



Global Donor Platform
for Rural Development

Formulating and Implementing Sector-wide Approaches in Agriculture and Rural Development:

A Synthesis Report

2005

Paris Declaration
on Aid
Effectiveness

**Late
1990s**

HIPC
and PRSPs

**1980-
1990s**

Structural
adjustment

**1960-
1970s**

Investment
project-approach

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PREFACE

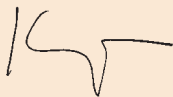
Sector-wide approaches (SWAp) have been an important part of the global effort to deliver sustainable development results for more than a decade now. However, SWAp are relatively new in agriculture and rural development (A&RD). This study takes a first and comprehensive look at some of the ways in which SWAp and SWAp-type approaches have evolved in A&RD. It includes case studies from seven countries, with in-depth information available for three – Mozambique, Tanzania and Nicaragua – and assesses the extent to which SWAp are achieving their aims, their intended trajectories of change and provides key lessons for the future.

The Platform's member organisations provided valuable comments on the results and recommendations of this report and also shared with each other their institutional experience on SWAp in A&RD. Their comments illustrated the wide variety of viewpoints on SWAp in A&RD and the greatly differing forms of donor engagement.

It is hoped that this study and the comments of Platform members will provide the basis for further Platform-facilitated discussions between donors and partner governments on how to plan, implement and monitor SWAp in A&RD. The recommendations will also feed into the donors' 'Code of Conduct' for more effective A&RD programmes that Platform members are currently developing together.

The Paris Declaration of March 2005 has challenged each sector to demonstrate how far the aid effectiveness agenda has progressed. With this study, we intend to contribute to more 'effective' A&RD programmes and to enrich the discussion on new aid modalities.

We extend our sincere thanks to the researchers at the Overseas Development Institute (ODI) of the United Kingdom for their insightful analysis and constructive recommendations for the formulation and implementation of SWAp in A&RD.



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About the Global Donor Platform for Rural Development

In December 2003, the Global Donor Platform for Rural Development was created from a growing consensus among donors that collective action is needed in rural development to achieve the Millennium Development Goals (MDGs). The Platform seeks to increase the overall effectiveness of aid in rural development. This is in line with the aid effectiveness principles put forward by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD), as laid out in the Rome Declaration on Harmonisation and the Paris Declaration on Aid Effectiveness. www.donorplatform.org.

ABBREVIATIONS | ACRONYMS

A&H	Alignment and Harmonisation
A&RD	Agriculture and Rural Development
AAGDS	Accelerated Agricultural Development Strategy (Ghana)
ASDP	Agriculture Sector Development Programme (Tanzania)
ASDS	Agriculture Sector Development Strategy (Tanzania)
ASLM	Agriculture Sector Line Ministry
CSO	Civil Society Organisation
DADP	District Agricultural Development Plan (Tanzania)
DP	Development Partner
FASDEP	Food and Agriculture Sector Development Policy (Ghana)
FSSP	Forest Sector Support Partnership (Vietnam)
GBS	General Budget Support
GDP	Gross Domestic Product
GNI	Gross National Income
GoN	Government of Nicaragua
GoT	Government of Tanzania
GoU	Government of Uganda
GoV	Government of Vietnam
GPRS2	Growth and Poverty Reduction Strategy 2 (Ghana)
HIPC	Heavily Indebted Poor Countries
HQ	Headquarter
JAS	Joint Assistance Strategy
JFA	Joint Financing Agreement
M&E	Monitoring and Evaluation
MAGFOR	Ministerio Agropecuario y Forestal (Ministry of Agriculture and Forestry Nicaragua)
MDBS	Multilateral Direct Budget Support
MDG	Millennium Development Goal
MINAG	Ministério da Agricultura (Ministry of Agriculture Mozambique)
MoA	Ministry of Agriculture
MoF	Ministry of Finance
MoFA	Ministry of Food and Agriculture
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NAADS	National Agricultural Advisory Service (Uganda)
NIMES	National Integrated Monitoring and Evaluation System (Uganda)
NSGRP	National Strategy for Growth and the Reduction of Poverty (Tanzania)
ODA	Overseas Development Assistance
PAEI	Agricultural Policy and Implementation Strategy (Mozambique)
PBA	Programme Based Approach
PEAP	Poverty Eradication Action Plan (Uganda)
PEM	Public Expenditure Management
PER	Public Expenditure Review
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
PGBS	Partnership General Budget Support
PMA	Programme for the Modernisation of Agriculture (Uganda)
PMU	Project Management Unit
PND	National Development Plan (Nicaragua)
PROAGRI	National Programme of Agrarian Development (Mozambique)
PRORURAL	Rural Productive Sector Programme (Nicaragua)
PRS	Poverty Reduction Strategy
PRSC	Poverty Reduction Strategy Credit
SBS	Sector Budget Support
SPAR	Sector Publico Agropecuario y Rural (Public A&RD Sector Institutions (Nicaragua))
SWAp	Sector-wide Approach
WTO	World Trade Organisation

EXECUTIVE SUMMARY

BACKGROUND AND PURPOSE

- ❖ S1. Shifts in the context for development assistance and the wider quest to improve aid effectiveness has prompted the search for new ways of doing business between donors and national governments. Part of this quest includes the development of sector-wide approaches (SWAp) which bring together external assistance and domestic funds under a single sector strategy and expenditure framework, owned and led by government with development partners progressively aligning and harmonising their procedures with country systems. The goal is to develop a comprehensive sector framework that can guide public and private action in support of improved service delivery, growth and poverty reduction outcomes. Achieving this goal goes beyond improving the effectiveness of ODA but SWAp remain closely associated with the international community's efforts to improve the way they deliver and utilise aid in support of sector goals. Understanding progress in this area is a key motivation for this study.
- ❖ S2. SWAp vary in definition and practice. The term has been used to accommodate a range of government and donor approaches given varying conditions on the ground. This study is no exception in that it looks at a number of 'ways of doing business' in A&RD of which only two match any strict criteria for a SWAp. Development practitioners do agree on two issues, however: first, that there are some common elements that make-up a SWAp (Figure 1) although none is a prerequisite in itself. Second, that the working definition of a SWAp is about the intended direction of change and that building the elements of the approach is a gradual and phased process.

Figure 1: Elements of a Sector-wide Approach.

Gradual phased process



Degree intensity varies as SWAp evolves

- ❖ S3. SWApS in the A&RD sector(s) are a relatively recent phenomenon. The desk review carried out during Phase One of the study estimated that somewhere in the region of fifteen SWAp-type approaches are being tried globally with many more proto-operations containing one or two of the elements in Figure 1. The absence of clear and systematic monitoring of the way in which these different sector approaches are performing has made it difficult to conclude whether or not SWApS are delivering in terms of improved sectoral outcomes and improved ODA in A&RD. This study, commissioned by the Global Donor Platform for Rural Development (the Platform)^[2] begins such an examination (albeit on a limited scale) with a look at the way in which development assistance is supporting the formulation and implementation of sector (and sub-sector) approaches in seven countries.
- ❖ S4. The terms of reference for the study stated the main objectives as:
 - Examining the extent to which SWApS in A&RD are achieving their stated goals; and
 - Identifying critical lessons about the way in which development assistance currently supports A&RD and what can be done differently to enhance the effectiveness of that assistance.
- ❖ S5. These proved to be ambitious objectives. In drawing the synthesis together the least convincing evidence relates to the first objective given the eventual scale of the study (3 field studies and 4 desk-based reviews) and the lack of corresponding data and documentation^[3]. More data is available in relation to the second objective and, thus, the thrust of the synthesis report lies predominantly in this area.

METHODOLOGY AND STUDY FRAMEWORK

- ❖ S6. The synthesis report brings together material from seven country studies^[4], three of them in-depth field-based investigations (Tanzania, Mozambique and Nicaragua) and four lighter-touch desk-based reviews (Uganda, Cambodia, Vietnam and Ghana). Full reports on each field-based country study are available separately. The synthesis also draws on a desk review of selected policy and evaluation literature relating to SWApS and aid effectiveness undertaken in advance of the country studies^[5].
- ❖ S7. Each of the country studies was guided by a simple logic model identifying the key components of a SWAp alongside assumptions (based on the literature) about expected outputs, outcomes and impacts (Figure 2, page 18). The logic model, which is heuristic rather than a blueprint, was used to guide investigations about possible pre-conditions for formulating a SWAp and inputs and activities critical to effective implementation and achievement of results. It served as a basis for comparison across what were very different country contexts and very different SWAp operations.

[2] www.donorplatform.org

[3] It proved to be difficult to obtain unpublished documents on SWApS from bilateral agencies.

[4] Current estimates are that there are somewhere in the region of 15 sector approaches operating in A&RD globally. This is likely to be an underestimate (given definitional problems), but even if the number were closer to 20 this study still includes a significant share of active A&RD SWApS across the globe.

[5] The desk review is available at www.donorplatform.org/component/option,com_docman/task,doc_details/gid,343/

- S8. Field study teams involved one international consultant and a national consultant with technical support provided by the local FAO office and a representative of the FAO Investment Centre. Consultants engaged closely with donor and government stakeholders involved in the SWAp at both country and agency level and based their analysis on a combination of existing documents, interviews, focus groups and field visits. The desk reviews are based on government and donor-agency documents available in the public domain. The quantity and quality of information that could be accessed varied enormously by country and by the stage of SWAp development. In some cases only limited observations could be made about progress with developing a SWAp, in others fairly detailed information was available and this shows in the balance of cases discussed in the main body of the report.

MAIN FINDINGS

Overview

- S9. Sector approaches in A&RD are, despite the pioneering experience of the National Programme of Agrarian Development (PROAGRI), still relatively new and there is still only limited implementation experience on which to base firm conclusions about progress. The goal of developing a coherent and coordinated approach for government, donor and private sector support continues to be an important one, however, and the case studies do provide evidence of some progress in the right direction. In Tanzania and Uganda adopting a sector or multi-sector approach has provided a platform for systematic policy engagement on agricultural growth and poverty reduction. In Tanzania, the country study takes the view that the Agriculture Sector Development Programme (ASDP) has been empowering for the Ministry of Agriculture that could otherwise lose out in the push for greater general budget support and centralised policy dialogue. A similar effect is noted in Nicaragua where the Rural Productive Sector Programme (PRORURAL) has allowed the Ministry of Agriculture to recover some of its waning leadership of the policy agenda, while commitments by donors to reduce fragmentation in the rural sector are already beginning to pay off. Even in Mozambique where slow delivery of tangible outputs and outcomes has opened up PROAGRI to significant criticism, the view of the country study authors is that PROAGRI offers a potentially important platform for government-donor collaboration, perhaps more so in an environment in which external resources are increasingly being channelled via the treasury in the form of Partnership General Budget Support (PGBS) and where new instruments such as sector budget support are a possible source of more predictable and consistent support to PROAGRI over time.
- S10. Much more needs to be done to achieve a fully government-led development approach in A&RD, however. Key shortcomings at this point include:
 - the lack of a clear line of sight between national poverty reduction strategies (PRs) and sector strategies;

- the weak integration of sector priorities into national budget processes;
 - weak intra and inter-sectoral coordination;
 - the uneven integration of donor funds into national planning and budgeting systems,
 - and the almost universally weak attention to M&E.
- In terms of building the key elements of a SWAp more work needs to be done on:
- supporting sector leadership with participation from critical stakeholders;
 - agreeing a coherent sectoral expenditure framework at national and sub-national levels;
 - ensuring consistent and practical attention to alignment and harmonisation, and
 - building appropriate sectoral M&E systems that are in alignment with national M&E efforts.

Initial conditions and inputs for SWAp formulation

- ❖ **S11.** The ‘entry conditions’ for a SWAp clearly matter. The general literature on SWAps suggests that the most important conditions include:
 - a sound macroeconomic framework,
 - a basic agreement on strategy and policy between government and donors,
 - the possibility of participation by key stakeholders including the political leadership and private sector in SWAp formulation processes, and
 - a donor community that is committed to moving towards common and aligned approaches.

Not all of these conditions emanate from just one sector, adding inevitably to the complexity of the initial design phase of a SWAp.

- ❖ **S12.** The country studies suggest a number of specific entry conditions for SWAps in A&RD:
 - a clear line of sight between the national strategy (PRS or national development strategy) and the sector strategy, which in turn also means a clear alignment between political and technical leadership of the SWAp. This was clearly the case in the establishment of the Uganda PMA and is evident in the latter stages of the formulation of the Tanzanian ASDP.
 - a consensus within government and between government and donors on key policy and management issues for the sector. This need not cover the entire range of issues on which the SWAp will eventually touch but it does need to include some resolution of issues on which ideological disagreements can hold sway, including a working definition of the agricultural or rural development sectors and the respective role for private and public action in the sector.
 - effective ownership and leadership at sector ministry level also requires commitment to the process elsewhere in government, particularly from the Ministry of Finance and at a senior political level. Without this, formulating a SWAp can be a very slow business, as witnessed in Ghana and in Cambodia.
 - a commitment to alignment and harmonisation goes without saying, but what is most vital is evidence from donors that are willing to move quickly to

address changes in their practice both as a demonstration of good will and as a clear sign that they are willing to give space to government leadership and ownership of the process.

Formulation to implementation

Clarity of the strategy and policy framework

... S13. Effective implementation has to be guided by a clear sector vision that is owned by government and by a commitment to coherence across sector policy frameworks. In the case of PROAGRI in Mozambique, the first attempt at building a sector approach in A&RD, it has been hard to reconcile a wide range of policy frameworks that impinge on the agricultural sector and in which clarity around the sector vision has been obscured by ideological differences and shifting political preferences. Implementation has consequently been slow while leadership by the sector ministry has been buffeted by shifts in institutional responsibilities. By contrast, the PMA in Uganda is based on a strong national and sector vision hosted by the MoF which in turn has given clear impetus to implementation.

Integration with budgetary and public finance reform

... S14. The more mature operations such as the PMA in Uganda and PROAGRI in Mozambique, plus the more recent experience of the ASDP in Tanzania, confirms the need for close integration of the sector approach with wider budgetary and public finance reforms. In Tanzania, the upside of a protracted SWAp formulation process has been that the ASDP has benefited from significant improvements in the widerplanning and budgeting context, including the development of a sector Medium Term Expenditure Framework (MTEF) and local government MTEF processes. In Uganda, a robust central MTEF process has guided the roll out of the PMA priorities into line ministry budgets. In Mozambique, integration with wider public finance reforms may have resulted in faster implementation progress, particularly in relation to flow of funds to local governments.

... S15. Across the board, challenges lie in ensuring that funds are available at local levels for implementation. In Tanzania, this is managed through District Agricultural Development Grants which have been slow to disburse because of delays in meeting local government reform assessment criteria and approving District Agricultural Development Plans. In Uganda, the PMA is supported through a Non-Sectoral Conditional Grant (NSCG) which acts as a mechanism for transferring funds to sub-counties for communities to plan and finance investments linked to locally perceived needs. While a success in many respects there have been difficulties in rolling out the NSCG because of budgetary constraints imposed by the central government. The Uganda experience confirms the importance of addressing financial issues and the prioritisation of activities at all levels in the budget process, especially if priorities in a multi-sector framework like the PMA are to receive due attention in line and local government ministry budgets.

Importance of monitoring and evaluation

- ❖ **S16.** Monitoring and evaluation is weak across the approaches reviewed. Despite this there is some evidence of a move towards integrating sector M&E with the monitoring of national policy frameworks (PRSs in particular) to ensure coherence and consistency and to limit duplication of effort. Rarely, however, is there a clear incentive for agencies, particularly those outside of the sector ministry, to generate and submit consistent and timely M&E information. In Mozambique, much of the M&E data after 9 years is either financial performance data or focused on production, input use and productivity. Virtually no information is available on the delivery and performance of government-provided services and their contribution to agricultural and livelihood outcomes. The absence of clear results frameworks simply compounds this problem. In the case of Nicaragua, the study authors argue the need to adopt a limited and strategic approach to M&E, emphasising learning by doing and gradually expanding its scope as programme implementation takes off.

More aligned and coordinated working

- ❖ **S17.** SWAps exist for the key purpose of overcoming fragmentation and inefficiencies in the allocation and management of development assistance. Experience shows that alignment is a two-sided process involving both internal alignment within the government system around the sector strategy and expenditure framework and external alignment by donors. Progress with the former is often overshadowed by focus on the latter which may again explain slow progress in implementation in cases such as PROAGRI in Mozambique.
- ❖ **S18.** Efforts at external alignment by donors in the context of Nicaragua's PRORURAL demonstrate how much can be done within a relatively short space of time. However, the experience also demonstrates some of the obstacles to more rapid harmonisation because of the complexities of the political and institutional context and ongoing concerns, particularly from donors, around political will and commitment. In Tanzania, commitment to alignment as a basic principle proved instrumental in getting donors and government through some difficult, even confrontational times as the ASDP evolved. Nevertheless more fundamental progress on aid management and, particularly on harmonisation, has lagged behind. Getting agreement on the basket fund under the ASDP illustrates the point, with delays emanating from lengthy approval processes required by donor HQs and loan effectiveness conditions that continue to demand separating reporting for different donors. Continued proliferation of donor led processes, in spite of a generalised commitment to A&H, are also evident. In the case of Cambodia, proliferation and poor coordination has motivated the move to a SWAp in the land sector, but weak internal alignment within government and high aid dependence also mean that donors are holding onto their own ways of doing business. The SWAp should technically break this vicious cycle but the doubt is whether the sector policy framework and associated institutional roles and responsibilities are credible enough to provide donors with the necessary confidence to change their behaviour.

Achievements against outputs

Growing ownership, leadership and institutional capacity

- ❖ **S19.** Strong government leadership and ownership of the sector approach is a central tenet and one that marks a clear break with earlier traditional project approaches. In practice, institutions within government have been slow to change and have often proved non-responsive to the new challenges raised by SWAPs. Securing a credible government lead is also made difficult by the fact that leadership is as much a political process as it is a technical one, and this is an area which donors are rarely able to influence directly. Often the lack of incentives for sector ministries to take a policy lead, compounded by their weak leverage over national planning and budgeting processes, wide ranging capacity constraints at sector level and 'perverse' incentives which favour vested interests and non-transparent practices (such as in procurement) limit the pace of change under SWAPs.
- ❖ **S20.** There is evidence of progress, however. In Tanzania, sector leadership has been built in increments with a change of personnel at the highest levels and clearer stewardship by the Ministry of Finance. In Ghana, despite slow progress towards producing a roadmap for the transition to a full sector approach, signs are now that the government, and the Ministry of Food and Agriculture in particular, is taking leadership of the process with a clearer consensus on the importance of a coherent approach to agricultural sector growth, governance building in the sector and signs of stronger political engagement in the sector through the Growth and Poverty Reduction Strategy 2 (GPRS2).

