that allow conversation about painful things and enable lateral thinking;

○ from the complex to the chaotic and back, repeatedly: **divergence/convergence**
  ◎ this entails the active disruption of a complex system to precipitate its move to chaos;
  ◎ e.g. small groups within the organisation can be empowered to act as "start-ups" to compete with the existing ways of doing things, creating a competitive dynamic with the existing units.

All of the strategies can, just like the strategy of exploration, be embedded into strategic initiatives and they may or may not lead to questioning the strategy as such. In fact, they are intended to avoid widespread entrained thinking and complacency, clamping down on status quo to push the organisation towards the inevitable bust after the boom.

Finally, some strategies remain that entail ways to get out of a general organisational chaos/crisis:

○ from the chaotic to the complex and then the complicated **via swarming**: create multiple "attractors" around which patterns can form in the complex domain; those we find desirable we can stabilise into the complicated domain while we destroy unfavourable ones;

○ from chaos to simple **via imposition**: draconian measures are implemented to impose order in a situation so catastrophic that people accept what would have been unacceptable before.

Although Snowden's strategies are seen here as a way to keep the PMO from becoming rigid, they can also be applied within funded initiatives. This probably happens already to some extent in participatory learning process approaches.

The question that remains is of course how these meetings should be linked to formal governance mechanisms installed by the Structural Funds Regulations such as the programme monitoring committee. This will be tackled in the next chapter.

6.2.6. EXTERNAL STAKEHOLDERS ARE INVOLVED THROUGHOUT

6.2.6.1. EXTERNAL STAKEHOLDERS ARE INVOLVED IN PLANNING AND REVIEWING

> **A.** A formal needs assessment of constituents has been the basis for setting strategic outcomes at constituent level in the strategy map as well as in the Structural Funds programme.

In chapter 3.2 the concept of "needs" was already elaborated using Maslow's theory of what drives people. Here, it is just emphasised how important it is to be needs oriented, both in the constituent perspective in the strategy map (high priority needs the PMO really has to address if it is to realise its vision) as well as in the Structural Funds programme(s) the PMO is running. Of course, there are many ways to identify and prioritise needs, ranging from more top-down to bottom-up, which is what the next practice hints at.

> **B.** Constituents (or their representatives) are actively and directly engaged by the PMO in this exercise through interactive communication channels with them (or their representatives).

The OECD[127] has provided guiding principles for successful information provision, consultation and participation of citizens (see Box 31). This refers equally to policy preparation, implementation and evaluation. The practice stated above is therefore only a first step in involving constituents as it focuses, with needs identification, on the early stages of policy preparation.

However, involving constituents, as well as other stakeholders for that matter, in defining policies that address these needs and in evaluating them will be addressed by subsequent practices.

Box 31: OECD principles for engaging citizens

1. Commitment	Leadership and strong commitment to information, consultation and active participation in policy-making is needed at all levels – from politicians, senior managers and public officials.
2. Rights	Citizens' rights to access information, provide feedback, be consulted and actively participate in policy-making must be firmly grounded in law or policy. Government obligations to respond to citizens when exercising their rights must also be clearly stated. Independent institutions for oversight, or their equivalent, are essential to enforcing these rights.
3. Clarity	Objectives for, and limits to, information, consultation and active participation during policy-making should be well defined from the outset. The respective roles and responsibilities of citizens (in providing input) and government (in making decisions for which they are accountable) must be clear to all.
4. Time	Public consultation and active participation should be undertaken as early in the policy process as possible to allow a greater range of policy solutions to emerge and to raise the chances of successful implementation. Adequate time must be available for consultation and participation to be effective. Information is needed at all stages of the policy cycle.
5. Objectivity	Information provided by government during policy-making should be objective, complete and accessible. All citizens should have equal treatment when exercising their rights of access to information and participation.
6. Resources	Adequate financial, human and technical resources are needed if public information, consultation and active participation in policy-making are to be effective. Government officials must have access to appropriate skills, guidance and training as well as an organisational culture that supports their efforts.
7. Co-ordination	Initiatives to inform, request feedback from and consult citizens should be co-ordinated across government units to enhance knowledge management, ensure policy coherence, avoid duplication and reduce the risk of "consultation fatigue" among citizens and civil society organisations. Co-ordination efforts should not reduce the capacity of government units to ensure innovation and flexibility.

127 http://www.coprbm.eu/?q=node/511

6. EXTERNAL STAKEHOLDERS ARE INVOLVED THROUGHOUT

8. Accountability	Governments have an obligation to account for the use they make of citizens' inputs received through feedback, public consultation and active participation. Measures to ensure that the policy-making process is open, transparent and amenable to external scrutiny and review are crucial to increasing government accountability overall.
9. Evaluation	Governments need the tools, information and capacity to evaluate their performance in providing information, conducting consultation and engaging citizens, in order to adapt to new requirements and changing conditions for policy-making.
10. Active citizenship	Governments benefit from active citizens and a dynamic civil society, and can take concrete actions to facilitate access to information and participation, raise awareness, strengthen citizens' civic education and skills, as well as to support capacity-building among civil society organisations.

The International Association for Public Participation[128] provides a continuum of very passive participation (by informing) to very active forms (by empowering with the final decision).

Box 32: degrees of participation

INCREASING LEVEL OF PUBLIC IMPACT →

	Inform	Consult	Involve	Collaborate	Empower
Public participation goal	To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/ or solutions.	To obtain public feedback on analysis, alternatives and/ or decisions.	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.	To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution.	To place final decision-making in the hands of the public.
Promise to the public	We will keep you informed.	We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how public input influenced the decision.	We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision.	We will look to you for advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.	We will implement what you decide.

Yet another OECD[129] publication uses the following more high-level but very similar concepts:

○ **information:** government disseminates information on policy-making on its own initiative – or citizens access information upon their demand. In both cases, information flows essentially in one direction, from the government to citizens in a one-way relationship. Examples are access to public records, official gazettes, and government web sites;

○ **consultation:** government asks for and receives citizens' feedback on policymaking. In order to receive feedback, government defines whose views are sought on what issue during policy-making. Receiving citizens' feedback also requires government to provide information to citizens beforehand. Consultation thus creates a limited two-way relationship between government and citizens. Examples are comments on draft legislation, and public opinion surveys;

128 http://www.iap2.org/ and http://www.coprbm.eu/?q=node/596
129 http://www.coprbm.eu/?q=node/597

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O **active participation:** citizens actively engage in decision-making and policy-making. Active participation means that citizens themselves take a role in the exchange on policy-making, for instance by proposing policy-options. At the same time, the responsibility for policy formulation and final decision rests with the government. Engaging citizens in policy-making is an advanced two-way relation between government and citizens based on the principle of partnership. Examples are open working groups, laymen's panels and dialogue processes.

