

## **Sector-based approaches in agriculture**

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Past experience, current setting and  
future options

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## **Preface**

This paper was commissioned by the Department of Economic Opportunities (ECOP) of the Swedish International Development Cooperation Agency (Sida). It was written by Lídia Cabral, Research Fellow at the Overseas Development Institute, UK. The paper was presented at an ECOP organised seminar on “Modalities for Development Cooperation in Agriculture” at Sida’s headquarters on the 25<sup>th</sup> of November, 2009.

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## Summary

This study provides an overview of sector-based approaches in agriculture. It reviews past experience, identifies opportunities and challenges arising in the current setting and discusses future options for developing the approach.

SWApS originated in the mid-to-late nineties as a response to weaknesses found in the delivery of development assistance. Definitions of SWAp typically comprise the following elements: (i) comprehensive (or sector-wide) and coherent policy and expenditure framework; (ii) government ownership/leadership; (iii) engagement of most or all significant stakeholders or funding sources; (iv) common planning and management procedures across the sector; and (v) use of (or progress towards) government financial management systems and procedures.

The concept of SWAp and its practice have evolved over the years and now the more general label of programme-based approaches (PBAs) is often used to refer to development cooperation frameworks sharing a number of principles, which include: domestic ownership and leadership of development, policy coherence, use of local systems, focus on development results and donor harmonisation and division of labour. Sector PBAs are also called sector-based approaches. This paper uses the concepts of sector-based approaches and sector-wide approaches interchangeably, although the latter is preferred as it is the one which is most commonly used.

SWApS were firstly introduced in health and education. Early experiences reveal some achievements: harmonisation of donor procedures (for joint missions, monitoring and progress reporting) and progressive alignment with public financial systems; improvements in dialogue between government and donors and between donors themselves; signs of growing government leadership both of the policy process and of aid management. Despite some progress, several difficulties were identified in the early years of SWApS. Five are worth highlighting, as they continue to cast shadow over SWAp practice. First, early experience revealed a tendency of donor to adopt a blueprint SWAp prescription irrespective of context. Second, the excessive focus on SWAp systems and procedures relegated to secondary concern policy objectives and impact on the ground. Third, SWApS created expectations of higher funding and led to a public spending bias in the beneficiary sectors – much of the SWAp process was about putting together ambitious programmes to accommodate the resources channelled to the SWAp. Fourth, excessive emphasis was put on the way resources were channelled to central government agencies, while little was done to stimulate linkages across government and involvement by local government and non-state actors. And fifth, there was, right from the onset, a lack of evidence that SWApS were leading to a reduction in transaction costs. Evidence suggests that heavy management structures were created to support the design, implementation and monitoring of the SWAp.

Without resolving such challenges, the SWAp framework continued to be applied and was imported by other sectors, including agriculture. But agriculture poses particular challenges to SWApS: it is a highly heterogeneous 'productive sector', the state have different and smaller roles than in other sectors, government and donors disagree about the state's scope and role in agriculture, political support for public sector reform is likely to be limited, and there is a mismatch between state administrative structure and sources of key public investments and services. These challenges explain why agricultural SWApS have encountered problems in implementation. They also help illustrating how important the SWAp principles are in a sector like agriculture where stakeholder coordination is a major

obstacle for sector development. Despite the challenges, agricultural SWAps are now widespread. Although there is no up-to-date accurate estimate on the total number experiences, there is evidence that there are SWAps and SWAp-like approaches in the sector in various stages of development across world regions.

This study analyses performance of agricultural SWAps on the basis of an assessment framework establishing a chain of sequential links between inputs of the cooperation arrangement and its outputs, outcomes and impact. It concludes that overall performance of agriculture SWAps has been, at best, mixed and it confirms many findings from early experiences. There have been undisputable achievements in areas like donor harmonisation and financial management capacity. However, narrow forms of ownership and failure to coordinate all relevant sector players and interventions have compromised progress in the quality of sector policies and decision-making processes. Excessive emphasis on systems and processes and institutional capacity building initiatives has pushed service delivery to secondary concern, turning SWAps into expensive experiments. Performance assessment mechanisms continue to be insufficient to evaluate impact of SWAps in government and sector performance.

Agricultural SWAps face today two additional challenges: (i) the general sense of fatigue in partner countries in relation to SWAps due to failure to see palpable results on the ground; and (ii) the continued proliferation of vertical funds associated with global and regional initiatives to support agriculture which threaten to undermine the core SWAp principles of harmonisation, coordination and integrated sector policy framework. Yet, at the same time, the current setting seems favourable to the restoration and consolidation of sector-based approaches in agriculture. Agriculture is back at the top of international development agenda and the implementation of this agenda is being strongly shaped by a consensus on aid effectiveness which encourages the adoption of programme or sector-based approaches. In moving forward, lessons from past experience need to be taken on board and the causes of poor effectiveness of previous initiatives need to be explicitly addressed.