Improved coordination and planning

- ❖ **S21.** Intra- and inter-sectoral coordination remains a challenge, particularly in A&RD, but there are signs of the problem being addressed. Under the PMA in Uganda, coordination is managed through a series of cross-sectoral committees, the most important of which is chaired by the Minister of Finance. A key strength of the PMA is that it requires all line ministries with relevant mandates to review and reorient their activities in line with PMA objectives. This works at the central level, to a degree, but becomes a great deal more challenging at decentralised levels where a lack of coordinating institutions act as a constraint on effective implementation. In Nicaragua, improved sector coordination mechanisms have yielded some important gains with improved communication and a more rational allocation of functions to guide joint implementation activities. Joint production of a sectoral annual budgetary/operational plan across implementing ministries/departments has yielded progress in coordination and leadership by the Ministry of Agriculture (MAGFOR).

Improved public expenditure management and service delivery

- ...❖ **S22.** There are signs of progress in linking sector programmes with public expenditure and financial management systems in most of the cases looked at, although what is possible in the A&RD sectors is often dependent on the pace of wider public expenditure management (PEM) and public financial management (PFM) reforms and the degree of budget literacy amongst agricultural sector stakeholders. There is limited evidence yet that improved sector PEM has increased the quantity or quality of national public spending in agriculture, although this needs to be treated with caution given the limited nature of the data available for the study. In the majority of cases, with the possible exception of Tanzania, most of the increase in funding for agriculture has come from donors.

- ...❖ **S23.** Only in the case of PROAGRI in Mozambique and the PMA in Uganda have evaluations been undertaken that could reasonably assess the contribution of SWAp processes and resources to improvements in service delivery. Under the PMA the results are generally positive, although slow in being realised, with farmer groups confirming that their status has improved with the delivery of services and with signs of progress in terms of improved technologies and associated increases in marketed output. Somewhat alarmingly, there is no obvious way of tracking output and outcome level service delivery improvements under PROAGRI, despite one full evaluation and subsequent annual evaluations. What is clear is that during Phase 1 of PROAGRI a large proportion of resources were spent on institutional capacity and the vast majority of expenditures related to personnel costs and goods and services acquisition. More detailed breakdowns by service type is not possible, with the consequence that virtually nothing can be said about how funding of PROAGRI has contributed to results on the ground for farmers/producers in the agricultural sector.

Strengthened public-private sector interface

- ...❖ **S24.** In several countries, the SWAp has been an important contributor to changes in the role of the Ministry of Agriculture from an exclusively interventionist one to a more facilitating/regulating one. In Nicaragua, PRORURAL has assigned MAGFOR the responsibility of steering, coordinating and monitoring with implementation being the responsibility of other related institutions, including the private sector. In Mozambique, the transformation of MINAG's role to encourage a better interface with the private sector is only partially complete although there are signs of greater outsourcing and some attention to private sector promotion, support activities and analysis through a dedicated office in MINAG. In Uganda, there is no specific document covering the relationship between the public and private sector as part of the PMA, although donors are supporting a stronger public-private partnership as part of the PMA. The Microfinance Outreach Plan under the Rural Finance Pillar aims at the privatisation of government credit projects/ programmes, while the Physical Infrastructure Pillar supports private sector maintenance of district roads and rural electrification facilities.

...❖ **S25.** On the other hand, one of the policy areas which has often slowed the development of a full SWAp is debate about the full or partial privatisation of services (Ghana, Tanzania, Mozambique). In Vietnam, it is estimated that the private sector, households, state forestry enterprises and cooperatives will account for 60 percent of the investment in the forest sector over the next 15 years. The institutional framework, and particularly the Forest Sector Support Partnership (FSSP), is not yet representative of private sector actors and a key challenge for developing a full SWAp will be what it needs to look like in a sector where public expenditure is substantially overshadowed by private sector investment.

Aid management

...❖ **S26.** A key emerging theme is that alignment and harmonisation, while central to the SWAp concept, can often be treated as end in themselves rather than as a means to achieving stronger country systems and better development results. While the general impression is one of gradually improving aid management under SWApS there is concern that the amount of time and resources being devoted to building the process architecture is imposing additional burdens on a weak civil service and is at the cost of ensuring that existing and new resources are delivering more effective investments and services in rural areas.

...❖ **S27.** While aid management is improving, transactions costs remain high for both government officials and donors. Donor HQ policies, procurement procedures and legal frameworks continue, in some cases, to be an obstacle to harmonisation efforts on the ground, as does continued proliferation and parallel aid management structures. This applies to different degrees even in contexts where the national-level discussion around aid effectiveness is quite advanced, as in Tanzania, Vietnam, Nicaragua and Mozambique.

...❖ **S28.** While the SWAp concept has always claimed to be consistent with a number of different funding modalities, the dominant pattern in most of the cases reviewed is still project assistance. The common fund underlying PROAGRI in Mozambique is the most important mechanism for channelling funds, but much assistance remains projectised and contributors to the fund have varied over time, with some of the largest funders not renewing their agreement to continue funding after 2006. Recently a number of donors have returned to project-type investments over concerns about continuing service delivery gaps. In Tanzania, many donor projects remain outside of the ASDP framework and need to be quickly aligned with it if the approach is to have a real chance at success.

❖❖❖ **S29.** The evolution of General Budget Support (GBS) in all of the case countries has generated some transactions costs savings while providing a strong centre to policymaking processes that have, in some instances, improved the context for sector approaches. However, in the case of Tanzania, Ghana and Mozambique there remains a strong preference by government and particularly donors to retain a mix of aid instruments, partly as a way of diversifying risk and partly as a way of exploring complementary entry points into different levels of policy making. In Tanzania there is the view that the ASDP has essentially protected a focus on agriculture in the face of competition coming from the much larger and more powerful PGBS. While this may be the case there are, nevertheless, risks attached to a wide diversity of funding modalities including a potential lack of sustainability, a lack of effective coordination and a diversion of scarce government officials' time into managing how funding is mobilised and away from how to put it to best use. A key challenge, noted in the Tanzania report, is to ensure that as much existing project financing is included under the SWAp as quickly as possible and that the development of new projects is fully aligned with the approach and principles underlying the SWAp.

● POLICY MESSAGES

Country leadership

- ❖❖❖ **S30.** The study points to a number of features of country leadership in A&RD, including:
- a coherent vision for the sector with the main lines of the idea coming from within the national context (as in Nicaragua, Vietnam (although not a SWAp) and Uganda);
 - an increased commitment of domestic resources to the sector and to improving the quality and impact of those resources through effective monitoring and reporting;
 - a willingness to lead and manage relationships with donors as evidenced by a willingness to lead on partnership and technical working groups; and
 - clear mechanisms for participation by sub-national and non-governmental stakeholders.
- ❖❖❖ **S31.** What is difficult for development partners is that only a few of these attributes are in place at any one time and the evidence suggests that they take time to institutionalise. The key challenge for development partners is knowing when and how to engage to ensure that country leadership has the necessary space to develop without losing critical momentum in the short to medium term. This challenge is made even more difficult by the relatively short time-lines and financing schedules that donors work to. There are few ways round the challenge but the study does point to four areas critical for country leadership that need the full support of donors, these are:

- Ensuring a clear link between the national development strategy/PRS and the sector strategy and action plans;
- Ensuring that finance and planning functions at sector level are fully aligned with national systems and that inter-ministerial coordination is backed up by high level political leadership
- Ensuring that sector M&E frameworks are embedded within national systems, particularly within PFM systems;
- Ensuring that mechanisms for non-governmental consultation and participation exist at national and sub-national levels.

Compatibility between national and sub-national strategies and development frameworks

- ❖ **S32.** Most SWApS are being formulated and implemented in contexts that are also decentralising. A key challenge is how to make the SWAp process, which is inevitably quite centralised, consistent with decentralisation measures and efforts to support local demand-driven development. This includes ensuring adequate coordination at local government levels, the transfer of funds and strengthening capacities for effective planning, budget management and delivery, and integrating these processes at the local government level.

Getting external resources ‘on-budget’ and linking spending decisions with M&E data

- ❖ **S33.** An important part of donors committing to a country-led SWAp is ensuring that aid flows are fully reflected, alongside domestic resources, in the Medium Term Expenditure Framework (MTEF) and annual budget. The cases of the PMA in Uganda and ASDP in Tanzania are clear on this issue. This does not mean putting funds only through a GBS-type instrument, but it does mean full transparency and reporting of donor flows in line with national budget/ MTEF classifications. Full reporting of donor flows to the sector allows for greater certainty around government’s public spending decisions.
- ❖ **S34.** Ensuring full integration of external resources into the national budget is a necessary but not a sufficient condition to improve expenditure management and service delivery outcomes. It is also vital that a sufficiently clear evidence base is in place to justify sector priority expenditures in the face of competing claims from other sectors. This points to the importance of linking monitoring and evaluation data with PFM data to inform the public expenditure decisions and the resource allocation process. For sectors like A&RD that have historically ‘lost-out’ in the bargaining over additional budgetary resources, ensuring that M&E data is linked in with PEM/PFM data is of vital importance.

Alignment and harmonisation means not ends

- ❖ **S35.** A strong message emerging from all of the case studies is the importance of treating alignment and harmonisation as means not ends. The challenge for DPs is to ensure that the focus on process and procedural change is not so complex and ambitious so as to crowd out the focus on development results. The experience so far confirms that harmonisation and alignment are critical, particularly for tackling donor disharmony and proliferation, but unlike some of the rhetoric surrounding SWApS, they are a necessary but not a sufficient condition for stronger policies and better policy outcomes. This matters more on the institutions that underpin sector governance and the degree of internal alignment and commitment to sector policy agendas and the achievement of results. The message here is that alignment and predictability are vitally important in the short run while efforts around harmonisation are likely to intensify as the policy and institutional change process unfolds; and that this may take longer than initially expected. This underscores the need for donors to engage in medium to long term agreements around the SWAp if the full benefits are to be reaped.

Monitoring and evaluation

- ❖ **S36.** One of the more compelling messages of the study is the weakness of M&E capacity and commitment to reporting in a good percentage of the cases. Although several of the operations reviewed are recent, the lack of visible results supported by M&E data in the more established ones is equally alarming. Where M&E systems have been developed the tendency is for them to be overambitious. The case of PRORURAL in Nicaragua is illustrative where the conclusion of the study team was that the proposed M&E system was too ambitious and could be usefully focused down onto a much more limited monitoring exercise combined with an iterative process of learning; less ambitious but more pragmatic and focused on delivering and learning by doing. To some extent this has been the problem facing the PMA in Uganda which, based on favourable initial conditions, resulted in a certain amount of institutional over-stretch. The consequence was a very bold system for M&E which has been partly undermined by weak institutional relationships both horizontal and vertical. The PMA evaluation notes that it would have been better to focus on getting baseline data and monitoring systems functional in a limited number of strategic outcome areas first before moving to more ambitious plans.
- ❖ **S37.** The importance of monitoring of performance can not be overstated. It not only assists the subsequent evaluation process but also allows for ongoing adjustments to the policy framework and approach as it unfolds. Linking M&E data with survey data and PFM data is a critical step towards integrating the sector approach and the business of government and its key stakeholders. It provides the basis for ongoing priority setting, resource allocation decisions and performance evaluation and is potentially one of

the most important bases on which the A&RD sectors can improve their bargaining power in budgetary discussions and demonstrate critical value-added in the increasingly competitive search for private sector investors.

RECOMMENDATIONS

- ❖ **S38.** A number of recommendations emerge from the study which can be categorised into recommendations relating to the design and formulation of SWAps and to the way in which DPs support SWAps over time. Several of these recommendations track closely with those identified in the Global Donor Platform's recent publication 'Cornerstones for effective agriculture and rural development programmes under a PBA' and work being undertaken towards the drawing up of a Code of Conduct for development cooperation in A&RD^[6]. Recommendations for further work/engagement by the Platform are also made.

Recommendations on the design and formulation of SWAps

- Country-leadership on the vision, agenda and scope for the programme is critical and DPs must ensure that this is not crowded-out by decisions taken on mechanisms and modalities for funding. Start at the sub-sector or sub-programme level if that provides a clearer basis for building a clear vision and reducing fragmentation.
- Complementarity between national and local sector strategies is vital. Sector strategies must plan for sub-national engagement from the beginning and ensure that what is being promised at decentralised levels is feasible and achievable and in line with larger reform and prioritisation processes (particularly around PFM/fiscal decentralisation).
- Mechanisms for private sector and civil society engagement are a critical element of building country leadership of the SWAp. Policy and funding approaches that privilege public spending over all other fiscal instruments (tax, regulation, administration) are unlikely to provide the necessary incentives to private sector participants to engage fully in programme development and implementation. Special incentive funds for private sector participation may be required.

Recommendations on supporting SWAps more effectively

- In aid dependent contexts, consider developing long term 'aid' compacts that commit donors and governments to 15-20 year partnerships with a rolling results framework and clear rules around within-year/between-year predictability. Each compact will need a clear exit strategy covering the last 3-5 years of the compact.
- Ensure that national stakeholders are in the lead by supporting preparation of a national aid policy underpinning the aid compact setting out clear rules of the game for preferred aid modalities and mechanisms plus aid management information.

[6] www.donorplatform.org/content/view/full/103/148/

- Provide financial support on-budget in all cases, through coordinated mechanisms as far as possible and in all cases fully aligned with the rolling strategy and results framework. Align first, harmonise as the SWAp agenda unfolds. Focus on reducing those transactions (opportunity) costs that distract scarce government resources from the core business of implementation and achieving results.
- Ensure that planning and finance systems at sector level are fully aligned with national PFM systems, including audit and procurement.
- Invest in public expenditure review and tracking (PETS) processes to help track/monitor the efficiency and effectiveness of spend in agricultural and rural development sectors. Encourage increased use of M&E and survey evidence on the efficiency and effectiveness of public spending to empower government and non-government stakeholders in building accountability for results in the agricultural sector. Evidence should make reference to international comparators where available.
- Streamline donor working group architectures to ensure more efficient and effective dialogue with governments and other key stakeholders. Avoid overcrowding sector groups, encourage DPs to delegate in line with Paris principles and avoid proliferating aid modalities.
- Insist on establishing M&E systems which can generate relevant data within relatively short periods of time in alignment with national M&E frameworks.

Recommendations for the Global Donor Platform

- Tackle 'ways of working' and incentive systems within donor HQs that prohibit and/or delay 'joined-up working' at country level. Donor HQ procedures frequently delay the signing of country-level MOUs and decisions about funding which in turn impose significant transactions costs on government and other donors. Identify the main stumbling blocks to real-time decision-making at country level. Encourage DPs to sort out potential procedural problems before committing resources to a SWAp. Encourage much longer time frames for committing funds in support of country compacts for A&RD.
- Support training/learning events for DPs and government agricultural staff on public finance management and budget governance specific to the A&RD sector. Examine ways to strengthen agricultural Public Expenditure Review (PER) processes at country level while increasing the knowledge base (amongst key stakeholders) about agriculture budget formulation and execution.
- Roll out guidelines on the alignment and mainstreaming of projects that remain outside of common financing mechanisms under SWAp arrangements, including a set of principles around engaging at decentralised levels, respecting expenditure ceilings, untying TA, and tracking all activities through the sector programme.



CHAPTER 1: INTRODUCTION AND STUDY FRAMEWORK

BACKGROUND

1.1 In most developing countries, the agricultural and rural sectors are dominant features of the national economic landscape. There is, however, a mixed record of getting agriculture and rural issues adequately addressed in national level strategies and policies and associated development assistance programmes. This study, commissioned by the Global Donor Platform for Rural Development seeks to examine present and future roles for development assistance in support of A&RD^[7] by looking specifically at emerging experience and lessons of formulating and implementing SWAp.

1.2 The overarching objectives of the study are two-fold:

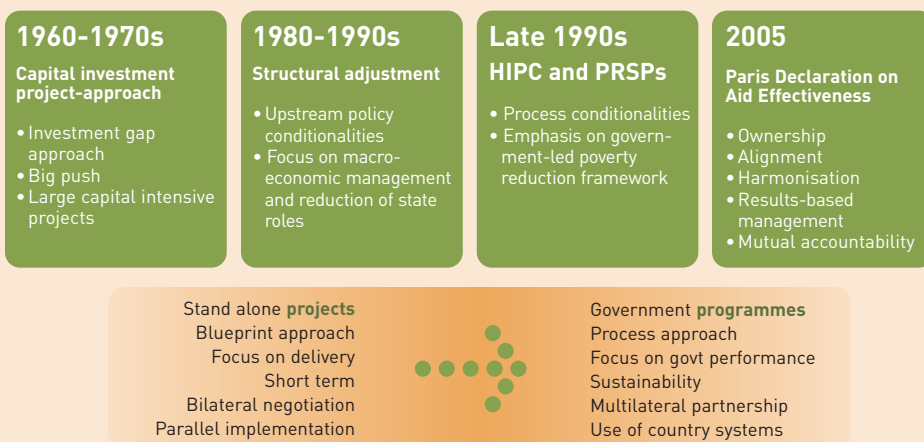
- To examine whether, and in what ways, SWApS in A&RD are achieving their stated goals;
- To identify critical lessons about the way in which development assistance currently supports A&RD and what can be done differently to enhance the effectiveness of that assistance and the contribution of A&RD to long term growth and poverty reduction.

BACKGROUND TO THE SECTOR-WIDE APPROACH

The changing aid context

1.3 Significant changes in the context for development assistance in recent decades provide a crucial backdrop to the evolution of SWApS (Figure 2).

Figure 2: Shifting aid paradigms



[7] The term A&RD is used to refer mainly to the agricultural sector but also to the strong synergies between agricultural and rural development.