The publication lists a variety of generic tools that can be used to address these.

Involve[130], a UK based NGO specialising in citizen participation, has also provided a toolbox of more specific methods (alongside various other useful materials) that, to varying degrees allow to engage citizens in information, consultation and active participation. The methods that are explained are:

- appreciative Inquiry;
- citizens' Juries;
- citizens' Panels;
- community Empowerment Networks;
- consensus Building/Dialogue;
- consensus Conference;
- deliberative Mapping;
- deliberative Polling;
- democs;
- electronic processes;
- future Search Conference;
- participatory Appraisal;
- participatory Strategic Planning (ICA);
- planning for Real;
- open Space Technology;
- user Panels;
- youth Empowerment Initiatives.

Many of these methods serve multiple purposes. None of them are suitable only for information purposes. There is always at least also an in-built consultation function, although to greater or lesser degrees. Sometimes the tools are even able to actively involve citizens in decision-making. The latter are probably also useful in the participatory learning process approaches discussed in chapter 6.2.3.4 c.

Yet another source adds some extra tools[131] such as 21st Century Town Meeting and World Café.

Finally, concept mapping is a tool that can be used for information gathering and consultation[132]. It was discussed at the COP RBM seminar of January 2010 in Warsaw and was also used to self-evaluate the COP RBM as a network.

Of course, most of these tools can be used for other purposes than to get information, consult or decide on needs. They can also be oriented towards how to address those needs (solutions and the resources required to implement them) and how to evaluate if they are being met.

130 http://www.coprbm.eu/?q=node/530 see "People and participation" guide.
131 http://www.coprbm.eu/?q=node/460
132 http://www.coprbm.eu/?q=node/117

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C. These channels are maintained throughout the programme period to ensure the PM organization is proactively aware of changing or emerging constituent needs.

The world does not stand still and needs also evolve. The needs can change all together or become more refined. The PMO needs to keep its finger on the pulse.

D. Constituents (representatives), delivery partners and other key stakeholders (incl. those stakeholders that ultimately decide the fate of the organization) are also actively engaged when the PM organization is further defining outcomes and outputs (whether in the PMO strategy map, the programming document or a call for proposal or tenders) with associated measurement and resources.

As stated earlier, many of the tools listed above can be used to involve not only constituents but also other stakeholders beyond mere needs identification and prioritisation. A next step, where other stakeholders should be involved as well, is to determine further outcomes and outputs and how to measure them as well as what resources should be allocated to them.

In terms of the strategy map of the PMO, the primary (but not the only) stakeholders to involve depend on the particular perspective of the map:

○ delivery partners can be involved in determining the outcomes and measurement of the delivery partner perspective as well as the internal process perspective of the PMO, as they are the actors that the PMO addresses directly. They can even be involved in identifying and prioritising strategic and improvement initiatives;

○ on the other hand, the legitimising authority perspective will have been the focus of ministers, the Commission, etc.;

○ the constituent perspective is where involvement of constituents (or their representatives) will be very useful.

As discussed in chapter 3.4, at the level of the overall programme, programme specific objectives (outcomes and outputs) have to be determined and funding allocated to the various priorities of the programme. Stakeholders, incl. constituent representatives, should be involved in this. It is in fact a requirement of the regulations. An example of a broad involvement in drafting the programme is provided in Box 33.

Box 33: partner practice: stakeholder engagement in the preparation of the OP in Lithuania

In preparation for the 2007-13 funding period, three Operational Programmes (OPs) were decided upon in Lithuania by a strategic group of ministerial representatives: Human Resources Development (HRD), Economic Growth and Cohesion Promotion.

In the HRD OP working groups were created for each of the four priorities with the aim of bringing together diverse groups of stakeholders to inform and write relevant parts of the OP. Although the ultimate responsibility was with the Managing Authority (Ministry of Finance), the four groups were organised by line Ministries who positioned results and indicators as

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central to their planning. The first priority "High Quality Employment and Social Inclusion", for example, was the responsibility of the Ministry of Labour as an Intermediate Body.

In total 130 people participated in the working groups from different public institutions and agencies, social, economic and regional partners and other stakeholder organisations, as well as experts, scientists and external consultants for the ex ante evaluation. Facilitated by a chair and deputy chair, group meetings encouraged members to share different perspectives by focussing on what was achievable and how. In the case of the first priority, input into the discussion also came from the group monitoring the National Action Plan on the fight against poverty and social inclusion (2004-2006) and from a meeting organised by the Rural Development Board (2006).

Following completion of the different programme drafts, the four groups met to report on the work done and put their material into a single standardised document. This draft OP document was then shared with the broader public via the internet and, before final approval, discussed by relevant parliamentary committees.

→ **More at:** http://www.coprbm.eu/?q=node/287

Of course, at this stage, it can be useful to first identify and assess stakeholders by means of a formal stakeholder analysis[133]. Erik Kijne, an international development consultant, gave a key tip at the COP RBM seminar in Warsaw of January 2010 of how to get started: ask the constituents who they run into in relation to an issue or topic. Those are definitely going to be stakeholders.

Once the programme is launched, calls for various actions will formulate objectives and resource allocations that are cascaded from the priority objectives and overall allocations set in the previous step. Once again, a broad collection of stakeholders can be involved in this process. However, the choice of a delivery mechanism has a great influence on what is to be discussed at the level of the call and what at the level of the projects that respond to this call:

○ **logical framework approaches and theory of change:** only a high-level outcome is specified to allow delivery partners to define bottom-up what they see as the necessary outputs and required funding in their proposals. Ideally, this is further negotiated during the proposal stage. This means that at the level of the call, only the high-level outcome and the overall call budget will be discussed with stakeholders. However, mechanisms need to be supported to allow involvement of relevant stakeholders at project level, in preparation, implementation and reviewing;

○ **results based contracting approaches:** here at the level of the call, the outputs or outcomes that will serve as the basis for funding need to be discussed with all stakeholders as well as the level of funding that is required for each output or outcome. Everything is determined at call level so all stakeholder engagement happens at that level;

○ **participatory learning process approaches:** a high-level outcome will be present in the call as will be an overall budget and stakeholders can be involved in this. Fixed budgets per project may be determined at call level to be deployed in a decreasing manner, irrespective of the projects, reflecting the wish to get a dynamic started that will continue under its own steam at some point. At project level pre-specified outcomes and outputs may not necessarily be formulated but more indicative "markers" of progress can be included and discussed with stakeholders.