What are then the future options for sector-based approaches? Despite their mixed record and the challenges faced, the fundamentals of the approach remain useful to the management of development assistance and to the pursuit of agriculture policy objectives. Stakeholder coordination and policy coherence are key to address persistent failures in agricultural investment, and government leadership is essential in a sector where market failures still abound. Country experiences have revealed however malpractices (resulting from a misuse of the approach's principles) which need to be corrected if SWAps are to restore the ideal of creating a domestically-owned integrated policy vision shared by all relevant stakeholders, allowing for better coordination of policies, investments and service delivery.

This paper suggests that in discussing future options for sector-based approaches the following set of issues are given due consideration.

- *The field as the starting point.* Agricultural producers, traders and labourers working in the field across value-chains are the main actors in the agriculture sector. Any agricultural policy framework should have these groups as their starting point and not only as their ultimate aim. This can be done by assisting these actors to be more than passive recipients of supplied services and investments and become active sources of demand for good quality policies, relevant institutional reforms and adequate public services and investments.
- *Locally owned framework for service delivery which clarifies roles of different actors.* A locally owned policy framework in agriculture should be the starting point and should be considered as a precondition for a sector-based approach. Clarity of roles of the

state vis-à-vis the private sector, and roles of central vis-à-vis local government should be seen as another minimum requirement.

- *Balance between processes and results.* Service delivery and development results at sector level should be at the heart of design and implementation of sector-based approaches. However, strengthening systems and building institutional capacity are also important goals as they can greatly contribute to improving service delivery capacity and therefore achieving better policy results.
- *Scope - how wide should be 'sector-wide'?* Although there is no conclusive evidence on what scope is most effective, it seems that multi-sectoral and sectoral SWAp have struggled the most to create a common ground for policy dialogue and make different interests converge around a shared policy framework. A broad scope is desirable at policy level to build coherent policies and address the multifaceted character of the sector. It may not be feasible, however, at the implementation level where too broad a scope may amplify coordination difficulties. Sub-sectoral approaches may offer a more pragmatic way for dealing with the sector's complexity, provided there is a wide enough policy framework ensuring that synergies across different thematic areas of sub-sectors are fully explored.
- *Institutional set up for governing the approach.* Finding a suitable institutional set up for the SWAp will depend on the scope chosen for the approach. It is likely that the narrower the scope the simpler the institutional set up for managing the SWAp. But the key for success is getting the incentives right. The institutional set up should be adequate to mobilise all interests together and to pursue the necessary reforms. It is debatable whether Ministries of Agriculture should have the central role in such set up.
- *Aid modality mix.* There are synergies between different aid modalities to be explored. This argument should not be used however as a justification for donors to carry on using the modalities which suit their interests best. And specially, the use of project aid to fund certain sectoral inputs should not be confused with a wholesale reversion to project aid. The selection of aid modalities (or modality mix) should instead be done together with the recipient partner on the basis of the particular sector circumstances and the assessment of opportunities and risks associated with each modality. The selection process should draw on known best practice principles.
- *New aid architecture in agriculture.* The debate on the most effective aid modality mix and best practice principles is likely to be confined to traditional DAC donors. It is not yet clear whether the new non-DAC emerging donors and large private foundations playing an increasing role in the sector will be keen to engage in those debates. In any case, the emerging donors and private foundations are likely to become major sources of finance for agriculture in developing countries and therefore they cannot be left out of any meaningful policy framework for agricultural development.
- *Gaps in agricultural performance assessment.* A performance assessment framework for an agricultural SWAp should provide stakeholders with at least four sets of indicators: (i) indicators on outputs of the SWAp process, (ii) indicators on SWAp outcomes, (iii) indicators on sector results, and (iv) indicators on the external factors affecting sector performance. Monitoring systems in agriculture tend to lack indicators measuring improvements in service provision (i.e. outcomes) and indicators measuring changes to the external environment. These gaps need to be addressed in order to generate all the information required to make an accurate assessment of SWAp and their contributions to governance and agriculture performance.

## **1. Introduction**

Sector wide approaches (SWAp) have been in use in the agriculture sector since the late 1990s in different shapes and with varying scope. SWAp were developed to address problems in the management of aid and to put governments back in the driver's seat of development interventions. The concept and its practice have evolved over the years and now the more general label of programme-based approaches (PBAs) is often used to refer to development cooperation frameworks sharing a number of principles, which include: domestic ownership and leadership of development, policy coherence, use of local systems, focus on development results and donor harmonisation and division of labour. Sector PBAs are also called sector-based approaches. This paper uses the concepts of sector-based approaches and sector-wide approaches interchangeably, although the latter is preferred as it is the one which is most commonly used.

