

***Results-Based Management and Accountability for Enhanced Aid
Effectiveness***

***A Reference Paper for CIDA Officers Engaged in Capacity Development
and Program-Based Approaches Such as SWAps***

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Réal Lavergne

CIDA Policy Branch

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Acronyms

APPR	Annual Project Performance Framework
BTU	Business Transformation Unit
CD	Capacity development
CEA	Canadian Executing Agency
CIDA	Canadian International Development Agency
IDRC	International Development Research Centre
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immune Deficiency Syndrome
KAR	Key Agency Results
LFA	Logical Framework Analysis
NGO	Non Government Organization
OAG	Office of the Auditor General of Canada
ODA	Official Development Assistance
OECD/DAC	Organization for Economic Cooperation and Development/Development Assistance Committee
PBA	Program-based Approach
PPMF	Project Performance Measurement Framework
PRSP	Poverty Reduction Strategy Paper
RBM	Results-based Management
RMAF	Results-based Management and Accountability Framework
SWAps	Sector-wide Approaches
TBS	Treasury Board Secretariat
UNDP	United Nations Development Program

Introduction

This paper was produced as part of a set of studies on the special challenges of managing for results and accountability in CIDA when engaging in capacity development or in program-based approaches to development such as SWAps (Sector-Wide Approaches). This work was part of a joint effort involving CIDA's Performance Review Branch, Policy Branch, the Capacity Development and SWAps networks, and the Pilot Projects group.

Two companion documents have been produced to date:

- The first one is titled "Review of Current RBM and Accountability Practices in CIDA" (May 14, 2002). It is a review of informed opinion in CIDA and among CIDA's Canadian partner institutions regarding the way that Results Based Management (RBM) and accountability principles are being applied in CIDA projects.
- The second is titled "RBM and Accountability for Enhanced Aid Effectiveness: A Statement of Principles for CIDA Staff" (May 20, 2002).

Still under consideration is the preparation of an "Illustrated Guide" for CIDA staff and partner organization that would walk users through the different elements of the Statement of Principles will illustrated examples of good practice taken from experience in the Agency or from outside the Agency.

This set of studies is intended to contribute to the process of Agency renewal for aid effectiveness by raising awareness of some important, often controversial, issues, and clarifying how to deal with them in ways whose legitimacy is recognized by the Agency, Treasury Board and the Auditor General's Office. The subjects of RBM and Accountability are fundamental, since they define the standards against which performance is judged. As such, they are key factors motivating behaviour in the Agency.

Together, this Reference Paper and the Review of Current RBM and Accountability Practices in CIDA provide the analytical and empirical basis leading to the proposed "Statement of Principles" to guide CIDA staff in applying RBM and understanding the accountabilities for which they are responsible as part of the aid effectiveness agenda.

The focus on capacity development and program-based approaches provides a lens to address principles of aid effectiveness that have become part of the international and Canadian agendas, such as local ownership and empowerment, partnership, a holistic perspective and improved donor coordination. CIDA's engagement in capacity development and program-based approaches is the operational manifestation of these principles. As entry points for this paper, these two approaches allow us to deal with all of the above principles of aid effectiveness in a way that relates to day-to-day programming realities in the Agency.

An important point to recognize, when engaging in any discussion of capacity development and program-based approaches, is that development - CIDA's business - is not about service delivery, the way it might be for other government departments applying RBM. It is about social transformation, a process which is inherently messy, uncertain and difficult. As David Ellerman recognizes in a recent article on capacity-building and development assistance, "one thing leads to, induces, elicits or entrains another thing" through chains of tensions and disequilibria... Projects and programmes move "from one

bottleneck and crisis to another (in comparison with the smooth, planned allocation of resources” (Ellerman, 2002:57). As we shall see, this has serious implications for how RBM and accountability principles are applied.

This document begins with a general discussion of RBM and Accountability issues in CIDA. This is followed by an exploration of recent trends in thinking about aid effectiveness, both internationally and in the Agency. The implications of these trends for RBM and accountability are then reviewed in three major sections focused on issues of local ownership, control and accountability, the implications of CD for the logic of RBM and performance measurement, reporting, evaluation and audit. The paper ends with some general conclusions and a synthesis of recommendations.

Background

Results-Based Management is becoming increasingly established in Canada and elsewhere in the world as an approach intended to promote more effective management of government funds. It is actively promoted by the Treasury Board of Canada (Treasury Board of Canada, Secretariat (TBS), 2000b), and has been adopted as CIDA policy (CIDA, 1996). There is also an increasing tendency to group discussions of results management and accountability together. This arises because modern concepts of accountability increasingly emphasize accountability for results, rather than accountability for following certain rules and procedures.

This Reference Paper on RBM and Accountability follows the approach proposed by Treasury Board in its *Guide for the Development of Results-based Management and Accountability Frameworks*, that combines the concepts of RBM and Accountability. According to this Guide, the Results-Based Management and Accountability Framework (RMAF) is intended to serve as “a blueprint for managers to help them focus on measuring and reporting on outcomes throughout the life cycle of a policy, program or initiative” (TBS, 2001a:1).¹ It is expected to do this by helping managers achieve a number of goals related to the results-based agenda, as follows:

- “describe clear roles and responsibilities for the main partners involved in delivering the policy, program or initiative — a **sound governance structure**;
- ensure clear and logical design that ties resources to expected outcomes – a **results-based logic model** that shows a logical sequence of activities, outputs and a chain of outcomes for the policy, program or initiative;
- determine appropriate performance measures and a **sound performance measurement strategy** that allows managers to track progress, measure outcomes, support subsequent evaluation work, learn and make adjustments to improve on an ongoing basis;

¹ Contrary to practice elsewhere, the Treasury Board guidelines do not distinguish between outcomes and impact, preferring the expression “final outcome” to that of impact for reasons of “technical precision” (2001a:34). They also recognize that there may be several levels of outcomes on the way to final outcomes, distinguishing between immediate and intermediate outcomes. This provides a refinement on the conventional input-output-outcome-impact continuum, and helps avoid debate about how far up the results chain one has to go before it is possible to speak of “impact.” This paper adopts the Treasury Board’s approach in this regard. Treasury Board defines a final outcome as “generally outcomes that take a longer period to be realized, are subject to influences beyond the policy, program or initiative, and can also be at a more strategic level” (*ibid.*)

- set out any **evaluation work** that is expected to be done over the life cycle of a policy, program or initiative; and
- ensure **adequate reporting** on outcomes” (TBS, 2001a:1).²

CIDA policy calls for RBM principles to be applied at all levels of CIDA activity, from the corporate level down to the individual project level. At the corporate level, CIDA has produced a Results-Based Management and Accountability Framework (RMAF) as required by Treasury Board’s *Policy on Transfer Payments*, that includes a taxonomy of key agency results (KAR) for a development agency such as CIDA. Policy Branch is currently leading a Working Group to revisit Agency guidelines for producing country and institution Program Development Frameworks based on RBM principles and the KAR.

Our concern here is with the use of RBM and Accountability principles for increased effectiveness at the aid delivery end of the Agency’s business, which is to say, at the project level. “Projects” are understood here as any targeted aid delivery initiative at the host country level, with its own contractual, management and reporting arrangements. This may include stand-alone projects and integrated programs of activity such as SWApS, integrated programs of institutional support or budget support. This paper refers to the latter as “program-based” approaches. What defines a program-based approach for present purposes is the application of a number of principles conforming to those that have been articulated with regard to SWApS: an integrated and strategic approach based on a hard budget constraint, local ownership, involvement of multiple stakeholders and partnership with other donors.

There already exists a wide range of documentation intended to guide CIDA officers in the application of RBM and accountability principles at the project level.³ These guidelines includes the identification of six RBM principles: simplicity, learning by doing, partnership, broad applications, accountability, and transparency (CIDA, 1996; CIDA 1998b). However, a common characteristic of this documentation is the desire to provide general guidelines applicable to all sorts of projects. As such, it does not always equip CIDA officers to deal with complications arising from difficult cases.

These complications do not invalidate the value of results-based management, but they require that it be applied in a contingent and sophisticated way. Failure to do so has a number of implications for behaviour that are likely to be counterproductive. Some of the costs and negative tendencies that can emerge when RBM and accountability principles are improperly used are the following:⁴

- Overemphasis on control mechanisms and loss of ownership by developing country partners;
- Lost opportunities to develop and fully utilize local capacity;
- Overplanning and loss of flexibility;

² Note that a very close parallel exists between the RMAF components and the chapters in CIDA’s own *Introductory Guide* to the concepts and principles of RBM (CIDA, 1999), that has sections on stakeholder participation, building a logical performance framework, risk management, performance measurement, performance monitoring and evaluation. The key difference here is the separate treatment of risk management, an approach that will be adopted in this paper, as well.

³ See CIDA, Performance Review Branch documents cited in the Reference section. There also exists a guide produced by Asia Branch in March 1999 titled “Planning and Reporting for Results.”

⁴ For more on this, see Morgan, 1999:26-29. See also the tensions mentioned in section 11 of the OECD/DAC’s review of experience with RBM (OECD/DAC, 2000, Executive Summary).

- Oversimplification and misunderstanding of how development outcomes occur and confusion over accountability for results;
- Overemphasis on results that are easy to quantify at the expense of less tangible, but no less important outcomes; and
- Mechanical use of results indicators for reporting purposes in ways that fail to feed into strategic thinking and organizational practices.

Many of the concerns expressed in the Agency regarding the need for a more sophisticated approach to RBM and Accountability have been with regard to capacity development (CD)⁵ and program-based approaches such as SWAps. CD and Program-Based Approaches have given rise to different RBM and Accountability concerns. In particular, the discussion on CD has mainly concerned itself with results management and measurement issues. The discussion on SWAps has focused primarily on issues of accountability.

However, there are strong linkages between these two approaches. For instance, one of the fundamental precepts of a capacity-development approach is the need for a holistic or systems perspective. For this reason, the best CD initiatives are those which use or are moving towards the adoption of a program-based approach of some sort. At the same time, because program-based approaches are long-term initiatives with a high level of local ownership requiring programming, management and financial management skills and sound governance structures on the part of domestic stakeholders, these approaches inevitably involve major efforts aimed at capacity development. Indeed, the approach taken is usually to combine increased devolution of control with efforts to promote capacity development in order to ensure improved performance by domestic stakeholders in managing program initiatives.

Local ownership is a key guiding principle for both CD and Program-Based Approaches. The key challenge that emerges is to find ways of applying sound principles of RBM and Accountability that empower, rather than disempower, our developing country partners. Practically speaking, readers whose starting point is CD or Program-Based Approaches will find their interests converging, because the best CD initiatives use a program-based approach and the best program-based approaches will be those with strong elements of CD.

RBM and Accountability

The way that the concepts of RBM and Accountability are combined in this document merits some comment, because it offers both advantages and possibilities for confusion. The first point that needs to be recognized is the difference between these two concepts.⁶

Accountability refers to the obligations associated with stewardship over resources. As the Treasury Board puts it, accountability is “the obligation to demonstrate and take responsibility for performance in light of agreed expectations” (Treasury Board, 2001a:33).