133 See http://www.coprbm.eu/?q=node/212 and http://www.coprbm.eu/?q=node/118 for more guidance

<div style="border:1px solid green; text-align:center;">6. EXTERNAL STAKEHOLDERS ARE INVOLVED THROUGHOUT</div>

The importance of focusing on needs was highlighted in chapter 3.2. It should be clear, based on the discussion concerning A. Sen's capability approach in chapter 6.2.3.4 c (i) that different people can have a multiplicity of different needs at the same time and that these needs can evolve and change over time. For participatory learning process approaches, this does not constitute a problem as they are meant to empower people so they can also create themselves new possibilities to address their changing and diverse needs, which will itself unlock awareness of new needs.

However, the other two delivery mechanisms have tended to take a more static approach. A need, if at all identified, would be defined, fixed and then addressed. These mechanisms find it therefore more difficult to deal with the realities of Sen's capability theory. This theory did call for "participation and engagement of those people whose lives are at stake, in order to ascertain whether they will value changes that might ensue". It was also acknowledged that "a process, group, philosophical structure or institution has the legitimate authority to decide what people have reason to value", without determining what this should look like. It is therefore very important to ensure that participation is organised in a way that there is a legitimate authority (this could be via a democratic process but also other ways) and that it is not just used to inform or consult but pushes towards involving and collaborating as depicted in Box 32.

The different roles of various stakeholders in different delivery systems is apparent in the practice described in Box 34.

Box 34: partner practice: two different systems of delivery in Flanders

ESF calls that implement mainstream Flemish labour market policies are primarily oriented towards producing quantities of actions, e.g. the number of training sessions, personal development plans, sustainability scans, or the amount of people participating in these actions. This short-term focus is due to the particular consensus-seeking process in place in Flanders.

A drawback of these "top-down" calls, in which situational analyses and elaboration of solutions to identified problems in terms of actions is done centrally through a negotiation process between government and all relevant labour market stakeholders, is that it is not always clear what the longer term outcomes for the targeted persons are supposed to be, nor what complementary actions should be put in place to ensure that these outcomes are reached. In consequence the needs of some groups targeted by the ESF programme might not be met with standard ESF actions. In order to resolve this, the Flemish programme launches "bottom-up" calls for proposals. The calls do not predefine actions but set forward a broad outcome, e.g. increased quality of work, and offer a range of lessons learnt that come from evaluation and wider research. Applicants are asked to perform their own situational analysis at the local level and identify their own solutions taking into account the lessons learnt. As this is a project proposal appraisal criterion, they are stimulated to work in a partnership with relevant actors in order to ensure that there is adequate capacity to tackle all aspects of the problem situation.

To a certain extent this means that the lack of focus on longer term results due to the nature of the central policy-making process in Flanders is circumvented by placing an outcome-oriented system alongside an action-driven system. The requirement of local level stakeholder involvement in formulating project proposals should ensure greater attention by these stakeholders to outcomes. It does not of course deal directly with the lack of focus on outcomes in the mainstream system.

→ **More at:** http://www.coprbm.eu/?q=node/285

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E. The PM organization achieves a balance between the priorities of all these stakeholders and communicates the nature and implication of this balance towards these stakeholders. Key stakeholders are therefore clear about what the PM organisation wants to achieve and accept this and their own contribution to this.

Stakeholder interests may conflict, whether at programme, call or project level or concerning the strategy of the PMO as reflected in its strategy map. The PMO will therefore have to act as a conflict manager, mediating between the stakeholders, sometimes drawing on political power as held by legitimising authorities to make the final decision.

Although it is impossible to satisfy everyone with the outcome of the process, everyone should at least be satisfied with the process as such. This implies that the PMO ensures that the process is well-understood by stakeholders and that their expectations are well-managed.

F. Stakeholders, incl. those representing constituents, also participate regularly in reviews of performance (concerning the PMO strategy and/or the programme) and the ensuing decision-making.

Those involved in preparing policies and action should have a role in reviewing it afterwards. Who should be involved in what therefore mirrors the previous practices, including the conflict management role of the PMO.

Of course, some of the stakeholders are also reflected in formal governance bodies such as Agency boards, Programme Monitoring Committees (incl. sub-committees such as an evaluation committee), Audit Authorities, etc. However, this tends to represent an absolute minimum standard in terms of stakeholder engagement.

Box 35 describes how stakeholders have been involved during programme implementation.

Box 35: partner practice: involving stakeholders during programme implementation in Greece

In 2007, when the implementation of major health reforms funded by the Structural Funds was launched, the Special Service Health & Social Solidarity (SS) recognised the weak involvement of key players in the central and regional bodies of the health sector, e.g. General & Regional Directorates of the Ministry, the Mental Health Committee and major public implementing bodies. The implementation system suffered from a low degree of ownership by these critical actors and lack of commitment to a common basis of mutually expected results. To correct this situation a basic assessment of needs and objectives was carried out with agreement on slow but decisive steps to align key actors (catalyst organisations) towards a common "finishing line". Every opportunity for joint coordination of expected intermediate and final results was exploited, e.g. through new and existing institutional schemes, formal and informal communication channels, and capacity strengthening. The main focus was on getting closer to stakeholders rather than dragging them on board.

Key successful initiatives included:

O **participation in existing institutional high level coordination bodies**, e.g. KESYPE (Central Council of Health) which has 35 members and meets monthly with high level administrators and stakeholder representatives. The SS participated as an observer

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providing: information on progress and results; reporting on crucial bottlenecks in the OP and putting alternative scenarios on the agenda; and establishing links between reform implementers, fund managers and other OP stakeholders such as the European Commission.

O **hosting mixed technical meetings and workshops** every 3 months. Catalyst organisations are always invited, reports on results are discussed, bottom-up proposals recorded, information conveyed and peer pressure exerted.

O **guidance and capacity building of keystakeholders** including sharing of crucial documents regarding OP/project results with catalyst organisations; exchange visits at the MA premises and vice versa; invitations to seminars and technical meetings with the EC; the organisation of special "Structural Fund training" for top management and proactive support during policy implementation design by outsourcing expertise and providing access to databases.