The paper discusses the experience with sector-based approaches in agriculture by reviewing past experience, identifying opportunities and challenges arising in the current setting and discussing future options for this type of approach. The paper is structured into six sections. After this brief introduction, Section 2 analyses the genesis and evolution of the concept and briefly discusses development agencies commitments to the approach. Section 3 provides an overview of early experience, discusses pre-conditions for SWAp and the special challenges of applying the approach to the agriculture sector. Section 4 examines the effectiveness of sector approaches in delivering intended objectives in the agriculture sector on the basis of an assessment framework setting a causal relation between inputs, outputs, outcomes and impact. Section 5 discusses opportunities and challenges. Section 6 concludes by discussing issues to take into account in future developments of sector-based approaches.

## **2. The concept of SWAp: its origins and evolution**

### **2.1 Genesis**

Sector-wide approaches originated in the mid-to-late nineties as a response to weaknesses found in the delivery of development assistance. A number of influential studies determined the course of aid management thinking and practice. The World Bank paper "The Broad Sector Approach to Investment Lending" (Harrold and Associates 1995) introduced the notion of 'sector-wide scope' in World Bank-funded investment programmes at sector level. These sector-wide programmes aimed to cover all relevant policies, programmes and projects within a sector in order to address implementation problems, such as: insufficient government ownership, high transaction costs of aid and poor coordination and lack of consistency across donor-funded interventions within the sector.

In 1998, the World Bank published another influential piece. The "Assessment of Development Aid" (Dollar and Pritchett 1998) highlighted a number of factors constraining the effectiveness of aid, including: the fragmentation and lack of synchronisation of donor-funded development interventions, the lack of sound institutions and good policy environment and the failure of donor policy conditionality as a driver of policy reform.

The work by Tony Killick on conditionality reinforced the latter point by illustrating how domestic considerations over policy reform are largely immune to donor-imposed pressures

and how conditionality is ineffective as a lever to foster policy reform in countries where a local constituency in support of reform is absent (e.g. Killick 1998).

SWApS constituted an attempt to address some of these constraints. Donor agencies aimed to improve the effectiveness of aid by: (i) working more closely with governments to build domestic policy ownership and institutional capacities; (ii) bringing on board other actors in a sector in order to build policy constituencies and strengthen accountability mechanisms; and (iii) synchronising donor development interventions in order to reduce fragmentation and associated inefficiencies in the distribution and use of aid.

## 2.2 Conceptualisation: from SWApS to PBAs

By the end of the 1990s a commonly used definition for the SWAp was “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” (Foster 2000: 9). The five elements implicit in this definition have been widely accepted as key features of a SWAp: (i) comprehensive (or sector-wide) and coherent policy and expenditure framework; (ii) government ownership/leadership; (iii) engagement of most or all significant stakeholders or funding sources; (iv) common planning and management procedures across the sector; and (v) use of (or progress towards) government financial management systems and procedures.

It is worth noting at this point that despite their focus on *domestic* stakeholders, policies and systems, SWApS have from the onset been largely a donor-driven experience. Even the term ‘SWAp’ has been mostly used within the donor community and rarely by domestic stakeholders.

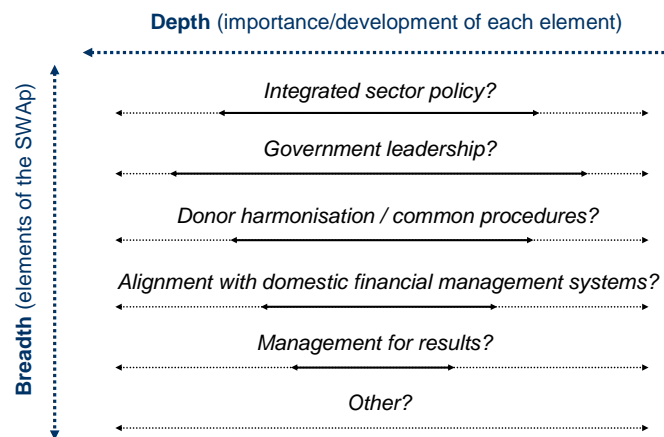
Although there is broad international agreement on what constitute basic SWAp features, there has been much variation in practice and in emphasis put on each individual feature. It is frequently emphasised that a SWAp should not be seen as a blueprint but as a process and that SWAp features are guiding principles setting a direction of change – towards better coordinated and more effective aid management. At a given point in time, sectors and countries with SWApS may not have all the above elements in place, or, at least, not to the same degree.

