

# What's different about agricultural SWAps?

by

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**ACRONYMS**

AAGDS	Accelerated Agriculture Growth and Development Strategy (Ghana)
ACF	Agricultural Consultative Forum (Zambia)
AgSSIP	Agricultural Services Sector Investment Programme (Ghana)
ASIPs	Agricultural Sector Investment Programmes
CAPE	Centre for Aid and Public Expenditure
CDF	Comprehensive Development Framework
DFID	Department for International Development
IDT	International Development Target
MAFF	Ministry of Agriculture, Fisheries and Forests (Zambia)
MoAg	Ministry of Agriculture
MoF	Ministry of Finance
MoH	Ministry of Health
MTEF	Medium Term Expenditure Framework
NGO	Non-governmental Organisation
NRAC	Natural Resources Advisors' Conference
PHC	Primary Health Care
RLD	Rural Livelihoods Department, DFID
SIPs	Sector Investment Programmes
SPs	Sector Programmes
SWAp	Sector Wide Approach
TCO	Technical Co-operation Officer
UNDP	United Nations Development Programme
UPE	Universal Primary Education
ZASIP	Zambia Agricultural Sector Investment Programme

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**DISCLAIMER**

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## 1 INTRODUCTION

1. This paper argues that there are fundamental characteristics of the agriculture sector which make developing and implementing a sector wide approach (SWAp) more difficult than in more homogenous sectors. The key difference is that the sector is usually dominated by private sector producers and represents a significant share of national output and employment. The direct role of the state may be significant, but is relatively smaller than in for example health or education, and has been further shrinking as market based reforms have been implemented. Moreover, there is no clear consensus within or between governments and donors on what the state role in the sector should be. The genuine policy issues on which people reasonably disagree may be overlaid with more self-interested considerations, with some ministries of agriculture (and possibly some donor staff with an agricultural sector allegiance) more inclined to preserve agriculture sector budgets and staffing, while finance ministries and agency macro economists are equally keen to find cuts. Unlike other SWAp sectors, many of the most important government actions which influence the sector are concerned with policy rather than service delivery, and require the co-operation of several ministries, with agriculture not always in the lead. The large number of potentially warring stakeholder factions makes forging a consensus particularly difficult, and may explain why governments have found it difficult to tackle the major agricultural sector reform issues.
2. In order to set the context for the paper, we firstly provide a definition of the sector wide approach, and then give a brief overview of where SWAps have been adopted. Key experiences, both positive and negative are summarised, and a short comment given on the contribution to rural livelihoods and poverty reduction achievements (section 2). Differences between the sectors are then analysed (section 3), and our arguments, conclusions and recommendations are summarised (section 4). The paper finally examines the implications for DFID (section 5).
3. This paper concentrates mainly on drawing a comparison between the agricultural sector and social sector programmes. The social sector has been chosen because this is where the majority of sector programmes are being implemented, and where there has been a certain degree of success, implying that there are useful lessons to be learnt. Some limited reference is also made to the experience of the roads sector.

### 1.1 Definition

4. Various definitions have been proposed for the broad sector approach, although the actual achievement in those operations usually defined<sup>1</sup> as taking a Sector Wide Approach has often fallen well short of the 'ideal' criteria. A range of different names and labels have also been attached to the various models - Sector Investment Programme, Sector Wide Approach, Sector Programme.

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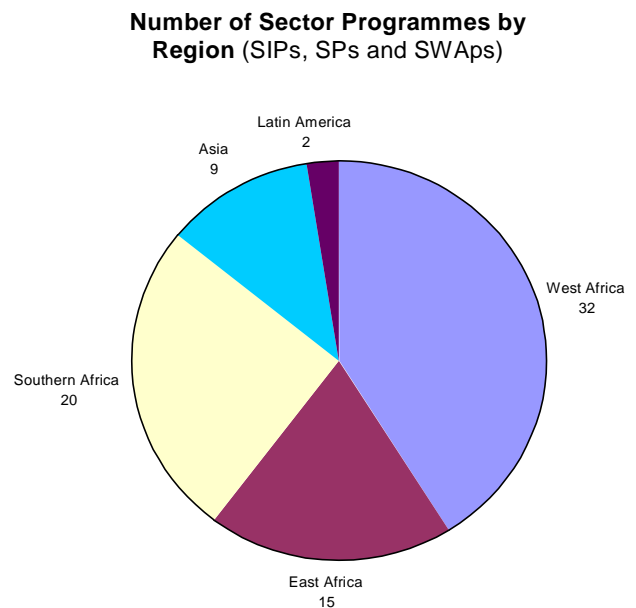
<sup>1</sup> For example, Harrold & associates 1995 define six criteria: sector-wide in scope, a coherent policy framework, local stakeholders in driving seat, all donors sign on, common implementation arrangements, and minimal long-term technical assistance.

5. The defining characteristics of a SWAp for the purposes of this paper are that all significant funding for the sector supports a single sector policy and expenditure programme, under government leadership, adopting common approaches across the sector, and progressing towards relying on government procedures to disburse and account for all funds. However, a key message from the experience so far is that the SWAp is, as the name implies, an approach rather than a blueprint. Most programmes, even quite well established ones, are in the midst of a process for moving over time towards broadening support to all sources of funding, making the coverage of the sector more comprehensive, bringing ongoing projects into line with the SWAp, and developing common procedures and increased reliance on government. The working definition thus focuses on the intended direction of change rather than just the current attainment.<sup>2</sup>
6. The definition used is a broad one and for the purposes of this paper includes all approved Sector Investment Programmes (SIPs)<sup>3</sup>, Sector Programmes (SPs), Agricultural Sector Investment Programmes (ASIPs), and sub sector programmes. Some of these, especially the earlier examples, focus on the funding of sector investments rather than expenditures in the sector as a whole, though in all cases there is an interest to ensure that the broader recurrent cost implications are understood and allowed for, and a concern to ensure that the overall policy framework is sound.

## 2 THE STORY SO FAR

### 2.1 SWAps – regions and sectors

7. Sector wide programmes are found exclusively in highly aid dependent poor countries. Roughly 80 sector programmes are being prepared and implemented. The vast majority of those, 85%, are in Sub Saharan Africa. Across that region sector programmes are fairly evenly distributed. Their numbers in the sub regions West, East and Southern Africa approximately reflect the number of countries in each of the sub regions. South and Southeast Asia account for the remaining sector programmes<sup>4</sup> (see figure opposite).



Source: CAPE Database

<sup>2</sup> From Foster, Norton, et al. 2000

<sup>3</sup> As identified by the SPA. See their website: [www.worldbank.org/afrsp](http://www.worldbank.org/afrsp)

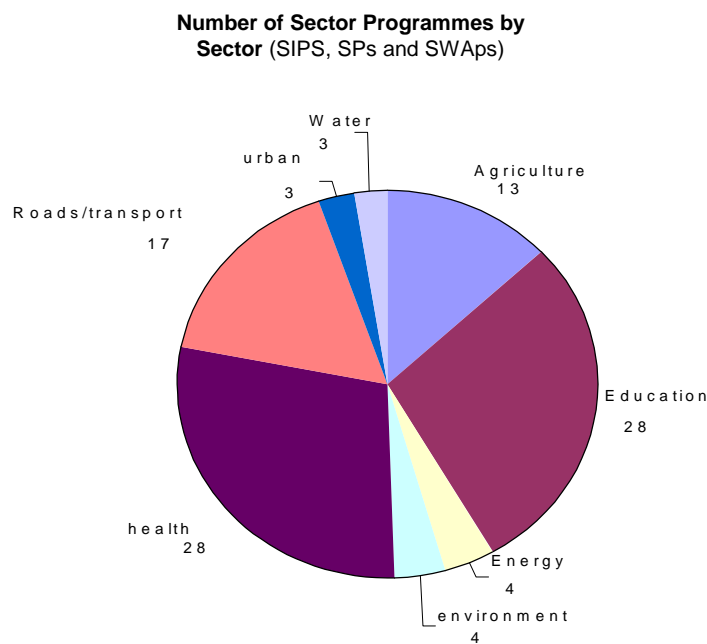
<sup>4</sup> Except for the Basic Education SIP in Belize, and the Education SP in Bolivia, which is at a very preliminary stage.

8. SWAps are most commonly used in key development sectors, particularly health and education, but also infrastructure and agriculture. A handful of sector programmes are being implemented in energy, environment, urban development and water (see figure opposite).