⁵ See Morgan and Qualman, 1996 or Qualman and Morgan, 1996 (the latter being a synthesis version of the former); Morgan, 1997; Morgan, 1999; Lusthaus et al., 1999; and Earl et al. 2001.

⁶ For a glossary of concepts used in this paper, please refer to the lexicon in Treasury Board of Canada, 2001a, or go directly to the following link: <http://www.tbs-sct.gc.ca/eval/pubs/RMAF-CGRR/rmaf-cgrr-06-e.asp>. An alternative resource is the Glossary produced by the OECD/DAC, cited in the Reference section of this paper.

The words “in light of agreed expectations” are important, since the expectations involved may cover any range of obligations. The major obligations that can be identified included the following categories:

- Striving for results (results),
- Making efficient and effective use of resources (cost-effectiveness),
- Assessing and managing risks (prudence or due diligence),
- Compliance with laws, regulations, policies and procedures (compliance), and
- Demonstrating performance.

RBM refers to a management philosophy and approach and set of tools designed to improve both management effectiveness and accountability. As presented in CIDA’s Introductory Guide to the Concepts and Principles, this is achieved by “involving key stakeholders in defining realistic expected results, assessing risk, monitoring progress toward the achievement of expected results, integrating lessons learned into management decisions and reporting on performance” (1999:3). Management tools used under an RBM approach thus need to satisfy a number of objectives. They should clarify responsibilities and ensure adequate reporting on performance and results for accountability purposes, but also provide a tool for better management and learning through all phases of the project cycle.

Efforts to promote RBM and improved accountability have increasingly converged in recent years, because of increased emphasis on accountability for results. This conceptualization of accountability was clearly expressed during CIDA’s Forum on SWAps and Accountability on January 24, 2001. The central message to emerge from this Forum was the need to think in terms of developmental effectiveness first and foremost and to demonstrate achievements by telling the story in a clear and transparent way. A comparison of the “old” and “new” understanding of accountability showed how ideas about this have evolved. The old understanding was more hierarchical, control-oriented and bureaucratic, encouraging rules and process-based approaches to accountability. The new understanding encourages a greater degree of pro-activity, greater flexibility in assessing and managing risks, greater appeal to partnership, and greater focus on results. This understanding favours a more flexible and imaginative approach to accountability under partnership arrangements of the sort encountered under SWAps (CIDA Policy Branch, 2001).

This trend in thinking about accountability for results reinforces the need for clarity in using the concepts of RBM and accountability. Several important distinctions can be made:

- ***Accountability is more than accountability for results.*** It also includes concern for other dimensions of accountability such as cost-effectiveness, prudence and compliance.
- ***Accountability for results should not be equated with demonstrating results.*** As the Treasury Board definition quoted above indicates, the obligation is to demonstrate “performance.” This is not synonymous with demonstrating results. Measurement of development outcomes is important as a measure of progress. However, it does not suffice as a way of holding people accountable, because outcomes are usually not attributable to the actions of a single party⁷ and may

⁷ This is recognized in exhibit 3.2, “‘Results Chain’ Logic Model”, in the Treasury Board’s *Guide for the Development of Results-Based Management and Accountability Frameworks* (TBS, 2001a).

not be measurable in the time frames relevant for accountability purposes. What needs to be demonstrated as well is the soundness and implementation of each party's results strategy, and the contribution of each party to securing the desired outcomes.

- ***RBM involves much more than establishing results chains and demonstrating results.*** What is required is a ***management framework*** that also includes careful attention to the division of roles and responsibilities, and to the quality of results strategies, processes, and organizational approaches, in light of the resources available.
- ***While performance measurement under RBM is intended to satisfy different objectives, including improved management and accountability, there are real and important tensions between these two uses,*** as recognized by the OECD/DAC in a recent review of donor agency experience with RBM (OECD/DAC, 2000, Executive Summary, pp. 16-17). These tensions can lead to the sorts of dysfunctions mentioned above and need to be recognized before efforts can be made to reconcile them.

There has been a spate of initiatives in CIDA recently regarding how to define better the nature of CIDA's accountability under different circumstances.⁸ This document builds upon this base of analysis, and focuses on how to use RBM and sound principles of accountability to improve aid effectiveness and accountability at the delivery end of our business.

Strengthening Aid Effectiveness

CIDA's efforts to promote aid effectiveness should be set in the context of international trends that have given increased pride of place to capacity development and related concepts, such as local ownership, participation and partnership, as articulated in the OECD/DAC's *Shaping the 21st Century* (May, 1996) and in CIDA's *Strengthening Aid Effectiveness* (2001). The need for a more holistic approach to development was also identified in these documents. Sector-wide approaches, and more recently PRSPs and general budget support, have increasingly come to characterize the approaches taken by virtually all funding agencies. Elements being emphasized as part of these trends include increasing attention to institutional matters (Bossuyt, 2001) and increased cooperation by all partners involved in the development process.

These trends have been described in various places as a new way of doing business. Whether any of this is entirely new or not, it certainly represents a more concerted effort to apply the lessons of experience from development cooperation efforts. Recent discussions in CIDA have identified two fundamental things that the Agency must do better to be more effective:

- it must empower our developing country partners, and
- it must take a more holistic perspective of development (CIDA BTU, 2002).

⁸ This has included the following: the Jan. 24 Forum on Accountability and SWAps, for which two background papers (Schacter, 2001 and Jackson, 2001) and several presentations were prepared; the preparation of a two page statement on accountability by Contract Management Division and subsequent work on that statement by the Pilot Projects group and the SWAps network; CIDA's RMAF statement to Treasury Board, which defines Key Agency Results for which the Agency can be held partly or fully accountable; and current work on the simplification of Agency Business Lines as part of the Government on Line Initiative, which describes different forms of accountability for different business lines.

Operationally, this way of doing business first manifested itself in CIDA in the form of increased attention to capacity development objectives and approaches over the course of the 1990s. Today, almost all CIDA activities include a capacity development dimension of some sort.⁹ The shift in favour of program-based approaches has made inroads more slowly in CIDA than in some other funding agencies, but it too has gathered momentum in the last two years.¹⁰

To understand what is different about the approach or approaches being advocated today requires some understanding of the underlying character of the opposing approach or mindset of aid delivery. For our purposes it is useful to think of the classic approach as one that focuses on what outside agents can “deliver” through the project mode. Some people have referred to this as an “engineering” or “control-oriented” approach (Smillie, 2001:16-17); others as a “donor-driven” approach (Bossuyt, 2001) or as “bureaucratized programming” (Earl et al, 2001:7). Terms of reference are drafted in terms of deliverables, and there is substantial emphasis on donor control of projects, to ensure that those deliverables are produced. Accountability is defined in terms of such deliverables.¹¹

This approach allows CIDA to control for risks by insulating a particular investment from its surroundings. In this model, responsibility for a project is hived off to a Canadian Executing Agency, and everything will be done to ensure the success of the project by setting up sound accounting and reporting systems, hiring well-paid and well-qualified staff, and providing any equipment and infrastructure that might be needed.

However, it has become increasingly clear as a result of experience that outside agents such as donors and executing agencies can deliver inputs and even outputs, but cannot “deliver” many intermediate and final outcomes that can only occur to a satisfactory degree in the presence of local will and capacity to manage and sustain the process of change. Hence the importance that is increasingly accorded to local ownership and capacity development in recent thinking about aid effectiveness. From this perspective, local ownership and capacity development become a key condition of sustainable development, and the likely success of any initiative depends in large part on the attention accorded to these principles. This realization has led to an evolution in how we think about effectiveness, with increased emphasis on principles having to do with process issues and capacity development.

The trend towards increased use of program-based approaches is part and parcel of recent trends in the pursuit of aid effectiveness, because it has become increasingly obvious to capacity development

⁹ Refer to CIDA’s web page (www.acdi-cida.gc.ca/cd) for a collection of key policy statements relating to CD. An indication of the place of capacity development (CD) in the Agency can be obtained by observing the frequency with which projects are tagged according to the CD theme in the Agency’s Corporate Memory database. This share grew steadily through the 1990s. From 9.6% in 1990/91, it reached 41.3% in 1995/96 and 73.7% in 2000/01. See Lavergne, 2001 for further explanations and more detailed data.

¹⁰ See CIDA’s SWAps extranet site, under SWAps in CIDA\Projects, for examples of emerging activities along these lines.

¹¹ The following quote is illustrative. It is taken from a USAID review of basic education reforms in five African countries (Moulton, 2001:8):

The reformers were attempting, to some extent, to build *factories*, using blueprints, rather than *farms*, using seeds, fertilizer, soil and weather. They saw their challenges as building an efficient factory - to “get the right policies.” Once reform policies were in place, they hoped the system would function more or less mechanically. What the case studies have shown, however, is that whether the various activities thrived or failed depended on how well “farmers” nurtured each reform during the implementation phase.

practitioners that stand-alone projects are not an effective vehicle for resolving the capacity and institutional bottlenecks standing in the way of development outcomes. As Bossuyt puts it,

It has also become clear that projects are not appropriate tools, unless they are connected to country strategies focused on structural reform and institutional development. In recognition of this, most European donors are moving towards direct budgetary support in the longer term, with sector programme support being the preferred mechanism in the medium term. These new policies converge on the need to put institutional development up front.¹² (2001:5)

Projects will continue to have a place in development cooperation, because of the advantages that this modality offers for avoiding obstacles to efficiency and effectiveness, and for testing new approaches or for achieving targeted objectives. However, the new approaches will be more effective in integrating donor-supported activities into the local administrative and social environment, and will tip the balance toward control by local institutions rather than donors and donor-contracted executing agencies.

Roles and Responsibilities: Implications of Local Ownership

As we saw earlier, one of the first features of a results-based management and accountability framework entails the definition of roles and responsibilities for the partners involved. CIDA's pursuit of effectiveness and sustainable development through increased emphasis on local ownership under capacity development and program-based approaches has major implications for how we think about and implement sound principles of RBM and accountability in this respect, because it implies a devolution of responsibility by CIDA and Canadian Executing Agencies (CEAs) to local institutions relative to what might be the case under the conventional approach. Ideally, developing country institutions should play as large a role as possible in identifying their own needs and priorities and managing CIDA-funded projects.¹³

It is important to understand what this means and what its implications are for accountability and results-based management. As Shekhar Singh put it in a recent forum organized by UNDP, local ownership really implies a form of "shared" ownership, in the sense that all stakeholders involved feel a sense of buy-in and responsibility for outcomes. In his words, "the objective is not to facilitate transfer of ownership from one set of stakeholders to another, but to expand ownership to include all

¹² Bossuyt and others, including the World Bank, prefer the term "institutional development" to that of capacity development. This expression has the advantage of focusing attention on institutional dimensions of capacity as opposed to individual capacity, but is for the same reason less inclusive of capacity at different levels (including the individual level).