→ **More at:** http://www.coprbm.eu/?q=node/286

6.2.6.2. SYNERGIES AND COMPLEMENTARITIES ARE IDENTIFIED

A. The PM organisation has identified who else shares or makes a significant contribution to the PM organisation's outcomes.

The PM organisation is not the only actor that has resources to strive for particular outcomes. Other government actors will also be working on similar outcomes.

Beyond the public sector, civil society organisations (CSO's) and even individual citizens themselves may be able and willing to contribute some resources into the delivery of outcomes. Again, stakeholder analysis can be a useful tool in identifying these other actors.

B. Opportunities to coordinate or join up resources towards the shared outcome have been explored.

Intra-governmental coordination and collaboration is a first step to avoiding duplication, or worse, conflicting work and realise synergies (more efficiency) and complementarities (more effectiveness).

However, when citizens or CSOs are putting in work towards these outcomes, they can be said to co-produce services.

An OECD[134] review defines co-production as follows: "A way of planning, designing, delivering and evaluating public services which draws on direct input from citizens, service users and civil society organisations." This is a very broad term that also encompasses the kind of stakeholder involvement in policy preparation and review that was the focus of the previous practices.

However, the same OECD publication also refers to the following categorisation:

◎ **co-governance:** civil society participates in the planning and reviewing of public services;
◎ **co-management:** civil society produces services in collaboration with the state;
◎ **co-production:** the citizens produce, at least in part, their own services.

134 http://www.coprbm.eu/?q=node/580

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Within these three types of co-activity a distinction is proposed according to:

◎ **the actors involved:** whereas co-management refers primarily to interactions among organisations, co-production refers to voluntary efforts by individual citizens;
◎ **the stages in the policy cycle in which interaction occurs:** this separates co-governance from the other two concepts: the former focuses on policy formulation and review, the latter on implementation.

Therefore, following this more precise categorisation, co-management and co-production will be the focus of the current practice description, as opposed to co-governance being the focus of the previous practices.

Co-management/production has already been referred to in box 7 as co-production in general.

To the OECD there is a difference between co-production and traditional contractual partnerships with private sector providers (such as outsourcing), as co-production refers to a rather undefined and unspecified invitation to contribute, as opposed to a contractual agreement with specific entities who are employed to perform well-identified activities. While voluntary engagement is a key element of the concept of co-production, voluntarism is not the only form of interaction between actors involved in co-production. Partnerships with CSOs for service delivery can involve contractual or semi-contractual agreements; for example partnerships between public authorities and local community associations for educational services or training.

Box 36 provides the most important observations drawn from the aforementioned OECD review.

Box 36: OECD observations on co-production

The OECD uses the following framework, derived from the literature, to make observations about the state of co-production around the world via 58 existing examples.

Stages (e.g. from planning to evaluation)	Low	Medium	High
Nature and Degree of transformation	Service modification/ Incremental	Intermediate	Service transformation / Radical transformative
Level of citizen participation	Sporadic and Distant	Intermittent/ Short Term	Intensive and Enduring
Type and extent of input	Additive/Voice and Choice	Contribution	Subsitutive/ Control
Type of benefits for the user	Recognition	Greater Satisfaction	Better Outcomes

(Actors)

○ patterns seem to vary for different services, with most involvement in the delivery stage in personal services, and more review in general services such as environmental protection;

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○ the majority of examples reflect additive input, with a few services starting to be substitutive, often prompted by or with the support of CSOs. Substitution refers to cases in which some of the services previously provided by professionals are now in the control of users. Users are supported and trained to become knowledgeable about particular conditions, manage their own services on a day-to-day basis, and reduce the amount of expert intervention required. The professional service thus starts to be used for more specialised or complex functions, and to back up or support the user-led support. This can release resources either to reduce levels of public spending or for transfer to other priorities. Addition means that additional input is provided, next to existing professional input but that the latter also remains;

○ most of the service changes could be defined as incremental, involving additions or modification of services, rather than radical transformation. The service area which seems to be developing radical change and using substitution is social protection, with the emergence of self-directed social care, where users commission their own services. From a government perspective, such change has most risk in terms of loss of control, likely resistance from professionals and probity. These risks can be managed by developing training and support for new types of professional roles, collecting information and support from CSOs including online information for users, and monitoring budgets. Health services are also using technology to give users greater control, but many of the practices analysed are in the early stages. Examples of radical change seem to be new or part of pilot programmes, so results are still at an early stage; however, some health and social care services are starting to embed very different delivery models;

○ unsurprisingly, users are likely to be co-producers for personal services such as health and social care, and citizens input to services which are community-based. The services with substitutions show the most evidence of cost reduction.

Co-production is probably pretty much undiscovered country in Structural Funds programmes. There is scope for co-production to be taken up as a principle in projects that respond to calls for proposals but also in the execution of PMO tasks (e.g. giving citizens a role in appraising project proposals).

C. Joint work is being progressed in priority areas.

Once possibilities for collaboration (with other government actors) and co-production (with CSOs and citizens) have been identified, it is important to also make them happen.

D. Lessons learnt regarding performance are shared with other organizations that share the same outcomes.

Just as lessons learnt are share inside the PMO as a source of diversity and to inspire, this should be done with other organisations who are working on similar topics or outcomes.

To conclude this chapter on involving external stakeholders, it is worth to refer to the work of another COP that worked on partnership in the Structural Funds and that produced a guidebook on this topic[135].

135 http://www.coprbm.eu/?q=node/629

> " **Co-production is probably pretty much undiscovered country in Structural Funds programmes.** "

6.2.6.3. THE ORGANIZATION IS HELD TO ACCOUNT BY THE LARGER PUBLIC

> A. Performance information is disseminated to the larger public in a way that makes clear why we currently deliver on selected priorities and how we do it.

Constituents are those citizens and groups to whom assistance is directed. As stated earlier, they are to be extensively involved in reviewing performance.

However, the larger public also has a right to be informed about the performance. This not only entails to get a view of performance but also an explanation of it.

Some lessons regarding communication with the general public should be drawn from a 2012 study concerning attitudes to aid and development[136] in the UK. One of the conclusions of the study was that "... revealed considerable appetite for greater understanding of development and for more complex stories of how change and progress happens. Instead of a simple reassurance that 'aid works', people would like to hear about how and why it works, why it doesn't always work and the reasons aid alone cannot achieve development targets. Process and progress stories will both be core to winning sustainable public support for aid and development in the future."