Instead of taking any SWAp definition literally, Walford (2003) suggests thinking in terms of stages of SWAp development by looking at ‘breadth’ and ‘depth’ of the approach in each country experience. *Breadth* of the SWAp refers to the combination of elements typifying the SWAp in the specific context – e.g. donor harmonisation is less of an issue in countries with low aid dependency and is therefore likely to be relatively little emphasised by the SWAp. *Depth* refers to how important each of those elements is, and how effectively they are being implemented - e.g. how genuine is government leadership and ownership? How effective is donor harmonisation efforts in promoting coherence between aid-funded investments?

Figure 1 illustrates this ‘breadth-depth’ framework for conceptualising and tracking the evolution of a SWAp in any given context. This framework allows accounting for diversity in country experiences. It also helps to understand variation in emphasis on each of the SWAp elements at different points in time. For example, it could be argued that the initial focus on (sector-wide) stakeholder coordination has been followed by a greater emphasis on common funding mechanisms and donor harmonisation and, more recently, on domestic leadership and alignment.



**Figure 1. Breadth and depth of a SWAp**



Source: ODI (2008), adapted from Walford (2003).

Adding to this variation, the interpretation of some of the SWAp features has also been changing over time, influenced by the evolving thinking on aid effectiveness. For example, and with regards to funding instruments, whereas in the past SWAps used to be commonly linked to basket or pooled funding<sup>1</sup>, today it is widely accepted that a SWAp process can be supported through a variety of instruments, from budget support to projects, as long as they are compliant with the policy framework and working principles underlying the SWAp.

Also, it has been recently suggested that instead of aiming to establish a single unified policy framework (with one programme and one budget) it is more useful for a SWAp process to build on the diversity of existing policy instruments and programmes while ensuring that different processes in the sector, whether by government, donors, NGOs, or other players, do not undermine each other. According to this argument, rather than embarking on ambitious and expensive policy formulation exercises what is essential is to establish a common set of policy principles which should include the clarification of roles and division of responsibilities across sector players (EC 2008).

Recently, the concept of SWAp has been replaced by the broader notion of Programme-Based Approach (PBA). Similarly to SWAp, PBA is a development cooperation approach based on coordinated support for a locally owned development programme. This programme can be a national multi-sectoral programme (such as a poverty reduction strategy), a sector programme (as with the SWAp) or a thematic programme (possibly cross-sectoral or sub-sectoral). Although most PBAs focus on government-to-government cooperation, the approach can also be used to support a programme of a non-governmental organisation or a private sector actor (Lavergne and Alba 2003). The added value of the concept of PBA is that it offers a higher degree of institutional flexibility. Rather than focusing on a governmental institutional structure (i.e. a sector ministry) as is the case with the concept of SWAp, it focuses on a programme that can be multi-sectoral, sectoral or sub-sectoral, and can be managed or not by a government agency. Sector PBAs are also called sector-based approaches.

<sup>1</sup> Basket or pooled funding is a particular instrument whereby donors pool together resources in support of particular programme or set of activities. This type of instrument typically includes special arrangements and procedures with regard to disbursement, procurement, reporting, monitoring and audit. The procedures governing the basket fund are common to all donors but often parallel to those of domestic public financial management.

### 2.3 Donor commitment to SWAps and PBAs

A number of international development agencies, particularly those members of the OECD-DAC, include SWAps in their lists of preferred arrangements for delivering aid, alongside other forms of PBAs which equally emphasise domestic ownership and donor alignment and harmonisation, such as general or sectoral budget support. Box 1 provides a perspective on Sida's policy on PBAs.

The 2005 Paris Declaration on Aid Effectiveness commits its signatories to an increasing use of PBAs – 66% by 2010. A recent monitoring survey indicates however that this target is far from being achieved (OECD 2008).

Despite slow progress in the adoption of SWAps/PBAs, there is a renewed interest in sector-based approaches. The European Commission, for example, has been producing guiding documents on how to support specific sectors. The context for supporting sectors is however different from that when SWAps first appeared. Although much of the SWAp framework (its principles and aims) has been retained by the latest thinking on aid delivery and aid effectiveness, the emphasis is now more vigorously placed on alignment with domestic policy processes and on results-focused policy dialogue.

#### Box 1. Sida policy on PBAs

The Sida Guidance on PBAs defines them as a way of engaging in development cooperation based on the principle of coordinated support for a locally owned programme of development, a sector programme, a thematic programme or a programme of a specific organisation. Features of a PBA are similar to those of a SWAp. They include: (i) leadership by host country or organisation, (ii) a single comprehensive programme and budget framework, (iii) a formalised process for donor coordination and harmonisation of procedures and (iv) efforts to increase the use of local systems planning and management systems.