❖ 1.4 Key 'drivers' behind the development of SWAPs include:

- The shift away from traditional project support: The effectiveness of traditional project financing in many countries has been questioned, particularly by development partners and recipient institutions concerned about parallel systems, duplication, low disbursement rates and limited impact. Although traditional project approaches had their successes, the long term effects on planning and budgeting and operations and maintenance capacity often exceeded short term benefits. Consequently, donors have been looking to move away from traditional 'stand-alone' projects towards more strategic medium term assistance and exploring new ways of delivering aid (Koeberle et al 2006).
- Greater emphasis on country ownership, systems and capacity: Directly related to the experience of traditional project approaches and the difficult reform experiences of a number of countries during the 1980s, was the realisation that local ownership and partnership around country-led development strategies are prerequisites for effective policy reform and achievement of results. With this realisation came the acknowledgement that piecemeal, narrowly defined project interventions often focused around physical impacts were not suited to building ownership around more complex reform agendas, nor necessarily in line with country or sector policy programmes and institutions.
- Transactions costs and the costs of unpredictable aid: Mounting evidence has shown that poorly delivered and unpredictable aid can severely disrupt programme implementation and development spending in aid-dependent countries (Koeberle et al 2007). Aid flows prone to sudden surges and withdrawals, whether in the form of project or budgetary aid, can be particularly damaging. A study by OECD-DAC identified "uncoordinated donor practices" and "delays in disbursements" as two of the five most burdensome donor practices. Unpredictability has also been used by those domestic interests keen to block reform, who have been able to use the uncertainties attached to aid flows as an excuse for weak fiduciary controls and a general lack of transparency in the resource allocation process.
- Focusing on results: The MDGs together with experience that a focus on outcomes and achievements rather than on inputs and delivery provides a stronger incentive to effective policy and programme implementation, has provided a strong impetus for greater aid effectiveness with a strengthened focus on measuring and delivering results. The Paris Declaration on Aid Effectiveness clearly identifies managing for results as not only a central plank in an overall package of commitments to improving aid delivery but also as a critical organising principle for partner governments in preparing and delivering on sound budgets and policy-programmes for meeting development goals.

The concept of the SWAp

- ❖ 1.5 The concept of a SWAp has existed for some time, but it is only relatively recently, and in the context of the broader shifts described above, that the defining characteristics of the approach have been agreed upon (OECD; SPA 2004). The critical features are:
- A single comprehensive, country-led sector strategy and expenditure framework
 - All significant funding, domestic and external supports the single sector strategy and expenditure framework;
 - Centrality of government ownership and leadership of the strategy and its implementation;
 - Common approaches for development partners across the sector and in line with the sector strategy, and
 - Increasing reliance by partners on national procedures to disburse and account for funds and monitor results, while also strengthening national systems.
- ❖ 1.6 While these characteristics are now largely unquestioned, it remains the case that the flexibility of the concept leaves the SWAp open to the challenge that it says relatively little about the substantive content of the aid relationship and that practitioners use the concept loosely to accommodate a range of practices, many of which are not consistent with improved aid effectiveness. The fact that most SWAps, even quite established ones, are in an almost continuous state of evolution also makes it difficult to pin down when a SWAp has reached full maturity or whether its main purpose is to simply set the aid relationship on a course for eventual absorption into mainstream country-led processes. This has led some authors to argue that “the working definition [of the SWAp] thus focuses on the intended direction of change rather than just the current attainment” (Foster and Naschold, 2001:7). It has led others to question whether the SWAp is a useful concept in its own right and whether the more generic concept of programme-based approaches isn’t more useful to describe the coordination of development assistance in support of a locally owned and led programme, be it national, sector and/or thematic (Box 1). The cases reviewed shed some light on this question although, as expected, definitions and practice do vary widely.

BOX 1: SWAps and Programme-Based Approaches

According to the OECD-DAC (2005), programme-based approaches (PBAs) are “a way of engaging in development cooperation based on the principles of coordinated support for a locally owned programme development, such as a national development strategy, a sector programme, a thematic programme or a programme of a specific organisation. [...] PBAs are not an aid instrument, but a categorisation of aid flows”. Sector-wide approaches are therefore one form of PBA, aimed specifically at combining external and domestic support behind a sector strategy and policy framework.

Opportunities and challenges in A&RD

- ❖ **1.7** The desk review pointed to a number of trends and features within national and sector policy and governance contexts that are relevant to understanding the challenges and opportunities facing sector approaches in A&RD.
- Changing A&RD governance: Shifts in the thinking and practice regarding appropriate areas for state intervention and levels of public spending have impacted on the historical role and mandate of central Ministries of Agriculture. At the same time power and resources are being devolved to lower levels of government as a way of increasing accountability and efficiency in service delivery and national governments are looking increasingly to the private sector for the critical investments needed to support long term agricultural and rural sector growth. As a consequence, A&RD governance is a domain populated by an increasing number of actors in which central Ministries of Agriculture do not necessarily have the lead role. The challenges relating to coordination as the number of actors increases partly explains the shift to a sector-wide approach but also, in the light of the changing mix of public and private finance, poses a major challenge in terms of the appropriate level and focus for SWAp design and implementation. This is set against a backdrop of fairly stagnant trends in public expenditure on agriculture in recent years.
 - The complexity of agricultural systems and the rural development agenda: The policy challenges associated with diverse agricultural and rural economies are well documented. In practice, the challenge of designing effective public actions to catalyse and support increased growth and improved rural livelihoods remains significant, in part because the agenda keeps evolving. In 2001, Maxwell et al identified a number of trends in rural economies that would define the rural development agenda going forward, these included rising rural non-farm employment, urbanisation, landlessness, better infrastructure, health and education, changing food systems and supply chains. In 2006, members of the Platform identified a number of 'drivers of rural development' which included people-centred development, local governance, economics, natural resources, infrastructure, service systems and economic governance from the local to the global level. At the same time there are some constants, including, as Birner and Palaniswamy (2006) note, the lack of voice of small-scale producers and the rural poor in political decision-making processes, the image of agriculture as a 'backward sector' and the short time horizon for most agricultural policymakers. This poses the challenge of finding sufficiently nimble and responsive policy and funding approaches to ensure that the livelihoods of agricultural and rural producers evolve in the face of a rapidly globalising and urbanising landscape.

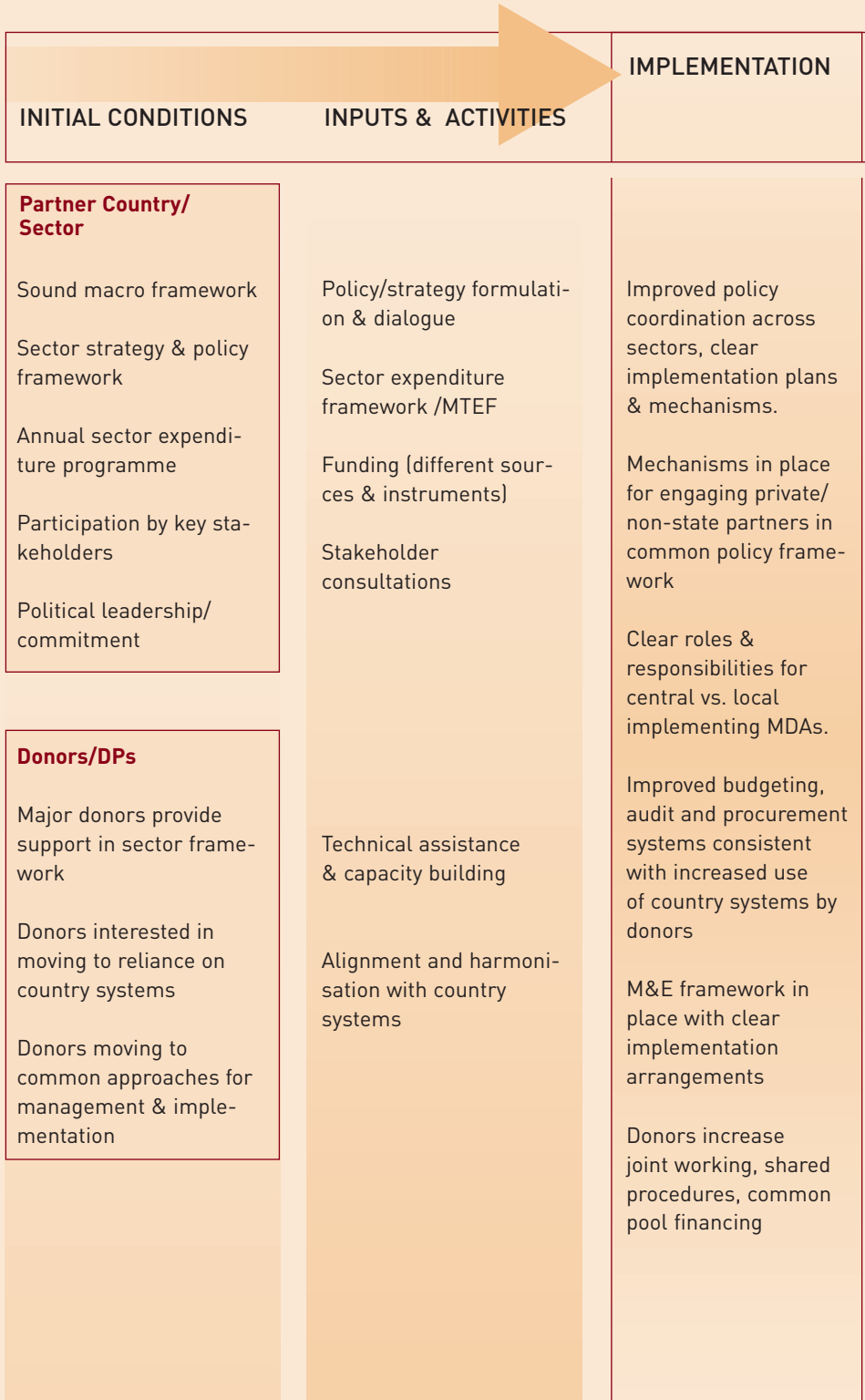
- National strategy and policy making processes: In the past the record of getting agriculture and rural issues adequately addressed in national level strategies and policies and associated donor assisted programmes was, at best, mixed. In recent years a great deal has been learnt on how to include rural issues as a core part of national strategies and programmes, in part by giving attention to the growth and poverty agenda in national PRSs, strengthening the analytical work underpinning rural and agricultural strategies and enhancing the management and technical capacities of Ministries of Agriculture (WDR 2008). But challenges remain not least on how to design and sequence policy interventions given the complexities of agricultural systems, how to balance direct, indirect and regulatory actions to facilitate private sector participation and how to ensure effective voice and accountability in agricultural sector reform processes.

● THE STUDY FRAMEWORK

- ❖ 1.8 The study is divided into three phases. Phase 1 involved a selected review of the policy and evaluation literature relating to sector approaches and identified key issues and an analytical framework for more detailed country and programme level work in Phase 2. Phase 2 involved field-based investigations of SWAp in three countries: the Agricultural Sector Development Programme (ASDP) in Tanzania, the National Programme of Agrarian Development (PROAGRI) in Mozambique, and the Rural Productive Sector Programme (PRORURAL) in Nicaragua. Teams involving one international consultant and a national consultant engaged closely with donor and government stakeholders involved in the SWAp at country and agency level, and based their analysis of progress on a combination of existing documents, interviews, focus groups and field visits.
- ❖ 1.9 In addition, desk reviews of government and donor agency documents for four further approaches/arrangements in A&RD were undertaken, these were: the Programme for the Modernisation of Agriculture (PMA) in Uganda, the Forest Sector Partnership (FSSP) in Vietnam (which is a partnership arrangement and not a SWAp), the Land Management and Administration Project (LMAP) in Cambodia, and the road-map for the development of a sector approach in support of the Food and Agriculture Sector Development Policy (FASDEP) in Ghana.

- ❖ 1.10 Phase 3 constitutes this synthesis report identifying the main themes and issues arising from the field and desk reviews and key policy and operational messages and recommendations for enhancing their role and expected outputs.
- ❖ 1.11 Framing the country studies and the synthesis is a simple logic model that identifies some of the key assumptions and stages informing the development and implementation of a SWAp (Figure 1). Articulating the steps of SWAp development in this way provides a yardstick against which progress with A&RD SWAps can be examined and compared. The central focus of the analysis is progress against five interrelated output level areas/themes that are critical to the success of the SWAp, namely:
- Strengthened institutional capacity and government leadership
 - Increased policy coordination and planning capability
 - Improved public expenditure/financial management and service delivery
 - Stronger private sector interface, and
 - Improved aid management
- ❖ 1.12 This Synthesis has been written as a stand-alone report. However, for much of the detailed analysis of the sector approaches reviewed it is important to refer back to the country reports.

Figure 3: The SWAp Logic model



OUTPUTS

Policy framework focused on key public expenditure priorities & enabling actions for growth & poverty reduction

Clear cross-sector objectives & priorities for public & private sector participation

More resources for govt. budget & more resources on-budget

Improved management of expenditures & better service delivery

Improved institutional capacity & govt. leadership of policy & implementation agenda plus PFM

Stronger/clearer feedback mechanisms from service users

Improved aid management, less fragmentation & lower transactions costs in dealing with DPs

INTERMEDIATE OUTCOMES

Resources reach targeted users/areas/products; regulatory framework more conducive to private sector actors – improved productivity & market opportunities

Service levels improve across related sectors – agriculture/infrastructure/transport etc.

Market access improves; risk & vulnerability addressed

More resources flowing down to local govt. levels with stronger M&E/feedback from users

More effective service delivery, with non-state actors participating

Stronger country leadership of the policy & implementation process

More effective partnerships with DPs/INGOs etc.

IMPACTS

More sector growth, higher domestic & export incomes

More diversified & sustainable livelihoods

Improved non-income poverty indicators

Empowerment & inclusion of poor people

Achievement against the MDGs

CHAPTER 2: THE COUNTRY AND SECTOR PROGRAMME CONTEXT

THE STUDY COUNTRIES

- 2.1 The countries included in the study involve three regions. Due to the frequency of sector approaches in Africa, four of the studies – two field and two desk – are drawn from Africa: Tanzania, Mozambique, Uganda and Ghana. All four are low income countries with large agricultural sectors and significant poor rural populations (Table 1). All four countries have also been at the vanguard of changes in the framework for development assistance over the last decade. In the last two years government and development partners in Tanzania, Uganda and Ghana have all signed Joint Assistance Strategies (JAS) as the overarching framework for delivering assistance behind the national poverty reduction strategy. In the case of Ghana, the G-JAS has been signed by 16 development partners and covers approximately \$5bn of assistance for the period 2007-10. All four countries are also managing substantial amounts of development assistance delivered as programme or General Budget Support (GBS). In Tanzania, programme support, including basket funds, represented 64 percent of total ODA in 2005/6, with 43 percent in the form of GBS. In Uganda the share of budget support was 31 percent in 2005, in Mozambique 19 percent and 35 percent in Ghana.

•••• **Table 1: Study Countries – Basic Data**
(latest available estimates)

Country	Agriculture as % of GDP	Poor as % of rural population
Mozambique	22	55.0
Tanzania	39	38.7
Ghana	35	49.9
Uganda	32	--
Nicaragua	18	68.5
Cambodia	33	--
Vietnam	21	--

- ❖ 2.2 Each of the African study countries also has a fairly long track record with sector approaches of various kinds. Ghana and its development partners developed the first comprehensive SWAp in health dating back to the mid-1990s and now has SWAp-type approaches for the financial sector and for private sector development. Uganda has had a longstanding and largely successful education SWAp, while Tanzania and Mozambique have SWAps in health and education. All four countries are among the most advanced in Africa in terms of implementing the Paris Declaration commitments (OECD/DAC Monitoring Survey 2007).
- ❖ 2.3 In Latin America, the study focused on Nicaragua; one of the poorest and one of the few highly aid-dependent countries in the region. Poverty data for 2005 suggests that 46 percent of the population is living in poverty, with poverty rates much higher in rural areas than in cities. As a recipient of HIPC debt relief Nicaragua developed a national poverty reduction/development strategy in 2001, accompanied later by a National Development Plan (PND) and its operational counterpart the PND-O. There have been vigorous efforts by government and development partners over the years to reduce the fragmented and supply-driven character of aid to Nicaragua. At the time of writing Nicaragua has SWAps in health and education and is in the process of developing SWAps for small and medium scale enterprise and the environment. In 2005 a Multi-Donor Joint Financing Arrangement (JFA) for the provision of general budget support was signed to provide a framework for various donor budget support instruments. While significant, the share of development assistance passing through the JFA remains at less than 5 percent of total ODA.

Source: FAOSTAT, IFAD and various.

Annual average agricultural growth (%) (3yr moving average) 1992/04 – 2002/04	Agricultural spending as a % of govt spending	ODA as % of GDP
4.37	4.0	24
1.81	--	16
4.88	1.0	12
3.06	4.2	15
5.25	--	20
4.60	--	12
5.64	5.5	5

- ❖ 2.4 In Southeast Asia, two countries were selected for desk review. Cambodia has many of the characteristics of a low-income African country, weak institutions, weak centre-local administrative and fiscal relations and significant aid dependence. With 85 percent of the population living in rural communities and over 60 percent dependent on agriculture, forestry and fisheries for their livelihoods, agricultural and rural development is a critical priority for the government and international community. But Cambodia's context is further complicated by competing domestic and international interests over land, and land appropriation by the few has become an increasing phenomenon with major implications for the rural poor. Efforts to promote more harmonised and aligned working by government and development partners have been underway for some time with an updated Action Plan on Harmonisation, Alignment and Managing for Results in 2005.
- ❖ 2.5 The second Southeast Asian country, Vietnam, recently acceded to the WTO and is on track to achieving middle-income country status by 2010-12. With ODA at less than 5 percent of GNI, Vietnam is not an aid-dependent country. Its recent development trajectory has increased financing options, including a wider range of private finance options and a possible withdrawal/phasing out of some grant-based donors. Nevertheless, despite the relatively modest contribution of concessional and grant finance, the Vietnamese government has given a strong steer to efforts to improve aid effectiveness. The Hanoi Core Statement issued in 2005 sets out clear targets for reducing aid transactions costs and improving aid utilisation rates. This has been translated into the implementation of more programmatic approaches by the GoV and the use by development partners of new aid modalities, including an increasing focus on sector or targeted budget support (TBS). Vietnam was one of the first recipients of the World Bank's Poverty Reduction Strategy Credit (PRSC) which now has 11 co-financiers including both multilateral and bilateral donors. In 2005-2006, development partners negotiated two TBS operations in support of the government's national targeted programmes, one for basic education (EFA-NTP) and one for poor/marginal communes (P135). Targeted budget support was also agreed in 2006 for the national target programme in rural water and sanitation in conjunction with the establishment of the Rural Water Supply and Sanitation Partnership.