9. A clear pattern emerges when combining geographic and sectoral distribution:

- All agriculture Sector Programmes are in Sub Saharan Africa.
- All sector programmes outside Africa are either in the education or health sector.

10. Agriculture SWAps have been set up in Zambia, Zimbabwe, Ghana, Malawi, Kenya, Lesotho, Mozambique, Uganda, Benin, Senegal, and one is under consideration in Bangladesh<sup>5</sup>.



Source: CAPE Database.

## 2.2 Experiences of sector wide approaches

11. The experience in the social sector and infrastructure programmes has been reasonably positive in some cases:

- The SWAP provides a forum in which policy issues can be discussed and problems jointly reviewed, and this is helpful to the realism of the planning process on all sides (e.g. Tanzania health).
- Government and donors are increasingly focused on a selected number of key sector priorities, and the links between policy and implementation are being developed (e.g. Uganda education).
- Funding is increasing (or increases are planned) from both donors and governments, and is following sector priorities to primary education and basic health services, in support of poverty focussed interventions (e.g. Uganda health and education).
- The better programmes are building capacity within Government, rather than within donor project units, to plan and implement programmes, which should improve sustainability (e.g. Ghana and Uganda health).
- Some disbursement is taking place through Government systems with joint reporting to donors (e.g. Tanzania health), and the share is increasing in the

<sup>5</sup> On the Bangladesh situation see Morton & Farrington 2000

longer established programmes (e.g. Government now manages 60% of donor flows to Ghana health<sup>6</sup>).

- Links to a credible medium term budget framework are being established in some countries (e.g. Uganda, Tanzania, Ghana).
- There is a better understanding in some countries of corruption and incentive problems, and some innovative approaches to tackling them (e.g. Uganda health and education).
- The picture of service coverage and quality is more mixed, and many of the programmes are too new to be assessed, but Uganda has doubled primary school enrolment and cut the cost of classroom construction by using Government systems; Ghana health and Bangladesh health and population have achieved some, albeit modest, gains in the outputs of health services.
- There is some progress towards a better balance between investment and operating expenditures, (e.g. Ghana health). Road sector programmes have sought, with varying success, to link new funding for construction and rehabilitation to development of a permanent solution to the maintenance problem through the hypothecation of tax revenues (e.g. Tanzania), or Government commitments to medium term increases in spending (e.g. Uganda).

12. However on the more negative side:

- SWAPs have proved time consuming and difficult to negotiate, such that management costs are perceived to have increased rather than fallen with SWAPs.
- Commitment and ownership has proved to be fragile and dependent on key individuals in some cases.
- Governments are still finding it difficult to answer the most contentious of sector problems, e.g. how to respond to the fact that they cannot afford to provide free universal access to services (all health SWAPs).
- Donors are still too involved in the detail of implementation and monitoring, and some donors have been unable to harmonise their procedures.
- Participation by non-governmental service providers, and other stakeholders, including civil society, in policy development and implementation is limited.
- SWAPs have been slow to shift their focus from the processes of donor co-ordination towards the achievement of service improvement and poverty alleviation, and monitoring of performance has often been weak.

13. In the agricultural sector some sector programmes have had some positive aspects:

- Co-operation between Government and donors has improved, particularly where joint assessments and appraisals were carried out (e.g. Mozambique, Zambia, and recently Kenya).
- Sector programmes have stimulated new – though often only rudimentary - consultation processes, in most cases only at national level (e.g. Uganda, Kenya, Zambia, Ghana, Malawi).

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<sup>6</sup> Ministry of Health Ghana 2000

- Some sector programmes have made limited progress towards harmonisation of donor procedures, and very limited use of government's financial systems (e.g. Mozambique, Zambia).
  - Sometimes decentralisation has been strengthened through the use of decentralised work plans and budgets (e.g. Ghana, Mozambique, Zambia).
  - Sector goals that are beneficial to the poor have been specified (e.g. Zambia, Mozambique, Uganda, Kenya).
  - There has been some progress towards recognising a cross sectoral livelihoods approach (e.g. Uganda, and beginnings in Kenya). Where this is the case donors are planning some increases in funding (although extra funds would not go to the Ministry of Agriculture).
14. On the whole however, the achievements of the sector programmes have generally been limited:
- Governments and donors have not yet resolved a key sector policy issue - the appropriate role of the state in the sector (most countries).
  - Effective stakeholder participation by private and NGO service providers, whilst a key intention of several programmes, has not really been instituted (most countries, though see point under paragraph 13 on countries that have started consultation processes).
  - Lack of substantive institutional reform of ministries of agriculture continues to be a brake on sector programme implementation (e.g. Kenya, Zambia, Malawi).
  - Sector programmes have not engaged with wider issues that have a key impact on agriculture policy and implementation. (All programmes focus exclusively on agriculture issues, with the possible exception of Uganda and Sustainable Livelihoods; see paragraph 13.)
  - There is generally a weak commitment to the medium term expenditure framework (MTEF), where it exists, as ministries of agriculture usually stand to lose from reallocation of resources (Uganda), spawning some attempts to use the SWAp to make up for a fall in government funding (e.g. Ghana, Kenya).
  - Political backing is sometimes lacking (e.g. Ghana, Kenya, at times in Zambia.)
  - The link between sub sector activities and sector goals is weak (e.g. Zambia, Ghana.)
  - The link between policies and the way resources are allocated often remains weak (e.g. Kenya, Zambia, Ghana.)
  - Monitoring systems are very weak (e.g. Kenya, Ghana, Zambia, Mozambique). Often monitoring concerns are not adequately discussed before implementation of the SP commences (e.g. Uganda).
15. There is little information so far on the impact of sector programmes in any sector. From the experience so far, the consensus in the donor community, and in the available literature, is that sector programmes in agriculture have experienced more severe problems than those in other sectors, and look likely to be less successful.



### 2.3 SWAps, sustainable livelihoods and poverty reduction

16. Most sector programmes have been operating only a short time, and there is so far little evidence of the impact of agriculture SWAps on livelihoods and on poverty. Hence, there have been few evaluations, and those that do exist, suffer from poor quality data and often do not attempt to measure the sector programme's poverty impact.<sup>7</sup> It should also be remembered that any widespread and sustainable poverty reduction brought about by a sector programme is going to take a long time to achieve. This paper does not intend to address the issue in depth, given the overlap with the paper by Oxford Policy Management<sup>8</sup>. However this is the essence of the little that is known:

- i. ***Government expenditures in the agricultural sector have not become more pro-poor.*** They often continue to be skewed towards central and administrative functions, rather than district level activities and service delivery. In addition, the balance of activities carried out by Government also has not changed as much as intended. In Zambia and Kenya, for instance, Government continues to be involved in activities which most donors would argue can and should be undertaken by the private sector<sup>9</sup>.
- ii. ***The access of poor people to agricultural services and inputs has in some places declined, with some negative effects on food security.*** This is because whilst the government role in the sector has reduced, that of the private sector has not grown to fill the gap. Moreover at the same time governments have not yet taken up the challenge of addressing market failures. For example in Zambia, the mid-term review of the programme<sup>10</sup> concluded that isolated areas lost out from government withdrawing its services, with negative effects on food security<sup>11</sup>. Private suppliers were quick to enter the market, but only in accessible areas, and areas where cash crops are grown. Remote areas suffered disproportionately from the discontinuation of subsidies<sup>12</sup>. A similar problem occurred with the liberalisation of agriculture marketing, as farmers in remote areas were cut off from marketing their produce<sup>13</sup>. The extent of the poverty impact is a little difficult to assess due to lack of a clear baseline of poor farmers' costs and their access to subsidies and market outlets before the policy changes.

<sup>7</sup> E.g. Kenya European Commission & Consortium BCEOM/SATEC Développement International 2000 and Zambia Institute of Economic and Social Research 1998 reviews.

<sup>8</sup> Oxford Policy Management 2000.

<sup>9</sup> For example, providing fertiliser and other inputs, which the Kenyan Ministry of Agriculture uniformly regards as public goods. On public goods and the role of government see Annex 1 on the public sector role in different SWAp sectors.

<sup>10</sup> Institute of Economic and Social Research 1998

<sup>11</sup> See also Mwape, Chiwele, et al. 1998 cited in Dietvorst 1999. At the same time the continuation of public services would have prevented any private services from being set up, which would be inefficient in the long run; even though likely benefits in the short run make it an appealing political option.