The Guidance recommends that Sida should apply the approach to all of its development cooperation, irrespective of the beneficiary being a national government or a civil society organisation. Alignment with recipient's policies, processes and systems is a key principle to follow. This includes support for enhancing domestic capacity of people and systems. Full alignment should be the starting point of any cooperation arrangement and any deviations from it should be carefully justified. Another important guiding principle is the focus on results rather than inputs. A corollary to this is that policy engagement and dialogue (which are results focused) should not necessarily be linked to financial contributions (an input). Policy dialogue is presented as an alternative vehicle (to the earmarking of aid) for promoting priority issues.

*Source: Sida (2008).*

## 3. SWAps in practice: how 'swapable' is agriculture?

### 3.1 Early experience

Sector-wide approaches, as they were initially labelled, first developed in health and education. These so-called social sectors were, in the late 1990s, large recipient of development assistance. The proliferation of donor initiatives and funding mechanisms in these sectors had led to coordination problems which had compromised policy coherence, efficiency in the use of aid, and domestic ownership of the development process.

Early reviews of the experience document achievements and difficulties encountered (e.g. Brown et al. 2000, Foster 2000, Pavignani 2001). Harmonisation of donor procedures (for joint missions, monitoring and progress reporting) and progressive alignment with public financial systems, most notably in health and education, were some of the main visible achievements. Some donors had begun the progression towards budget support by pooling

external resources and channelling them through the government financial management system to support the SWAp. SWAps also contributed to improvements in dialogue between government and donors and between donors themselves by creating platforms for debate and exchange of information, such as sector working groups; a few years later, however, the effectiveness of such platforms in influencing decision-making and driving change would be questioned. Early reviews also identified signs of growing government leadership both of the policy process and of aid management in several sectors where stakeholder consultations had been strengthened and frameworks for donor coordination had been established (Evans et al. 2006).

Despite progress, several difficulties were identified in the early years of SWAps. Five are worth highlighting, as they continue to cast shadow over SWAp practice. First, early experience revealed a tendency of donors to adopt a blueprint SWAp prescription irrespective of context. Pavignani writing in 2001 on the Mozambican health sector notes “the rush to introduce SWAps has led to the blueprinting of them across countries and sectors, without paying adequate attention to context”. Second, the excessive focus on SWAp systems and procedures (putting in place donor coordination mechanisms and common funding procedures) relegated to secondary concern policy objectives and impact on the ground. Third, SWAps created expectations of higher funding and led to a public spending bias in the beneficiary sectors – much of the SWAp process was about putting together ambitious programmes to accommodate the resources channelled to the SWAp. As discussed below, such public spending bias has been particularly detrimental in sectors where public sector activities do not involve a lot of public spending but are more to do with regulation and facilitation (such as agriculture). Fourth, too much emphasis was put on the way resources were being channelled to central government agencies, while little was done to stimulate linkages across government and involvement by local government and non-state actors. And fifth, there was, right from the onset, a lack of evidence that SWAps were leading to transaction costs savings. In fact, evidence suggests that heavy management structures were created to support the design, implementation and monitoring of SWAps.

Without resolving such challenges, the SWAp framework continued to be applied and was imported by other sectors, such as agriculture and other natural resource-based sectors. But are SWAps applicable to any sector?

### **3.2 Pre-conditions for a SWAp?**

Drawing on the early experience, Foster discussed back in 2000 the circumstances under which a SWAp was likely to be successful (Foster 2000) – see Box 2. These pre-conditions help to explain why SWAps have been relatively more successful in sectors like education and health than in sectors like agriculture.

It is worth noting however that Foster’s pre-conditions were established under the assumption that SWAps were essentially a mechanism for coordinating support to public expenditure programmes. It can be argued that this is no longer the case. Over the years, SWAps have evolved into more than a funding mechanism. Or at least that is the (donor) presumption. This is probably cleared with the notion of PBA and the latest thinking on aid effectiveness (discussed in section 5). SWAps/PBAs today are also about opening up policy spaces, promoting policy dialogue, building partnerships and creating a results management culture. Such ambitions may well justify the use of the approach in sectors which do not comply with the success conditions listed in Box 2. Is agriculture one of such sectors?

#### **Box 2. Six pre-conditions for a SWAp**

1. Public expenditure is a major feature of the sector (e.g. education, health or roads).
2. Donor contribution is large enough for coordination to be a problem.
3. There is basic agreement on strategy between government and donors.
4. There is a supportive macro and budget environment, to permit sector authorities to plan with reasonable confidence that agreed budget resources will be available.
5. Institutional relationships are manageable. Sector programmes work most effectively where they are defined in terms of the area of budget responsibility of a single sector ministry, programmes in education or health have proved more manageable than sector programmes for cross-cutting themes such as the environment. Sector programmes also appear to be easier to manage where there is a relatively small group of significant donors to the sector, willing to delegate some responsibilities to each other; where donors are numerous and each demands a strong voice in policy dialogue, the process becomes difficult to manage.
6. Incentives are compatible with SWAp objectives. Problems are likely to occur if the sector strategy involves cutting the budget, staffing or responsibilities of the Ministry which is expected to take the lead role in implementing it, as has often been the case with agricultural sector programmes.