¹³ CIDA might be able to draw on the experience of other donors who make it a practice to disburse funds directly to developing country institutions. However, the adoption of such an approach would probably require higher levels of staffing for project management and lower staff turnover than is currently the case. It might also require an increased field presence, because CIDA has to be sufficiently aware of the local context to ensure that institutional arrangements proposed for a project are sound and sustainable. This field presence could be reduced over time, as local capacity is reinforced. Indeed, the best way to strengthen field presence may be to help build local capacity for aid effectiveness.

stakeholders appropriately.”¹⁴ Increasing local ownership need not, therefore, imply a reduction in ownership by other parties, nor an abdication of responsibility by CIDA.

The concept of local ownership is closely related, in this respect, to the notion of partnership as a defining feature of a relationship between funding agencies and developing country institutions in which the role of external agents is seen to be a supportive one based on ongoing dialogue, consensus and capacity development around shared objectives, rather than one of direct controls and conditions by one party over the other.

Nor does local ownership necessarily mean government ownership, or even ownership by any single representative of local interests. Capacity development efforts and program-based approaches may involve government authorities, specific organizations, groups within the general population or any combination of these with a stake in the project. In the case of SWAps, local ownership rests primarily with government, but even here, the advantages are likely to be more widespread when all local stakeholders are involved in some capacity.

How the distribution of responsibilities and controls is managed will depend on how CIDA, host country partners and other partners assess their own and each other’s capacities. Because country contexts are fluid and CIDA’s information is incomplete, it is difficult to predict how quickly capacities will evolve. The best approach to the allocation of responsibilities is thus likely to be an evolutionary one, the specifics and pace of which cannot be fixed in advance. This implies a need for flexibility and ongoing adaptation to build and sustain effective partnerships and increased local ownership over time.

One needs to recognize the cost, in terms of lost opportunities for CD, when local ownership is sacrificed. CIDA should be held accountable for actively promoting local ownership and management by accepting a necessary level of risk and by taking the necessary measures to increase capacity in the host country. Considerations about the optimal balance between donor control and local ownership apply to all CIDA projects and initiatives. They condition the nature of the CIDA-CEA-local partner relationship, regardless of the modality that is chosen.

In stand-alone projects, the main issue will be to decide upon the distribution of roles between Canadian Executing Agencies and local partner institutions. Even when CIDA retains a degree of control over the design and life of the project, the expectation that host country institutions should exercise ownership and leadership demands a shift in how donors like CIDA think about the issue of control, and a progressive devolution of control by CIDA and CEAs.

Decisions also have to be made about the appropriateness of the stand-alone project modality as opposed to program-based approaches. Once the shift is made to a program-based approach, the choice to be made will be among the different modalities that may be used in that context. Even when CIDA engages in program-based approaches such as SWAps, it may do so in several ways. The options here include a place for projects whose place is well integrated into the sector program (as opposed to stand-alone projects), pooling of donor funds (with or without earmarking for specific purposes), and eventually funding in the form of sector budget support or general budget support.

Implications for Accountability

¹⁴UNDP Forum on “Reforming Technical Cooperation,” Turin, December 2001.

As noted earlier, CIDA's accountability to Parliament is increasingly for final outcomes (the difference CIDA assistance makes in people's lives) rather than for specific activities and outputs. The emphasis on local ownership and shared accountability for project outcomes does not diminish CIDA's accountability, but it does affect how CIDA's performance should be judged. Local ownership means shared accountability. No longer can accountability be assured merely by maintaining direct control over projects. Indeed, the opposite is true: to be effective, CIDA and CEAs must actively *release* or *reject* control. This is not an abdication of responsibility but an *embrace* of responsibility for achieving sustainable development outcomes.

As CIDA and the donor community as a whole begin to reduce their control over specific project activities and outputs, the very fact of working together in partnership to achieve higher level outcomes introduces new roles and responsibilities to ensure that those outcomes are achieved. These new roles and responsibilities include the following:

- ensuring that there is local capacity to manage CIDA contributions effectively;
- collaboration with other partners to ensure that CIDA contributions contribute to the coherence of overall efforts to secure the intended outcomes; and
- ensuring that local institutions are accountable to their own stakeholders and constituents.

CIDA, in this approach, will be expected progressively to reduce its control over the details of project management over time. It should do so with prudence, but should be accountable for promoting measures that enhance collaboration with other donors, reinforce local capacities and promote good governance locally.

When addressing the responsibility of external funding agencies such as CIDA, we need to remember that accountability includes several dimensions: effectiveness, prudence, efficiency and compliance. The simultaneous pursuit of these different dimensions of accountability implies that there will sometimes be a tension between considerations that call for increased local ownership and those calling for appropriate measures of control. CIDA and CEAs are accountable for the proper management of that tension, in order to manage risks without sacrificing development effectiveness over the long term.

The elements of a strategy for doing this may include the following:

- strategic and prudent choice developing country partners and interventions;
- developing a clear vision of the context and of local capabilities;
- assisting local partners in defining their priorities and change strategies;
- offering guidance in project design and implementation in a spirit of dialogue with local partners;
- prudently retaining some measure of influence and control when necessary;
- helping partners to develop their own capacities and governance structures over time;
- promoting the accountability of developing country partners to their own constituencies;
- gradually reducing technical assistance and relaxing controls in ways commensurate with current and growing levels of capacity in the host-country partner.

The most difficult situation, in the case of program-based approaches, will be one where there is insufficient political will to deliver results on the part of the host-country government. RBM arrangements agreed upon in the management of a development program, even if technically sound, will be of little use

if the governance environment in the host country is unhealthy, because no set of formal accountability arrangements can compensate for weak commitment by the government to being accountable and responsive to its own people. CIDA must hold itself accountable for prudence when the governance environment in the host country is poor. This may mean staying away altogether, or it may mean the application of greater financial controls, either independently (by retaining the project mode), or in concert with other donors (when pooled funding is involved).

Another measure that CIDA may take is to support internal mechanisms for holding government to account in the host country. For example, CIDA might encourage its developing country partners to include representatives of civil society in discussions leading up to an RBM and accountability framework. The collection and analysis of data on the subject of access and quality of services, under the RBM framework, can be a powerful instrument for increased accountability. Along with other donors, CIDA can also urge the government to make such information widely available. This would allow local news media and civic groups to track the performance of the sector program, and hold the government accountable for failures to achieve targets. In some cases, it may be preferable to provide assistance through non-governmental channels, while working for improved governance.

Risk Management Under Program-based Approaches

The risk profile of CIDA's involvement in program-based approaches such as a SWAp depends upon the approach taken by CIDA. In particular, the risk profile of the project-within-a-SWAp modality may not be very different from that of a traditional bilateral project because it allows CIDA to some degree to isolate its investment from the surrounding environment. If anything, the risk associated with a particular project is likely to be substantially less under a SWAp than under a stand-alone project, because of the greater attention to systemic factors that a program-based approach allows for the community of partners involved.

However, as one moves toward the budgetary-support end of the spectrum of program-based approaches, CIDA faces steadily declining levels of direct control over financial and operational management in the host country. The risk factors in a SWAp relate to both institutional capacity and governance, including greater vulnerability to corruption and domestic rivalries. To the extent that CIDA integrates its support for a SWAp more fully into the local administrative environment, success will depend on the quality of host-country systems for financial and program management, and on the capacity and incentives of the local public servants who are operating the systems. On the governance side, much depends on the capacity and willingness of the host-country government to hold itself accountable to its own people for developing a sector strategy that is a valid reflection of local priorities, and for implementing the strategy. Management of these risks is best done in collaboration with other partners engaged in the SWAp, including the rest of the donor community, the host country government and other host country stakeholders.

The first step in developing a risk-management strategy involves the collection of pertinent information. CIDA needs to understand the level of risk involved in the governance and institutional capacity environment of a SWAp before committing itself. This requires a close understanding of the local institutional capacity environment and the local governance environment. CIDA's strategy for

involvement and risk management in a particular SWAp should derive from that analysis.¹⁵ CIDA's preliminary analysis of the risks related to governance, institutional capacity and time may lead it to conclude that the risks are unmanageable and that CIDA should not become involved in a particular SWAp.

However, there are ways to become involved even where institutional capacity and the governance environment are relatively weak. The option of providing "project-type" support to the SWAp mentioned earlier, is the most common risk management strategy adopted by donors.¹⁶ Even if donors decide to pool their funds, it is possible to distinguish the act of pooling from the provision of budget support. Pooling can be done in many ways, and mechanisms may be used to bypass or control for weak institutional capacity and governance in the host government, when it necessary. If budget support is provided, this too may be done partially or gradually, as conditions improve. A common approach being used in SWAps is to phase in greater integration of donor support into government systems, conditionally upon the improvement of those systems. Managing risk on an ongoing basis under such an approach requires careful attention to short-term performance reporting and the management of intermediate milestones. Short-term and medium-term monitoring mechanisms should allow the donor community to adjust its approach on an ongoing basis in response to increased local capacities, changes in governance systems, or changes in leadership.

To summarize, the options for risk management include proper risk analysis, in collaboration with other donors and local stakeholders, the appropriate choice of disbursement modalities, engagement in capacity development and governance issues, ongoing monitoring of institutional development, and progressive evolution toward different forms of support as capacity increases. Risk-management decisions such as these involve judgement calls and different people's judgements can differ, including those of external auditors. However, the solution is not to shun risks, but to be explicit and transparent about the judgements being made.

Field-oriented Accountability and RBM

Moving from a control-based approach to one based on local ownership and capacity development has major implications for the vision of accountability and for the distribution of responsibilities for results management itself in CIDA projects.

In terms of accountability, such an approach requires increased attention to the accountability of local partners to their own constituencies. This is so for two reasons: first of all because the quality of governance is an important part of capacity development in its own right; but also because of the role that local accountability can play as a risk management strategy when control is in the hands of local organizations. This suggests that the best way to promote aid effectiveness and accountability

¹⁵ See the list of questions that Africa Branch has developed for officers involved in preparing a SWAp to consider. It is posted on the SWAps network extranet site.

¹⁶ Between 1997-2002, 54% of funding for SWAps tracked by the Sector Programs Task Team of the Special Partnership with Africa was provided in the form of projects. Another 17% was provided off budget to non-government entities; 10% was provided through basket funding; and 19% was in the form of budget support (Draft SP Tracking Summary Report, 2001).

simultaneously is to promote the accountability of CIDA's local partners, not so much to CIDA itself, but to their own constituencies (Schacter, 2001).

CIDA already accords substantial importance to local participation in the implementation of its RBM policy. However, this participation tends to enhance local partner accountability to CIDA, rather than to local constituents. Accountability has traditionally been viewed in CIDA as flowing upwards from the field to Canadian partners, to CIDA, to Parliament, rather than downward to the constituents of host partner institutions. The importance of accountability as a development issue - its relationship to local ownership and good governance - is often overlooked or given insufficient attention. The resulting focus on CIDA's upward accountability requirements does not encourage accountability to local constituents.