This casts a different light on the kind of performance information that should be shared with the larger public. Clearly, it is not about communicating numbers but about meaningful and insightful stories: "stories about how development actually happens may be more effective communication tools than campaigns focused straightforwardly on either inputs (such as money spent) or outputs (such as children educated). People want to hear how long funding will be provided for and, crucially, when it will cease to be needed."

> "
> **Stories about how development actually happens may be more effective communication tools than campaigns focused straightforwardly on either inputs (such as money spent) or outputs (such as children educated). People want to hear how long funding will be provided for and, crucially, when it will cease to be needed.**
> "

> B. The public can also ask performance related questions from all relevant units. The public acknowledges that it receives meaningful responses.

Apart from the more active form of informing reflected in the previous practice, the public should also be able to ask performance related questions and get informative answers to these, in so far as this does not conflict with privacy laws or other impeding regulations.

136 http://www.coprbm.eu/?q=node/510

6.3. Organisational context

6.3.1. INTRODUCTION

The following practices should be seen as levers to make it more likely that the previous practices will be adopted. They have benefited also from the expertise of John Mayne, an international expert in RBM, during the COP RBM seminar in Brussels of May 2010[137] on evaluative culture as a key requirement for RBM.

6.3.2. LEADERSHIP IS COMMITTED AND SUPPORTIVE TOWARDS STRATEGY AND OPERATIONS

Management acknowledges efforts of staff members striving towards a greater results both in terms of the future oriented strategy as well as current operations. These efforts are also supported actively by freeing resources for a diversity of initiatives, that support staff in their striving for a greater results orientation, including realigning structures and redesigning systems if necessary but also supporting monitoring and evaluation systems, learning events, etc.

In connection with the above elements, leaders should also acknowledge that power, if inappropriately used, can be used as a way to establish dominance over others (internal staff, external applicants, constituents ...). This traditional significance of power[138] has to do with **"power over"** which involves taking power from someone else, and then using it to dominate and prevent others from gaining it. Power should be recognised as an issue and discussed openly.

This discussion should also stretch to other forms of power which are not necessarily negative:

- the most collaborative forms of power are **"power with"**, which look for common ground among different interests and building collective strength;

- **"power within"** has to do with a person's sense of self-worth and self-knowledge;

- the ability of a person to function in a societal context may be understood as **"power to"**: the unique potential of every person to shape his or her life and world;

- there is also **"power to empower"**: the possibility and capacity to use our own dimensions of power to help empower others.

Hence, power has many faces and it is exercised in many ways. It is not static and it is now "owned" by a sole actor; its exercise by different individuals may vary depending on the context and their social and political capabilities.

As managers tend to have great "power over", they should be the ones who use this to open up an appropriate for discussing legitimate and illegitimate uses and forms of power, thus using their power to "empower".

A specific mentioning of the power wielded by the audit community is appropriate here. Auditors hold great power as well nowadays. As stated in chapter 4.3.3, audit should focus on the compliance system, supporting accountability as being honest and truthful, not on the performance system and its focus on lean and purposeful as is becoming a trend lately. Rather than moving towards performance auditing, auditors should therefore spend more time looking for and addressing abuses of power. This is to be understood in the broad sense of the word. Rather than using their "power over" to reinforce existing, sometimes obsolete, counterproductive or irrelevant procedures that

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137 http://www.coprbm.eu/?q=node/197 and also http://www.coprbm.eu/index.php?q=node/240
138 Based on http://www.coprbm.eu/?q=node/607

were supposed to provide safeguards against abuse of power but that have frequently become tools for maintaining status quo and driving out diversity and innovation, auditors should aim at empowering others to address this. This means that auditors should speak up against managers or staff that are using tools like vision, mission, strategy, performance management systems, etc. to silence contestation. Regrettably today, auditors are rather reinforcing these abuses of power.

6.3.3. PEOPLE ARE GENERALLY COMPETENT IN BOTH THE EXECUTION OF THEIR TASKS AS WELL AS IN THEIR UNDERSTANDING OF STRATEGY

Staff have the required competences (skills combined with attitudes) to deliver performance to expected standards. In addition, staff understand the strategy and what it means for them. They understand the nature of change and this helps them to adapt in an appropriate way.

Relevant peer champions and networks are supported and are accessible for staff as a source of expertise and knowledge.

6.3.4. ORGANISATIONAL CULTURE IS SUPPORTIVE OF STRATEGY AND OPERATIONS

The organisational culture is supportive of both strategy and operations.

A desired positions on the various dimension of culture (see chapter 6.2.1.2) has been identified and levers to move towards this desired culture are being used adequately and intentionally. Culture change is measured regularly.

6.3.5. A USER-FRIENDLY AND COMPREHENSIVE MANAGEMENT INFORMATION SYSTEM EXISTS

Management information is stored in computer databases that allow it to be retrieved and examined in a quick and timely manner by many different users.

There is a management information system (MIS) that makes performance data accessible in a useful way, incl. by showing relevant ratios of resources to outputs and outcomes. The information can be examined in any number of different ways according to the needs of the users.

Data from decentralized units is accessible within this MIS as is data from other relevant government departments. Records on personnel, logistical and other administrative resources have been corrected where necessary and are integrated into the overall management information systems.

ICT should also support knowledge sharing and communication.

An example of supportive use of IT is provided in Box 37.

Box 37: partner practice: the use of IT in Greece

The Special Service (SS) of the Hellenic Ministry of Health and Social Solidarity employed a Strategic Programme Management System (SPMS) in order to more effectively transform strategic health objectives into practical projects and action plans with clear expected results.

Most health objectives, interventions and activities are resourced by several Operational Programmes (OPs) and managed by different Managing Authorities (MAs). The SS is the Intermediate Body (acting as ESF MA) in charge of the strategic planning and coordination of all health-related investments and stakeholders. The SPMS was adopted in order to address the complexity of these implementing mechanisms, the over-emphasis on top-down managerial processes, incompatibility of information systems and administrative bottlenecks and delays, all of which resulted in a weak connection with target groups, poor quality and delayed production of monitoring data, and decision-making based more on empirical data than hard evidence.