● THE STUDY SAMPLE

- ❖ 2.6 Table 2 summarises the main features of the sector approaches sampled for the study, with a basic description of origins, coverage/focus and development partner engagement. Important to note is the variation in the approaches reviewed. At the one end of the spectrum is the PMA in Uganda which is not an agricultural sector programme as such, but more of a government-wide framework for reducing poverty through agricultural and rural development. MDAs are required to prioritise PMA activities in their existing budgets. Development assistance is provided in part through general support to the government's budget, but mainly through support for individual sub-components.

- ❖ 2.7 At the other end of the spectrum, the forest sector in Vietnam has a number of different elements of a SWAp, such as a sector strategy, improved policy framework, and efforts to promote harmonisation and coordination. Collaboration and information sharing among the stakeholders is promoted by a partnership arrangement based around a Memorandum of Agreement signed in 2001 by the GoV and 19 international partners, both donors and international non-governmental organisations (now 25 signatories) to support the forest sector. In late 2006, the partnership has been broadened to include other stakeholders, including the private sector (both domestic and foreign) and local civic society. Development partners initially agreed to support a FSSP Programme framework, while the Ministry of Agriculture and Rural Development approved a separate Forestry Development Strategy (FDS 2001-2010). The latest Vietnam Forestry Development Strategy (VDFS 2006-2020) merges and updates these two frameworks.

❖ Table 2: Sector approaches included in the study – by country

COUNTRY/SECTOR APPROACH	PERIOD/DURATION	
Vietnam – Forestry Sector	The Vietnam Forestry Development Strategy covers a 15-year period (2006-2020), and defines forestry more broadly, i.e., includes forest product processing / industries and marketing. Government has an investment project, the 5 Million Hectare Reforestation Project (5MHRP), which runs from 1998 to 2010. It has just approved a major new program, the Production Forest Policy, to run from 2007 to 2015.	
Cambodia – Land Administrative Management and Distribution Programme (LAMDP)	Set out in Land Policy Statement in 2001. 15-year programme initiated by Government. LMAP 2002.	
Tanzania – Agricultural Sector Development Programme (ASDP)	Agriculture Sector Development Strategy 2001. ASDP formulation began 2003. Basket Fund agreed 2006	
Uganda – Programme for the Modernisation of Agriculture (PMA)	Introduced under the second Poverty Eradication Action Plan (PEAP). The PMA was finalised in 2000.	
Ghana – Food and Agricultural Sector Development Policy (FAS-DEP) and proposed AgSWAp.	FASDEP 2002 based on Accelerated Agricultural Development Strategy (AAGDS) produced in 1996. Concept note on the Ghana AgSWAp prepared in June 2006. Roadmap for AgSWAp includes development of a six year sector plan based on FASDEP.	
Mozambique – National Programme of Agrarian Development (PROAGRI)	Phase One launched in 1998 for a period of 5 years, but extended until 2005. Memorandum of understanding for second phase signed in early 2007.	
Nicaragua – Rural Productive Sector Programme (PRORURAL)	PRORURAL preparation finalised in 2005 (about 1.5 years of preparation work), linked with ERCERP, PND-0 and launched for implementation around the joint mission in May 2006.	

KEY FEATURES	DP ENGAGEMENT
<p>Government ownership and leadership of the sector. Revision of the policy framework, including the 2004 revision of the Law on Forest Protection and Development. Vietnam Forestry Development Strategy (VFDS 2006-2020) approved by the Prime Minister in 2007. Coordination of efforts by different stakeholders promoted by the Forest Sector Support Partnership (FSSP). The FSSP has an agreed duration of ten years (2001-2010).</p>	<p>Many (not all) key donors and international non-governmental organisations comprise the 25 international signatories of the Forestry Partnership (FSSP). Four bilateral donors provide grant aid through a pooled basket fund, the Trust Fund for Forests (TFF). The same four donors also support the Partnership activities and FSSP Coordination Office. Other funds exist in the sector, such as the Vietnam Conservation Fund (VCF) and funds managed by various donors and projects.</p>
<p>Strengthen land tenure security and land markets, manage land and natural resources, promote land distribution with equity</p>	<p>Thematic Working Group on Land. Land Management and Administration Project (LMAP) WB, Finland, GTZ. National Capacity Development in Land Management – Danida.LMC – common support modality – DFID, Danida and NZ.</p>
<p>ASDP focuses on agricultural sector support and implementation at field level and national level covering: investment, policy and regulatory framework, research and advisory services, PSD, marketing and rural finance. Also cross-sectoral support – managing links between agriculture and other sectors. Inter-Ministerial Coordinating Committee brings together 4 lead sector ministries.</p>	<p>Development Partner Group ASDP working group Basket Fund supports ASDP alongside some DP GBS and continuing projects with Agricultural Sector Lead Ministries.</p>
<p>7 Pillars: research and technology; national agricultural advisory services (NAADS); agricultural education; improving access to rural finance; agro-processing and marketing; sustainable natural resource utilisation and management; and physical infrastructure.</p>	<p>DP sub-group of the PMA consists of 20 donors who have signed up to PMA principles. Projects still important. Sub-components funded by different DPs.No pooled funding by DPs for PMA.</p>
<p>Main areas of FASDEP are the strategic thrusts of the AAGDS: access to markets and promoting export commodities; access to agricultural technology; access to rural finance; rural infrastructure and utilities, institutional capacity – plus emphasis on strengthening the private sector as the engine of growth.</p>	<p>WB's Agricultural Services Sub-Sector Investment Project (AgSSIP) main instrument for implementing AAGDS in 2001. First phase ended 2005, extended to 2006. FABS – 5 year sector budget support by CIDA to MOFA. SASH – SBS by DFID to support agricultural sector harmonisation. MOU between MOFA and DPs planned for March 2008.</p>
<p>8 programme areas in phase one: institutional development; agricultural research; agricultural extension; agricultural production; livestock production; land management; forestry and wildlife; irrigation. A common flow of funds mechanism was set up to channel aid resources to the programme.</p>	<p>16 DPs supported PROAGRI 1999-2006 but numbers annually varies. Two major PROAGRI donors have pulled out (USAID and World Bank). A growing share of donor support represents 'on-budget grants'. Between 1999-2005 DP support to PROAGRI averaged 50% of all public resources mobilised for agriculture.</p>
<p>7 programme components: technical innovation; sanitary and phyto-sanitary measures; sustainable forestry development; production support services; investments in infrastructure; modernisation and institutional strengthening; policies and strategies for agriculture and forestry. Cross cutting themes emphasise horizontal and vertical linkages, nutrition, women's access to resources/services and finance.</p>	<p>Action plan for ownership, harmonisation and alignment in the rural productive sector (AAA) agreed in support of PRORURAL. Code of Conduct and MOU signed by donors and GoN. Small Common Fund alongside existing donor projects.</p>



CHAPTER 3: MAIN FINDINGS – FROM FORMULATION TO IMPLEMENTATION

- 3.1 This chapter and chapter 4 review the main findings of the field and desk reviews. The chapters are organised around the main components of the logic model (Figure 2), in particular experience with formulation and implementation and achievement against expected outputs. Country evidence is woven into each of the component themes of the model. While the thematic structure is more complex it does allow for a greater degree of synthesis of the evidence and of cross-cutting lessons and messages in contrast to lessons and messages that are exclusive to one country context.

INITIAL CONDITIONS AND INPUTS INTO SWAP FORMULATION

- 3.2 The literature on SWApS points to a number of initial conditions that are important in determining the feasibility of a SWAp and the quality of the formulation process. Brown, Foster et al (2000) identify a number of such conditions that include a sound macroeconomic framework; evidence of domestic political leadership and basic agreement on strategy; a clear opportunity for key stakeholders to participate; and an international donor community that is committed to cooperative and aligned working. Not all of these pre-conditions will be found within one sector nor will they be under the control of any single sector ministry, adding inevitably to the complexity of moving towards a full SWAp.
- 3.3 The extent to which these initial conditions exist in practice varies significantly. In the case of PROAGRI in Mozambique (Box 2), which was the first attempt anywhere to create a SWAp in A&RD, initial conditions were (understandably) far from ideal. Although it was clear that public expenditure and donor contributions to the sector were significant and that there was a clearly identified need for greater coherence of multiple and sometimes inconsistent interventions in the sector, PROAGRI started life without a clearly stated sector policy framework and without clear/consistent political leadership (Cabral et al 2007). Instead, ideological differences around the respective role of the state and other aspects of strategy within government and between government and donors remained well into Phase 1.
- 3.4 Uganda's multi-sectoral PMA had a different start in life. It emerged directly out of the national Poverty Eradication Action Plan (PEAP) with the aim of improving the ability of the poor to increase their household incomes. The initial impetus for the PMA did not come from the Ministry of Agriculture (MoA) but from the Ministry of Finance. It represented a coming together of a strong political commitment to the PEAP with a need to put in place an improved governance framework for agriculture in which a number of policy actors beyond the MoA could engage. The approach was developed against a backdrop of a

stable macro framework and a sound budget process, in which donors were directing their commitments to PEAP implementation and working in increasingly coordinated ways. This is a good example of how a favourable enabling environment can facilitate the design of a new and ambitious policy framework for A&RD.

BOX 2: PROAGRI - Mozambique

Following a decade of policies pressing for a reduction in state intervention in the productive sectors, the Ministry of Agriculture (MoA) was a weak and resource-constrained agency with hardly any presence in the field. Donor-funded operations in agriculture were numerous and fragmented and the MoA had little influence in decisions about the allocation of aid resources.

PROAGRI was launched in 1998 as a pioneering attempt to create a platform for government-led policy dialogue in the agricultural sector. The programme's main objectives were to: (a) develop a common vision for agricultural development through better coordination between stakeholders and (b) to review the functions and rationalise the structure of the MoA to generate more effective service delivery and more efficient use of public resources.

The 1998 Basic Principles document (a key element of the understanding reached between government and donors) focused the attention of the MoA on a set of core functions including regulation, creating an enabling environment for private sector development and facilitating equitable access to natural resources. The approach to service delivery was to be demand-driven, involving where appropriate, outsourcing of services to NGOs and private providers.

In its first Phase (1998-2003) PROAGRI focused heavily on improving working conditions within the Ministry and developing coordinated planning and supporting financial management systems. In Phase 2 (2004 -) the focus remained with the core functions of the MoA and demand-driven services but also included a more holistic view of the agricultural sector, stressing the need to coordinate interventions in critical areas outside the immediate mandate of the MoA (agricultural markets, rural infrastructure and financial services). This appeared to involve an expansion of PROAGRI's scope to include a rural development remit. However, with a new government in early 2005 and a reshuffling of ministerial attributions and competencies, rural development issues were moved into the newly created Ministry of Planning and Development and MoA's (and PROAGRI's) remit once again focused on the agricultural sector proper.

- ...❖ 3.5 Like the PMA in Uganda, the development of the Agricultural Sector Development Strategy (ASDS) in Tanzania was closely linked to the development of the PRSP and, like Uganda, the eventual development of an operational programme – the Agricultural Sector Development Programme ASDP (Box 3) – was due not just to the MoA but to a strongly engaged Ministry of Finance. Unlike Uganda, however, the process of moving from the PRS/ASDS to the final ASDP was protracted in Tanzania because of inconsistencies in government policy, fuelled by a weak growth and poverty reduction framework in the first PRS, and ongoing policy disagreements with the donor community (Greeley 2007). Weaknesses in the policy context and limited strategic leadership by government in the early years were also a major cause of delays.
- ...❖ 3.6 In one of the most recent SWApS - PRORURAL in Nicaragua (Box 4) - initial conditions were majorly tested in late 2006 with the election of a new government. Against a historical backdrop of fragmented Nicaraguan politics and administration and a large and diverse donor group, PRORURAL has had to respond to a number of different institutional and policy directions. This has resulted in some potentially significant inconsistencies in the way PRORURAL defines the relative space for public and private sector activity and the different levels of public action within the agricultural and rural sector (Wiggins:19). This has undoubtedly made its evolution more complicated. Nevertheless it is significant, given past political transitions that, so far, PRORURAL has been left largely intact by the new government, with some refocusing in selected areas, reflecting the degree of consensus around PRORURAL at the donor and technical level in government.
- ...❖ 3.7 In Ghana (Box 5), the slow pace of development towards a SWAp is rooted in weak initial conditions in the agricultural sector and related planning and budgeting systems. Weaknesses of the past include differences with the donor community over key aspects of strategy, especially over privatisation; weak capacity and leadership in the Ministry of Food and Agriculture (MoFA); a lack of political leadership on key reform agendas such as decentralisation; and continuing weaknesses in the public expenditure management system. Gradually these conditions have been addressed, including building a broader consensus across government and within the political leadership, on the importance of a coherent approach to agricultural sector growth and the role of the private sector, as well as gradually improving public financial management across the government system (Evaluation of Multilateral Direct Budget Support (MDBS) in Ghana, 2007). With initial conditions improving, and a clear commitment to alignment and harmonisation in the sector expressed through the sector working group and the Joint Assistance Strategy, progress towards a full SWAp now looks increasingly likely.

BOX 3: ASDP - Tanzania

The agriculture sector in Tanzania provides livelihoods for about 75 percent of the population and contributes almost 50 percent of GDP. Agriculture has been growing on average at nearly 5 per cent in the last 5 years, and with a population growth rate of 2 per cent farm households have experienced some real income growth. Meeting the MDG of halving poverty and food insecurity by 2015 nevertheless requires annual GDP growth of at least 6-7 percent and an agricultural growth rate of the same order. This forms a critical backdrop to the agricultural sector programme in Tanzania.

Current agricultural policy in Tanzania is formally based on the 2001 Agricultural Sector Development Strategy developed over 3 years through a consultative process and strong engagement across agricultural sector line ministries. The critical role of agriculture in reducing poverty is a core element of the National Strategy for Growth and the Reduction of Poverty NSGRP (the second PRS). Together these strategy documents provide an important organising framework for the Agricultural Sector Development Programme (ASDP).

The ASDP finalised in 2006 focuses on the agricultural sector 'proper' and is built around five principles:

- increasing control of resources by beneficiaries
- pluralism in service provision
- results-based resource transfers
- integration with government systems and (v) national scope. ASDP objectives are to enable farmers to have better access to and use of agricultural knowledge, technologies, marketing systems and infrastructure; and to promote private investment based on an improved regulatory and policy environment.

At the heart of the programme is the decentralisation of investment decisions to the local level, building on the local government reform agenda and strengthened democratic accountability underpinning that agenda. A second critical feature is the full integration of the ASDP into the MTEF process and alignment with the NSGRP. Key tensions include certain national public investment decisions; the extent to which local governments are 'ready' to take on full responsibility for local investment decisions and managing complex funding arrangements under a single expenditure framework.

BOX 4: PRORURAL - Nicaragua

Nicaragua's agricultural sector has remained largely untransformed since the 1970s with GDP per capita today (in constant terms) close to half of 1970 levels and poverty rates similar to those of the mid-1990s. The high concentration of poverty in rural areas, together with a faltering record on agricultural growth and fragmented domestic and donor investment are a key part of the rationale for the development of a sector-wide approach in rural development.

Preparations for Nicaragua's rural productive sector programme (PRORURAL) were finalised in 2005 with the MoU signed between government and key donors in May 2006. PRORURAL covers agriculture and the rest of the rural productive sector, including forestry, aquaculture and non-farm rural activities. The Programme aims to reduce rural poverty by increasing the production of goods and services through increased competitiveness and environmental sustainability, greater participation in domestic and external markets, higher incomes and better distribution of them and the creation of rural employment.

PRORURAL consists of three main functions:

- a strategy for the development of rural production;
- mechanisms for agreeing and coordinating the actions of the SPAR (the institutions with a mandate in the agricultural sector); and
- a way to allocate and account for budget funds both from government and the donors. The main operating principles for the SWAp include: the importance of a long term vision; complementarity between national and local development; multi-functionality (involving the broad rural space); participatory planning and equality of opportunity. The budget for the first five years of PRORURAL is \$412m. A growing percentage of external funding is expected to be channelled through sector support and its associated common fund.

Some of the key tensions underlying PRORURAL include different views on the size and extent of market failures and hence the role for public and private action; the scope for participation particularly by civil society organisations and the relative merits of pooled vs. projectised donor funding under the SWAp framework.

- **3.8** In Cambodia (Box 5), testing conditions for the Land Management, Administration and Distribution Programme (LMADP) include a complex political and institutional environment, competing strategy and policy initiatives and a complex architecture for donor engagement. In the land sector, there are a number of major policy challenges that remain unresolved, not least the many interests competing to appropriate land and high levels of corruption. The recent history of heavily fragmented donor interventions has provided a crucial impetus to thinking about a land SWAp while at the same time acting as a break on the pace of progress.

BOX 5: PMA, LMADP, the Forest Partnership and the Ghana Roadmap

The Plan for the Modernisation of Agriculture (PMA) in Uganda was conceived in 2001 by the GoU (led by the MoF) to stimulate agricultural growth and poverty reduction through a restructured agricultural governance framework. The plan has seven priority areas or pillars (i) research and technology development; (ii) national agricultural advisory services (iii) agricultural education; (iv) improving access to rural finance; (v) agro-processing and marketing; (vi) sustainable natural resource utilisation and management and (vii) physical infrastructure. The PMA has more of a multi-sectoral reform process than a sector programme but includes many of the same characteristics as a sector approach like a major emphasis on decentralisation, empowering local communities and encouraging private sector provision of goods and services.