A good example of this is the way that the development of the Project Performance Measurement Framework (PPMF) is managed. The PPMF establishes the basis for the measurement of project performance. It describes the outputs and outcomes that are expected to be produced, and specifies when they are expected to be produced. However, this instrument is normally seen as a monitoring and control tool imposed by CIDA, for its own benefit. Involvement of local partners is often more limited than it should be, and unlikely to involve dialogue with the constituents that local institutions are expected to serve.

This approach to accountability has repercussions that extend beyond its negative implications for local ownership and good governance. It also limits the use of RBM as a tool for enhanced management and learning. Morgan and Qualman's 1996 papers on this topic oppose two very different ways of conducting RBM - one field oriented, the other donor-oriented.¹⁷ In the pursuit of CD, the importance of a field-oriented approach is evident. Explicitly rebalancing the role of the RBM and accountability framework away from accountability to CIDA in favour of improved management and learning by all parties and enhanced accountability to local constituents would help make the RBM and accountability framework, including the Log Frame, the definition of results and the choice of indicators, much more amenable for use as tools for cultivating local understanding, mutual learning, active involvement, and mutually beneficial partnership between Canadian and local actors.

Since local partners often lack the capacity or necessary understanding of RBM, many CIDA projects already include training and mentoring to help them develop that capacity. What is important is that such training not be undertaken primarily to satisfy CIDA's own requirements for reporting and accountability, and that RBM truly serve the needs of the partners to manage strategically for results. Capacity generated as a result of these and related processes may constitute an important outcome in certain projects and should be noted or recorded as such. Enhanced knowledge and skills having to do with RBM processes (e.g. meetings, negotiation, learning, listening, leadership, facilitation, deliberation, conflict / dispute resolution, etc.) thus need to be acknowledged included as desirable results in their own right, and allocated time and resources especially in those overseas situations where such capacities are lacking or dormant.

¹⁷See also ActionAid, 2000. ActionAid is a UK based NGO that has attempted to integrate concerns for CD and accountability by introducing an Accountability, Learning and Planning System (ALPS). The system was designed to reduce reporting, reform power relationships, enhance learning, encourage innovation, and at the same time fulfil legitimate requirements for accountability.

In applying principles such as these, we need to recognize the realities of the donor-recipient relationship, and the fact that CIDA is the one driving the RBM process. CIDA must therefore be held accountable for driving that process in a way that does not only satisfy its own needs, but that also supports development outcomes through improved management in the field, learning from experience, and capacity development.

This rebalancing of the RBM and accountability framework away from CIDA's own accountability needs takes on special importance in the case of program-based approaches, where graduation from the project mode to pooled funding and budget support is intended over the long term. CIDA and other donors involved in SWAp have generally avoided disbursement of project funds directly through the recipient country's budget because they have had little faith in the quality of public financial management in the host country. However, the resulting proliferation of uncoordinated accountability arrangements bypassing the host-government's own systems is unsustainable and counterproductive. Most donors accept that a defining characteristic of a SWAp is the eventual elimination of fragmented, donor-controlled accountability arrangements. There is consensus that this may be achieved in stages beginning with agreement among donors and the recipient country on "common management and reporting procedures" (which may still be outside of regular host-country procedures), followed ultimately by the use of Government procedures to disburse and account for all funds (Foster and Fozzard, 2000:56). Further progress toward harmonization of procedures, and ultimately toward use of the host government's own financial procedures, will depend on the degree to which developing country governments can improve their capacity for public financial management and address public sector corruption, with support from the donor community.

Also particular to SWAp is the increased need for co-ordination and harmonization of RBM and accountability requirements among the parties involved. This means that the specific RBM approach and framework to be adopted for the SWAp as a whole must be developed collectively and cannot be imposed by any single party. CIDA's primary concern under this scenario should be to contribute to the soundness of the overall framework.

Implications for the Project Cycle

Regular implementation of such an approach in all CD activities may require adaptations in the project cycle to allow sufficient time for participatory processes to take root among relatively stable partners, including CIDA, Canadian partners and host country stakeholders. As Bossuyt (1995:3) advises donor organizations,

"Participatory development and institutional change... do not fit easily within current segmented project cycles. Capacity development is better suited to a process approach. This means starting from local conditions and capacities (rather than from external inputs), involving key actors and stakeholders from the earliest stages, phasing program activities and funds in the context of a long-term strategy."

Critical project work should thus start, not within the Agency, but in the recipient country. The most useful information and data for the RBM and Accountability Framework should come from local sources within the recipient country, not outside. Timing and sequencing of activities and results should

reflect local realities rather than Agency program and planning requirements. This is likely to mean a longer time frame for project development, and progressive phasing-in of activities as local actors acquire and internalize the necessary capacities for meaningful dialogue and participation.

A More Flexible Approach to Logic Chains

The increased importance of capacity development considerations in everything that CIDA does and CIDA's increased involvement in program-based approaches such as SWAps greatly complicate the nature of the Agency's business. Programming under these approaches involves management under conditions of continuous learning, multi-stakeholder ownership and participation, risk and uncertainty, and strategic planning in the context of limited information, limited capacity, and sometimes ambiguous development tasks. Managing for results and effectiveness under these circumstances is very different from what it would be under the classic project model described earlier.

Over the years, the need for sophistication in applying RBM and accountability principles have become increasingly clear to the Agency. Beginning in 1996, CIDA Policy Branch commissioned a number of papers on the application of RBM to capacity development in ways that would promote, rather than impede aid effectiveness. This documentation identified some of the features of CD and suggested how RBM should be used in order to promote capacity under a "field-oriented" approach rather than a "donor oriented" approach. Substantial work was also done on possible CD indicators.¹⁸ Aware that CIDA officers needed guidance on the application of RBM to CD, Performance Review Branch included numerous examples of CD projects in its recent guide titled *RBM Handbook on Developing Results Chains* (Dec. 2000).

More recently, donors and analysts have become increasingly aware of similar considerations when engaging in SWAps. An issue paper on the subject by Therkildsen et al. (1999:3) concludes that the process of policy-making in low-income countries that enters into play when SWAps are involved is characterized by, "conflicts and bargaining under conditions of constant change, resource scarcity, inadequate knowledge and insufficient capacity. Abby Riddell, writing on SWAps in the education sector (2001), comes to similar conclusions. This has major implications regarding the approach that donors take, and the knowledge that they need to have in order to make SWAps work. In particular, it requires a much more sophisticated, ongoing and broad-based approach in terms of political knowledge, mobilization of actors and resources, and sequencing of interventions.

CD as Outcome

One of the issues facing RBM practitioners is how to deal with capacity development in defining the logic of a project. A first, and important, question to be addressed concerns the place of CD outcomes in the hierarchy of expected results. Improved capacity is a relatively intangible type of outcome, compared to more tangible results such as reduced child mortality, improved access to education, or improved access to infrastructure. To understand how best to handle CD as an outcome under RBM

¹⁸As a type of outcome, CD can be defined as the enhanced ability of individuals, groups, organizations and of society as a whole to identify and meet development challenges in a sustainable manner (Morgan and Qualman, 1996; Qualman and Morgan, 1996; Morgan, 1997; Morgan, 1999).

requires an understanding of how capacity development outcomes relate to these other, more tangible, types of results.¹⁹ At least three situations can be envisaged.

Case 1

The first case relates to activities such as training or technical assistance aimed at CD, that can be linked in a fairly direct way to more tangible outcomes. One might imagine for example the training of operators for pumping stations in an irrigation project, which is expected to contribute directly to the success of the project in delivering water to the fields. Textbook approaches to RBM have little difficulty handling situations of this sort, because the CD outcomes can readily be appreciated in terms of tangible outcomes downstream from the CD outcomes themselves.

Case 2

A second case also involves CD outcomes which can be linked to a relatively clear outcome of a more tangible nature. However, the link in this case is more indirect or long-term. This case can be illustrated by reference to a hypothetical example. Consider a health-sector project that has as one of its goals a tangible outcome such as a reduction in the incidence of HIV/AIDS. The project has as its objective building the capacity of locally based NGOs that are doing HIV/AIDS-related work such as HIV/AIDS education, distribution of condoms and distribution of needles. There are at least five layers of significant results, or outcomes, in this case:

- Immediate outputs, which derive from activities undertaken under the project
- First-order outcome: increased capacity of NGOs involved in HIV/AIDS related work
- Second-order outcome: improved performance of NGOs involved in HIV/AIDS related work
- Third-order outcome: behavioural change in the targeted population, e.g. a decline in risky sexual behaviour
- Final outcome: a reduction in the incidence of HIV/AIDS.

In this case, the higher level outcomes being pursued are clearly identified. However, it may not be possible to make the link with the final outcome being pursued during the life of the project, or even beyond that, due to time lags and the intervention of extraneous variables, particularly if the NGOs involved are only one of many players in this field. This suggests that the RBM framework should accord substantial importance to those intermediate outcomes over which the project does have a significant degree of control. In contrast to the situation in the irrigation project example above, it would not be sufficient to measure tangible downstream outcomes as an indicator of project performance.

Case 3

The third type of CD outcome even more complex. In this case, the CD outcomes are what can be labelled “core” capacities²⁰ which are relatively general in nature, and which cannot be linked to specific

¹⁹ Adapted from Qualman and Bolger, 1996, p. 1. For more detailed discussion of what this involves, see Lavergne and Saxby, 2001.

²⁰ See Lavergne and Saxby (2001:2-3) for an exploration of the concept of *core capacities*. Lavergne and Saxby use the concept in reference to “the creativity, resourcefulness and capacity to learn and adapt of individuals and social entities,” and provide a number of examples of capacities that fit this understanding. Here, we use the term in a

downstream outcomes. Most projects produce CD outcomes of this sort. In the above example, CD outcomes of this sort might include increased accountability of the NGOs to their constituencies, improved management of the concerned NGOs, improved capacity to use results-based approaches, improved incentive structures, development of new partnerships and relationships, and so on. Such capacity development outcomes will lead to more tangible outcomes downstream, to be sure, so they remain intermediate outcomes of a sort, but it would be even more difficult - indeed impossible - to trace these outcomes.²¹

Case 3 outcomes are the most intangible of all, but some people consider them the most important. For example, a study of lessons learned from the Pakistan Environment Program, funded by CIDA, showed that:

The project has helped to create a set of institutions more able to influence and deliver environmentally sound programming... It has laid a solid foundation for the future through the creation of networks and working groups, and through the creation of a vast array of tools, ranging from environmental and educational policy development, through to the basic instruments required for them to operate: new legislation; new curricula; new research and information; new public awareness; new voices; new confidence.

Many of these things are intangibles, especially the political space created for policy dialogue between government and civil society. In a country like Pakistan, these are extremely important project 'outcomes'. Most were not mentioned in the LFA, however. They were not mentioned in CIDA contracts. They are not something that can be easily quantified or tracked; they do not lend themselves to bullet points in a two-page report. But the intangibles, especially the creation of greater 'space' are achievements that justify the entire project. (Smillie, 2001:17)

One of the confusions that frequently emerges in RBM with regard to CD is the idea that final outcomes measured in terms of benefits to developing country people are all that ultimately matter. CD, in this perspective, is an intermediate outcome, intended to promote higher level results. However, this treatment of CD is a viable option only in case 1. Most CD involves improvement in capacities and change processes, the full impacts of which cannot readily be measured (case 2) or even predicted (case 3).