<sup>12</sup> Mwape, F. 'Reaching isolated areas in a liberalised environment: the case of Zambia', cited in Bialluch, Dietvorst, et al. 1999

<sup>13</sup> Chiwele 2000 521

iii. *Cross sectoral issues are not being addressed at local level.* It is not clear that sector programmes are an effective vehicle for an agricultural contribution to sustainable livelihoods<sup>14</sup>. Although local level co-ordination was weak prior to the introduction of sector programmes, there is little evidence to suggest that it has since been improved substantively. This may either be in spite of or because of the proliferation of district structures in the form of District Agricultural Committees, District Health Boards, District Environmental Committees, District Parent and Teacher Boards<sup>15</sup>. Some sector programmes have been decentralised through their own district structures (Zambia<sup>16</sup>, Mozambique and Kenya), whereas others are being co-ordinated through existing local government structures<sup>17</sup> (Uganda and Malawi). Whilst there is usually a rationale for the different structures, again there is little evidence of the benefit to local co-ordination.

17. There are unresolved issues about whether and how sector programmes can be reconciled with the sustainable livelihoods approach, and it is difficult to resolve the issue on the evidence of programme performance to date whilst those sector programmes are not operating as intended. Indeed the poor performance of sector programmes has in some cases (e.g. Zambia<sup>18</sup>) led to a reduction in donor and Government funds to the sector thereby undermining any pro-poor disbursement that had been intended. The more immediate issue at hand in this paper therefore is the question of why those programmes in agriculture are not working, when those in the social sectors are having some modicum of (relative) success.

### 3 AGRICULTURAL SWAPS – WHY ARE THEY DIFFERENT?

#### 3.1 Agriculture is a productive sector

18. Describing agriculture as a 'productive sector' is a rather loose shorthand for trying to capture a number of critical differences from the social sectors. Most of these differences are ones of degree rather than principle, but the more direct link between agricultural sector output and the generation of income and revenue does have a number of implications which make agriculture programmes significantly more complicated than those in social sectors.

i. *Market transactions have a far greater significance in agriculture than in social sectors*, where government is providing services which would otherwise not exist, or at least not on the same scale. Every Government intervention in agriculture must take account of implications for private sector markets which are more significant, complex, and immediate than in the case of the social sectors.

<sup>14</sup> Food security is one of the cross sectoral issues that is often overlooked in agriculture SPs. See for example Dietvorst 1999 for evidence from Mozambique, Zambia, and Malawi.

<sup>15</sup> Dietvorst 2000.

<sup>16</sup> Though under Zambia ASIP II district structures are to merge with existing local structures.

<sup>17</sup> While co-ordination between sectors is important that is not to imply that everything can be done cross-sectorally, or, indeed that it needs to be. For example in Ghana health the size of districts (100-200,000 people) means that sectoral co-ordination structures are necessary.

<sup>18</sup> Chiwele 2000

- ii. ***Changes in agricultural policy can have a very far reaching impact.*** With the danger of damaging the sustainability and growth of livelihoods, public action in an agricultural sector programme must face and pass a stiffer test than social sectors where the main issue is in provision of services to groups previously denied them. Existing patterns of agricultural development reflect past interventions in policy, and unwinding distortions may lead to major consequences for farmers, and for the environment. There is an extensive literature on the consequences for agricultural development of government interventions in agricultural markets for inputs, outputs and credit, including direct interventions such as food aid or input subsidies, and the less direct consequences of exchange rate and monetary policies. As government subsidies are withdrawn, for example, much of the problem facing policymakers is to find ways to connect farmers to private sector service providers, and to find ways to help them adapt to livelihood systems which remain viable after unsustainable government subsidies are withdrawn. Zambia is a case in point - government marketing and input supply subsidies have sustained maize cultivation as the major source of livelihood in some of the poorest and most remote areas<sup>19</sup> where the crop would not otherwise be financially viable to farmers. Withdrawal needs to be phased to allow time for these poor populations to adapt. Redrawing the boundaries between state and private finance in education and health may have profound or even life threatening consequences for individuals, but does not require fundamental restructuring of the entire regional economy and pattern of livelihoods as can easily occur as a result of agricultural policy changes.
- iii. ***The market based nature of agriculture implies that full cost recovery is often easier.*** Benefits are captured far more quickly by the customers of agricultural services in higher incomes. The need for subsidy is therefore less justified, especially as willingness to pay is a key indicator of the value of government services. In social sectors, it is more difficult for the poor to finance long term investments in education, more difficult to assess the returns to investments in health, and more of the benefits accrue to society as a whole, justifying subsidy. The differences should not be over-emphasised: veterinary services and agricultural research and extension face many of the same problems of market failure as are found in the social sectors, especially inability of beneficiaries to judge the quality of what is offered, and problems for the poor in managing risk. We return to this in discussion of the rationale for the state role.
- iv. ***One size does not 'fit all'.*** Agriculture, especially in rainfed areas, is both complex and highly heterogeneous, requiring adapted local approaches. This can make it expensive to reach farmers. Unlike in education and health, one approach cannot be nationally replicated, hence the economies of scale and of standardisation arguments for a SWAp are weaker.
- v. ***Farmers are experts too.*** In social sectors, health and education professionals have knowledge to impart. In agriculture, the exchange of knowledge needs to be two way: farmers are the experts on their own land and on their specific

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<sup>19</sup> An anonymous referee also argues that fertiliser subsidies were important for avoiding environmentally unsustainable practices in marginal areas for maize cultivation.

constraints. One aspect of this is the vulnerability of poor rural households, and the constraints this places on their capacity to manage the risks of innovation. Therefore any interaction between farmers and extension workers should be highly participatory. These arguments apply to a lesser degree in the social sectors, where professional/client interaction is more about identifying preferences and controlling service provider behaviour, not about changing the technical content of what is offered because of specific knowledge held by the customer.

- vi. ***The livelihood system must be understood.*** Agriculture is just one of the activities from which households put together a livelihood, so the constraints on the various household enterprises need to be balanced against each other: agricultural interventions which do not take account of e.g. other constraints on women's time in particular will fail. This is a further constraint on interventions conceived entirely within an agricultural framework. Education and health should also take account of the opportunity cost of time in setting term times and clinic opening hours, and the design of payments for school fees should avoid increasing financial stress during the hungry months. However, there is a difference of degree in the extent to which interventions need to be fitted in to a production system with competing demands.

### **3.2 The State and the Line Ministry have a smaller, and different role in Agriculture than in other sectors**

19. Annex 1 draws some comparisons between the public sector role in the agriculture sector relative to the other sectors in which sector programmes have been attempted.
20. The first difference is one of degree. Agriculture often provides the main occupation of up to 80% of the population, and accounts for 30% or so of GDP in many poor countries. The bulk of this activity takes place within the private sector. Although government may have some vestigial role in direct production of sector output through state farms, most governments are withdrawing from such roles.
21. By way of contrast, government usually has the lead role as the main source of finance, and often the main producer, of sector output in education, health and roads. Donors have largely accepted a state role in running schools, hospitals and constructing roads, and producing direct sector outputs (e.g. educated school leavers, vaccinated children, kilometres of road). However, there is increasing recognition that the actual private sector role in these sectors has been underestimated, and that private sector financing needs to be developed further. For example, health ministries reach only a minority of the population with curative services; the majority of expenditures are by private individuals purchasing care from private providers. Health ministries will increasingly need to face the dilemma that they cannot afford comprehensive services on a budget of \$6-12 per head, and will need to redraw the boundaries of state involvement to focus on reaching more people with a few highly effective interventions where market failure necessitates this, and regulating and stimulating the private for-profit and not-for-profit sectors to complement these activities. Although there is a consensus that government should continue to have a substantial role as a direct

producer of sector output, and should finance a large part of that output from general taxation as part of overall public expenditure, the issue of how to define the precise role which government can afford to play is becoming increasingly prominent, and was for example the major theme of the 2000 Mid Term Review of the Ghana health sector programme<sup>20</sup>.