*Source:* Foster (2000).

### **3.3 Special challenges facing agriculture SWAps**

It is widely agreed that agriculture poses particular challenges to any attempt to build an integrated policy framework, particularly one which has the state at its core, as has been the case with SWAps. The challenges facing agriculture SWAps are analysed in Foster et al. (2001), and the discussion below draws extensively from it.

*Agriculture is a highly heterogeneous 'productive sector'.* The bulk of agriculture sector activity (i.e. farming) takes place in the private sphere (by farmers) and market transactions vis-à-vis public services have greater importance than in the social sectors. State's intervention is challenged by the highly heterogeneous nature of the sector which results from the diversity of agro-ecological systems and rural livelihoods.

*The state have different and smaller roles than in other sectors.* The state is one of many sector players and its role is relatively smaller than in sectors (like health and education) where the state is the main source of finance and sector output. In agriculture, the private sector and the non-governmental and not-for-profit sector (NGOs, CSOs, CBOs, etc) are also important sources of finance and service providers. Furthermore, the most significant roles of the state may not concern public expenditure as such but market regulation and facilitation – although, as discussed next, this is a contested point.

*Government and donors disagree about the state's scope and role in agriculture.* Although in theory there is a broad agreement of the role of the state (supply public goods, regulate externalities and facilitate/enable market interactions), there is lack of consensus on what this means in practice, particularly the recognition of a market failure and the identification of correcting measures and the extent of the enabling function. Governments in developing countries tend to adopt a large state vision (in many cases the legacy of post-colonial socialist experiments) which justifies intervention in areas which contemporary economic textbooks would leave entirely to market dynamics. A classical example would be the supply of agricultural inputs through subsidies. Although most donor agencies tend to favour a small state narrative, there are differences of perspective often hidden behind consensual general propositions (Cabral and Scoones 2006).

*Political support for public sector reform is likely to be limited.* Public sector reform in agriculture usually means the withdrawal of the state from a significant role in agricultural production, input supply, marketing and pricing. The extent of such withdrawal will vary depending on the prevailing view on the scope/role of the state. There is however an underlying paradox in the expectation that the line ministry will take the lead on a reform which would diminish its own mandate. In addition to this, withdrawal from certain areas continues to be a highly contentious matter. Withdrawal from input supply, for example, would in many developing countries have significant short-term impact on the livelihoods of small poor farmers, i.e. the majority of the rural population and of the electorate.

*There is a mismatch between state administrative structure and source(s) of key agricultural public investments and services.* The agriculture line ministry is no longer responsible for important areas of sector development. Key investments and services are provided by other sector ministries – e.g. transport infrastructures, trade regulation, research and contract enforcement. Hence, agriculture sector programmes, devised and implemented by Ministries of Agriculture, often leave out critical areas for agricultural development.

These challenges explain why agricultural SWAp have encountered problems in implementation. But they also help illustrating how important SWAp principles are in a sector like agriculture where stakeholder coordination is a major obstacle for sector development – Box 3. Hence, the SWAp principles remain valid. The question is how to operationalise them in a sector with the institutional complexities just described.

**Box 3. The need for development coordination in agriculture**

Agricultural production depends on multiple services to be successful. These may vary depending on the context, but will generally include a combination of input supply (such as seed, fertiliser and water), research and extension, financial services, storage facilities, communication and transport infrastructures, tax and trade policy, etc. Such services are provided by many sector players across the public-private spectrum, often with support of international development assistance. Coordination between all players involved is essential to generate the combination or sequence of interventions which delivers the right mix of services at any given time. Without financial services, input markets are unlikely to develop because of farmers' limited capacity to purchase agricultural inputs. The development of marketing systems is determined by the existence of input markets supporting production activity. Investments in extension are unlikely to bear fruit if other basic inputs are lacking. When transaction risks and costs are high, as in much of rural Africa, markets are unable to produce an efficient allocation of resources. Coordination of interventions and investments is therefore essential and without it agriculture and the rural economy are likely to be caught in a vicious circle of underdevelopment.

*Source:* Cabral and Leturque (2009).