The Land Management, Administration and Distribution Programme (LMADP) in Cambodia is a 15-year programme initiated by the Royal Government of Cambodia. Its objectives draw from the Land Policy Statement of 2001 and focus on (i) strengthening land tenure and land markets and resolving land disputes; (ii) managing land and natural resources in an equitable and sustainable manner and (iii) promoting land distribution with equity. LMAP is developing a policy and institutional framework to facilitate greater A&H in the sector. An action plan for LAMDP was formulated in June 06 and a PBA Roadmap workshop conducted. Relatively limited headway has been made since then reflecting uncertain government leadership, weak capacity at ministry level and continuing tensions within the international donor community.

The Forest Sector Support Partnership (FSSP) in Vietnam is a broad framework for collaboration between the GoV and 25 DPs working in the forestry sector. The FSSP Memorandum of Agreement originally included a programme framework which specified indicative performance standards for nine result areas. In 2003 a Government-led Strategic Planning and Monitoring Working Group was established to direct the development of a New Forest Strategy with a view to establish this strategy as the main policy framework for the sector by 2006. In 2007 the Prime Minister approved the Vietnam Forestry Development Strategy (VFDS 2006-2020). The FSSP, or more simply the Forestry Partnership, is no longer a separate programme, but a partnership (including private sector and CSOs) supporting the new strategy. Although the partnership had previously aimed to support a move towards a full SWAp, this is now thought to be unrealistic, given the nature of the sector in Vietnam, the rapidly growing importance of private sector investments and the rapid economic development in Vietnam. Nonetheless, the partners remain committed to the ideas of promoting coordination, information-sharing, and improved overall management of the sector.

Preparations for an AgSWAp in Ghana date back to the 1996 Accelerated Agricultural Growth and Development Strategy (AAGDS) and the subsequent Agricultural Services Sub-Sector Investment Project (AgSSIP) which began in 2000 as the main instrument for implementing the AAGDS. This was later followed in 2002 by a Development Partners Coordination Group meeting with the Ministry of Food and Agriculture (MoFA). Agricultural sector budgetary support from CIDA and DFID in 2004 and 2006 respectively further advanced the case for linking sector policy and strategy and the MTEF and setting out a process for moving towards harmonised systems for reporting, budgeting, financial management and procurement. In January 2006 the MoFA indicated its commitment to adopt a SWAp for the agricultural sector and committed to preparing a roadmap for government and development partner consideration. Key milestones for the roadmap include: obtaining a shared understanding of the SWAp process; building government and DP capacity for implementing such an approach; strengthening inter-ministerial linkages and developing a six year sector plan.

Key points

❖ **3.9** Context is an important driver of the feasibility and pace with which a SWAp develops, perhaps more so in A&RD than in other sectors. The complexity of rural and agricultural systems and the multiplicity of stakeholder interests that need to be negotiated around a sector approach mean that progress towards developing a comprehensive SWAp, particularly around gaining consensus on the sector strategy, can be slow and faltering. But there are a number of factors that appear to cut across context and which are significant in the evolution of an A&RD SWAp. These are:

- a clear line of sight between national strategy and sector strategy;
- a high degree of agreement within government and with donors on key policy and management issues for the sector and, in particular, agreement on the role for private sector versus public sector activity in the sector;
- ownership and effective leadership at sector Ministry level but also, crucially, commitment to the process elsewhere in government, particularly from the Ministry of Finance and at the senior political level;
- a good understanding of the flow of funds and public expenditure in the agriculture sector;
- an active donor community committed to accelerating the pace of change on alignment and harmonisation.

FROM FORMULATION TO IMPLEMENTATION

- ❖ **3.10** Initial conditions clearly influence the time it takes to build the 'basics' for SWAp implementation. Phase 1 of the study noted that the ability to move quickly to implementation is a function of:
- the clarity of the strategy and policy framework and key institutional roles and responsibilities;
 - coherence with shifts in the wider planning and budgeting process;
 - the commitment to monitoring and evaluation, and
 - tangible evidence of aligned and coordinated working by development partners.
- ❖ **3.11** The importance of these factors is further confirmed by the experience of some of the country cases and in particular, the extent to which the early formulation period can help to resolve some of the more fundamental differences in policy direction in the agricultural sector and to integrate effectively with wider decentralisation and PEM/PFM reform processes.

Clarity of the strategy and policy framework

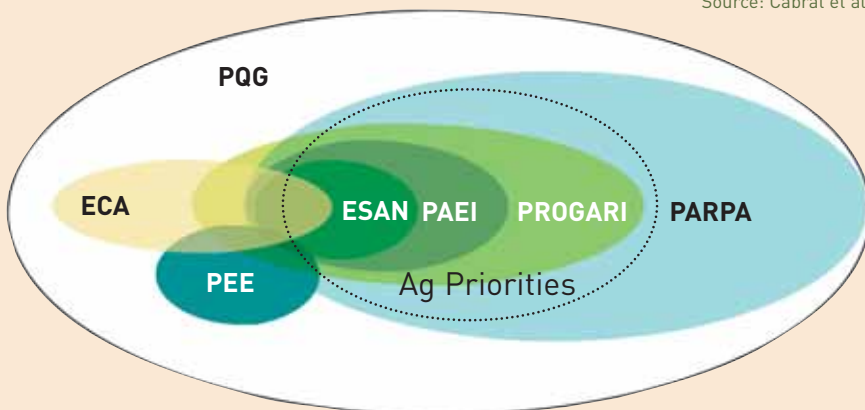
- ❖ **3.12** The case of PROAGRI is again illustrative. At its inception PROAGRI represented a pioneering attempt to create a platform for government-led policy dialogue in the agricultural sector. By bringing together the main sources of public funding (domestic and external) under a common MoA-managed

financing arrangement PROAGRI, by definition, introduced a step change in the approach to interventions in the sector and in the Ministry’s coordination role. But the backdrop of agricultural-relevant policy in Mozambique remains highly complex, with an array of policy documents, each with specific drivers, scope, timeframes and audiences. Figure 4 shows how some of the most relevant policy documents relate to one another and to PROAGRI. PROAGRI represents, at least on paper, the core current of agricultural policy geared towards reform and modernisation of the state machinery and towards improving coordination of interventions and resource management efficiency. The Agricultural Policy and Implementation Strategy (PAEI), PROAGRI and the most recent Agrarian Priorities document, are not mutually exclusive or contradictory. Yet, each has its own particular inflection which reflects the circumstances of the time as well as shifting political preferences. This reflects, not least, the fact that the Ministry has changed its institutional sphere several times over the last two decades, most recently again with the election of a new President in 2005 in which responsibility for rural development has been removed from the MoA and given to the newly created Ministry of Planning and Development.

❖❖❖ **3.13** At a higher governance level there are other relevant policy documents which influence policy approaches and interventions in the agricultural sector including the Government’s main policy instrument, the Five Year Programme (Programa Quinquenal do Governo, PQG), and the Poverty Reduction Action Plan (Plano de Acção para a Redução da Pobreza Absoluta, PARPA), now in its second round, in which agriculture and rural development head the list of economic development priorities for achieving sustained poverty reduction. There are also sub-sectoral (thematic) strategies of direct relevance including food security, agricultural commercialisation and roads. Responsibility for some of these strategies lies outside of the MoA.

Figure 4: Strategies and policy instruments related to agriculture in Mozambique

Source: Cabral et al 2007



ECA	Agriculture Commercialisation Strategy	PAEI	Agricultural Policy & Implementation Strategy
ESAN	Food Security and Nutrition Strategy	PQG	Government’s Five Year Plan
PEE	Roads Policy and Strategy	PROAGRI	Agrarian Development Programme
PARPA	Poverty Reduction Action Plan	Ag Priorities	Agrarian Priorities 2006-09

- ❖ 3.14 The consequence of such an array of strategy and policy frameworks is that PROAGRI has struggled to find coherence around its sector niche and has had to devote much of its early years to generating coherence against the backdrop of a relatively weak and resource-constrained MoA and shifting institutional responsibilities. The search for policy coherence has been further compounded by an aid system in which donor influence has been strong and in which donor resources have been provided 'off-budget' at sectoral or provincial levels despite the common funding approach of PROAGRI. This has, in turn, reduced the need for strong policy formulation at the centre (Joint Evaluation of PGBS 2006). Change is now happening, in particular with the implementation of Partnership General Budget Support (PGBS). Not only has this helped to strengthen policymaking at the centre, it has also increased the proportion of public spending subject to the national budget and has underpinned cross-sectoral coordination at several levels. This shift has undoubtedly improved the context for PROAGRI but, as Cabral et al observe, the issue of institutional and policy coherence remains a challenge and with continued policy shifts taking place under the new political configuration in Mozambique, this is likely to continue for the foreseeable future.
- ❖ 3.15 A similar set of issues is affecting design and implementation of a sector approach in the Cambodia land sector. Despite a government-led land policy framework and administrative and management development programme (LAMDP), there are concerns about methodological coherence in key areas, especially institutional development and land title registration, and major worries about the capacity of the lead Ministry (MLMUPC) to manage the coordination process effectively. Rights and responsibilities of the different state institutions and levels of government to make decisions about the use, management or transfer of land are not clear, while donors continue to directly support different government agencies in various land-related projects; providing at times conflicting advice to government. While the willingness to coordinate is high, in practice neither the policy nor institutional framework, particularly roles and responsibilities for central and local implementation, is sufficiently clear to allow this to happen quickly.
- ❖ 3.16 The Vietnam case shows why donor and government strategy need to converge as soon as possible if progress towards a full sector approach is to be made. In 1998, the Government of Vietnam asked the donor community to support its National Targeted Programme for forests (the 5 Million Hectare Reforestation Programme, 5MHRP). Government and 15 international organisations then agreed to prepare a 5MHRP Partnership during the period 1999-2000. After the work of three task forces, as well as an ADB forest policy study, and a subsequent synthesis report, in early 2001 agreement was reached to prepare a broader partnership to support the entire forest sector. During 2001, this broader partnership was formulated, as was a ten-year FSSP Programme of activities. The Forest Sector Support Programme and Partnership (FSSP&P) was agreed in November 2001 among Government and initially 19 international partners (now 25 international signatories). Meanwhile, the government de-

partments and ministries were engaged in their normal planning procedures, preparing five-year plans and ten-year strategies. Thus, the forest sector under the Ministry of Agriculture and Rural Development prepared a ten-year Forest Development Strategy (FDS 2001-2010), which was approved by the Minister. Subsequently, due to rapid macro policy changes, the Partnership supported the Ministry to merge and update these two documents into a more comprehensive Vietnam Forestry Development Strategy (VFDS, 2006-2020), which has higher status, as it has been approved by the Prime Minister. The partnership has been renamed the Forest Sector Support Partnership (FSSP), or more simply the Forestry Partnership, as there is no longer a separate FSSP Programme, but the partnership supports the new strategy. The partnership has also begun to open up its activities to all interested stakeholders, including the private sector (both domestic and foreign) and civic society. Although the Partnership had previously aimed to support a move towards a full SWAp, it is now recognised that such a target is unrealistic, given the nature of the sector in Vietnam, the rapidly growing importance of private sector investments, and the rapid economic development in Vietnam, which means that Vietnam may achieve medium-income status by 2010, and thus no longer be eligible for many types of Official Development Assistance (ODA). Nonetheless, the partners remain committed to the ideas of promoting coordination, information-sharing, and improved overall management of the sector.

Public financial management and budgetary processes

- ❖ 3.17 Other critical building blocks for SWAp implementation are a minimum quality of public financial management and budgeting systems. Both Uganda's PMA and Tanzania's ASDP point to the critical importance of functioning budget, audit and procurement systems. The background paper on the ASDP identifies two features critical to the programme: (i) the decentralisation of investment decisions to the local-level, something that builds directly on the local government reform agenda, and (ii) the integration of the budget, disbursements and monitoring of the ASDP into the MTEF process. With scarce resources, agriculture has to compete with other sectors and sometimes these have taken priority. For example, in 2005 it was education that gained priority with resources directed towards primary enrolment targets and approved or even partially completed agricultural investments left unfunded. A critical advantage of strengthening public financial management and the new planning and budget arrangements under the ASDP is that they provide some protection for agricultural spending, at least in so far as nationally agreed budgets have to be transferred to agricultural sector lead ministries (ASLMs).

- ❖❖❖ **3.18** Yet there are still major challenges ahead. The first relates to concerns about donor funding modalities and the extent to which donors respect the core principles of the SWAp, in particular, the importance of a single sector expenditure framework. Multiple funding sources inevitably make the single expenditure framework more difficult to manage, while the continued proliferation of donor procedures, even amongst those contributing to the sector basket fund, is clearly obstructive of genuine domestic ownership and, through the transactions costs involved, a potential obstacle to effective implementation.
- ❖❖❖ **3.19** The second challenge is ensuring that funds are available at local levels for implementation. In agriculture, decentralising spending decisions is a good approach because local needs to improve agricultural productivity are often context specific. Making sure that the funds flow and flow predictably is a major task, however. The ASDP sets an ambitious plan of spending an indicative amount of 75% of total funds at district level through District Agricultural Development Grants (Box 6). The cornerstone of the approach lies in the production of District Agricultural Development Plans. The ASDP is to be implemented through these plans which emerge through a structured process of village and ward-level meetings facilitated by district staff. Arguably the biggest challenges are the quality of these plans and whether they will lead to a coherent approach for agricultural development at the local level, and whether funding will be predictable and according to the formula. Early experience hints at some problems. In July 2006, the beginning of the Tanzanian financial year, DADPs were still going through their approval process with PO-RALG up until early October. Release of funds, at least for the donor money inside the common basket, requires these approvals and, consequently, no funds were released in the first quarter. With so much riding on ASDP implementation at the local level, the lack of predictable financing may prove to be a major stumbling block to implementation going forward.

BOX 6: The formula for district-level funding in the Tanzania, ASDP

The ASDP plans to spend close to 75% of total funds at district level through District Agricultural Development Grants (DADGs). The expenditure is of three types: capacity building grants, extension grants and agricultural development (investment) grants. Each grant type has two components. There is a formula-based grant (using data on number of villages (80%), population (10%), and rainfall index (10%)). This formula has been changed twice since first introduced and it is still not obvious that it does the right job. However, it only affects the smaller amounts available in the basic grants. All districts qualify for the three basic grants and all are eligible to receive an enhancement based upon meeting some minimum initial conditions and thereafter on district annual performance assessments. The basic grants are financed through government resources and the enhancements come from the basket fund. The enhancements promise significant resources –between 120-240 million shillings a year per qualifying LGA. Each year every Local Government Authority (LGA) will be assessed and receive a 25% increase, no change or a reduction.

In order to qualify for enhanced funding each LGA has first to qualify under the Local Government Reform Agenda which has strict annual assessment criteria. For example, an LGA that had failed to recruit staff according to their staffing plan, or that failed to have a proper audit could “fail” under the criteria set by the rules of the local government ministry (PO-RALG, Prime Ministers Office, Regional and Local Government). This is designed to ensure consistency from the centre but of course divorces agriculture funding decisions from any form of “opportunities and obstacles for development” analysis that leads the participatory agricultural planning process at local level in Tanzania.

Source: Greeley (2007)

- ❖ **3.20** In Uganda, a recent evaluation of Partnership GBS (Joint Evaluation of GBS 1994-2004) finds that it has supported higher total and pro-poor expenditures and helped accelerate the process of decentralisation by supporting additional spending channelled largely through local governments. PGBS has also led to more efficient expenditure, focusing spending on government priorities, with a better balance between recurrent and capital expenditure and a higher proportion of funds going to service providers. As part of the shift towards decentralised funding of investment activities, the PMA is supported by a Non-Sectoral Conditional Grant (NSCG) which acts as a mechanism for transferring funds from the central government PAF (Poverty Action Fund) to sub-counties for communities to plan and finance investments linked to locally perceived needs. The NSCG constituted a “revolutionary concept” at the time of PMA design, heralded as a “significant step in the empowerment of rural communities to plan and finance their programmes in a non-sectoral manner” (PMA Cabinet Paper). The Local Government Development Programme (LGDP) provides the framework for the selection of districts that receive the NSCG.

❖ 3.21 While a success in many respects, there have been difficulties in rolling out the NSCG, not least because of budgetary constraints imposed by the central government MTEF. This is a critical issue for the PMA. On the one hand, and in the spirit of mainstreaming the government's poverty reduction agenda, there is no separate budget for the PMA. PMA activities are meant to be prioritised by PMA line ministries and agencies within their respective budgets. On the other hand, and partly due to dialogue with international development partners, there has been a general shift in the composition of public spending over successive Poverty Eradication Action Plan (PEAP) towards the social sectors. Together with tight ceilings imposed by the MTEF, this has tended to skew the national budget away from the productive sectors. While productive sector issues have gained greater prominence in the latest PEAP – reflected in the number of actions listed in the PRSC matrix related to private sector growth and competitiveness – MoF concerns about crowding-out has limited the ability of relevant line ministries to expand expenditures on productive activities. The GBS evaluation notes that, as a consequence, the GoU has been unable to fund the roll-out of the PMA/National Agricultural Advisory Services fully, or expand rural electrification programmes significantly (2006: 98). This apparently perverse outcome means that, for now at least, publicly funded agricultural investments remain dependent on donor project funding; donor financing was in the region of 60 percent of total public sector financing in agriculture for the years 2002-2005. This compares with an average share well below 50 percent in health and water and closer to 10 percent in education.

❖ 3.22 The difficulties the PMA has had in 'protecting' its share of the core budget stems largely from the complexity of the institutional relationships in a multi-sectoral framework; uneven integration of PMA priorities in different line ministries and a continued preference amongst several line ministries for donor project financing. This is despite Uganda's relative success in bringing donor funding on-budget through programmatic approaches, in aligning its budgetary process with the priorities of the PEAP and in implementing a credible MTEF. What the experience of the PMA reveals is the need to address financial issues and the prioritisation of activities in the budget process at all levels, but particularly at district levels, and to engage stakeholders across line ministries to ensure that funding commitments and priorities are fully aligned in support of the agriculture and rural development agenda.