22. The most significant roles of the state in agriculture are not concerned with public expenditure, but with policy making and regulation. Policies on the exchange rate, interest rates, the control of inflation, trade policy and market regulation, food import storage and distribution, tax and subsidies, the regulation of transport and trading activities, personal security and safety net policies in vulnerable areas are far more important to agricultural producers than the more limited role of direct expenditure by the Ministry of Agriculture. Many of these policy and regulatory functions are not the responsibility of the agriculture ministry. Issues of policy and regulation are not without importance in the other sectors, but they are less dominant, and many of them are within the responsibility of the sector ministry. Thus the health ministry is likely to be responsible for regulating private medical practice and advising on essential drugs policy, education for regulating private schools, and the transport ministry may be responsible for regulating transport operating companies. There are important exceptions, but a sector approach defined to correspond to the responsibilities of the line ministry will come far closer to covering key sectoral interests than can be achieved within agriculture.
23. Where an agriculture sector strategy is defined in terms of the line ministry role, it is much closer to the social sector model, and many 'agricultural services' SWAps have followed this route. They provide agricultural services such as research and extension, and aim to improve the knowledge of farmers in much the same way that education SWAps improve the knowledge of schoolchildren, though there is still a key difference in that the knowledge should have a quicker and more certain financial payback, making charging easier.
24. The conventional wisdom on sector programmes has advised that they should avoid complex cross-ministry structures, and should where possible define themselves to correspond to the area of budget responsibility of a single ministry. This approach is problematic when the key issues are not concerned with public expenditure, and when the role of the sector ministry is largely confined to providing services which the private sector will not provide for reasons of market failure, or providing services to poor groups who could not otherwise afford to purchase them. Even within the areas in which agriculture ministries do provide services, such as research and extension services, they may find themselves minority players. Farmer surveys often show that government is just one of many sources of research and advice available to farmers, and often not the most important.

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<sup>20</sup> Ministry of Health Ghana 2000

25. Even more than in other sectors, a sector programme in agriculture therefore needs to ensure that the substantial contributions of the private sector and NGOs to the agricultural sector are enabled to flourish, and are complemented by government activities where the private sector cannot operate. In practice, however, agriculture sector programmes have found this perhaps the most difficult aspect of design and implementation, even where the macro economic environment is facilitating private sector growth, because the location of programme co-ordination in government has given out mixed messages to all participants, and has not ensured that government focuses on services the private sector will not provide. Zambia is a prime example (see Box 1); other examples include Kenya and Malawi. In fact it may be (as was the case in Uganda) that donors find more in common with regard to views on agricultural policy held by the Ministry of Finance (MoF) than with the Line Ministry and this presents valuable opportunities for alliances which can positively influence the Ministry of Agriculture (MoAg).<sup>23</sup>

### **Box 1 Zambia Agricultural Sector Investment Programme (ZASIP)**

In the course of developing ZASIP Ministry of Agriculture, Fisheries and Forests (MAFF) civil servants, with the tacit agreement of the World Bank and UNDP are perceived to have used the planning process to preserve their own role. This, plus other features such as the emphasis on capacity building in the ministry, the programme's funding arrangements and the attention given to a financial management structure within MAFF, meant that it has been seen primarily as a public sector investment programme, although this had not been the intention at the outset<sup>21</sup>. MAFF therefore was inadvertently encouraged to continue to try to implement sub-programmes and activities that it could not appropriately manage or lead, but should have left to the private sector. In addition the regulatory framework remained unsupportive to the changed roles of Government and the private sector. The sum result has been that programme achievements have been limited, and MAFF has not taken up its expected function of policy maker, regulator and selective service provider.

A solution proposed at the October 1998 Mid Term Review has been the institution of an Agricultural Consultative Forum (ACF) consisting of MAFF, other ministries, the private sector, non governmental organisations (NGOs) and donors. The intention was to focus programme co-ordination away from MAFF. However success has been limited – NGOs and the private sector report that it is a very useful body, and that they have been able to obtain a lot of information from MAFF as a result. Yet they have the perception that MAFF does not seem to take the ACF seriously, and they still do not feel effectively consulted on issues affecting agriculture<sup>22</sup>.

<sup>21</sup> Gould, Takala, et al. 1998

<sup>22</sup> Chiwele 2000

26. The difference between the social and agricultural sectors is therefore one of degree, and of the extent to which the state role is contested. As knowledge of the limited reach of the State even in the social sectors becomes more widely known, the issues which have been so controversial in agriculture will also need to be faced in the social sectors. The de facto rationing through limited access to services or compromising minimum standards at the expense of coverage or enrolment will have to be replaced by more rational and strategic use of resources available to the sector as a whole, not just through Government. The problems faced in the agricultural sector in trying to co-ordinate from within government a sector in which a government is clearly a minority player, will have to be addressed by other sectors in the future, and there may be valuable lessons to be drawn from the experience in agriculture.

### 3.3 Government and donors disagree on the State role in Agriculture

27. Most economists would argue that the rationale for a state role in agriculture rests on either :

- i. ***Some form of market failure*** which can be corrected by public sector action. The assumption is not only that there is a market imperfection, but that government action can succeed in producing a net improvement, which may not be the case if lack of capacity and 'government failure' are widespread. Market failures take a number of forms (e.g. externalities, asymmetric information, incomplete insurance markets, and public good characteristics making charging difficult and / or undesirable). Their common characteristic is that the market left to itself will produce an economically inefficient solution. The matrix at Annex 1 provides some examples for the main SWAp sectors. For the social sectors, many services depend for their existence on government finance to overcome the nature of the market imperfections, whereas government plays a smaller role in the agricultural sector than in social sectors, with market-based relationships far more important. This is not to deny the prevalence and the seriousness of environmental market failures faced by many agricultural sectors, with potentially devastating consequences as forest, soil and water resources are depleted. Interventions to correct these problems are complex, and usually need to work with the market to provide incentives for environmentally sound behaviour.

*or*

- ii. ***Distributional objectives*** which are more readily pursued by direct intervention in the sector than by transferring assets or income. It is expensive and difficult to target direct transfers of income or assets to the poor, therefore in order to overcome the high costs of targeting and the risk of leakage, 'in kind' programmes may be preferred. For example, agricultural programmes may focus on crops grown and/or consumed by the poor, or areas where the poor predominate. In Malawi, an attempt was made to ensure that a substantial proportion of DFID-supported input subsidies reached small

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<sup>23</sup> Lucia Hanmer, personal communication. Of course, this example is not intended to imply that Finance Ministries have any monopoly of wisdom on the Government role in agriculture, and in other cases they may have taken eagerness to cut budgets too far.

farmers by providing seeds and fertiliser packaged in small quantities and marketed in more remote areas. Similarly in health and education, subsidies may focus on overcoming barriers to primary education from which the poor are most likely to be excluded, or may target free health care to diseases of the poor.

28. Although this technocratic rationale for the government role appeals to economists, it needs to confront a legacy of past policies and programmes, which make it difficult to identify the extent of market failure. There is also plenty of scope for disagreement on the extent to which private sector service providers will be willing to take over roles previously held by government. Previous Government market intervention can damage private sector confidence and capacity, and there is scope for disagreement on what is genuine market failure, and what is policy induced reluctance to enter a business where government has a track record of interference. Different constituencies also disagree on fundamental objectives. Government needs to balance producer interests in remunerative prices and liberalised markets, against consumer interests in cheap food, and Ministry of Finance concerns about the potential loss of tax revenues following agricultural liberalisation. In Ghana, government saw their role in agriculture as supporting rapid economic growth, and therefore concentrated effort on the areas and crops of greatest potential, whereas some donors stressed the importance of poverty reducing interventions (see Box 2). The argument could be characterised as growth versus poverty reduction, but even this may be too simple, as arguments have been advanced that investing in high potential areas and helping people to move may be an alternative approach to *in situ* poverty reduction. The point is not to support either argument, but simply to underline the difficulty of reaching a consensus on what government's role should be.

**Box 2 Ghana Agricultural Services Sector Investment Programme (AgSSIP)**

In Ghana although the central government poverty reduction strategy recognised the important role of agriculture, this concern was not shared by the Ministry of Food and Agriculture. As a result the Accelerated Agricultural Growth and Development Strategy (AAGDS) was primarily focused on economic growth with little mention of poverty<sup>24</sup> which left donors and government contending the issue of why AgSSIP should be funded. Consensus was never reached on this and differences of opinion have therefore continued throughout the process<sup>25</sup>, and adversely affected implementation.