The PRIMAVERA project management software used by the SPMS provides a set of integrated components that meet project management needs in different organisational areas. It uses standard Windows interfaces and web-enabled technology and can be used with both small multi-user or stand-alone databases and network-based databases. The fully developed system consists of several client and server components and enables: macroscopic analysis of needs (bigger picture information); collection and full analysis of available data (historical, experiential, regional, etc.); detailed breakdown of objectives and the building of a comprehensive intervention network; sequencing of processes, including analysis at all levels with those responsible, max/min duration, unit costs, etc.; appropriate reporting design and the ability to generate reports that analyse risks, performance and result forecasts. The SPMS thus enables the availability of summary reports, timely and good quality information, project benchmarking and better knowledge management.

Implemented in two phases, the first phase has seen the system adopted by top management and two units (Controllers and Strategic Planning). The second phase will involve further system development to cover all additional needs, procurement of more user licenses and expertise for a technical support desk and training of users, both for the Special Service and major stakeholders.

→ **More at:** http://www.coprbm.eu/?q=node/333

6.3.6. ADEQUATE M&E CAPACITY EXISTS

Each unit has an adequate capacity for M&E (Monitoring & Evaluation): this entails good knowledge of M&E concepts, as well as access to resources such as dedicated staff in the organisation, external consultants and systems to collect data on quality of outputs and outcomes in a timely way.

Relevant data disaggregation is possible.

The organization also has sufficient internal capacity to analyse the data and to use it for modelling.

There is a high level function within the organization that is in charge of ensuring M&E capacity exists and is developed further.

6.3.7. THE ORGANISATIONAL STRUCTURE FACILITATES ADEQUATE FLEXIBILITY AND COORDINATION

An office(r) of strategic results based management supports the organization in becoming more results oriented.

Adequate delegation of authority ensures staff at lower levels have the capacity to respond to issues that arise in their daily work.

At the same time, the organizational structure is aligned to outcomes, facilitating streamlined processes. This was already discussed in chapter 6.2.2.7 b (ii).

Overlap or fuzziness of roles, responsibilities and reporting requirements is avoided as much as possible at all levels and easy coordination across units is ensured.

An example of a restructuring is provided in Box 38.

Box 38: partner practice: restructuring the MA in Greece

The 2007-2013 Health Strategy proposed reform objectives in Primary Health, Public Health, Mental Health and E-Health with overall expected results outlined in Action Plans. Results come from interventions that are mostly cross-financed under several Operational Programmes (OPs) and managed by different Managing Authorities (MAs). The Special Service of the Hellenic Ministry of Health and Social Solidarity (SS) is the Intermediate Body (acting as MA) for the ESF and is also in charge of the strategic planning and coordination of all health-related investments, regardless of the OP that financed them. The old traditional internal organisation and culture in the SS was highly inadequate for dealing with these multiple responsibilities as it was based on administrative processes (appraisal, monitoring, finance and evaluation) rather than on strategy or client-oriented processes. This structure facilitates operations as functions and duties are clearly divided into units. Although this is easy to understand, it does not serve strategic thinking or action in practice as units only focus on their specific duties regardless of overall expected results. A new organisational and cultural paradigm centred on a more results-oriented approach was therefore introduced with the support of top management and political leadership.

The re-engineering process pushed the SS towards a process-oriented structure by regulating and describing management competencies with clear reference to "units" instead of "responsibilities". Sub-units were established around each of the reform agendas (Public Health, Primary Health, Mental Health and E-Health) and a new Coordination & Implementation Support Unit was set up to assess project proposals and their compliance with the strategic objectives. Diverse job descriptions in the new Unit ensure availability of all necessary skills and expertise for the same agenda. While key elements remain, every officer is now responsible for projects and project proposals from the same results agenda. Informal teams from different Units also work on the same Operational Objectives, occasionally delivering horizontal tasks such as reports and instruments. New IT instruments were also mobilised to support this change including a common database with electronic document management (see Practice in box 37).

The new process was monitored and supported by a working committee of representatives from all functional Units. The Control Unit started the reconstruction process by remodelling their internal organisation. Using this as an example other units then followed and cross-functional groups were formed. This unit-by-unit transition helped to avoid immobilisation of the organisation during the change period. Measures of alignment to the

new structure and culture were achieved by: sensitising and alerting controllers that all officers work for the same results agenda, and promotion of horizontal tasks such as joint reporting, recording of good practices, etc.

→ **More at:** http://www.coprbm.eu/?q=node/289

If a full restructuring is not possible to orient operations better to outcomes, then the following practice may prove to be a first step.

Box 39: partner practice: cross-unit teams in Flanders

The Flemish OP has three major priorities and is delivered through a Programme Director who oversees two teams: (1) Project operations – drawing up calls for proposals, appraising, monitoring and controlling projects, and (2) Thematic work – capturing relevant OP knowledge and feeding this back at project and policy levels. ESF Agency personnel belong to one of these two teams, and sometimes both, even though they report to only one team leader. This structure leads to multiple overlaps and links that require intense coordination. Breakdown between the two teams, and within the project team, can occur because the project team is focussed on launching calls with an emphasis on procedures rather than outcomes, while the thematic team is focused on content regardless of what projects/calls are being run.

These coordination problems were solved for the actions within Priority 3 by identifying a common objective or high level outcome (quality of labour) that each of the various listed actions could contribute to by putting them together in one call for proposals which organises them in a coherent scheme. Projects can choose to implement only one type of action, a combination of actions or come up with new actions. Key lessons learnt about the relevant topics are included in the call and must explicitly be taken into account by the applicant. The call for proposals remains open until all the funding has been used.

 In order to draw up and manage this call for proposals, a coordinator provided a common framework for the actions with relevant colleagues from both aforementioned teams and, to ensure coherence and quality of contributions, the lessons learnt (linked to the various actions) were refined and made explicit. Once the call was launched, staff met every two weeks to discuss project ideas submitted by potential applicants, appraisals, new knowledge generated and how to integrate this in the open call. In addition, staff agreed on roles and responsibilities for proposal appraisal and approved projects etc. and vacation planning was discussed to ensure smooth roll-out. Knowledge gaps were identified and learning opportunities allocated to different colleagues who reported back to the entire group. A shared folder on a common IT network drive provided all staff with information on learning events attended, questions from projects and responses from team members, etc.