### **3.4 Variety of SWAp experiences in agriculture**

Despite the challenges, agricultural SWAps are now widespread. Although there is no up-to-date accurate estimate on the total number experiences<sup>2</sup>, there is evidence that there are SWAps and SWAp-like approaches in the sector in various stages of development across world regions. Table 1 provides examples of SWAps in agriculture with varying scope and features. At one end of the spectrum is the Uganda PMA, a multi-sectoral framework, involving several different government agencies and receiving development assistance in part through general budget support. At the other end of the spectrum is the Vietnam forestry programme, a sub-sectoral framework supported by donors both through basket

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<sup>2</sup> The most recent estimate dates back to 2002 and puts the number at fifteen (Evans et al. 2006).

funding as well as specific projects. The section that follows analyses the overall experience with agricultural SWApS drawing on some of these examples.

**Table 1. Examples of SWApS in agriculture**

Country	Sector policy framework/SWAp	Scope of the SWAp	Launch of the SWAp	Current stage of the SWAp	Agencies leading SWAp implementation
Bolivia	National Rural Development Strategy (ENDAR)/Agriculture Technology System (SIBTA)	Sub-sectoral (research and extension)	2000/02	Implementation	Ministry of Agriculture
Cambodia	Land Administrative Management and Distribution Programme (LAMDP)	Sub-sectoral (land management)	2002	Implementation	Ministry of Land Management, Urban Planning and Construction
El Salvador	National Innovation System for Agricultural Production Chains	Sub-sectoral (technology innovation)	2006	Design or early implementation?	Ministry of Agriculture and Livestock
Ghana	Food and Agriculture Sector Development Policy (FASDEP)	Sectoral	2006	Implementation	Ministry of Food and Agriculture
Honduras	Strategic Plan for the Agricultural Sector (PEO)	4 sub-sectoral areas <sup>3</sup>	2006	Design or early implementation?	Department of Agriculture
Malawi	National Agricultural Policy Framework	Sectoral	2009?	Design	Ministry of Agriculture and Food Security
Mozambique	National Programme of Agrarian Development (PROAGRI)	Sectoral	1998 (phase I) 2007 (phase II)	Implementation – second phase (2007-2010)	Ministry of Agriculture
Nicaragua	Rural Productive Sector Programme (PRORURAL)	Sectoral	2006	Implementation	Ministry of Agriculture, Livestock and Forests
Tanzania	Agriculture Sector Development Strategy (ASDP)	Sectoral (but with cross-cutting issues covered)	2006/07	Implementation until 2012/13	Ministry of Agriculture, Food Security and Cooperatives
Uganda	Plan for the Modernisation of Agriculture (PMA) / Agriculture Sector Programme Support (ASPS)	Multi-sectoral	1998 (phase I) 2004 (phase II)	Implementation – second phase (2005-2009)	Initially led by Ministry of Finance; currently various agriculture departments leading different PMA components, coordinated by Programme Coordinating Unit
Vietnam	Vietnam Forestry Development Strategy	Sub-sectoral (forestry)	2006/07	Implementation	Ministry of Agriculture and Rural Development
Zambia	Agricultural Sector Investment Programme (ASIP)	Sectoral	1995	Ended in 2001	Ministry of Agriculture, Fisheries and Forests

Sources: Evans et al. (2006 and 2007), Anson and Pfaumann (2006) and Foster (2000).

<sup>3</sup> The four sub-sectoral areas covered are: agrifood research and technology, food health and quality, forestry and agrifood development (agribusinesses, value-chains).

## 4. How effective have SWApS been in agriculture?

### 4.1 Framework for assessing experience

The analysis in this section draws on an evaluation framework that has been commonly used in recent assessments of general and sector budget support. In broad terms, the framework consists of a causal model establishing a chain of sequential links between inputs of the cooperation arrangement and its outputs, outcomes and impact. Figure 1 provides a graphical representation of such framework, applied to the case of agriculture SWApS.<sup>4</sup>

Figure 1. Assessment framework for agriculture SWApS



The issues under each of the four categories in the above framework are not set in stone. They are an illustration of aspects that an evaluation of agriculture sector SWApS is likely to consider. The issues under the 'inputs' category will depend on the breadth and depth of the SWAp experience in any given country. The issues under 'outputs', 'outcomes' and 'impact' will depend on specific intermediate objectives and overarching aims established for the SWAp at the start of the process. The selection of these sets of issues should be indicated by the SWAp monitoring framework, where there is one. However, as SWApS are dynamic processes undergoing constant transformation, it is likely that one of such framework is not in place or it has been superseded by the course of events. In such cases, the identification of output, outcome and impact indicators should be done on the basis of a broad consultative process with all sector stakeholders. Such process should capture not only interests and expectations of government and donor agencies (the usual interlocutors of a

<sup>4</sup> This framework draws on similar logical frameworks which can be found in Walford (2003) and Evans et al. (2007).

SWAp process) but also the interests and expectations of the other sector stakeholders: the business sector, the NGO sector, farmers and other agriculture sector dependents (such as wage labourers and informal traders).