29. By and large, ministries of agriculture, do not support a reduction in their functions, preferring to retain budgets and authority, even where they or central Government make verbal commitments to liberalisation. Without a general consensus on the way forward, there have been a number of adverse results:

<sup>24</sup> Ticehurst 2000

<sup>25</sup> *Ibid.*



- i. ***Government ownership has been very limited.*** In Ghana the government made broad and bland agreement on the role of the state but nothing more specific on how to implement it, or what the alternative role of the government should be<sup>26</sup> (See Box 2). Struggles by the Kenyan and Zambian Ministry of Agriculture have resulted in long drawn out institutional reform processes without a clear goal.<sup>27</sup>
  - ii. ***Programmes have got bogged down at the policy development phase,*** leaving issues unresolved until much later into the process, and often not addressed sufficiently to move forward. The Zambia programme entailed approximately 488 policy planning workshops held under the Agricultural Sector Task Force between 1992 - 1995<sup>28</sup>, and yet at the mid term review in 1998, the report stated that agreement on sector policy framework and the principles governing GRZ actions affecting the agricultural sector was still outstanding.<sup>29</sup> The Malawi ASIP never managed to progress beyond policy development, prompting the conclusion that there can be too much participation.<sup>30</sup> Similarly, it took at least four years of preparation before implementation of the Mozambique agricultural sector programme (PROAGRI) commenced.
  - iii. ***Governments have been seen to be willing to form alliances with donor sector staff who focus primarily on their role in the sector.*** e.g. MAFF in Zambia, where the World Bank and UNDP 'actively facilitated the de facto empowerment of the civil service in the planning process'<sup>31</sup>.
30. There are a number of lessons to be learnt from other sectors in trying to address the problems of low consensus within government, and weak ownership of ideas.
- i. ***Where donors have tried to push their views onto Government, ownership of the sector strategy and programme has remained limited,*** either preventing or seriously limiting progress e.g. Tanzania education (see Box 3).
  - ii. ***The sector programmes which appear to be most firmly established have been based on a limited number of strategic ideas to which all significant partners signed up,*** e.g. Universal Primary Education (UPE) in Uganda education, a shift of resources and authority to district based integrated health services in Ghana health.
  - iii. ***Smooth implementation requires sufficient time for reflection and building internal consensus on the key themes and major strategic decisions.*** Commitment by technocrats or even the line Minister may not be sufficient if implementation requires the support and co-operation of other departments. Where donors and technocrats force the pace towards signing off on decisions on which there is insufficient commitment, there are numerous examples of subsequent implementation becoming stalled: e.g. establishing Ghana health service, adding Bangladesh family planning staff to the civil service.

<sup>26</sup> Helen Wedgwood, personal communication.

<sup>27</sup> Dietvorst 1999

<sup>28</sup> Gould, Takala, et al. 1998

<sup>29</sup> Institute of Economic and Social Research 1998, p.v.

<sup>30</sup> Bialluch, Dietvorst, et al. 1999, p.42.

<sup>31</sup> Gould, Takala, et al. 1998

### Box 3 Tanzania Education Sector Reform and Development Programme

Tanzania education is an example of a sector programme where the fragility of support only became apparent too late in the process. A four year development process was strongly led by expatriate consultants, working with local counterparts, although the then Secretary in the Ministry appeared to be supportive. During 1996 and 1997 Government and donors drew up and adopted a common work plan, which was followed by a pre-appraisal in early 1998, and by donors signing up to the SWAp. However from the time hard decisions had to be made, the SWAp started to disintegrate. Vested interests in Government recognised the impact of reform and gained the upper hand over reformers and therefore donor engagement was limited. Most crucially hard budget decisions on teaching service rationalisation, secondary education financing and standard setting and regulations were avoided<sup>32</sup>. In any case the design of the ESDP did not facilitate allocation decisions. It only covered the development budget, partly as a result of it being run by local consultants from outside the main Ministry of Education, who emphasised capital over recurrent expenditures<sup>33</sup>. The ambitious programme was clearly inconsistent with the MTEF and was rejected by donors and criticised in Parliament. There is still no sector programme in place, nor much progress towards one.

- iv. *Where donors have tried to hurry strategy development, even where there is strong local ownership, Governments will resist.* If they do not it may be a sign of lack of commitment to the process and outcome.
- v. *An agreed process and timetable is valuable.* In order to get from strategic vision to implementable programme, and to avoid endless prevarication on details as in Zambia agriculture, there needs to be a timetable with clearly defined stages to which all significant partners sign up.
- vi. *The SWAp should be a process, not a big blueprint project.* Not all issues need to be resolved at the start, provided the overall direction of change and the process and criteria by which decisions will be taken are clear.
- vii. *SWAps need continuous adaptation and development during implementation.* It is essential to build internal government capacity for programme development and thus implementation. Placing responsibility for strategic development within core government functions, rather than creating an add-on unit is more likely to achieve this.
- viii. *Policy development is too often dominated by donor voices.* There is therefore a strong case for supporting the development of stronger policy analysis capacity within and under the complete control of the sector ministry. For example Bangladesh health has gone some way towards this with a policy unit in the Ministry of Health (MoH); however it is not fully integrated into government

<sup>32</sup> Ratcliffe Macrae Associates 1999 p. 41.

<sup>33</sup> Chijoriga, Fine, et al. 1999

### 3.4 Donors do not fully agree amongst, or within themselves, on the role of government

31. The problems in obtaining consensus with government are underpinned by differences within the donor community on the role of the state. Reaching donor agreement in agriculture is made difficult because the number of active donors is often larger, including a prominent role of private foundations in agricultural research. Even when it is agreed that there is a case for spending resources on sectors which support agriculture, e.g. rural transport infrastructure, donors are not always agreed on the desirability of the State spending increased resources on the ministry responsible for agriculture. Those that wish to cut back on expenditure on the sector through government may be able to form partnerships with the Ministry of Finance or Planning to this end. But those that see a continued role for government in service delivery will have more in common with MoAgs. Moreover where MoAgs wish to retain budgets and responsibilities, they may find allegiances with staff in donor agencies who have a parochial self preservation interest in retaining their projects which are government focussed.
32. In social sectors there is strong consensus between donors that more government funding is necessary, and sufficient agreement on the role of the state to create an alliance among donors. This is based on broad consensus about the role of the state in service delivery. Donor unity has been an essential ingredient in developing sector programmes, and where it does not exist (e.g. Mozambique health) there have been major difficulties in helping the government move forward towards a SWAp. The lesson here for agriculture programmes is that without donor unity on the fundamentals of the sector policy, the government has an impossible task in identifying an acceptable strategy.
33. The lessons from other sectors, where donors do not agree on how the sector strategy should proceed are:
  - i. ***Governments have a far greater problem in managing donor co-ordination***, because donors gather round ‘camps’ and are unwilling to concede responsibility for leadership to one or other e.g. Mozambique health
  - ii. ***The donor with the most money and / or greatest flexibility is likely to be the one that holds the most influence with government.***
  - iii. ***Governments will try to meet all donor demands*** leading to a high investment in time and effort, e.g. developing the health sector strategy for Uganda health was time consuming because a range of donor views had to be addressed, and negotiated with.

### 3.5 The Line Ministry must work with other parts of Government

34. The need to work with other parts of government, has arguably been under-emphasised in all SWAps, both agricultural and others. It is however particularly important in agriculture given the major influence that other ministries have on that sector. In addition to the policy concerns described earlier, there are a number of other areas of influence on key issues in agriculture:
  - i. ***Improving staff performance is a cross sectoral task.*** Delivering geographically dispersed services depends on being able to offer an

appropriate package of incentives to staff, linked to effective performance management which recognises and rewards good performance and has effective sanctions for poor performance. This means either ensuring linkage with effective civil service reforms (usually the responsibility of another ministry), or setting up arrangements outside the civil service. The past history of parastatal organisations in the agricultural sector may mean that there is more experience, good and bad, within the sector than in other SWAP sectors. There are a number of examples in agriculture and in other sectors of the failure of efforts to improve incentives because approvals could not be obtained from elsewhere in government: for example, efforts to enable veterinary staff in Zambia to earn income from selling inputs remain unapproved by Parliament. There is no unambiguous 'good practice' to point to, though something may be learned from exchanging experiences on how mixed public-private roles of staff have been managed in the health sector.

- ii. ***Engaging with the medium term financial framework is essential.*** The most important government wide structure with which all line ministries and sector strategies must engage is the medium term financial framework because it grounds the programme in reality by establishing government expenditures available for the sector. Where the framework is most effective, the Ministry of Finance programmes government and donor resources jointly, allocating the total resources available in line with national priorities. In Uganda, donors are provided with an opportunity to influence those priorities, in return for respecting the framework which is agreed. This only works if the Ministry of Finance is strong enough, and/or donors are disciplined enough, to prevent line ministries approaching donors directly in order to obtain additional commitments outside the framework.