Serious attention to capacity development thus has implications for the definition of outcomes in the RBM framework. The danger of downgrading CD outcomes in terms of what a project seeks to achieve is that CD activities, processes and results may not get the attention that they deserve. As a case in point, we know that local ownership and participation are important conditions of CD. However the activities and processes intended to promote local ownership and participation could slow down the project and might actually reduce the ability to deliver more tangible results in the short term. Were the project managers to be held accountable only for more tangible results, they could be forgiven for shying away from the promotion of local ownership and participation. It is thus important to recognize CD outcomes, and in particular those outcomes associated with core capacities, as legitimate outcomes in

general sense to refer to capacities whose downstream effects are general in character.

²¹ This problem has been recognized by IDRC, which promotes enhanced research capacity in developing countries, but has found it extremely difficult to trace the downstream implications of such investments. See Smutylo, 2001.

their own right, and to incorporate such outcomes explicitly in the RBM framework - however intractable they may be to measure.

The Log Frame Approach

One of the dangers of the textbook logical framework analysis (LFA) is that it seems to imply a degree of orderliness and certainty about managing for development that often belies reality. At least superficially, the logic model assumes that there is consensus about the goals and objectives of the project and about the choice of strategies to achieve those goals and objectives. It also implies a linear chain of causality from inputs and activities to outputs and successive levels of outcomes, of the sort that one can observe in the HIV/AIDS example cited above. It suggests a degree of predictability that makes it possible to plan in advance and a capacity to measure outcomes that may be unrealistic in many cases. *If CIDA is to use RBM effectively when engaging in CD or program-based approaches, the first step has to be a recognition that none of these assumptions apply.*

Recognizing uncertainty, ambiguity, and divergent interests

Lack of certainty characterizes most strategizing for development under CD and program-based approaches. Issues relating to tradition, culture, values incentive structures and existing levels of capacity are all fundamentally important, and often ill understood. Complicating factors such as these imply a considerable increase in uncertainty regarding what is achievable and how to achieve it (Rondinelli, 1993). Often, it is only in the doing that the nature of the task at hand, the challenges to achieving it, and the time required to achieve desired outcomes become fully appreciated.

A further complication is introduced by the emphasis on local ownership and participation that are fundamental to successful capacity development. Since different actors bring different values, expectations, world views, capacities and vested interests to the table, and respond to different incentives, there may exist wildly different viewpoints about what should be accomplished and what will be required to achieve those outcomes. Although efforts to secure a higher level of consensus on the goals and logic of a particular initiative are important to the search for effectiveness, and merit the expenditure of both time and money in the search for shared understanding, differences will remain and are better recognized than papered over. Indeed, it may be desirable to build strategies for managing differences explicitly into the project, and to recognize increased capacity for managing differences as a desirable outcome (see Gasper:2000:25). This would be particularly important in projects requiring broad-based local participation.

To be useful as an aid in managing for results, the RBM framework must recognize the complexities, uncertainties and different viewpoints, motivations and interests inherent to the development process. This has implications also for how to think about risk management. What needs to be recognized is that the most difficult thing about management for development is not risk management, but uncertainty management and management of competing interests.

These are different problems, requiring different approaches. Risks such as withdrawal of political support or staff turnover can be managed, because they have been identified and action can be taken to prevent their occurrence or to reduce their negative effects. Contingency plans can be made.

Uncertainty and conflicting interests are different phenomena, characterized by incomplete information, understanding and agreement. As the Agency's business becomes more complex, dynamic and uncertain, as tends to happen under CD and program-based approaches, the logic chains of the RBM framework may be quite speculative and not particularly useful. The most appropriate approach under such circumstances is one that recognizes more explicitly the reality of development work as one involving not just risk management, but also judgement and ongoing negotiation in the face of uncertainty, incomplete information and divergent interests.

The difficulties of managing under conditions of uncertainty are implicitly recognized by the increasing use being made in the Agency of the Iterative Line of Business as a modality of project management that recognizes the dangers of over planning under conditions of uncertainty. Existing RBM guidelines in CIDA and the Bilateral Road Map complement this approach by recommending that the LFA be treated as a living document that can be validated and updated to reflect changes in the project as it evolves. Explicitly making room for uncertainty, ambiguity and lack of consensus in the RBM framework would help to further legitimize this flexible, iterative approach to problem-solving.²²

Non-linearity

Much criticism has been levelled at the simple postulate of linear causality from activities to outputs to outcomes implied in the conventional RBM framework and the dangers of oversimplification that this represents. This issue is particularly relevant when engaging in CD and program-wide interventions, because of the systemic approach that is taken in these cases. To engage in a systemic approach is to recognize the presence of feedback loops, synergies, vicious or virtuous circles and other features that cannot be linearly described. In fact, it is a particularity of CD outcomes that they feed into the ability of the project to deliver most other inputs, outputs and outcomes. Increased capacity also *results* from most other activities, thanks to learning by doing.

For projects that are essentially about CD, it may thus be difficult to express the "logic" of a project according the linear frame contemplated in the conventional RBM framework (Morgan, 1999). One frequent approach to incorporating CD into logical frameworks is to define the capacity development of individuals as outputs, that of organizations and institutions as outcomes, and that of societal change as final outcomes. This may work in some cases, and retains the linear orientation, but reality is seldom so neat. In most cases, the only solution may be to recognize explicitly the existence on non-linearities and to adapt the RBM analysis accordingly.

One may ask if linearity is an inevitable feature of results-based management. Is the RBM framework *necessarily* linear in concept? CIDA's policy on RBM seems to suggest that it is, in the way that cause and effect relationships are depicted in linear diagrams of the results chain that go from activities to outputs to outcomes and impacts (CIDA, 1996). Linearity thus appears intrinsic to the model. Yet the story does not end there. The same policy recognizes that RBM is also about learning by doing, and adjusting management practices and activities to the lessons learned - a quite non-linear way of thinking. The solution is to adapt the utilization of the RBM framework in a way that allows the necessary degree

²²Den Heyer suggests that this approach could be formalized and systematized by adopting some sort of "Temporal Logic Model" (den Heyer, 2001).

of flexibility. Since the LFA does not lend itself readily to feedback loops and complex relationships, it is up to the accompanying documentation to explain what the LFA leaves out.

Process issues

Another criticism that has been made of the LFA is that it is not clear how and where to include the all-important processes that drive or obstruct effectiveness. The concern here is that it is not just inputs and activities that lead to outcomes, but also the way that these inputs are provided and activities pursued. For example, the extent of local ownership is generally absent from RBM frameworks, although it is known to be a critical factor. Other process considerations include stakeholder participation and sharing of power, the accountability relations that are established, mechanisms of conflict and dispute resolution, incentive structures, approaches to ongoing learning and adaptation, and many other equally important factors. Process considerations such as these have major implications not only for the short-term success of the project, but also for the capacity outcomes being pursued - in particular the “core” capacities that are fundamental to sustained development.

Recognizing the limitations of the LFA

The major contribution of RBM to development thinking and effectiveness is the emphasis that is placed on outcomes and the obligation to relate inputs and outputs to those outcomes. This is an important achievement that is perfectly consistent with everything advocated in this paper. Such thinking in terms of outcomes rather than of inputs and outputs is precisely what has led to the rethinking of developmental effectiveness described earlier.

The problems described above do not necessarily reside with RBM as a general concept or approach, but with excessive reliance on bureaucratic instruments such as the LFA as a tool for untangling the causal linkages inherent in the vision of a project. The LFA does not lend itself to the considerations of uncertainty, multiple logics and ambiguity of the sort discussed above, or to non-linear logics. Even regular, consensus-based, linear logic is relegated to the background, because placing boxes of outputs and outcomes side by side as done in the logical framework matrix is not a substitute for explaining the logical linkages between them and tells us nothing about the soundness of those linkages. One of the most frequent criticism that has been made of the day-to-day practice of RBM in CIDA relates to the excessive amount of attention paid to “filling in the boxes” of the LFA, at the expense of more thorough analysis of the linkages between its elements.

If it is to do more good than harm, the RBM framework needs to recognize the limits of consensus and the limits of expressing complex strategic approaches in simplified logical form as required by the LFA. Since CD takes place in a learning-by-doing mode, progress is inherently, slow, uncertain, and non-linear. It is not always clear what activities will lead to what outcomes, nor is it always possible to determine how to get from where the actors are to where they want to be. This means that the RBM framework should be designed and used in a way that can accommodate different understandings in a way that a simple LFA statement by itself cannot do.

The solution is to recognize the limitations of the logical framework matrix as a mechanism for defining the “logic” of a project or program. More important than the LFA itself is the strategic vision of a

project, including a recognition of the uncertainties and ambiguities involved. To give adequate treatment to process issues, each project should probably be accompanied by a statement of philosophy indicating the approach to implementation which is proposed and the expected effect of the proposed approach on CD outcomes.

In an evaluation of the LFA, Des Gasper reminds us of the roots of the LFA in the 1960s in corporate and military applications “marked by strong central authority and control around a relatively clear set of goals, indeed a dominant single objective: financial profit or military victory or survival (Gasper, 2000:21-25). After reviewing the pitfalls of applying the LFA in conditions similar to those discussed in this paper he concludes as follows:

LFA should be used with care, and sometimes not at all. LFs can usefully encourage thinking about purposes, assumptions and data, but become less helpful as we move from planning to monitoring and evaluation. They can become seriously limiting in evaluation when unintended effects and routes are important, when programme-context interactions are complex and the efficacy of intended means is not well understood in advance, and if there are major differences in priorities amongst stakeholders - situations which may be the rule rather than the exception. (Gasper, 2000:27)

There are different ways to address the limitations of the LFA as an instrument. One approach would be to do away with it altogether, or to experiment with different options. For instance, IDRC has developed an approach called Outcome Mapping that is consistent with RBM principles but does not include an LFA (Earl et al, 2001). Instead, it provides a twelve step approach that pays as much attention to issues of strategy and of organizational practice as to the measurement of outcomes. Because the assumptions of the model are consistent with the features of capacity development work, an adaptation of this model to CIDA’s needs would be worth exploring further.²³

However, ‘logic chains’ of some sort are an intrinsic part of how RBM is conceived by Treasury Board (TBS, 2001a). A more conservative approach would thus be to retain some form of logic chain, but to use it more flexibly as one tool among others. Elements of a more flexible approach could include the following:

- emphasis on the logic chain as a visual aid, the limitations of which are clearly recognized;
- clear mechanisms for adjusting the LFA over time, as part of the iterative approach to project management;
- recognition that the accompanying documentation - the Concept Paper, Project Approval Document and Project Design - is the most essential part of a project’s logic; and
- reinforcement of that documentation.

This approach would shift the emphasis of RBM away from the logic chain, in favour of the accompanying documentation. That documentation should emphasize the following:

- a well-articulated statement of strategic vision;
- attention to the institutional context and to competing interests and points of view;
- transparency regarding the uncertainties and ambiguities involved;
- a statement of philosophy regarding the approach or approaches to be pursued;

²³ See the threaded discussion of Outcome Mapping on CIDA’s CD extranet site.