Monitoring and evaluation

- ❖ 3.23 A functioning M&E system is essential to provide a means to track progress and to monitor the links between SWAp inputs and expected outputs and outcomes. In almost all the sector approaches reviewed M&E remains weak. In cases where sector approaches are operational and have been for some time (particularly Mozambique) there is a real difficulty in linking specific investments funded under the SWAp to outputs and outcomes. In the case of PROAGRI, while there has undoubtedly been investment in the development of M&E systems, accountability for performance under PROAGRI has remained largely limited to the rather unbalanced government-to-donors. Furthermore it has disproportionately focused on financial performance and little on efficiency, quality and effectiveness of agricultural service delivery by the government. This is partly because the tools developed to improve agricultural data collection and monitoring procedures have a limited focus on agricultural production, input use and productivity, rather than on the delivery and performance of government provided services and their contribution to agricultural and livelihood outcomes. An added difficulty for agricultural M&E has been the existence of overlapping planning and management units, with 4 different planning and M&E units in MINAG alone.
- ❖ 3.24 The PMA M&E framework in Uganda is designed to set the parameters for PMA stakeholders to “streamline their existing M&E systems so that they can monitor and evaluate the performance, intermediate outcomes and impact of the PMA”. The framework feeds into the National Integrated Monitoring and Evaluation System (NIMES) set up in 2003 under the Office of the Prime Minister to facilitate coordination of all government policies and programmes. NIMES defines the M&E framework of the PEAP. At the strategic level progress against the PMA is tracked as part of overall PEAP monitoring (there are five outcome indicators tracked under this pillar). At the lower level the PMA M&E framework utilises M&E systems existing in line ministries and organisations implementing different components of the PMA. The critical advantage of the PMA approach is that M&E is institutionally nested within the national policy framework. There are nevertheless concerns over the number of indicators and the lack of baseline data for many of the indicators being tracked. Within the PMA architecture there is also little incentive for agencies to generate and submit consistent and timely M&E information. Furthermore, as a recent evaluation of the PMA notes (OPM 2005), it is difficult to see the logical links of how inputs translate to intermediate outcomes and later on to impact. This has brought into question the relevance of some of the indicators.

... 3.25 In Nicaragua, a similar notable effort has been made to plan a comprehensive M&E system (SISEVA) from the outset. As the background paper notes there are certain risks to this approach in practice, not least, that data collection is often harder work in practice than on paper, while the institutional roles and responsibilities, particularly beyond the MoA and at sub-national level, take time to clarify. The frequent consequence is that M&E data is not gathered systematically or appears too late to influence decision making and subsequent rounds of planning. This is a scenario that PRORURAL needs to avoid by beginning with a limited and strategic approach to M&E and gradually expanding its scope as programme implementation gets underway.

More aligned and coordinated working

... 3.26 A primary purpose of the SWAp is to overcome fragmentation and inefficiencies in the allocation and management of development assistance. Stronger alignment with government strategy and harmonisation around a common set of procedures and funding modalities are seen as vital to increasing the relevance and impact of aid and reducing transactions costs associated with aid management. Across the seven cases, progress on alignment is probably the most advanced, although with some clear challenges still on the horizon. Harmonisation efforts are ongoing but tangible results are harder to spot.

... 3.27 As one of the more recent SWAps, PRORURAL has benefited from an improving climate for aid effectiveness at both the international^[8] and national level.^[9] The result is a series of actions taken at inception to improve joint working and coordination and promote government ownership and leadership of the sector policy agenda (Box 7). Signs of progress include joint missions between government and donors at key moments of project preparation, evaluation and now during implementation; the drafting and approval of a manual for the functioning of the roundtable that supports and directs implementation of PRORURAL, and the preparation of an action plan for the review and adjustment of the current portfolio of projects implemented by the line ministries engaged in PRORURAL (Wiggins et al 2007). Self-evaluation of the Action Plan in mid-2006 found modest results overall, with progress on ownership, alignment and harmonisation coming out at 2.9 on a 5 point scale. Line Ministries were generally positive about progress on the use of new aid modalities, such as the Common Fund, but a clear lack of progress was noted in reducing the number of parallel implementing units for projects. Lack of systematic monitoring of compliance with the Plan and the Code of Conduct was noted, as was the lack of familiarity with PRORURAL processes at departmental level (or geographical administrative unit) and below. Not surprisingly given the short elapsed times, least progress had been made on harmonisation. But the Wiggins paper also notes some potentially critical obstacles to greater harmonisation arising out of the complexities of the

[8] Paris Declaration 2005

[9] Nicaragua is one of a number of focal countries for the Platform engagement on alignment and harmonisation in A&RD.

political and institutional context and ongoing concerns about 'political will' and 'commitment' from both government and donors (in the very early stages of the new Government's efforts). The recent joint GoN/donor review mission is a clear indication of a commitment to joint working and to ownership of PRORURAL by key stakeholders in the new government.

BOX 7: Ownership, alignment and harmonisation actions in PRORURAL

Actions taken to bring about stronger alignment and harmonisation around PRORURAL include:

- Establishment and strengthening of a sector roundtable mechanism, including 3 working groups on strategic issues (part of a larger GoN/donor architecture);
- Action Plan (AAA) for ownership, harmonisation and alignment (OH&A) to support the process of developing and implementing PRORURAL and coordinate assistance more effectively;
- Code of Conduct signed by government and donors setting out the basis for relations between the two and for future agreements on support for PRORURAL; the code is voluntary and implies no legal obligations for either party;
- Memorandum of Understanding signed by government and donors contributing to the Common Fund to create a basis for other donors to participate in the future;
- Review of the portfolio; the existing portfolio of projects and programmes supporting the rural productive sector was reviewed with respect to the undertakings in the code of conduct and proposals and recommendations on the adjustment of projects and the institutional needs for their effective and efficient implementation were made;
- Guidelines for new projects, to help ensure they are aligned with PRORURAL (a draft is in the process of being finalised and agreed).

- ❖ **3.28** Mozambique's PROAGRI is the most mature of the SWAs reviewed. At inception it was evident that the lack of coordination among donors and between donors and government created a number of problems for the rehabilitation and growth of the agricultural sector. Not least were problems relating to the imbalance between investment and recurrent expenditures and difficulties in budget and financial management due to the many different, project-based channels and modalities for delivering aid and the numerous parallel structures in place to accommodate different donor requirements. The result was a sector that lacked overall vision and strategy and a situation that was not conducive to sound planning, management and monitoring. Harmonisation and alignment were therefore at the heart of PROAGRI well before the Rome or Paris declarations had been agreed.

- ❖ 3.29 At the outset, government and donors agreed to a set of basic principles to define the nature and direction of the transformation in the then Ministry of Agriculture (MAP). The Basic Principles included 8 principles on donor coordination which set out the commitment of donors to move away from discrete projects to a joint programme of expenditures. This implied the need for donors and the Government of Mozambique to agree on a number of common implementation issues, including: planning and budgeting; audit and financial control; performance monitoring and progress reporting; procurement and contract administration.
- ❖ 3.30 Over the implementation period progress has been made in setting up a common flow of funds mechanism to finance commonly agreed eligible expenditures, a common planning and budgeting framework, a common financial reporting and monitoring mechanism, common procurement procedures and a common results reporting system. These initiatives have not only served to produce a common platform for PROAGRI partners but have also provided capacity and continuity to the institutional development and planning process which, as a result, has gradually become more embedded in domestic systems (Cabral et al 2007). This is a key result and demonstrates well coordinating donor systems can enhance the prospects for stronger country systems.
- ❖ 3.31 The trend towards more aligned and joined-up working has both informed and been further reinforced by the evolution of GBS in Mozambique. The new MOU signed in early 2007 for the second phase of PROAGRI commits to transforming the common fund, up to now a partially on-budget basket fund, into the first example of sector budget support in the country. As a consequence, planning, disbursement and financial reporting calendars and procedures are expected to become fully aligned with the government's budget cycle and systems. Progressive alignment at the policy level is also occurring. The draft MOU for PROAGRI II derives its principles from the PARPA principles and establishes that agricultural sector performance indicators will be derived from the PAF agreed under the GBS framework.
- ❖ 3.32 Notwithstanding very important progress, some critical issues remain, not least the fact that the pooled financing arrangement does not cover all the external resources flowing to public sector activities in the agricultural sector. Even at the outset, some key donors in PROAGRI maintained separate project operations and, over time, some have actually moved out of PROAGRI funding arrangements showing a preference for either GBS or a new breed of large projects. While a number of these projects are technically on-budget, they remain guided by a range of procedures that increases transactions costs. There seem to be a number of reasons behind this, including differing views over objectives, the direction and pace of reforms, sector priorities and the most effective aid instruments to use in this regard. To an extent these issues have plagued PROAGRI from the very beginning and, despite concerted efforts to actively align and harmonise, don't seem set to be resolved quickly.



❖ 3.33 Elsewhere there are also signs of progress with aspects of the A&H agenda, but the time taken to yield results, particularly at the sector level, is generally greater than anticipated. In Tanzania, recent years have seen significant developments at the national level culminating most recently in the preparation and joint signing of a Joint Assistance Strategy (JAS). In the A&RD sector commitment to alignment as a basic principle proved instrumental in getting donors and government through some difficult, even confrontational times, as the ASDP evolved. More fundamental progress on improving aid management and harmonisation in the sector has lagged behind, however, and at times been at odds with the pace of policy change (Box 8). Preparing the basket fund under ASDP best illustrates the point. Several donors have required lengthy HQ approvals either to adopt the basket approach or relating to specific items within it, or for accounting and procurement reasons. Loan effectiveness conditions for different donors have also continued to cause problems and significantly delayed the finalisation of the MoU and subsequent disbursements.

Unpredictability of funding continues to create difficulties, despite efforts to create a common funding mechanism. Relevant here is the wider observation in the aid effectiveness literature that common funds can, despite providing some much needed pooling, still weaken sector systems if individual donor procedures continue to prevail and flows remain unpredictable.

BOX 8: Factors limiting ownership, alignment and harmonisation in Tanzania

Limited domestic capacity to plan something as ambitious as the ASDP which challenged processes of donor-government alignment. The resourcing of the ASDP Secretariat was inadequate to the task, even with donor-financed TA. The project mode was familiar and the change in mind set towards the sector approach took a great deal of time to bed in within ASLMs. Even now that commitment varies, and efforts through the JAS to improve coordination around capacity building are still not yet apparent in ASLMs.

Donor proliferation has been a serious obstacle to progress. Donors were undisciplined in the preparatory phase, with some negotiating bilaterally even as the ASDP was being put together. Several donors also lacked delegated authority at the country level, resulting in lengthy delays, as experienced in the signing of the MOU for the Basket Fund. Several donors, including the largest donor, contributing to the Basket Fund also do so on a project-basis with all the attendant governance rules that GoT needs to observe.

Lukewarm delivery from DPs on domestic ownership. Disagreements over a key aspect of the Government's policy agenda in agriculture, notably irrigation policy, has undermined confidence and left the door open to donors to continue to act bilaterally or at least question the case for full policy alignment with ASDP.

❖❖❖ **3.34** In Cambodia, government-donor technical committees, joint management procedures and supervision missions by some donors, together with moves towards a common support modality by other donors, have facilitated the beginnings of a sector approach in land. Multiple projects and procedures continue to co-exist, however, in what is a highly complex aid and institutional environment. Donors appear to spend significant time facilitating procedures while the government spends significant time coping with different donor requirements and resolving donor tensions. Some of the reasons for ongoing complexity include: a continuing lack of donor-donor coordination, in particular the lack of agreement on common definitions and procedures for the land administration and management; a low level of government-donor coordination with significant amounts of development assistance continuing to bypass the national budget and, related to that, the widespread use of PMUs by donors. The government has attempted to localise its commitment to the Rome and Paris declarations by putting in place procedures for domestic aid management, but a history of very high aid dependence is undermining the ability to coordinate effectively internally and providing development partners with reasons to hold onto their own ways of doing business. It is a vicious cycle which the move to a SWAp should technically break. What is not clear in Cambodia is whether the sector policy framework provides enough clarity on institutional roles and responsibilities and provides a strong enough bridge to national planning and budgeting procedures for this cycle to be effectively broken.

Key points

❖❖❖ **3.35** The findings on implementation experience point to a number of key messages for future SWAp processes:

- The importance of clarity of vision and coherence across sector policy frameworks led and owned by the national government. This may not be an entirely comprehensive vision to begin with (a clear message from PRORURAL is to get started on something before all the pieces are slotted into place) but the prize is a stronger platform for future implementation and a clear link between SWAp processes and expected sector results.
- The need for close integration with wider budgetary and public financial management reforms. In Tanzania the upside of a slow and sometimes protracted process is that the ASDP has benefited from significant improvements in the wider planning and budgeting context, including the development of a sector MTEF and local government MTEF processes.
- Alignment is a two-sided process involving both internal alignment within the government system and external alignment by donors. Each is critical for building a coherent approach and a strong government-led platform for delivering results. Activity around external alignment tends to overshadow the importance of internal alignment around the sector strategy and expenditure framework at the level of sector and sub-sector departments.

- Harmonisation is an incremental process that needs to follow the grain of policy change if it is to stick. In the short term addressing the unpredictability of aid flows may be as important as moving rapidly ahead with harmonised practices. Attending first to harmonisation at the technical and procedural level (similar procedures for competitive tendering, similar criteria for cost recovery, harmonised per diems and payments to project staff etc.) builds the basis for more ambitious harmonised practices including delegated working and division of labour. However, SWAp stakeholders need to be clear that A&H are means rather than ends and to be reminded that significant elements of the sector-wide agenda are not directly managed by the public sector and are consequently outside the realm (at least so far) of the Paris agenda.

CHAPTER 4: MAIN FINDINGS – ACHIEVEMENT AGAINST OUTPUTS

❖ 4.1 As outlined in Chapter 1, the study framework emphasises a number of output areas/themes that are central to the sector wide approach. These are:

- improved institutional capacity, government ownership and leadership;
- increased policy coordination and planning within and across MDAs engaged with the agriculture and/or rural sector;
- improved resourcing, public expenditure management and service delivery in rural and agricultural localities;
- greater engagement with, facilities for supporting the private sector, both in terms of critical investments and services; and
- improved aid effectiveness – lower transactions costs for better development results.

OWNERSHIP, LEADERSHIP AND INSTITUTIONAL CAPACITY

❖ 4.2 Strong government ownership and leadership of the strategy and policy process, backed up by a clear and systematic process of institutional change with support for locally owned dialogue and consultation are at the heart of the sector wide approach. This marks a clear break with earlier stand alone project approaches. In practice, institutions (formal and informal) have been slow to change and have often proved non-responsive to the new challenges raised by SWAps. Securing a strong government lead of the SWAp process can also be difficult because leadership has strong political as well as technical dimensions that development partners cannot readily influence. Often the lack of clear incentives for sector ministries to take a policy lead, combined with wide ranging capacity constraints limit the pace of change in SWAps.



❖❖❖ 4.3 The experience of the seven country cases is varied on this matter. There is evidence of strong government ownership and leadership from the very beginning in Uganda's PMA. The multi-sector framework of the PMA emerged out of the government-led Poverty Eradication Action Plan (PEAP) with an emphasis on broad ownership across government and coordination at the national level. By investing itself in the PEAP, which has historically had high level political backing in Uganda, the PMA benefited from a significant degree of domestic ownership from the outset. Moreover, by not creating a separate funding mechanism for the PMA, line ministries and agencies have been required to prioritise PMA activities within their respective sector/agency budgets which, at least on paper, meant that the PMA was integrated into the national policy and budgeting cycle from the beginning. In practice, as the findings under the section on public expenditure management and service delivery show, integration has not been straightforward and there continues to be a fairly significant mismatch between PMA goals and the commitment of budgetary resources by MDAs. Nevertheless the point about leadership remains.

❖❖❖ 4.4 PRORURAL in Nicaragua has been made possible by strong technical ownership and leadership and has in turn helped the Ministry of Agriculture (MAGFOR) to recuperate its leadership of the sector. But the leadership role is also relatively superficial and is dependent on a limited set of technocrats, rather than being backed at a higher political level. With the change of Government in January 2007, a recent joint Government and donor review mission (May 2007) shows a significant improvement in the ownership and leadership by the Minister of MAGFOR, as well as the heads of the other five public sector agencies in the rural productive sector. MAGFOR's leadership of the sector is also challenged by the fragmented institutional set up which includes six public sector agencies, including the Institute of Rural Development (IDR), whose budget makes up about 60 percent of the resources for the sector, reports directly to the Presidency and not to MAGFOR. Efforts, as part of PRORURAL, to build a stronger cooperative working arrangement across the institutions working on rural development are beginning to pay off (described in more detail below), but progress remains fragile and, according to Wiggins et al, PRORURAL has implied more work for an already weakened civil service. The recent joint review mission in which the institutions with a mandate in the agricultural sector (SPAR) led on addressing issues highlighted in the PRORURAL evaluation report, is a promising sign that PRORURAL is refocusing its efforts on rural poverty reduction with greater attention to decentralisation and enhanced institutional arrangements. Tangible progress on key agreed actions over the coming months, including the alignment of new funds to the sector strategy, will confirm the sustainability and depth of these apparent ownership and leadership improvements in the PRORURAL process.

[10] Not dissimilar from progress towards the SWAp road-map in Ghana.

❖ 4.5 In the case of Tanzania's ASDP, sector leadership was built in increments alongside an emerging consensus about the way forward for the agricultural sector and a renewed commitment to public investment led by GoT but also reflected in relations with donors.^[10] The background paper on the ASDP notes that the "ASDP provides a meaningful opportunity to engage effectively with pro-poor agricultural growth. [...] GoT has recognised this and energetically promoted the programme politically". It is this political support, combined with technical engagement by MoF in support of the MoA that has provided much needed momentum to the ASDP in recent years. Long term support by key donors to the process of preparing the ASDP has also been critical, but as the background paper notes there are also areas in which lack of donor support for domestic ownership has been at best problematic, and at worst disruptive. This has particularly been the case over the government's stance on irrigation investment. Investment in irrigation forms the bulk of government's planned investments in the ASDP and the stated approach is essentially top-down. Government's concern is clearly about stimulating growth and redressing the widely-held perception that the poor have not been well served by public policies to date. This creates an inevitable pressure for visible and effective public investments. Donors, on the other hand, are anxious that a high degree of central state direction over investment is inefficient and the wrong signal to be giving given the ASDP's emphasis on decentralised planning and private-sector participation. But government has taken leadership on this issue and, as Greeley 2007 notes, although donors may not fully appreciate adjusting to a shift in policy it is, crucially, a country-led policy shift. The ASDP experience points to the potentially contradictory outcome in which a donor process that champions domestic ownership is, in effect, challenged by the very domestic decision-making processes it seeks to support. This reiterates the importance of having a frank dialogue process on substantive issues in order to find common ground and move forward.