When sectors are being asked to redefine their role, as is typically the case in agriculture, it is especially important that they should be given a firm budget constraint. Ministries will not face up to difficult choices if they have a hope that an additional source of funds may appear to delay the evil day. They will not make cuts in existing programmes if they fear that the resources released will simply be reabsorbed by the Ministry of Finance. This does not mean that MoAgs should have a guarantee that all savings can be retained. What is needed is a process of confidence building whereby the MoAgs are persuaded that they will do better in budget discussions by embracing the need to refocus on national priorities, than by ignoring the need for reform and basing their budget bids on 'more of the same'.

- iii. ***Wider government reforms may ultimately impact positively on sector programmes, but create crucial sensitivities in the short term.*** Many agriculture ministries have tried to implement sector programmes not only where the environment they were trying to influence has been outside their control to a significant extent, but where the environment in which they have been functioning is also fluid and uncertain. In Ghana for example major reforms being undertaken at the same time as AgSSIP was being developed have included downsizing of the public sector, an ongoing review of its structures and functions, the introduction of a medium term expenditure framework, and the introduction of performance plans for ministries,

departments and agencies<sup>34</sup>. Each of these developments where they occur is potentially helpful to the development of a sector programme, even though downsizing often has a negative impact on morale and repercussions for commitment to the sector programme (e.g. Zambia). Nevertheless, close co-ordination of the various processes within the ministry can help a Ministry in defining a role for itself and in bidding for the financial and staff resources necessary to carry it out. Negative perception of the broader public sector reform context may be an indication of the deeper seated problem that the ministry has remained unwilling to confront the necessary choices, and unable to forge a workable consensus within government or between government and donors. Zambia suffered from similar changes - MAFF was the subject of major administrative reforms so that the sectoral programme was 'launched in a situation of non-existent job security and minimal trust among staff ... dissipating whatever remained of the original enthusiasm over the ZASIP idea'<sup>35</sup>.

- iv. ***Decentralisation may hold the key to dealing with such a heterogeneous sector.*** Agriculture is very location specific, and it may be more sensible to think in terms of area based planning than in terms of national sector strategies to cover everything from cut flower exporters to nomadic pastoralists. It may be more important to co-ordinate with what other sectors are doing locally, than to co-ordinate across the agriculture ministry. This is not a new idea of course, and the history of integrated rural development projects is not encouraging. However, the move towards decentralisation to district level does provide a model for how sustainable livelihoods approaches might be enabled to work within a framework which permits co-ordination of investments in transport, water, market infrastructure and services, and agricultural research and extension. It may be that the most appropriate form of SWAP for supporting agricultural development and sustainable rural livelihoods involves supporting the development of local government, with the Ministry of Local Government as the partner through which districts receive support.

Most SWAPs have been implemented through the line ministry structure, and the main lessons may come not from the SWAPs but from pilot efforts at decentralised district planning using participatory approaches, as in Uganda. One important challenge for any decentralised strategy is how to manage and account for the funds, and this is one area where there are lessons to learn from SWAPs. In Ghana health, substantial sums of government and donor moneys have been disbursed and accounted for through over 300 budget management centres spread throughout the country. This has been built on long term support to financial management and audit, but the key lesson is that it is possible to set up a sufficiently reliable and highly decentralised system for disbursing and accounting for funds using government systems, without requiring an expensive network of TCO controlled imprest accounts. This is not an isolated example: the experience of using government

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<sup>34</sup> Ticehurst 2000

<sup>35</sup> Gould, Takala, et al. 1998 p.58.

accounting systems to support school and classroom construction in Uganda was also a very positive one.

### 3.6 High level political support for continued agricultural reform may be limited

35. Major reforms have taken place in the agricultural sector. Government has substantially withdrawn in many countries from a significant role in production, marketing, input supply, price control, quantitative trade restrictions, and has increasingly relied on private sector approaches even in the agricultural services areas of research and extension. The withdrawal from many of these areas has been messy and incomplete, and the Ministry of Agriculture may have vestigial limbs which have lost their functions but not their staff. Many of the remaining government functions of greatest importance to the sector are located outside the Ministry. Government generally has a low incentive to give high priority to further reform of the agriculture ministry because:

- i. ***It is potentially very contentious.*** For example the Zambian Government would like to withdraw from fertiliser supply, but recognises that, without an implicit subsidy, production of the maize staple crop would become unprofitable in the more remote areas, with severe consequences for livelihoods in at least the short term, and for politics. The challenge therefore is managing this political pressure in ways that are consistent with policy reforms, and with avoiding increases in poverty.<sup>36</sup>
- ii. ***The costs may outweigh the benefits.*** Continued reform may mean sacking staff and closing facilities, yet the agriculture ministry is typically no longer one of the major spenders, and the benefits may not seem worth the grief.
- iii. ***It is messy and difficult.*** Education and health services are relatively homogeneous. Agricultural services are not: different agro-ecological zones, different problems, different crops, and no agreement on the solutions.

36. In contrast, in the social sectors, high level political support for reform is often present. This is generated by a number of factors:

- i. ***Government and donors have a clearer focus on programme objectives.*** Poverty reduction initiatives led by central government and funded by donors are strongly concerned with delivery of more and better social care, thereby necessitating reform but also attracting increased resources
- ii. ***Reform is politically attractive.*** It is relatively easy to gather political support round one or two 'feel good' messages such as universal primary education, in contrast to the more complex issues of agricultural reform.

37. The lessons for sector programme development across the board are that support by senior politicians is essential to programme policy making and implementation because:

- i. ***It is an indication of ownership.*** Key indicators of government ownership can be seen as a willingness to face up to difficult decisions, an insistence on

<sup>36</sup> Institute of Economic and Social Research 1998

going through the necessary processes to secure real commitment, and arguing back when donor positions conflict with government views. All these necessitate high level political commitment.

- ii. *It can protect the programme.* Where ownership is confined to a few senior individuals, even minor political shifts render the programme vulnerable to obstruction e.g. Zambia health. It is therefore helpful to have the sectoral strategy endorsed by cabinet and the legislature.
- iii. *It potentially offers a better chance of wider participation.* In a government built on some notion of democracy there is more likely to be some attempt at wider consultation by politicians through national or local channels where they are seen to be allied to the possible gains of a sector programme than by civil servants who may have different motivations for seeing the programme stand or fall

38. Uganda primary education offers a valuable example of a programme with high level political commitment (see Box 4).

#### **Box 4 Uganda Universal Primary Education**

The sector programme for Uganda education was initiated by strong leadership from the President's commitment to Universal Primary Education, for which he had an electoral mandate. There had been a broadly participatory process in developing policy, including some consultation with civil society groups and, at a later stage, the poor. The high level political commitment was reflected in budget allocations to the sector, which were increased and protected as part of the poverty action fund within the budget. The strong government motivation was to obtain donor support for their initiative, something which donors, who shared the priority given to primary education, were happy to support. Political and poverty objectives coincided.

### **3.7 Sector programmes create expectations of higher funding**

39. A major incentive for line ministries is the expectation that a SWAp will result in increased donor flows, with an increased share under their direct management, an attractive proposition for an agriculture ministry facing a diminishing role. In Ghana for example the Minister of Agriculture clearly saw the AgSSIP as an opportunity to ease the shrinking budget for the sector<sup>37</sup>. The Kenyan Ministry of Agriculture may pin similar hopes on the sector programme. The preoccupation of sector programmes with moving to budget support can exacerbate this, especially where substantive and workable agreement has not been reached on the content of the sector strategy. The lure of money, especially when channelled through government systems, can set up expectations within a ministry that reinforce its central role in implementing a sector programme. For instance, Gould proposes that one reason for ZASIP being seen by donors and members of the

<sup>37</sup> Helen Wedgwood, personal communication.

commercial farming community as a public investment programme was because of 'the substantive fact that the lion's share of the service delivery functions earmarked for ZASIP support imply direct budget support to MAFF.<sup>38</sup> This is a problem particular to agriculture sector programmes, given that most other sector programmes can expect higher levels of funding, both from government and donors. The issue has important repercussions for using a sector wide approach in agriculture which are discussed in section 5.