- analysis of the linkages identified in the logic chain, including the place of capacity development in the project's strategic framework.

Measurement, Reporting, Evaluation and Audit

CIDA's involvement in capacity development and program-based approaches raises a number of issues relating to performance measurement, reporting, evaluation and audit. These are closely related functions, so we will treat them here under one general heading.

Uses of Performance Measurement

A first point that needs to be made concerns the purposes of performance measurement. Treasury Board guidelines are quite clear in recognizing the multiple functions of performance measurement. As it is put in the Treasury Board Guide quoted at the beginning of this paper, performance measurement allows managers to "track progress, measure outcomes, support subsequent evaluation work, learn and, make adjustments to improve on an ongoing basis" (TBS, 2001a:1).

The OECD/DAC Working Party on Aid Evaluation (2000, Executive Summary:15-17) makes a distinction between two primary uses of performance information. The first is to provide managers at different levels with continuous feedback in order to promote learning and facilitate decision-making. The second is for the purpose of performance reporting, or accountability. That both of these functions need to be satisfied is obvious.

However, what is becoming increasingly clear on the basis of accumulating experience is the existence of tensions and trade-offs between these two functions. As the OECD/DAC review points out, the overemphasis of the accountability function over the management function may ironically shift the focus back down to outputs, which are more easily measured and attributed to specific activities, rather than outcomes. There will also be a tendency to emphasis *what* is being achieved and less *how* it is being achieved or could be better achieved. These and similar tensions raise a dilemma for donor agencies regarding how to satisfy both the learning and accountability aims of performance measurement.

How these tensions are resolved has important implications for capacity development, which is more likely to thrive when RBM is used in a learning and partnership mode. According to the OECD/DAC (p. 17), these tensions may be partly resolved by thinking about accountability in new ways. As they put it,

The old "command and control" view of accountability, holding managers responsible for achieving specific results, could give way to a newly emerging view of *shared accountability* based on partnerships. Under this new paradigm, managers might be held accountable for working with partners to achieve higher-order results, for learning from failures, and for continually using performance information in their decision-making processes. In other words, they would be held

accountable for forming partnerships, for learning and for managing-for-results, rather than for achieving specific results, especially those out of their control.

This recommendation is similar to what this paper has been advocating in terms of how accountability should be defined and refined when engaging in capacity development and program-based approaches to development cooperation.

The review of current RBM and accountability practices in CIDA that has just been completed (2002b: Finding 2), suggests that it is the accountability or control function of RBM that carries the day more often than not in CIDA. For many CIDA partners, performance measurement is something that one does in order to satisfy CIDA's reporting requirements, and RBM itself becomes associated with the reporting obligations that it involves under the Project Performance Measurement Framework.

This result is not entirely surprising in light of the imbalance of power that exists between the Agency and beneficiaries that allows the Agency to impose disproportionate attention to its own needs for information and accountability requirements. Questions regarding the form and frequency of reporting, the choice of indicators, and the underlying philosophy of the process thus tend to be settled in favour of Agency needs and wishes with varying degrees of local influence.

This situation is thus likely to continue unless clear guidance is provided to CIDA managers regarding the approach to RBM that they are expected to take. What is required is a model of RBM that promotes improved project or program management and enhances management capabilities in developing country institutions. A more refined understanding of accountability along the lines recommended above by the OECD/DAC could go a long way in promoting such a model.

What to Monitor and Measure

A related question to the above is how best to think about performance "measurement" as a concept. Indeed, one may ask whether "measurement" is the right term at all, since it implies the use of formal, quantitative indicators that are not always applicable under RBM. It might be useful to distinguish between performance "measurement" and performance "assessment," the latter being a more general concept than the former. As RBM practice has evolved, the concept has taken on a much more general meaning associated with the collection of information required for purposes of results management and accountability. That this should include qualitative and "soft" information has long been accepted in CIDA, and recognized in RBM guidelines. This usually refers to judgements and perceptions that are systematically collected and analysed.

Keeping in mind that formal measurement can be expensive, time-consuming, and sometimes impossible, CIDA guidelines encourage the use of limited numbers of indicators for reporting purposes. However, this pragmatic approach needs to be reconciled with the detailed information needs of managers. The solution is to recognize that there exist other ways of observing and assessing performance than formal measurement. This includes direct observation and ongoing analysis of performance that should be the daily concern of all parties involved in a project. Recognition of this is likely to be particularly important when managing processes characterized by multiple actors, ambiguous cause-effect relationships, substantial and uncertain time lags between activities and impacts, and intangible outcomes. The challenge is to design a performance measurement system that promotes rather

than hinders management for results by judiciously combining formal measurement and data analysis with direct observation that is processed in an ongoing way.

A related and equally important point is that the information required in order to manage for results is not exclusively about results. The tendency under RBM is to focus attention on the identification and collection of results indicators, but care should be taken not to distract attention from other aspects of managing for results that are essential for ensuring success, namely everything that we need to understand in order to appreciate why results are or are not being achieved and to adjust project strategies accordingly (Morgan, 1997: 23-24). In CD work, this includes the following:

- process issues having to do with local ownership and participation, sharing of power, partnership, accountability to stakeholders, conflict and dispute resolution, incentive structures, learning, and many other equally important factors;
- the wider context in which the project is unfolding; context is dynamic, and changes in context may often be more significant in explaining cause and effect relationships than project-specific activities or interventions;
- monitoring of operational performance and efficiency at all levels.²⁴

One might argue that monitoring these different aspects of performance is part of any management process and not specific to RBM. The important thing is to ensure that the emphasis of RBM on monitoring of results does not distract us from other monitoring functions that are just as important.

Measuring CD outcomes

Let us now enquire into the special features of capacity development outcomes when it comes to performance measurement. As noted earlier, CD outcomes relate to more tangible outcomes in different ways. We looked at three cases:

- Case 1, in which CD could be considered an intermediate outcome leading to other tangible outcomes during the life of the project
- Case 2, where the link to downstream tangible outcomes was clear but would be difficult to establish in terms of attribution to specific CD activities,
- Case 3, where the tangible outcomes that might result were difficult or impossible to anticipate with any degree of precision.

As Treasury Board has noted, the use of performance measurement for project management purposes requires that results should be observed or measured at all levels, in order to identify where a project may be failing or succeeding at different points of the “results chain” (TBS, 2001a: Annex C). However, the amount of effort that should be dedicated to measuring CD as an outcome will be less important in some cases than others. This is the situation in case 1. Here, project managers would probably want to monitor the project’s CD activities informally to ensure that quality is assured, but formal measurement efforts might best be focused on the downstream outcomes that are being pursued. Indeed, the best

²⁴The SPA Task Team on Contractual Relationships and Selectivity also makes this point (2000:6), as does the OECD/DAC’s Working Party on Aid Evaluation, which distinguishes two types of performance monitoring: implementation monitoring and results monitoring (2000, Executive Summary: 7).

indicators of success of CD efforts are likely to be in the downstream results, rather than in any immediate indicators of “capacity” such as test results or indicators of satisfaction with any particular training activity.

This situation does not apply in cases 2 and 3. Case 2 corresponds to the HIV/AIDS example cited earlier. As we concluded earlier, the difficulty of attributing other outcomes to CD in this case requires that the CD outcomes be monitored and measured in their own right, in addition to the downstream results. Measurement of the downstream results remains important, despite the difficulties that there might be with attribution, since this will help to focus efforts on the ultimate results being pursued and to adjust CD activities accordingly, but it could not serve as an exclusive measure of project performance. Case 3 is even more difficult, because the capacities being promoted in this case are “core” capacities. In this case, the final outcomes cannot be observed, because they are too diffuse, or even unknown. This makes it all the more important to focus on the capacity development results themselves.

Capacity development outcomes will be fundamental to the success of integrated development programs such as SWAp, and all partners will be interested in monitoring these outcomes. An example of such capacity is the local partner’s capability for sound financial management, which will condition how the SWAp is set up in the first place, and how it graduates over time from project-based modalities to budget support. Partners in the SWAp will want to see the government increasing its ability to assert its ownership of the program, and would consider increased strategic and planning skills at the ministry and district levels to be important measures of success. They will also want to monitor the efficiency with which services are being delivered and the extent to which resources are reaching the intended beneficiaries of the SWAp as management capabilities are reinforced. Indicators of transparency and accountability to local constituencies and stakeholders will also be important.

The measurement of CD outcomes poses special challenge because of the intangible, multidimensional character of such outcomes. Much has been written on the subject of indicators for CD (for example Morgan, 1997, 1999), and much more can be found in the literature on “capacity assessment.”²⁵ Measurement of CD will usually be qualitative in nature, and may often consist of subjective judgements based on direct observation. Because CD can be so multifaceted, the number of indicators required to account for CD outcomes may be quite large, and the best way to manage these may be to incorporate them into the “story” of how capacity development is unfolding.

Sub-targets and general goals

As noted above, the use of information for management purposes requires that results be measured and monitored at all levels of the results chain. It also requires the monitoring of sub-targets corresponding to different components of a project. This is an important consideration when dealing with larger development programs such as SWAps, which can be thought of as large initiatives composed of important subparts, some of which are likely to be independently-funded projects. Even in the ideal case where there are no independently funded projects and donor funding is pooled and provided in the form of budget support, a SWAp will need to concern itself both with overall targets and with sub-targets, including performance at provincial or district levels or performance in terms of specific activities.

²⁵ See references under the title of “capacity assessment” in CIDA’s CD extranet and Internet sites.

Performance at the level of independently-funded projects will obviously be a concern where these exist.

The point to recognize here is that performance measurement, understood as a requirement of sound management, is not something limited to a number of key indicators of the Millennium Development Goals variety. It involves a system of information-gathering that is ongoing and addresses the needs of all parties engaged in the management of an initiative.

That said, engagement in program-based approaches provides new opportunities for focusing on the big picture. What changes, under a SWAp for example, is that it becomes both more feasible and more interesting to measure performance at the sector level for strategic purposes, for use by the host government, by other partners interested in better co-ordinating their efforts, and by citizens of the host country to whom the host country is accountable. Even a SWAp delivered according to the project mode thus presents an opportunity for partners to work together to monitor the results of their joint efforts and to think strategically about how to improve joint performance.

Reporting and Accountability

Every development initiative includes a number of reporting and accountability relationships, and reporting requirements will vary accordingly. However it is important to be clear in all cases what is meant when one speaks of accountability for results. Reporting needs to demonstrate three things:

- That one is managing for higher level results - not just activities and outputs;
- That results are being achieved;
- That CIDA funding has contributed to those results.

As this paper has suggested, and as the OECD/DAC review mentioned earlier has also argued, there are numerous dimensions of managing for results that deserve to be highlighted when managers hold themselves to account for results performance in the development field. Much of this has to do with the nature of the relationships that are fostered - promotion of partnerships, respect for local ownership, engagement in capacity development, fostering of local accountability, etc.