❖ 4.6 In Mozambique, domestic politics has clearly intervened in sector leadership. National leadership of PROAGRI has built gradually over its 9 year life, but the Ministry of Agriculture (MINAG) has yet to assume a full leadership role in guiding overall sector development, especially in leading the debate with other MDAs (the Ministry of Finance especially) and facilitating the growth and development of other key actors – the private sector, NGOs and CBOs. Part of MINAG's lack of confidence comes from continuing debates about its role, and while institutional development and improvements in technical capacity have been core to PROAGRI (absorbing as much as 60 percent of resources in PROAGRI I) key changes in its remit over the years have not helped in clarifying its mandate and authority for sector leadership. Most recently, with a strong political drive around decentralisation, the new government has introduced yet another change in structure and put increased emphasis on service delivery at local levels. This has inevitably led to some tensions both within the Ministry and within PROAGRI which remains, for the time being, a largely centralised process.

IMPROVED COORDINATION AND PLANNING

- ❖❖❖ 4.7 A SWAp is founded on the need to bring together under a common policy and strategy framework a number of actors whose actions impinge on the sector. The SWAp also puts significant emphasis on consultation and monitoring and evaluation systems to enhance the structures of democratic accountability and hence more effective governance of the sector. Hard comparative evidence of the extent of improved coordination and coherence is still rather limited, but there are clearly signs of progress.
- ❖❖❖ 4.8 The PMA in Uganda is a unique experiment in cross-sectoral coordination and planning. Coordination is led by the PMA Steering Committee (chaired by the Minister of Finance), and a PMA Secretariat provides technical and analytical support. In practice the PMA also relies heavily on the Ministry of Finance to ensure policy coordination, mainly through the budget guidelines, MTEF and the M&E process. A key strength of the PMA is that it requires all line ministries with relevant mandates review and reorient their activities in line with PMA objectives. This has provided important impetus to coordination within the PMA pillars. Where coordination is weaker is at the horizontal level, in particular ensuring that extension services provided by the National Agricultural Advisory Service (NAADS) are available across the many sub-sectors linked to agriculture. The lack of coordinating PMA institutions at decentralised levels is also seen to be a constraint, with so much of the implementation work of the PMA happening at field level.
- ❖❖❖ 4.9 In Nicaragua, past competition between agencies continues to limit effective internal coordination, and resource allocation is still heavily driven by the short term needs of the political-business cycle. The recent improvements in Government's sectoral leadership and a re-orientation of PRORURAL toward field-level results provide promising evidence that this will translate into enhanced results. Substantially improved sector coordination mechanisms have nevertheless yielded some important gains with stakeholders across the implementing institutions and donor agencies, and show considerable increases in communication, dialogue and information, a more rational allocation of functions and the beginning of joint implementation activities. The most tangible impacts of these changes can be seen in the increase in mutual information on activities and projects, stimulated by the initial analysis of the portfolio under PRORURAL, and the joint production of an agreed sectoral annual budgetary/operational plan for 2007. While essentially an overlay on top of individual ministry/departmental operative plans, the exercise has yielded progress in both rationalisation and role distribution (Wiggins et al 2007). Steps are being taken to improve this sectoral budgetary annual plan for 2008, building on the lessons from 2007. Coordination at regional and department levels is potentially a much more problematic affair with a potentially significant conflict between PRORURAL's logic and the investment demands of local govern-

ments and departments. The latter are already highly institutionalised, while PRORURAL is not but has support at central level. Potential conflicts over resources will need to be settled, either by involving existing coordination mechanisms at local government level in PRORURAL or by dividing the resources available to PRORURAL between central and local levels. The new leadership of MAGFOR (and the sectoral leadership team/SPAR), together with the technical staff, are devoting high priority to working out enhanced decentralisation modalities/processes in the annual budgetary process to better integrate and harmonize these processes as part of the on-going 2008 budget cycle.

PUBLIC EXPENDITURE MANAGEMENT AND SERVICE DELIVERY

- ❖ 4.10 Concerns about the quantity and quality of public funding for agriculture have shifted the focus in SWApS towards the role of systemic public expenditure and public financial management reforms in bringing about improvements in sector resource allocation and delivery. Clear from most of the country studies is that Public Expenditure Management (PEM) and Public Financial Management (PFM) are areas where there are early signs of improvement, although often limited by constraints both within and beyond the sector. There is limited evidence of a link between improved PEM processes and increases in the quantity of public spending in agriculture (OPM 2007) while evidence of improvements in service delivery are the most difficult to track, even in those SWApS operating for some time (e.g. Mozambique).
- ❖ 4.11 In Nicaragua, the sector approach has supported further improvements in financial management particularly through the production of annual budgetary and operating plans for the implementing sector agencies and, since 2005, a medium term expenditure plan for the rural productive sector. But progress is slow and there is still plenty to do to create an effective public expenditure and finance system for the rural productive sector, especially in terms of supporting the decentralisation strategy. Wiggins et al point to the lack of aligned systems across the implementing agencies, the lack of clear budget guidelines and ceilings for the preparation of the Annual Operating Plan, the lack of clear prioritisation criteria to guide budgeting and the continued existence of a large portfolio of projects financed by different donors with their own PMUs. Many of the deficiencies go beyond the sector and reflect weaknesses in other parts of the system. MAGFOR has prepared a rural sector portfolio alignment strategy paper and action plan to help guide the process of aligning selected donor-funded projects in accordance with the PRORURAL objectives, key components, outcomes, and has initiated efforts to carry out this operational plan.
- ❖ 4.12 In Tanzania, reasonable sector and local government MTEFs are in place and PFM has improved considerably throughout the government system. Conditions have improved to the extent that there are now expectations of

reasonable financial accountability through District Agricultural Development Plans. As already noted the ASDP seems well integrated into wider budgetary and accountability processes. A key opportunity for focusing on the quality and case for further public expenditure in agriculture is the Public Expenditure Review (PER) process. Up until recently the PER process in agriculture has been seriously limited. Recently, closer collaboration between donors and the government on the agricultural PER has produced a more responsive process and a clear affirmation of government's commitment to the ASDP. A 2005 World Bank document confirmed the positive nature of the PER "government and donors have redefined the traditional PER from a study that primarily fulfils a fiduciary requirement to one that is part to the government's work plan and informs the annual budgetary decision-making cycle" (cited in Greeley: 21). Nevertheless the PER can be further improved through a much clearer focus on priority areas and as a vehicle for improving the ASDP process with broader and more systematic engagement by agricultural sector stakeholders. As Greeley 2007 notes "The PER process is part of the broader public sector financial management framework and represents a neglected opportunity to provide the analytics of agriculture necessary for a successful growth and poverty reduction strategy" [21].

- ❖❖❖ 4.13 In most instances it is not possible to say whether there has been a significant improvement in the quality of services offered by SWApS. In Mozambique, PROAGRI has encouraged considerable progress in developing systems and tools for integrating planning and budgeting at all governance levels (central, provincial and district), including highly detailed expenditure plans broken down to activity level. PROAGRI has also encouraged (driven in part by donor reporting requirements) more detailed tracking of expenditures. However the results are not entirely encouraging. During the first phase of PROAGRI a large proportion of resources were spent on institutional capacity and the vast majority of expenditures related to personnel costs and goods and services acquisition (Cabral et al 2007). More detailed breakdown by service type is not available, and the information available for veterinary and extensive services cannot be related back to expenditures made by the Ministry. There is no obvious way of tracking output and outcome level service delivery improvements through PROAGRI at this time. Cabral et al conclude that on the whole the time and resources dedicated to development planning and financial management systems have not been matched by much needed development of capacity to make use of those systems in a way that contributes to better service delivery; "To some extent, PROAGRI got trapped on the means (systems and processes) and lost sight of the ends it was supposed to pursue" (43). The recent policy statements by the new government are partly a response to this situation. The dilemma now is how to hold on to the investments made to date while moving, under the new political direction, to a much more decentralised and multi-sector model of delivery for rural development.

❖ 4.14 As part of efforts to improve service delivery under Uganda's PMA, line ministries identified key areas for public action and Uganda's specific target groups across the 7 pillars. The 2005 evaluation of the PMA (OPM 2005) points to variable implementation across the pillars, leading to frustration for some stakeholders. However it also notes that the PMA has a poverty reduction target for 2017, and should not in any way be seen as a short run initiative. Any sustainable process of poverty reduction through agricultural commercialisation is likely to be slow. Field level surveys and district visits during the evaluation confirmed that significant activity was going at a district level, with signs of progress in terms of improved technologies and associated increases in marketed output, though difficult to attribute to any particular element of the PMA. Farmer groups confirmed that their status had improved with the delivering of services from NAADS. Although the process is slow, where the technologies made available are appropriate and relevant inputs are provided these are resulting in tangible benefits for farmers. There are, however, specific concerns about the linkages with NAADS, in particular for research outputs, marketing and financial services. In addition, cross-cutting issues, including a clear focus on poverty, gender and environmental issues, have not been effectively integrated in activities, thus reducing the potential impact of the services provided.

● PUBLIC-PRIVATE SECTOR INTERFACE

❖ 4.15 For the most part SWAp focus on supporting the way public agencies mobilise and use resources. But in A&RD particularly, the private sector while often weak is in fact dominant and working closely with private sector entities must be central to building an enabling environment for growth and long term poverty reduction. Notwithstanding the importance of the private sector, the case studies provide a generally disappointing picture on the extent to which SWAp have been able to support a strong public-private sector interface. In a number of cases, debates over the right mix of public and private sector investment and the right levels of public action persist with consequences for the coherence and pace of SWAp implementation.

❖ 4.16 In several countries, the SWAp has been an important contributor to changes in the role of the MoA from an exclusively interventionist one to a more facilitating/regulating one. In Nicaragua, PRORURAL has assigned MAGFOR the responsibility of steering, coordinating and monitoring with implementation the responsibility of other related institutions, including the private sector. Consultations with private sector entities, dominated largely by the major farmers unions, were an important element in building the consensus around PRORURAL and engagement has continued into the implementation phase. As Wiggins et al note, however, a lack of clarity around which actors are entitled to participate has meant that NGOs have largely been left out of the PRORURAL process. With the new Government it is not clear what direction relations with CSOs will take, although early signs are that NGOs are even less likely to be engaged and plans to implement food security interventions using local NGOs have been re-routed via government.

- ❖ 4.17 In Mozambique, the transformation of MINAGs role to encourage a better interface with the private sector is only partially complete although there are signs of greater outsourcing, particularly to NGOs and particularly for extension services, and some attention to private sector promotion, support activities and analysis through a dedicated office in MINAG. Private sector capacity in the country remains weak, however and not much is known about the success of these initiatives. In both Nicaragua and Mozambique fairly fundamental debates about the respective role for public action and private sector activity also continue.
- ❖ 4.18 In Uganda, there is no specific document covering the relationship between the public and private sector as part of the PMA, and while the private sector does have input into national policymaking in Uganda, participation in the PMA annual review process is limited. On the other hand, donors are supporting a stronger public-private partnership as part of the PMA and in terms of providing a catalyst to private sector investment the PMA has initiated policy reform, developed infrastructure, provided access to grants and, particularly through NAADS, provided a role for farmers fora in the contracting process for service providers. The Microfinance Outreach Plan under the Rural Finance Pillar aims at the privatisation of government credit projects/programmes, while the Physical Infrastructure Pillar supports private sector maintenance of district roads and rural electrification facilities.
- ❖ 4.19 Interestingly, in contrast with Uganda, one of the policy areas which has slowed the development of a full SWAp in Ghana has been the debate about the full or partial privatisation of services. Several of these issues are now being resolved with Government's clear commitment to private-sector led growth in its second-generation PRS (GPRS2). Nevertheless ongoing concerns remain, including how best to stimulate private sector investment, which may or may not influence the pace with which a full SWAp emerges in the near future.
- ❖ 4.20 The Vietnam Forestry Development Strategy (VFDS 2006-2020) estimates that the private sector, households, state forestry enterprises and cooperatives will account for 60 percent of the investment in the forest sector over the next 15 years. The institutional framework for the forest sector has long been dominated by the state, so it will require major reorientation to adapt to these changes. The Forestry Partnership (FSSP) has been reformulated to begin to open up its membership to a broad range of stakeholders, including the private sector. The challenge for promoting a SWAp, thus, will be to focus on improving overall sector management, especially in the coming years, as where public expenditure will increasingly be substantially overshadowed by private sector investment. Thus the sector-wide approach will need to increasingly incorporate elements of public-private partnership.

In Vietnam, it is estimated that the private sector, households, state forestry enterprises and cooperatives will account for 60 percent of the investment in the forest sector over the next 15 years. The institutional framework, and particularly the FSSP&P, is not yet representative of private sector actors and a key challenge for developing a full SWAp will be what it needs to look like in a sector where public expenditure is substantially overshadowed by private sector investment.

AID MANAGEMENT

- ❖ 4.21 One of the themes in the case studies is the outstanding problem with sector approaches and the A&H agenda that it can often be treated as an end in itself rather than a means to achieving stronger country systems and better development results. This is a concern raised in the Nicaragua case study where, although still relatively early days, there is concern that the amount of time and resources being devoted to building the process architecture around PRORURAL is imposing additional burdens on a weak civil service and is at the cost of ensuring that existing and new resources are delivering more effective investments and services in rural areas^[11].
- ❖ 4.22 In Tanzania, the general impression is one of improving aid management in the sector, in part because of the integration of the ASDP with the PRS/MTEF, and in part because even where aid flows continue in project mode there is general agreement that they should be consistent with A&H principles under the ASDP. For lead donors this is one of the key achievements of the protracted process of finalising the ASDP.
- ❖ 4.23 Evidence of tangible benefits from more coordinated aid management is still weak, however. Transaction costs remain high for both government officials and donors. Donor HQ policies, procurement procedures and legal frameworks continue in some cases, to be an obstacle to harmonisation efforts on the ground, as does continued proliferation and parallel aid management structures. This applies to different degrees even in contexts where the national-level discussion around aid effectiveness is quite advanced, as in Tanzania, Vietnam, Nicaragua and Mozambique.
- ❖ 4.24 While the SWAp concept has always claimed to be consistent with a number of different funding modalities, the dominant pattern in most of the cases reviewed is still project assistance. The common fund underlying PROAGRI is the most important mechanism for channelling funds, but contributors to the fund have varied over time and some of the largest funders have not renewed their agreement to continue funding after 2006. Recently a number of donors have returned to project-type investments over concerns about continuing service delivery gaps. Cabral notes a growing sense of frustration and cynicism about the SWAp experiment in Mozambique, combined with a shift in the core donor-government relationship away from sectors to GBS and the Ministries of Finance and Planning:

[11] A recent study commissioned by MAGFOR shows some initial reductions in actual and potential transaction costs through the PRORURAL processes, and these cost savings also help in the light of weak sectoral institutional capacities.

“Sectoral ministries (and agriculture in particular) are finding it harder and harder to justify special treatment in a context where channelling aid directly via treasury is an increasingly viable option” (47). This raises the interesting question of the extent to which attention to A&H at the sector level has helped to reconcile the bigger questions surrounding aid modalities and aid effectiveness. The evidence is, inevitably, mixed.

- ❖ 4.25 In Mozambique, PROAGRI was the first of its kind and as such played an important role in the subsequent shift to GBS. The relative success of GBS and related improvements in PFM have, on the other hand, created a context in which PROAGRI’s common fund mechanism will be the first case of fully-fledged sector budget support in Mozambique. The move in Mozambique is towards a greater complementarity of aid instruments, partly as a way of diversifying risk and partly as a way of exploring complementary entry points into different levels of policy making. Some of these new approaches include multi-donor programmes at sub-sector level both inside and outside of the government policy framework, with their own objectives and targets, funding arrangements and implementation mechanisms.
- ❖ 4.26 In Nicaragua, the majority of aid is still provided through project aid following its own cycle and requiring individual negotiations, reporting procedures evaluations and review missions. The evolution of Partnership General Budget Support (PGBS) has generated some transactions costs savings for government but the effects in the rural productive sector are yet to be seen with relatively few donors currently participating in the common fund and the majority of funds coming through project aid. Nevertheless PRORURAL offers a common framework in which it is possible to build greater synergy between aid modalities, something that the MoU and Code of Conduct are seeking to support. This is an important lesson, namely, to clarify that multiple aid modalities can be followed in the early stages of a SWAp, and that in the short-term, it is important to align projects (components, reporting formats) with the SWAp strategic components and intermediate outcomes.

❖ 4.27 Across the cases there are clearly still different views about how SWAps contribute to improved aid effectiveness in A&RD. Some stakeholders perceive the SWAp as an impediment to coherence and allocative efficiency because its processes often exist on the margins of the core national planning and budgeting processes. This includes some donors in Tanzania and Mozambique who have withdrawn or declined to submit funds to a common basket and have instead focused their funding for the agricultural sector strategy through GBS. Other stakeholders see the only way to 'protect' spending and retain positive donor engagement at sector level as being through dedicated sector support. And for most this means some form of earmarked funding whether in sector budget support, a common basket or through closely aligned projects. A mix of funding approaches is the dominant model in most of the country cases (although Uganda has no directly earmarked support for the PMA) and may, according to the Tanzania report, be the best possible approach given the scale and diversity of the sector context. There are, nevertheless, clear risks attached including a potential lack of sustainability, a lack of effective coordination and a diversion of scarce government officials' time away from putting funding to its best use, to managing how it is most effectively mobilised. A key challenge, noted in the Tanzania report, is to ensure that as much existing project financing is included under the SWAp as quickly as possible and to ensure that the development of new projects is fully aligned with the approach and principles underlying the SWAp (see Greeley 2007).