→ **More at:** http://www.coprbm.eu/?q=node/290

6.3.8. THE HUMAN RESOURCES SYSTEMS ARE PROFESSIONAL AND SUPPORTIVE OF STRATEGY AND OPERATIONS

A diverse training offer concerning operations as well as strategy is available to all managers and staff, responding to identified needs. This training is adjusted regularly to lessons learnt. Staff largely follow the necessary training.

Information regarding results and results orientation is part of the discussion with staff concerning their performance.

Recruitment to address gaps and weaknesses in competencies is planned where necessary.

6.3.9. MATERIAL, TECHNOLOGICAL AND FINANCIAL RESOURCES ARE SUFFICIENT

Technology, equipment and facilities are adequate to delivering expected outputs and outcomes. In addition, the budget is sufficient and available on a timely basis.

6.4. Wider institutional context

If the wider institutional context in terms of what is practiced generally by government and/or the society the PMO is embedded in, is not supportive of, or even conflicting, with all the earlier described practices, this will of course not make it easier to change.

Some key aspects that will be supportive are:

- there is a comprehensive, whole of government results framework;

- inter-sectoral objectives divided into goals for each department and the inter-sectoral coordination structures are sustainably supported and have all the tools necessary for their mission;

- the development of national results frameworks take into account both the central and local needs in a participatory process. The frameworks are declined consistently between the national and local levels in several areas of local government action. The sharing of responsibilities between national and local bodies is clear;

- public policies generated within the context of this framework are generally subject to a regular and sustained monitoring and evaluation process;

- a strategy for the development of statistics is implemented and forms the foundation of data collection for the country or region;
  - national surveys are conducted regularly (at least every five years);
  - relevant sectoral units contribute to the content of the studies;
  - effective data analysis and dissemination of findings is the norm;

- decision-makers recognize the utility of the data and ensure it is integrated into the decision-making process;

- delegation of accountability (e.g. using description of duties, individual evaluation criteria) to senior officials is widespread:

- public consultation in policy and planning is the norm;

- the Auditors General Department operates without significant influence from government or special interests;

- the legislature has the structure, resources, and acknowledged mandate to effectively oversee government activities on comprehensive scale;

- the judiciary appears to operate without significant influence from government or special interests;

- media are largely independent of government influence and actively report on a broad range of government activity results;

- the government actively promotes a results orientation and supports its implementation with capacity building, support, guidance, and/ or requirements;

- the government is aware of the implications of complexity and understands, in connection to this, the importance of resilience and emergence as sub-systems of governance.

7. CONCLUSION

This Sourcebook may have surprised the reader in that it does not adhere to the simple and appealing logic that RBM systems such as the UNDG one (in chapter 5) seem to be following: that if we just invest in generating more performance information (on outputs, results, impact etc.) this will lead to improved decision-making and hence increasing levels of performance. To quote professor D.P. Moynihan, who made an extensive empirical study[139] of performance management (which can be understood to comprise results based management) in the United States: "The empirical evidence is not terribly convincing." He also states that "Efforts to create governmentwide performance information systems certainly have not lived up to the standards of advocates and have done little to change how senior public officials make decisions. On the other hand, agency managers have found ways to make these reforms work in some cases". Moynihan offers several ways to rethink performance management:

1. performance information systems are not performance management: requirements to produce performance information produce compliance in the supply of such information (via a huge array of plans, reports and other documentation) but it is not possible to regulate use of that information. The latter requires some measure of innovative thinking from managers and staff in agencies (such as a PMO) who develop creative solutions and foster process change and performance improvement;

2. politicians tend to support performance management reforms, embodied in formal requirements, because they can point out to their electorate how they are winning the battle for results and against inefficiency of the government. It is hard for other politicians to oppose this. Even if this motivation is rather shallow, it may give motivated managers the support they need to pursue organisational change and actual performance improvement;

3. performance data is not neutral, scientific or definitive. Instead it represents the interest of an advocate seeking to persuade. Agencies certainly have the advantage in terms of creating and diffusing information that reflects their preferences and they are in the best position to offer credible explanation as to the meaning of the data and what it tells about future action. Performance information is not likely to easily solve policy disagreements, especially those that revolve around values. This is just more information that different sides can shape for different purposes. In the rare case the data clearly supports one position, we can expect the defeated to reject the data as invalid or inappropriate;

4. the key challenging is fostering use of performance information: the best chance for use is within an agency, because of the shared background and goals of its members. Dialogue then can force actors who care about an issue to consider performance data they might otherwise ignore, exchange ideas about what it may mean, offering their perspectives, without necessarily agreeing about this, but with a good chance that this leads to some new ideas about how to move forward. Key is therefore to encourage a culture that values learning and to establish routines such as learning forums where the organisation slows down to consider a range of information from different perspectives. To be successful this should happen in a non-confrontational and collegial atmosphere;

5. the relationship between performance information and actions should never be mechanical. Performance information should be used consistently but the expectation should not be that it produces a consistent type of decision. Rather, we should expect from our elected representatives and experts in the public service that they exercise discretion and judgement. The ambiguity of performance information (as referred to in point 1) calls for dialogue (as referred to in point 4);

6. use occurs mainly at the agency level: central services (budget officials, legislators, ...) tend to have too broad a degree of oversight to properly consider what the information means,

139 The dynamics of performance management, D.P. Moynihan, 2008

develop a narrative around it and then identify next steps. Agency actors are more specialised and homogeneous (relative to goals and background as already stated in point 4) and have more at stake (e.g. when defending their activities);

7. as the natural users are at agency level, strategic planning and performance measurement should be left to be voluntary, but should be supported with guidance and encouragement from a central agency, including by providing some form of accreditation based on minimum standards, by recognizing and disseminating success stories and by providing formal recognition of high quality performance management systems set up and used by agencies. This goes against the current trend where central agencies, fuelled by the distrust that underlies many of the mainstream performance management approaches, attempt to ensure compliance in providing vast amounts of valid information to them. Of course, this assumes that at agency level, there is a careful selection of energetic professionals (including a person whose job is to promote the use of performance information) who can define and implement an agency vision and who get sufficient public support and administrative resources. But clearly, if those are absent, the volumes of performance information will make little difference anyway;

8. performance management gives agencies a tool to engage in policy change: even though policy change is seen as the prerogative of elected representatives, agencies can use performance information to convince these representatives of the virtues of new ideas;