40. The introduction of budget support, whilst it may be attractive for the above reasons, may also threaten the autonomy of line ministries. Where a ministry is politically relatively weak in comparison to others, projects can boost its power and resources, whereas a sector programme, with budget support via the Ministry of Finance can create alliances that threaten autonomy and power. For example in Uganda the Ministry of Finance has taken the leadership on the sustainable livelihoods approach while the Ministry of Agriculture in contrast continues to face declining budget shares. In the Mozambique health sector, the strategy of the early 1990s of some donors giving budget support directly to the MoH in order to protect service funding from more powerful ministries, may be a contributing factor in the delay in getting to a sector wide approach where donor funds will be channelled via the MoF.
41. Key lessons from other sectors on how to manage a SWAp in an agricultural sector with declining budget share might be that:
  - i. *It is important to be clear about the limits of the SWAp from the outset* i.e. where the resource flows will be increased at the margin, and also where government will withdraw.
  - ii. *A key issue is to achieve a resource shift towards high priority areas, while placing a ring-fence around those areas which should decline.* Various techniques can be helpful: a formal procedure for agreeing new projects or spending proposals among the partners and on the criteria to be used; a formal agreement on the shares of the budget going to high priority areas; a tight cap, possibly declining, on low priority areas; floating parts of the empire as subvented organisations required to manage within a fixed, declining budget; privatisation (not a SWAp specific lesson, but an important one).
  - iii. *Earmarking within the sector may make more sense in such a heterogeneous sector.* The Uganda Poverty Action Fund example of identifying, and protecting within the budget, key poverty reducing programmes is a possibly helpful precedent.

#### 4 THE WAY FORWARD

42. The SWAp approach was invented in order to overcome a number of quite specific problems in the relationship between government and donor partners: the large numbers of donor projects, poorly co-ordinated, lacking a common policy framework, imposing high costs on government in managing them, and leading to poor sustainability and uneven service provision. It therefore seemed to make

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<sup>38</sup> Gould, Takala, et al. 1998 p.60.



sense to bring all activities, however financed, into a single expenditure programme, negotiated between the partners, based on agreed policies and priorities and common procedures for committing and disbursing funds and monitoring performance. Many of the same problems are undeniably present in the agricultural sector, which in Africa, where all of the agriculture SWAp's are located, has achieved relatively high project failure rates and low average returns.<sup>39</sup> Although these problems are present, there are crucial differences which may make the approach less suitable in productive sectors such as agriculture. To summarise the key points from this paper, the most fundamental differences are that:

- i. ***The most important government roles in supporting agriculture are not about public expenditure at all.*** Although services provided by the agricultural ministry have an important role in the longer term, the most immediate government influences include policies on exchange rates, interest rates, prices, trade policy, tax policy, land reform, the structure and regulation of markets for agricultural inputs and outputs, and the enforcement of peaceful conditions and the rule of law for agricultural production and trade.
  - ii. ***The most important public expenditures for supporting agriculture may not be in the agricultural sector.*** Investments in for example roads, may be more important in both budget terms and impact.
  - iii. ***Conversely, much of what the Ministry of Agriculture is doing may be better done by the private sector,*** and an effective agricultural strategy may actually involve cutting the budget, staffing, and responsibilities of the Ministry which is expected to take the lead role in implementing it.
  - iv. ***Unlike health, education, or roads, there is no single technology which can be applied across the sector with only minor adaptation.*** Although education may need to cope with different languages, some health problems differ between regions, and road construction faces problems of different terrain and materials availability, the sector programme is in each case basically concerned to make available a broadly similar and readily defined package of outputs to as many people as possible. The agricultural sector by contrast is far more diverse in what it produces and the circumstances in which it is performed, and neither the problems nor the solutions can be defined for the whole sector.
  - v. ***Government is a minor player in the agriculture sector*** which may employ 80% of the population, and the relationships with farmers and commercial firms supplying services are even more fundamental than in other sectors.
43. Given these differences, the problems encountered in agricultural SWAp's are not surprising. Ministries of Agriculture are not responsible for most of the things which matter most to agricultural development, but are responsible for most of the redundant expenditure, and are likely to resist cuts. Much of the difficulty experienced by agriculture SWAp's can be summed up in the saying 'turkeys do not vote for Christmas'. The necessary reforms to the functions, staffing and budget of the Ministry are made more difficult to achieve if donors are discussing big new commitments to a SWAp. The necessary reform process needs to be

<sup>39</sup> World Bank 1999 confirms some improvement in relative performance in the 1990s.

agreed before the SWAp. The donor role in achieving the necessary changes may need to be a limited one, depending on the view which the donors take of the likely effectiveness of either technical assistance or conditional adjustment support in encouraging change.

44. A rational sequencing might be as follows:

- i. ***Government should be encouraged to develop an overall strategy or vision for sustainable development***, which will inter alia need to explore the roles which government will play within the agricultural sector. The debate around such a vision ensures that discussion is taken outside the parochial interests of the agriculture ministry and of commercial agriculture lobbying groups. The vision might fulfil the International Development Target for a national strategy on sustainable development, but need not be called that, and might also be used to fulfil the need for a poverty reduction strategy paper, or could indeed provide the process for the Comprehensive Development Framework.
- ii. ***An overall policy reform process needs to be introduced to put in place the necessary macro and structural framework for agricultural development***. Much of this will involve policy reforms undertaken by the central economic ministries, or by other bodies outside the agriculture ministry. To the extent that donor technical advice or resources are thought to be helpful in promoting reforms, consideration is needed of how best to channel that support. Rather than a reluctant MoAg which is not in the driving seat, it may make sense to channel support for these policy reforms via the Ministry of Finance, while recognising that the MoF may lack understanding of the problems of agriculture. This is the basic model used in support of agricultural sector adjustment in the 1980s, a period which did see very substantial reforms of agricultural policy across Africa, with some evidence of success particularly in improving the incentives available to export agriculture.
- iii. ***The government budget process should be used by donors as the basis for tackling fundamental issues concerning the future scale of government involvement in the sector***. This is especially the case where there are moves towards a medium-term budget framework covering government and donor flows. The Ministry of Agriculture needs to believe that there is a hard budget constraint before choices will be made and redundant functions willingly closed. If linked to a strategic planning process, the medium term budget can become the instrument by which ministry ambitions are scaled to the agreed priorities and roles and to the available resources.
- iv. ***Within the context of an agreed resource envelope for the sector, the MoAg may then wish to discuss with donor partners how to improve co-ordination of government and donor resources in the support of MoAg activities in the sector***. This narrow focus seems advisable in view of the accumulating evidence that SWAp work best where they are defined in terms of the budget responsibilities of a single Ministry, and have not worked well where they have had to co-ordinate across several ministries.

45. The SWAp should not be asked to do too many jobs. A focus on MoAg services does not mean there is no need for close consultation with other departments and

private sector representatives, but the forum for doing this need not be the SWAp itself, and there are good arguments for avoiding making the process even more unmanageable.

46. The sustainable livelihoods approach provides a valuable diagnostic tool, of particular value for local level planning. The problem of how to integrate this approach with sector programmes implemented through parent line ministries is one which requires resolution in the context of the evolving debate on approaches to decentralisation. The evidence on the accountability and responsiveness of local government to poverty concerns is at best mixed, and does not provide a strong argument for always preferring an integrated approach to local planning.

## **5 CONCLUSION - IMPLICATIONS FOR DFID**

47. In recent years, DFID has generally reduced the share of resources spent on the agricultural sector, as the role of agriculture sector ministries themselves has shrunk. The key implication of this analysis is to advise caution in applying the SWAp approach as one way to re-enter agriculture. It can be a useful approach to overcoming some of the problems of donor co-ordination. However, fundamental questions concerning the role of government in general, and MoAg in particular, need to be resolved first, and in a forum beyond the MoAg. In helping to resolve those questions, it will often continue to be more productive to work with central economic ministries than with an agriculture ministry which has few incentives to pursue reform.
48. This is not an argument for moving back into projects if the policy and institutional environment remains weak. We know that agricultural projects have performed particularly badly in such environments. However, where the policy environment is improving sufficiently to hold out a reasonable prospect for success, the arguments against project approaches may be weaker in agriculture than in many other sectors. This follows from the heterogeneous nature of the sector, which may mean that any sector programme will continue to be a collection of locally specific solutions. The argument should not be taken too far: any project needs to face the challenging test that benefits cover all of the costs, including the cost of donor administration and technical assistance. This criterion is difficult to meet unless much more reliance is placed on national staff and national systems in order to achieve the coverage of services needed to get costs down to feasible levels. It is possible to adopt some features of the SWAp approach, relating in particular to building national capacity and using national systems, even if the case for the expensive machinery of a national SWAp is not made.
49. The sustainable livelihoods approach needs to be anchored institutionally. The obvious place for this is Local government rather than the agriculture ministry. Many questions remain to be answered concerning the effectiveness of decentralisation as an approach to poverty reduction, and answers will be country specific. We do not have the information to argue that integrated planning of local services will everywhere and always be superior to vertically organised sector plans. Country teams should be sceptical of the more extreme claims made for

either approach, and work with the grain of the political and institutional reform processes to which there appears to be local commitment.