Managing for results also involves managing with an eye to the higher level results that are being pursued. Whether reporting requirements in terms of results tend to focus on lower or higher level results depends upon the limits of feasibility and the needs of the moment. In the HIV/AIDS project example cited earlier, we identified five levels of results, ranging from immediate outputs to the final outcome (reduction in the incidence of HIV/AIDS). Data on each level of outcome is required for understanding the context within which the project is operating, and for making judgements about the validity of the approach taken by the project. However, the outcomes become increasingly difficult to attribute to project activities alone as one moves in the direction of final outcomes, because of the lags involved, and the large number of extraneous variables that are likely to intervene.

For the purpose of accountability for results, the outcomes of greatest interest are those over which the project has a significant level of control. In the HIV/AIDS example, the project could reasonably be held accountable for outputs, for changes in the capacity level of the NGOs involved, and for changes in the quality of their performance. At the other end of the results spectrum, it is much more doubtful that

the project could be held accountable for the ultimate outcome, a reduction in HIV/AIDS incidence. HIV/AIDS is a vast and multifaceted phenomenon and a multiplicity of factors can influence its rate of incidence in a particular country or region. One could easily imagine circumstances where the project would perform well, and yet rates of HIV/AIDS might remain stagnant or even increase. Most often in CD projects, it is only the CD outcomes themselves that can be attributed to project activities.

However, the project managers also need to demonstrate that they are managing for high-level outcomes, by arguing the soundness of the strategy that is being pursued, and showing how the project is likely to be having a higher level impact. Indicators of outputs and outcomes should be marshalled as evidence of what has been achieved, whenever possible, but should be accompanied by sound analysis of the various factors contributing to those results.

The Attribution Issue Under Program-Based Approaches

As the above example demonstrates, the attribution of results to a particular project or contribution becomes increasingly difficult at higher levels of outcomes. Attribution is further complicated whenever partnered approaches are involved, as is the case when engaging in program-based approaches. Direct attribution of results to a particular donor is technically difficult in program-based approaches such as SWAps, because donors that participate in a SWAp pool at least some of their resources, ideas and influence, and work together with the host country to achieve sector-wide goals. When funds are pooled outright, as often happens, direct attribution becomes impossible.²⁶ CIDA's reporting obligations to Parliament in these circumstances need to focus on the results of the SWAp as a whole, recognizing that these results are part of a team effort of which Canada was a part.

The simplest case, from CIDA's perspective, is when it engages in program-based approaches through the conventional project mode. One is tempted to believe that this situation represents business as usual for CIDA, in which a Canadian Executing Agency (CEA) reports to CIDA and CIDA reports to the Canadian Parliament. This remains true even if the Executing Agency is not Canadian, and the main questions to be asked in this case are the usual ones about the allocation of responsibilities between CIDA and the executing agency. To the extent that CIDA retains control over project activities by engaging in the project mode, CIDA and its agents remain accountable for results at that level, and should be expected to report on those results at the output and outcome levels corresponding to the degree of control exercised.

However, even in this simple case, it is important to remember that CIDA is part of a partnership pursuing higher level objectives that should be the primary object of interest. It matters little if CIDA's projects succeed if these projects do not fit coherently into a whole capable of delivering results overall. Of greater interest, if we take the SWAp approach to partnership seriously, is what the country and donor community together have been able to achieve through their joint efforts. As part of a partnership

²⁶The Swedish aid agency, SIDA, highlighted this fundamental issue in a policy paper on SWAps, observing that the "transition from project support ... has the effect that direct links between Swedish contributions and individual activities disappear. The Swedish sector programme support is one contribution among several for the development of a sector..." (SIDA, 2000, p. 39). Similarly, a paper on SWAps prepared for the British aid agency, DFID, observed that "the direct contribution of one donor to achievement of impact will be difficult to disaggregate from the contributions of other partners" (Norton and Bird, 1998, p. 11).

of agents involved in promoting the SWAp, CIDA is accountable for playing a constructive role in ensuring that an appropriate reporting framework is established for the SWAp.

This interest in overall results was expressed in a 1998 review of CIDA programming by the Auditor General of Canada, who encouraged the Agency not to focus its performance reporting on demonstrating how CIDA inputs may have caused particular outcomes in a developing country, but rather to “show how its projects have contributed to overall results.” In an important statement of principle regarding situations where donors work collaboratively (as in a SWAp), the Auditor General said,

What is important is that lasting development results be achieved, not that they be attributed directly to the intervention of any particular donor. This type of reporting would reinforce CIDA’s move to focus more on development results, and would improve accountability for the effective use of ODA funds (OAG, 1998, par. 53).

What may be attempted, and what may be possible to a degree, is to assess what value added CIDA’s participation in a SWAp might have generated.²⁷ If Canada is at the table, and if substantial Canadian funds are provided in addition to those of other partners, then some sort of contribution analysis should be possible, and one can speak of Canada’s particular value added, through policy dialogue and other contributions. This contribution may be easiest to identify when Canadian Executing Agencies or Canadian technical assistance are involved, as happens when a part of Canadian funds are pooled and another is not, which is a formula being used in many CIDA contributions to SWAps. This sort of contribution analysis tends to be somewhat speculative, in terms of the share of “credit” that can be allocated to CIDA for particular results, but it would be of interest to the Canadian public nonetheless and need not consume inordinate amounts of resources for monitoring and reporting.

Clearly, Canada’s value added will be easier to demonstrate in cases where Canada is one of the leaders among the funding agencies supporting a SWAp and where CIDA’s contribution is particularly large. The cases of CIDA’s support to education in Senegal or to HIV/AIDS in Malawi provide examples where CIDA is in this sort of position. In such cases, CIDA is likely to be involved in policy dialogue and in establishing a favourable enabling environment for the SWAp, as a result of the work done by CIDA staff (country program director, head of mission and head of aid, project team leader) and contracted specialists. The special nature of Canada’s contribution will obviously vary from case to case, but examples to date point to efforts by CIDA to help host government exercise strategic leadership in particular sectors, by providing resources, advice and diplomatic support (Vietnam, Honduras, Ghana, Mali). Elsewhere, CIDA has played or is expected to play a leadership role regarding equality of access of girls and boys to primary education and curriculum development (Uganda, Senegal, Mali).²⁸

²⁷This approach is consistent with the Treasury Board’s definition of attribution, which does not imply an exclusive cause and effect relationship, but only a “reasonable connection... between a specific outcome and the actions and outputs of a government policy, program or initiative” (TBS, 2001a: Annex A).

²⁸Discussion of Canada’s value added in these cases can be found on the SWAps network extranet site on the Discussion side, under SWAps in CIDA/Projects. For examples of areas of comparative advantage that Canada has to offer in SWAps, see Jackson, 2001.

Parliament and Canadians should also hold CIDA accountable for the quality of its strategy with respect to SWAps, both in general and with reference to particular SWAps in specific sectors and countries. CIDA should be prepared, in its annual performance reporting, to account to Canadians on matters such as the following:

- CIDA's overall strategy for entering into SWAps;
- the way that CIDA decides when a SWAp is the appropriate way to deliver development assistance;
- how CIDA's own rules and procedures are adapted to the unique features of SWAps;
- how it is monitoring the implementation and success of SWAps; and
- what lessons it is learning from its failures and successes.

Within a particular country, CIDA must be able to account for the following:

- why it has decided to support a particular SWAp;
- the rationale for the formula that it has chosen for participation;
- how it has contributed to strengthening local capacity, ownership and control and accountability to stakeholders in the host country;
- its contribution to policy dialogue;
- its approach to collaboration with other donors;
- success in harmonizing its procedures with those of other funding agencies and of the host government; and
- its ability to assess whether a SWAp is achieving its objectives and to track results at the level of impact or final outcomes.

Meeting Demand for Annual Results

Another area of concern is how to combine the need for short and medium term reporting and monitoring with the long-term realities of the objectives being pursued under CD and SWAps. All projects require progress reports to be submitted on a periodic basis, and within CIDA, project managers are expected to prepare Annual Project Performance Reviews (APPRs). The latter exercise, which forms part of CIDA's management information system, has created pressure to report significant results every year, and even to indicate what "proportion" of specific outcome targets have been achieved in a particular year (Smillie, 2001). However, most CD activities and most SWAps pursue high-level results that can take several years to manifest themselves. The challenge for host-country institutions, CEAs and CIDA is thus to meet the obligations for short-term performance reporting while doing justice to the long-term nature of the outcomes being pursued. Each partner must be able to explain in a clear and credible way:

- the link between the short-term activities and results that are reported and the longer-term outcomes being pursued; and
- the role of each partner in ensuring that these short-term results translate into the desired long-term outcomes.

One can point to three criteria that short-term results should satisfy:

- They should show meaningful change over the reporting period;

- They should be attributable to the particular interventions that are being funded;
- They should bear a significant relationship to longer-term objectives.

Evaluation and Audit

Let us comment, finally, on the evaluation and audit functions.²⁹ Evaluation plays a particularly important role as a supplement to in-house performance measurement in complex projects that rely on a web of multiple actors, with quite complex chains of intervention. This is so because of the less mechanistic approach to establishing cause-and-effect that can be adopted in such cases. In depth evaluation allows for more thorough analysis of such causal linkages and more careful attention to attribution issues than regular performance measurement and reporting allows. Experience in CIDA points to cases of evaluations that have identified both intended and unintended results in a plausible manner, despite the complexities of attribution. Evaluations are also an effective vehicle for learning and for drawing general lessons about performance when they cover a whole program of activity rather than a single project or activity. Audits supplement this role by verifying that public funds have been properly managed to achieve intended results.

CIDA's role is not very different with regard to evaluation and audit than it is for RBM as a whole, which is to say that they are intended to serve the needs of both the recipient and of the donor. This suggests the need for a collaborative approach to defining and measuring performance and for building up the evaluation and audit capacities of local institutions. For example, it is possible to make use of more participatory forms of evaluation, or of institutional self-assessments that attempt to reconcile different needs into the evaluation function.³⁰ Such approaches need not be any more "biased" than externally managed evaluations, and may include substantial scope for independent verification and analysis. In fact, all parties gain from the increased legitimacy that external input provides. What participatory approaches add to the mix are greater efforts to achieve consensus among all of the partners regarding content and methodology, and an explicit role for self-analysis and internal discussion.

The institutionalization of evaluation and audit functions may be viewed as a key element of good governance, and can play an important supportive role in efforts to address corruption. As such, it has an important role to play in CD and program-based approaches, by helping to promote a culture of continuous improvement, learning and accountability. An approach that focuses on aid effectiveness should include a concern for the institutionalization of evaluation and internal audit, in addition to satisfying the immediate evaluation requirements of the project. Once again, the balance of power lies in the hands of CIDA as a donor, and CIDA should be held accountable for the use that it makes of evaluation and audit in balancing its needs for accountability with the pursuit of long-term aid effectiveness.