❖ 4.28 In Vietnam, plans to coordinate donor support within an overall sector-wide approach may, as a recent evaluation of the Poverty Reduction Strategy Credit (PRSC) argues, be more difficult than anticipated. The PRSC evaluation (Dom and Bartholomew 2006) notes that budget support to has provided a strong platform for supporting development policy, legal and institutional reform and a key mechanism for encouraging harmonisation and alignment with GoV systems at a strategic level, but that this has been less successful in complex sectors such as forestry. One implication is that donors will continue to need to focus their support at sector level, possibly through targeted budget support, which will provide a clearer focus for A&H and concentrate donor support more directly on specific implementation challenges in the sector (similar to current donor support to the Education for All NTP and for Programme 135).

CHAPTER 5: POLICY MESSAGES AND RECOMMENDATIONS

- 5.1 This chapter pulls together the cross-cutting messages from Chapters Three and Four and makes recommendations on how to improve performance in sector approaches with additional recommendations on how the Global Donor Platform can step-up its support for country-led SWAp processes.

● POLICY MESSAGES

- 5.2 The study illustrates the range of approaches and arrangements operating in the A&RD sector and points to some important differences in the form and function of the SWAp. While there are undoubtedly a core set of elements that help define a SWAp, in practice it is difficult to apply them strictly.
- 5.3 Sector working in A&RD is still relatively new (notwithstanding the experience of PROAGRI) and the country cases confirm there is still much to be done to deliver on the aim of a fully coherent, country-led sector-wide approach. There are nevertheless signs of progress. In Tanzania, despite the protracted process and significant implementation challenges still ahead, the ASDP has provided a platform for systematic policy engagement on the agricultural growth and poverty reduction agenda within and across government and donors and has provided a context in which government and donor support to public investments in agriculture can be coordinated and monitored. The ASDP, according to the field study authors, has been empowering for the MoA that could/would otherwise be overtaken in the push for greater GBS and centralised policy dialogue.
- 5.4 In Nicaragua too, PRORURAL has allowed the MoA to recover some of its waning leadership of the policy agenda in agriculture, while commitments by donors to reduce fragmentation are already beginning to pay off. In Mozambique, despite being challenged by recent changes in the role of MoA and the switch to more area and project-based support by some donors, PROAGRI still offers a potentially important platform for government-donor collaboration. Supported by a shift to sector budget support and with a stronger focus on service orientation, the prospects for better development results in the short to medium term can be considered to be reasonably positive.

❖ 5.5 But SWApS can also be unnecessarily complex, combining too many aspirations, objectives and actors in overly ambitious strategies and plans. It appears relatively easy for efforts to create a SWAp to become mired in their own processes; something that held back the Tanzania ASDP for several years and may account for the disappointing record at the output and outcome level under PROAGRI. What emerges as important is the need for:

- country leadership and a commitment to engagement over the longer term;
- compatibility between national and local sector strategies and development frameworks;
- strong linkages between sector programmes and national budget frameworks and between M&E systems, survey data and PFM data;
- an efficient and streamlined donor architecture for supporting the SWAp, and
- stronger incentives to develop working relationships with private service providers, farmer/producer organisations and CSOs. Without these there is unlikely to be the kind of change needed to support stronger agricultural growth and poverty reduction.

Country leadership

❖ 5.6 Leadership of SWApS by country stakeholders tends to be difficult and often constrained by more generalised weaknesses in government leadership of the policy and budgeting process. As a result there is still a tendency for development partners to want to drive the policy and strategy formulation process, particularly when they see lack of capacity in the sector as one of the main problems to overcome. High level political engagement, as in the early stages of Uganda's PMA, the preparation of the National Forest Strategy in Vietnam and in the finalisation of Tanzania's ASDP, can help create the necessary conditions for effective country leadership but this also requires that donor partners accept less control of the process as it develops. Letting-go by donors is a challenge in most sector approaches.

❖ 5.7 One of the questions arising from the studies is what are the signs of significant country leadership in relation to a SWAp? This remains a complex question to answer. Johnson and Wasty (1993) identify four determinants of country ownership/leadership in relation to policy-based lending:

- the locus of the initiative, that is, where the initiative came from and its degree of embeddedness within the national polity;
- the level of intellectual conviction amongst key policy makers;
- the expression of political will by the top leadership; and
- the degree of effort put into consensus-building among constituencies.

❖❖❖ **5.8** The Paris Declaration (2005) identifies a series of slightly more pragmatic factors including:

- leadership in developing and implementing national development strategies through broad consultative processes;
- the translation of national development strategies into prioritised programmes and medium term expenditure frameworks and annual budgets,
- taking the lead in coordinating aid at all levels in dialogue with donors, and
- encouraging the participation of civil society and the private sector.

❖❖❖ **5.9** Evidence compiled for this study points to similar signifiers of country leadership in A&RD including:

- a coherent vision for the sector with the locus of the idea coming from within the national context (as in Nicaragua, Vietnam (although not a SWAp) and Uganda);
- an increased commitment of domestic resources to the sector and to improving the quality and impact of those resources through effective monitoring and reporting;
- a willingness to lead and manage relationships with donors as evidenced by a willingness to lead on partnership and technical working groups; and
- clear mechanisms for participation by sub-national and non-governmental stakeholders.

❖❖❖ **5.10** What is difficult for development partners is that only a few of these attributes are in place at any one time and the evidence suggests that they take time to institutionalise. In Tanzania, for example, it took almost 5 years to build a government-led consensus on the priorities and modalities for agricultural sector development while national leadership of the aid management process was moving on apace. In Ghana, the point of readiness for a SWAp in A&RD was delayed by protracted policy disagreements and fundamental weaknesses in the PFM environment, despite the fact that a SWAp in health had been operating for over a decade. In Uganda, strong governmental leadership is widely recognised but possibly at the cost of more broad-based engagement by private sector and civil society stakeholders.

❖❖❖ **5.11** The challenge for development partners is knowing when and how to engage to ensure that country leadership has the necessary space to develop without losing critical momentum in the short to medium term. This challenge is made even more difficult by the relatively short time-lines and financing schedules that donors work to. There are few ways round the challenge but the study does point to four areas critical for country leadership that need the full support of donors, these are:

- Ensuring a clear link between the national development strategy/PRS and the sector strategy and action plans;

- Ensuring that finance and planning functions at sector level are fully aligned with national systems and that inter-ministerial coordination is backed up by high level political leadership
- Ensuring that sector M&E frameworks are embedded within national systems, particularly within PFM systems;
- Ensuring that mechanisms for non-governmental consultation and participation exist at national and sub-national levels.

❖ 5.12 A focus on these critical areas may yet prove invaluable in the Ghana context and is likely to be critical in sorting out a highly complex policy and institutional situation in Cambodia.

Compatibility between national and sub-national strategies and development frameworks

❖ 5.13 Most SWApS are being formulated and implemented in contexts that are also decentralising. A key challenge is how to make the SWAp process, which is inevitably quite centralised, consistent with decentralisation measures and efforts to support local demand-driven development. The relationship between decentralised initiatives and SWApS is complicated by a combination of political, institutional and technical capacity challenges at decentralised levels. In Ghana the lack of clear political direction on decentralisation is a potential stumbling block in developing the SWAp, while links with department and local government levels in Nicaragua are still evolving as part of a wider process of political and administrative decentralisation. In Tanzania and Uganda, local government weaknesses are being addressed through local development grants supported by improved PFM and accountability between central and local government. Key challenges include ensuring adequate coordination at local government levels, the transfer of funds and strengthening capacities for effective planning, budget management and delivery, and integrating these processes at the local government level.

❖ 5.14 As the experience of the PMA shows, integration into core budget and planning processes is no guarantee that the right kinds of links are made across the sector programme. In the case of the PMA, vertical links, from the centre down through each pillar are fairly well formed, but the ones that work horizontally between the various pillars are not. This is partly due to the lack of clear coordinating structures at local government level. While the imperative to create new structures should be avoided in the context of SWApS, on the other hand, there is a clear need to ensure that an institution provides overall coordination and strategic guidance at the local level along the lines of the central strategy and policy framework.

❖ 5.15 In Tanzania, more help needs to be given to ensure that District Agricultural Development Plans can be delivered on time to ensure the release of funds from the common basket, while in Nicaragua there's a

clear need to define more closely how coordination mechanisms at the local government level will engage with PRORURAL around the allocation of funds and the implementation of strategic priorities, as part of the annual operational plan.

- ❖ 5.16 For DPs a key challenge is the level of government they see as the main dialogue platform for the SWAp. Initially this is clearly the centre, but at what point should this devolve to sub-sectoral, Provincial or local government levels? The return to sub-sector and area-based projects in Mozambique may be indicative of a desire to engage with stakeholders at a number of different levels and to work at a level where there is a clearer link between budgetary and human resources and results. Decentralising dialogue has certain attractions, on the other hand there are potential dangers in failing to address wider coordination problems (something that the SWAp was designed to address) and in fostering a possible mismatch between investments made in different but complementary agricultural sub-sectors or locations.

Getting external resources 'on-budget' and linking spending decisions with M&E data

- ❖ 5.17 An important part of donors committing to a country-led SWAp is ensuring that aid flows are fully reflected, alongside domestic resources, in the MTEF and annual budget. The cases of the PMA and ASDP are clear on this issue. This does not mean putting funds only through a GBS-type instrument, but it does mean full transparency and reporting of donor flows in line with national budget/MTEF classifications. Full reporting of donor flows to the sector allows for greater certainty around government's public spending decisions. The Tanzanian example shows how a Public Expenditure Review provides a crucial opportunity for analysing the effectiveness of all spending going to the sector, and hence building the necessary evidence base for continued government and donor investment.
- ❖ 5.18 Ensuring full integration of external resources into the national budget is a necessary but not a sufficient condition to improve expenditure management and service delivery outcomes. It is also vital that a sufficiently clear evidence base is in place to justify sector priority expenditures in the face of competing claims from other sectors. In Uganda, sector ceilings have, in the face of relatively weak evidence about the efficiency and effectiveness of public spending together with concerns over crowding-out, limited the scope for public investment in support of the productive sectors. The end result is relatively poor allocations of public finance to the productive sectors with considerable topping up coming from the international community. This points to the critical importance of linking monitoring and evaluation data with available survey data to inform the public expenditure decisions and the resource allocation process. For sectors like A&RD that have historically 'lost-out' in the bargaining over additional budgetary resources, ensuring that M&E data is linked in with PEM/PFM data is of vital importance.

Alignment and harmonisation means not ends

- ❖ 5.19 A strong message emerging from all of the case studies is the importance of treating alignment and harmonisation as means not ends. The challenge for DPs is to ensure that the focus on process and procedural change is not so complex and ambitious so as to crowd out the focus on development results. The experience so far confirms that harmonisation and alignment are critical, particularly for tackling donor disharmony and proliferation, but unlike some of the rhetoric surrounding SWApS, they are a necessary but not a sufficient condition for stronger policies and better policy outcomes. This matters more on the institutions that underpin sector governance and the degree of internal alignment and commitment to sector policy agendas and the achievement of results. The message here is that alignment and predictability are vitally important in the short run while efforts around harmonisation are likely to intensify as the policy and institutional change process unfolds; and that this may take longer than initially expected. This underscores the need for donors to engage in medium to long term agreements around the SWAp if the full benefits are to be reaped.
- ❖ 5.20 Effective examples of aligned working exist across the seven cases including the donor technical working group under Uganda's PMA and the Development Partnership Group in Tanzania. In Tanzania, both alignment and harmonisation have proceeded apace in recent years with most significant progress on the former. Several donors and government officials note that a major achievement of the ASDP is the extent to which it underscores both sides commitment to aligned working. However, in the agricultural sector there still remains considerable fragmentation of funding and unpredictability remains a major worry despite a common basket arrangement. The sector working group is large and while some funders have removed their assistance in favour of other sectors and general budget support as a way of streamlining activity in the sector, there remains a problem of proliferation. In the circumstances a clear commitment to aligned and predictable financing (on-budget) is essential for the ASDP to have a chance to deliver on its objectives.
- ❖ 5.21 In Nicaragua, the SWAp has provided a crucial forum for government-donor interchange with three working groups dealing with specific areas such as finance. The forums established are good for the exchange of information and function well for sorting out some of the detail of aligning donor and government efforts. But the chronic problem that they are not yet addressing is the serious lack of evidence-based decision-making, the paucity of evaluations of ongoing programmes and survey data pertinent to the sector and to the future effectiveness of the SWAp.

❖ 5.22 Several of the cases point to the evolving relationship between SWAPs and general budget support. However, they also point to the continued preference for a range of aid instruments with few national governments (and particular donors) wishing to opt exclusively for one type of instrument over another. Despite a wider tendency to move towards programmatic or budgetary support, project assistance still remains the dominant modality. Common funds and baskets exist but are often weighed-down by donor procedures. A move towards Sector Budget Support (SBS) may herald a new direction, raising the possibility of more predictable support in alignment with the overall budget. SBS can lower management costs, potentially attract more donors than GBS and help build PEM capacity by using governmental systems for allocating and monitoring. The main concern is whether SBS reduces budget flexibility as funds for the sector get earmarked within the national budget. Where donors are unable to move to SBS the crucial message is to ensure that shorter-term and individual projects are aligned as much as possible with the main sector programme and, where possible, consolidated into larger, longer term programmes. The aim for any future project support must be that it is on-budget, co-financed and co-managed as far as possible and developed using common procedures that reflect national systems for procurement, audit and financial control (cf Tanzania report).

Monitoring and evaluation

❖ 5.23 Possibly one of the most alarming messages of the study is the general weakness of M&E capacity and commitment to reporting in a good percentage of the cases. In cases where M&E systems have been developed the tendency is for them to be over-ambitious. This was the case with Nicaragua's PRORURAL where the proposed M&E system could be usefully focused down onto a much more focused pragmatic monitoring exercise combined with an iterative process of learning by doing. Favourable initial conditions resulted in a certain amount of institutional over-stretch in Uganda's PMA. The consequence was a very bold M&E system which has been partly undermined by weak institutional relationships. Instead, it would have been better getting baseline data and monitoring systems functional in a limited number of strategic outcome areas first.

❖ 5.24 The importance of monitoring of performance can not be overstated. It not only assists the subsequent evaluation process but also allows for ongoing adjustments to the policy framework and approach as it unfolds. Linking M&E data with survey data and PFM data is a critical step towards integrating the sector approach and the business of government and its key stakeholders. It provides the basis for ongoing priority setting, resource allocation decisions and performance evaluation and is potentially one of the most important bases on which the A&RD sectors can improve their bargaining power in budgetary discussions and demonstrate critical value-added in the increasingly competitive search for private sector investors.

RECOMMENDATIONS

- ❖ 5.25 A number of recommendations emerge from the study, these can be categorised into recommendations relating to the design and formulation of SWApS and to the ways in which DPs support SWApS over time. Several of these recommendations track closely with those identified in the Global Donor Platform's recent publication 'Cornerstones for effective agriculture and rural development programmes under a PBA' and work being undertaken towards the drawing up of a Code of Conduct for development cooperation in A&RD^[12]. Recommendations for further work/engagement by the Platform are also made.

[12] See www.donorplatform.org/content/view/103/148/

Recommendations on the design/formulation of SWApS

- Country-leadership on the vision, agenda and scope for the programme is critical and DPs must ensure that this is not crowded-out by decisions taken on mechanisms and modalities for funding. Start at the sub-sector or sub-programme level if that provides a clearer basis for building a clear vision and reducing fragmentation.
- Complementarity between national and local sector strategies is vital. Sector strategies must plan for sub-national engagement from the beginning and ensure that what is being promised at decentralised levels is feasible and achievable and in line with larger reform and prioritisation processes (particularly around PFM/fiscal decentralisation).
- Mechanisms for private sector and civil society engagement are a critical element of building country leadership of the SWAp. Policy and funding approaches that privilege public spending over all other fiscal instruments (tax, regulation, administration) are unlikely to provide the necessary incentives to private sector participants to engage fully in programme development and implementation. Special incentive funds for private sector participation may be required.

Recommendations on supporting SWApS more effectively

- In aid-dependent contexts, consider developing long term 'aid' compacts that commit donors and governments to 15-20 year partnerships with a rolling results framework and clear rules around within-year/between-year predictability. Each compact will need a clear exit strategy covering the last 3-5 years of the compact.
- Ensure that national stakeholders are in the lead by supporting preparation of a national aid policy underpinning the aid compact setting out clear rules of the game for preferred aid modalities and mechanisms plus aid management information.

- Provide financial support on-budget in all cases, through coordinated mechanisms as far as possible and in all cases fully aligned with the rolling strategy and results framework. Align first, harmonise as the SWAp agenda unfolds. Focus on reducing those transactions (opportunity) costs that distract scarce government resources from the core business of implementation and achieving results.
- Ensuring planning and finance systems at sector level are fully aligned with national PFM systems, including audit and procurement.
- Invest in public expenditure review and tracking (PETS) processes to help track/monitor the efficiency and effectiveness of spend in agricultural and rural development sectors. Encourage increased use of M&E and survey evidence on the efficiency and effectiveness of public spending to empower government and non-government stakeholders in building accountability for results in the agricultural sector. Evidence should make reference to international comparators where available.
- Streamline donor working group architectures to ensure more efficient and effective dialogue with governments and other key stakeholders. Avoid overcrowding sector groups, encourage DPs to delegate in line with Paris principles and avoid proliferating aid modalities.
- Insist on establishing M&E systems which can generate relevant data within relatively short periods of time in alignment with national M&E frameworks.

Recommendations for the Global Donor Platform

- Tackle 'ways of working' and incentive systems within donor HQs that prohibit and/or delay joined up working at country level. Donor HQ procedures frequently delay the signing of country-level MOUs and decisions about funding which in turn impose significant transactions costs on government and other donors. Identify the main stumbling blocks to real-time decision-making at country level. Encourage DPs to sort out potential procedural problems before committing resources to a SWAp. Encourage much longer time frames for committing funds in support of country compacts for A&RD.
- Support training/learning events for DPs and government agricultural staff on public finance management and budget governance specific to the A&RD sector. Examine ways to strengthen agricultural PER processes at country level while increasing the knowledge base (amongst key stakeholders) about agriculture budget formulation and execution.
- Roll out guidelines on the alignment and mainstreaming of projects that remain outside of common financing mechanisms under SWAp arrangements, including a set of principles around engaging at decentralised levels, respecting expenditure ceilings, untying TA, and tracking all activities through the sector programme.



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