50. In conclusion, the SWAp approach is not a universal panacea, nor a new piece of aid theology we all have to have faith in, but a tool invented to solve some specific problems of aid dependency, mainly in the context of better co-ordinating expenditure programmes. The core message is to ensure good diagnosis of the nature of the problems in the sector and the aid relationship, and develop an approach which is locally appropriate.

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## Annex 1 Comparison of the Public Sector Role in Different SWAp Sectors

	<b>Agriculture</b>	<b>Education</b>	<b>Health</b>	<b>Roads</b>
<b>Overall role</b>	Gov't policy has a major impact on agriculture (e.g. macro and structural policies and performance on exchange rates, interest rates, inflation, trade policy and market regulation) but pure public expenditure role (e.g. research, extension) is smaller in scale relative to size of sector	Dominant gov't role in setting curriculum, training teachers, and usually running schools. But although education may take a large share of public expenditure, the largest share of costs is usually met by households, <i>de facto</i> if not <i>de jure</i> .	Increasingly mixed systems evolving, Government lead role in public health interventions but unable to finance comprehensive primary health care (PHC). Heavy private spending often outstrips gov't, with official and unofficial user fees, mix of modern and traditional service providers.	Gov't role in sub-sector often split between national and local gov't., increasing use of private for profit solutions (Build / Operate / Own / Transfer schemes). Full benefit from road investment depends on also deregulating transport and trade. Road investment may have bigger impact on agriculture than MOAg spending.
<b>Direct role in production of sector output</b>	Most governments are withdrawing from direct roles in production, input supply, marketing.  Governments are developing their role in improving market efficiency and completeness via e.g. transport investments, market information, promoting (but not necessarily supplying) access to credit.	Some public good characteristics lead to under-provision if left to private sector: inability to assess benefits, external benefits, incomplete credit markets for a large and very long term investment, uninsurable risks. Strong case for gov't role in financing at least primary provision (where market failures greatest).	Multiple market failures due to inability to assess benefits, credit problems, external benefits of public health interventions.  Strong case for some public subsidy, but comprehensive free services are not affordable anywhere so some element of rationing or cost recovery is essential.	Private toll roads are feasible, but full cost recovery related to use leads to under investment because not all benefits can be reflected in charges, and causes under utilisation and loss of benefits from completed uncongested roads. Fuel taxes with some hypothecation of revenues are a pragmatic response to the problem of financing investment and maintenance.
<b>Support to private sector producers</b>	In commercial parts of the sector, technology can be generated and disseminated in private sector. But research and extension has strong public good characteristics and may be under-provided by private sector, especially technologies for poor farmers. There may be a case for separate financing and provision.	Joint planning including financial support to mission/NGO sector becoming more important, traditions of cost sharing with community schools in some countries.	Extensive provision by for-profit and not-for-profit private sector gradually being included in government planning, with a few innovative gov't financing schemes being tried. Some cost sharing with communities.	

	<b>Agriculture</b>	<b>Education</b>	<b>Health</b>	<b>Roads</b>
<b>Legal and regulatory roles</b>	A major and complex task in promoting sustainable agricultural development is to define and enforce rights and responsibilities, e.g. over land, water resources, forests.	Gov't inspects and licences schools, may approve curricula, run examinations.	Legislation for gov't regulation of private practice often existent but not adequately enforced. Effective regulation essential for future partnership with private sector.	
<b>Equity</b>	Transfer of land or other assets, technology, credit, better infrastructure, market information may be feasible routes to raising income of rural poor.	Primary Education seen as a merit good disproportionately benefiting the poor. Gov't role in financing UPE, reducing barriers to enrolment of the poor in general, girls in particular.	Public curative services in many poor countries achieve low coverage, even for PHC, but the politics of concentrating on universal access to narrowly defined health interventions have proved impossible.	Depends on income distribution within the region to which access is opened, but roads to areas where poor populations live have positive impact on poverty reduction.
<b>Environmental protection</b>	Major responsibility to ensure that public and private decisions take full account of environmental consequences, by monitoring trends, forecasting consequences, creating appropriate (dis)incentives, and enforcing appropriate laws and regulations.	Limited role through education messages.	Limited role confined to protection of environment from drug production by products and waste disposal.	Appraisals need to take account of environmental consequences of new road investments.

## Annex 2 Terms of reference

### Terms of Reference for Paper to be presented at NRAC 2000:

Session title:

**Shifting roles of the state, private sector and civil society in policy formation and implementation: time for a rethink**

**Paper title: What 's different about agricultural SWAPs?**

#### Background

The Natural Resources Advisers Conference (NRAC) will be held between 10<sup>th</sup> - 14<sup>th</sup> July at Sparsholt Agricultural College, Winchester. Approximately 80 people comprising NR Advisers, Field Managers, London-based Associate Professional Officer's, Administrators and representatives from other departments in DFID, with a few external invitees present.

Last year's conference aimed to consolidate the theory behind the Sustainable Livelihoods approach by examining the practicalities of its implementation. The consensus is that the livelihoods approach should now be mainstreamed throughout this year's conference.

The purpose of the conference this year, is to focus on the current and evolving challenges for the RL/NR professional group and examine the ways in which we are better able to meet these challenges, in order to support DFID's wider aims and objectives.

#### Aims of the Conference

The conference this year has three main aims:

1. Firstly, it will examine the emerging developmental debates and challenges, in particular for the NR/RL professional sector;
2. Secondly, it will examine the challenges for how we (DFID, Rural Livelihoods and Environment Division, Rural Livelihoods Department and Natural Resources Advisers), do business; and
3. Thirdly, it will explore in a practical sense, the means of responding effectively to these areas. It will seek to debate and address the skills, competencies, training and internal management requirements that are needed in order to organise our work effectively and efficiently in light of these issues (for details see draft agenda attached in Annex 1).

The agenda (attached in Annex 1), is a mixture of internally and externally commissioned papers and presentations, short plenary sessions for clarification and more substantial debates in breakout groups on the afternoon of each day. There will be four breakout groups of approximately 15-20 people. Breakout groups will always include a rapporteur and an internal facilitator.

The programme is very full. However, lunch and coffee breaks are long and the days are scheduled to enable informal discussions. It is therefore important that presentations are clear and concise, focusing on a few key points which highlight the key issues, lessons learned and ways forward.

#### Paper to be commissioned

The Rural Livelihoods Department (RLD) of DFID wishes to commission a contractor for 20 days to produce a paper for a half hour presentation (**11.45-12.15pm**), in the **third** part of session 2 ('Hot Topics'), on day one of the conference (Monday 10<sup>th</sup> July), which looks at developmental challenges to DFID. There will also be 15 minutes of questions at the end of the session relating to the two presentations in that session.

The paper to be commissioned is on the following subject:



**What 's different about agricultural SWAPs?**

In particular the paper needs to address the following issues:

- How do sector-wide approaches (SWAPs) in agriculture differ from those in other sectors, such as health, education and infrastructure? What are the implications for how they work in practice and how DFID does its business?

This will involve a discussion of the following:

- What is the broad picture so far of the adoption of SWAPs in agriculture and in other sectors, in different countries/ regions?
- What is known so far of the success or failure of agricultural SWAPs in contributing to improved livelihoods and reduced poverty, particularly in rural areas?
- In what ways are the design and content of agricultural SWAPs different from and similar to, SWAPs in other sectors?
- What can be learnt from other sectors?
- Are SWAPs the way forward for Government and donor support to agriculture, or should other, multiple, mechanisms be pursued?
- What are the implications for DFID?

Speakers would be invited to lunch on day one of the conference. They would not participate in any other sessions of the conference.

**Timeframe**

Speakers should submit (in electronic and hard copy format) a first draft of their full paper to Liz Drake in RLD no later than May 24<sup>th</sup> 2000. Comments and revisions will be made by DFID by 1st June 2000. Final drafts in electronic and hard copy format will be provided to Liz Drake in RLD no later than 23rd June 2000, (Word 95; Power point for Word 95 slides and copies of overheads are acceptable).

For their presentation, speakers should ensure that they have overhead slide copies of any presentations that they intend to make using Powerpoint. Notes and additional presentation materials used during the conference should also be submitted to Liz Drake after individual presentations.

**NOTE:** DFID use Microsoft PowerPoint for Windows 95, version 7.0. It is the responsibility of the presenters to ensure that they have the correct format of their presentation and backup acetate copies in case of technical hitches.