External audits such as may be instigated by the Supreme Audit Institutions of Canada or of the host country are not within CIDA's purview. However, the Office of the Auditor General has recently stated publicly that it will rely on audits performed by internal audit groups when done appropriately. In

²⁹ See TBS, 2001a, for an outline of the kinds of issues that ought to be addressed at this level.

³⁰ See for example Lusthaus et al., 1999 and Patton, 1997.

addition, the OAG relies on internal audits to set the scope of their audits and as well determine the areas of vulnerability.

Representatives of the OAG identified quite clearly what it would expect from CIDA to demonstrate its accountability when it engages its SWAs during CIDA's Forum on SWAs and Accountability in January 2001 (CIDA Policy Branch, 2001). Among the points articulated was the need for attention to "readiness assessment" before budget support was provided. This covers CIDA's assessment of factors such as the following:

- the host country's commitment to the endeavour;
- the quality of the proposed strategy;
- linkages to the overall expenditure framework; and
- the host government's planning, management, budgeting and reporting capacities.

OAG auditors would also ask what exit or adjustment strategies have been envisaged should the SWAp not achieve its desired objectives.

In terms of results reporting, the OAG representatives identified five elements of a credible performance story:

- Clear articulation of the context of the program and its general aims;
- A plausible results chain;
- Empirical evidence for some elements of the results chain;
- Highlights of a contribution analysis; and
- Discussion of alternative explanations.

Questions have been raised about external audits of SWAs, when budget support is involved, because this might require collaboration among the supreme audit institutions of different countries, including that of the host country. Most donor-country Supreme Audit Institutions (SAIs) have indicated that they would be prepared to draw on audit information from other donors, but have expressed substantial reservations about relying on developing country SAIs (Crown Agents Institutional Development Group, 2001). Concerns expressed point to the insufficient capacity of host-country SAIs and insufficient independence from host-country governments. This reinforces the importance of establishing sound evaluation and internal audit procedures for the SWAp, to ensure that host-country performance information is available for audit purposes in donor countries.

General Conclusions

Aid effectiveness is a complicated endeavour, and thinking about development in terms of outcomes rather than of activities and outputs has major implications for how agencies like CIDA go about their business. As we have seen, sustainable development is not possible in the absence of institutional will and capacity in the host country. Nor is it possible to rely exclusively on islands of excellence in the form of projects detached from the rest of the socio-economic context in developing countries.

These realizations have led the whole of the donor community to adopt a number of principles, enshrined in the OECD/DAC's *Shaping the 21st Century* (1996) and reiterated in CIDA's recent

discussion document *Strengthening Aid Effectiveness* (2001). In this paper, we have addressed issues of RBM and accountability from the perspective of two complementary approaches that incorporate these principles:

- support for capacity development, and
- the pursuit of program-based approaches, such as SWAps.

Although this paper has explored many features of these two approaches and the implications of these features for different aspects of an RBM and accountability framework, the feature with the most wide ranging implications is one that both approaches have in common: the emphasis on local ownership, taken in its most general sense of increased local control over the use of resources.

Managing for results under the new model no longer means delivering a final service or product as in many business lines of the Canadian government. CIDA's role becomes much more a catalytic one. Under this model, CIDA and Canadian Executing Agencies are accountable for stimulating local processes of change, and devolving control in a prudent, but systematic way, with due attention to capacity development and improved governance.

RBM has a role to play in this process, by helping to hone capacity for strategic planning and results management. Because CIDA controls the RBM process, either by itself or jointly with other donors, it should be held accountable not only for satisfying its own information needs, but also for ensuring that RBM is effective in promoting accountability, improved management and enhanced capacity in developing countries.

Managing for results under this model requires greater attention to CD outcomes than would be the case in a service delivery line of business. This requires much greater tolerance for ambiguity and uncertainty, and a highly iterative style of management. It implies greater attention to qualitative indicators, and a longer-term perspective. Performance measurement and reporting, under this model, cannot concern itself solely with final outcomes. It requires attention to capacity development outcomes in their own right.

Program-based approaches are a natural extension of CIDA's work in capacity development, since capacity development requires a holistic perspective to be successful. The distinctiveness of program-based approaches is that they bring host country governments and the donor community together in partnership. Such partnership offers possibilities for enhanced effectiveness in many respects, including capacity development and improved governance. These are areas where a single donor such as CIDA may have difficulty making a difference, and where a concerted effort could pay high dividends.

Program-based approaches have implications for the harmonization of procedures, and make it more difficult to attribute any particular results to CIDA's contribution. Attribution need not be an issue, however. What matters is overall success in securing final development outcomes, in a context of increasing local ownership and enhanced capacities. If CIDA's efforts can be shown effectively to promote such results, the issue of attribution is secondary.

Synthesis of Recommendations

The following provides a synthesis of key points and specific recommendations for CIDA practice, from each of the major sections of the paper.

Roles and Responsibilities: Implications of Local Ownership

Increased emphasis on local ownership and capacity development has major implications for RBM and accountability because it implies a devolution of responsibility by CIDA and Canadian Executing Agencies (CEAs) to local institutions.

Evolving roles and responsibilities

This approach does not absolve CIDA of responsibility for the choices it makes, but it does imply a change in the roles and responsibilities attributable to CIDA and CEAs.

Recommendation: CIDA should shift from a control-based management style to one based on the embrace of new responsibilities, including:

- *the enhancement of local capacities;*
- *increased attention to accountability by local institutions to their own stakeholders and constituents; and*
- *collaboration with other partners to ensure the coherence of joint efforts.*

Risk Management

Accountability includes several dimensions: effectiveness, prudence, efficiency and compliance. The simultaneous pursuit of these different dimensions of accountability can lead to tensions between increased local ownership and appropriate measures of control.

Recommendation: CIDA's responsibilities for managing tensions among different dimensions of accountability should include the following elements among others:

- *increased attention to the choice of developing country partners;*
- *care for the appropriate sequencing of project activities and devolution of responsibilities;*
- *increased concern for issues of governance and accountability in developing countries themselves; and*
- *greater efforts to promote the management and execution capabilities of developing country institutions.*

Recommendation: Program-based approaches such as SWAps should be seen as an opportunity to promote the reinforcement of government structures in developing countries by working through government channels as much as possible and adopting more flexible financial arrangements. There are a number of intermediate measures that can be considered when prudence warrants against channelling funds in the form of budget support.

Field-oriented RBM

Devolution of project management to developing country institutions implies a devolution also of management tools such as RBM. Under this model, performance measurement is not intended primarily to meet CIDA's accountability needs, but those of the host organization and its constituents.

Recommendation: CIDA should encourage the use of RBM in ways that promote learning by all parties while ensuring increased accountability by those institutions to domestic stakeholders.

Implications for the project cycle

Recommendation: The timing and sequencing of activities should be set to reflect local realities and capacity development objectives rather than disbursement or other pressures in the Agency.

Implications for the Logic of RBM

Recognizing CD as an outcome

To understand how best to handle CD as an outcome under RBM requires an understanding of how capacity development outcomes relate to other, more tangible, results. Although the downstream effects of capacity development are important and may themselves be used as indicators of capacity development in some cases, this is not always possible, and CD outcomes may not get the recognition they deserve unless they are explicitly recognized in the logical framework.

Recommendation: CD outcomes need to be explicitly recognized in whatever results framework is established.

Beyond the LFA

Results chains that reflect reality when CD or SWAps are involved are necessarily complex, involving non-linearities, uncertainty and different points of view.

Recommendation: There is a need for greater transparency regarding the uncertainties involved in CD and in any approach involving devolution of control to host country institutions. Project documents should:

- *recognize differences in understanding regarding the logic of a project or program,*
- *find more sophisticated ways of expressing causal linkages that may or may not be linear in nature,*
- *recognize and accept limited understanding and knowledge as a necessary part of the development business.*

Recommendation: Managers should use logic chains primarily as a visual aid and focus their attention on the accompanying texts that explain the strategic thinking behind a particular initiative.

Measurement, Reporting, Evaluation and Audit

Uses of performance measurement

Performance measurement serves different functions and there is a tension between its use for learning and improved management and its use for accountability and control purposes. Excessive reliance on the accountability and control function can undermine the use of RBM as an instrument of strategic management.

Recommendation: CIDA should be held accountable for ensuring not only that its own information needs are met, but also that RBM is effective in promoting accountability, improved management and enhanced capacity in recipient institutions.

What to monitor and measure

Performance measurement is one of the most important components of RBM, and can consume large amounts of resources. It helps to keep a project focused on results, and encourages the continual adjustment of management strategies on the basis of experience.

Recommendation: CIDA needs to adopt the widest possible interpretation of what is meant by “measurement” in order for performance measurement to serve a useful learning function for improved management. This includes:

- *recognition of the need for attention to results at all levels of the logic framework,*
- *a recognition that much direct observation and analysis of performance inevitably remains uncoded (not organized or written down) and that this aspect of “measurement” is no less important for sound strategic management,*
- *attention to the processes being used for project implementation.*

Recommendation: Special attention is required to ensure that CD outcomes are assessed and given due importance, despite the measurement problems involved.

Recommendation: Program-based approaches, such as SWAps, provide new opportunities for focusing on the big picture. CIDA should work together with other partners to develop joint information systems of performance measurement, with due regard for capacity development outcomes.

Reporting and accountability

In results-based reporting, there is a distinction to be made between being able to demonstrate that one is managing for final outcomes, and being able to attribute final outcomes to a project. As a rule, the latter is not possible, and attention is better focused on the intermediate outcomes under the project’s control and upon the soundness of the approach being pursued to contribute to final outcomes.

Recommendation: In its own reporting to Parliament, CIDA should be able to show how it has contributed to implementing principles of aid effectiveness such as local ownership and

participation, partnership with other donors, capacity development, and accountability to stakeholders in the host country.

Participation in program-based approaches leads to multiplication in the number of reporting and accountability relationships that must be managed. In terms of CIDA's own reporting and accountability requirements to parliament, there will be increased interest in results at the sector level, but reduced possibilities for claiming attribution of those results to CIDA's own inputs. If development is seen as a team effort, as it is under the SWAps model, then it is the winning performance of the team in securing development results that matters.

Recommendation: When engaging in partnerships with other donors, CIDA should be held jointly accountable with other partners for securing development results. It should be prepared to speak to its value added in specific cases where this is possible, but for the most part, its accountability under SWAps should be for the quality of its decisions and strategic approach to partnership.

Evaluation and Audit

Just like performance measurement and reporting, the evaluation and audit functions can be used for both management and accountability purposes. Evaluation is particularly important when there are complex projects with multiple actors and complex chains of intervention. In depth evaluation allows for more thorough analysis of causal linkages and more careful attention to attribution issues than allowed under regular performance measurement and reporting.

Recommendation: Evaluation and audit should serve the needs of both the recipient and of the donor. CIDA should promote a collaborative approach to defining and measuring performance and for building up the evaluation and audit capacities of local institutions. A major aim should be to promote a culture of continuous improvement, learning and accountability in the host country.

Recommendation: Internally, CIDA's internal audit division should help to define the expectations of accountability and of sound project management when CIDA engages in CD or program-based approaches.

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