9. performance management is less important to performance than many other organizational factors. The following (evidence based) elements are put forward:

   a. **agency autonomy:** external or higher-level oversight tends to create constraints based on goals that are not related to the organization's primary tasks. Autonomy allows an agency to best define its tasks and infuse a sense of mission among staff;

   b. **agency clientele:** some clients are just easier to serve. Some may enjoy more political influence which translates in a greater perception of value of the agency itself;

   c. **political context:** political support enhances performance, at least in part due to the extra resources this tends to bring;

   d. **resources** (for most public services this means frontline staff) clearly matter: while a sudden influx may translate into inefficiency, generally more resources bring more performance and clearly, too little makes it hard to deliver even basic performance;

   e. **nature of the function:** delivering the mail on time is more amenable to the efficiency levels generated by standard operating procedures than, e.g., rehabilitating prisoners. Also, some tasks carry a higher level of intrinsic or extrinsic reward than others;

   f. **beliefs and organizational culture:** high levels of professionalism, strong sense of mission, sense of public interest, adaptability, entrepreneurship and teamwork also generate higher performance;

   g. **stability:** too frequent disruption in finances, employee continuity, goals, reporting etc. are related to lower performance;

   h. **leadership** matters to foster stability, sense of mission, goal setting and to manage political stakeholders – all factors already mentioned above;

   i. **structure:** this may relates to the organization chart but also to the level of autonomy for and within an agency, the sources of funding, constraints imposed on the agency etc.;

10. performance management depends on all of these organizational factors to succeed.

The Sourcebook clearly has taken up these lessons:

○ performance information is clearly not confused with performance management. Only chapter 6.2.4 deals with information generation. All the other chapters are much more about running the PMO in a sensible way, partly by making better use of performance information;

○ the rather narrow view of rigorous information as referring to reliability and validity as informed by quantitative research is broadened to include approaches such as action research. The Sourcebook also advocates dialogue (even constructive contestation) and learning together with stakeholders. At no time is a mechanical link between information and action suggested;

○ the Sourcebook is clearly proposing that performance management should be a tool taken up at agency level – in this case the PMO – and that the role of more central (EU-level) actors should be a supporting one rather than one that creates constraints and that cannot possibly be better placed than the agency to make sensible use of performance information;

○ the importance of context and of organisational factors is clearly recognised in chapters 6.3 and 6.4. The "nature of the function" as described above in point 9.e provides for a clear link with the discussions concerning complexity that are present throughout the book.

> This Sourcebook could therefore become the basis for setting a minimum standard for accreditation and for recognizing success stories as well as providing formal recognition of high quality performance management systems.

To conclude the Sourcebook, it is fitting to take stock as to what extent the proposed system is taking into account the new ideas and development in public governance as put forward under the hat of "the New Synthesis".

Table 21: New Synthesis demands as taken up by the COP RBM system

New Synthesis	COP RBM
The **compliance sub-system**: controls set limits within which public office holders can exercise discretion and set the parameters of acceptable behaviour. These controls must be objective, rule-based, enforceable and verifiable.	The RBM system acknowledges the need for such controls and limits and the role auditors have in ensuring that they represent well-functioning safeguards against abuse of power. The COP RBM goes even further in giving auditors a mandate to actually find and address abuse of power rather than verify mere compliance with rules as the latter does not preclude the former. This may lead to rethinking some rules.
The **performance sub-system**: focuses on improving organisational capacity to make government more productive and efficient and pay attention to user satisfaction. This should not equate an explosion of performance control.	The COP RBM tackles this in various ways. First, it provides for a full management system that encompasses all units in a PMO (including support and regulating units) and that ensures, through the process of cascading, that they all contribute in some way to the vision and strategy of the PMO. Second, ongoing operations are scrutinized systematically to see if it is possible to make them more productive. The projected efficiency gains are factored into planning. Performance controls in the forms of targets are avoided for managing the PMO or the programme as a whole. Only in the context of contracting for certain types of actions in the delivery of parts of the programme is there a consideration of using forms of output-based aid or cash on delivery.
The **emergence sub-system** entails thinking about alternative futures and how to get there as well as detecting weak signals and potential wild cards. It emphasises collaboration and shared accountability among government and external partners, recognising the limit of organisational structure and the government to deal with all challenges. Access to information and public platforms for collaboration are another key point. It has due attention for innovation, recognising the need for exploration and the uniqueness of solutions to a context while also understanding lessons and elements can be useful for other contexts.	When conducting SWOT analysis, be it at the level of the PMO or of a region/country, external trends and events that can be translated into threats or opportunities are identified and investigated. Scenario planning has been proposed in the system to support thinking about alternative futures, derived from uncertain trends and events. In addition, newer approaches such as Sensemaker allow for the detection of weak signals if properly set up. Great emphasis is also put on involving stakeholders at the level of both the functioning of the PMO and of actions financed by the programme. Progressing joint work and access to information are explicitly taken up as a practices. In addition, a whole range of options to set up platforms of interaction with citizens is offered. Innovation is recognized as requiring different ways of working (including in terms of monitoring and evaluation) at the level of the PMO by distinguishing the mainstream PMO strategy of "enhancer" from those of "innovator" and "solutions manager". These different ways of working are also related to different choices concerning delivery mechanisms (LFA/ToC, performance contracting, PLPA) at the level of actions financed by the programme.

New Synthesis	COP RBM
The **resilience subsystem** requires fostering social capital by using collaborative networks and citizen engagement (co-production).	The system recognizes that resilience cannot be "created", neither at the PMO level nor within the actions financed by the programme. However, it can be fostered or suppressed. Explicit attention is paid to stakeholder involvement (including co-production). In the context of the PMO strategies of innovation and solutions management, setting up / tapping into networks is seen as particularly crucial. Also, at the level of actions financed by the programme, PLP approaches make abundant use of networks.

The COP RBM system clearly has paid attention to all aspects of the New Synthesis framework. Of course, some of the practices that the system puts forward are still at a more conceptual level. There is in some cases clearly a "practice" gap.

> The book therefore provides an opportunity for experimenting with approaches that can fill this gap and for the learning to feed back into future editions of the book.

Moving towards accreditation, recognition and experimentation represent a better investment of time from those truly interested in making the European Structural Funds more performing than just enforcing compliance to produce volumes of performance related data.

Of course, as D.P. Moynihan suggests in his review of performance management in the US, the symbolic appeal (to deal apparently with government inefficiency), the superficially easy to explain logic and the limited cost/risk of legislating performance reporting may carry the Structural Funds further on a fruitless path. Hopefully, the Sourcebook makes some contribution towards taking another path with greater chances for success.

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