The remainder of this section draws on this framework to discuss the experience to date with agriculture sector SWAps.

## **4.2 Typical SWAp inputs**

### ***Sector policy framework and stakeholder involvement***

SWAps have been developed to support a sector policy framework consisting generally of a government development programme for the sector (see second column of Table 1). The degree of comprehensiveness and coherence of the sector policy framework varies across countries and this is likely to affect implementation of the SWAp. The Uganda PMA is founded on a strong national vision for the sector and initial leadership by the Ministry of Finance gave the policy strong impetus. By contrast, in Mozambique, the agriculture policy framework comprises a number of concurrent policy documents and programmes which have proved hard to reconcile into a clear and widely shared sector vision.

Early SWAps typically had a sectoral scope, focusing on a wide notion of agriculture which included livestock and forestry (e.g. Zambia and Mozambique). At present there are also SWAps with multi-sectoral and sub-sectoral scope and the trend points towards focusing increasingly on sub-sectoral or thematic areas which are easier to manage.

Ministries of Agriculture have typically been the institutional home of agriculture SWAps. Exception to this can be found in Uganda, where the Ministry of Finance initially led the multi-sectoral Agriculture Sector Programme Support, and Cambodia, where the land programme has been led by the Ministry of Land Management.

Involvement by other parts of government in implementation has often been limited, except for those cases, like Uganda, where more than one sector was directly involved in the SWAp formulation. Private sector and civil society stakeholders have usually remained on the margins of SWAp implementation, with an involvement limited to participation in consultative processes. In Nicaragua, for example, although in the initial formulation of PRORURAL anticipated a substantial role for the private sector, NGOs, associations and cooperatives, the current government administration has reinforced direct public sector intervention in the sector programme.

### ***Mechanisms for policy dialogue and coordination***

The creation of platforms for policy dialogue and coordination is a common element of a SWAp development process. Such platforms, often called Sector Working Groups (SWGs), aim to bring together at the same table representatives from various sector stakeholders and are typically chaired by the government department leading the SWAp. In one particular case, El Salvador, a stakeholder coordination forum was already in place – the Rural Development Coordination Roundtable<sup>5</sup> – and had a major role in moving the SWAp process forward.

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<sup>5</sup> The Rural Development Coordination Roundtable is a consultative body of technical nature with participation of national and international public and private institutions, along with NGOs and cooperation agencies working on rural development (Anson and Pfaumann 2006).



It is often the case that stakeholder representation in such fora is narrow and that policy dialogue and coordination efforts are dominated by the interaction between government and donor organisations.

Donor working groups, involving donor organisations directly supporting the SWAp, have also been put in place to assist dialogue and information exchange between donors and coordination dialogue with government.

### ***Aid volumes and sources of funding***

A SWAp process is associated with the provision of development assistance in support to a government-led sector policy framework. This does not necessarily imply that additional funding will be available to the sector, as some donors might simply reallocate funds which were previously provided through other arrangements. However, SWAps have typically increased the level of discretionary funding available to the sector ministry.

Unfortunately, there is no aggregate data on the volume of aid channelled to agriculture SWAps but only estimates provided by isolated country studies. For example, in Mozambique, donors disbursed US\$ 204 million into PROAGRI's basket fund between 1999 and 2006, and this was estimated to correspond to more than 50% of total agriculture sector resources managed by the Ministry of Agriculture (Cabral et al. 2007). In Nicaragua, donor funding to PRORURAL's basket fund has accounted for about 20% of total donor funding to the sector and 10% of PRORURAL's total budget of US\$ 400-500 million (Fajardo et al 2009).

Donor agencies typically involved in SWAps include European bilateral donors, the EC and the World Bank. USAID and Japan are important sources of funding to agriculture which are normally outside SWAps, although there have been exceptions – for example, USAID was an active and influential partner during the set up of PROAGRI in the late 1990s but it has later on abandoned the framework. Regional banks, such as the African Development Bank (AfDB) and the Inter-American Development Bank (IADB), and agencies like IFAD are gradually moving towards supporting SWAps, partly due to relaxation of requirements with regards to funding modalities – support to a SWAp process does no longer imply channelling aid through a basket fund with common management procedures.

### ***Funding modalities and management procedures***

In their early years SWAps were typically associated with basket fund modalities, whereby donor funds were pooled together and managed according to common administrative procedures. Back in the late 1990s, when budget support did not have the prominence it has at present, basket funding was the aid modality most commonly linked to a SWAp process.

This is no longer the case. At present it is increasingly common to see a mix of funding modalities being used to support a SWAp. In Bolivia, donors earmark external assistance to the research and extension SWAp via two different channels. European bilateral donors and the IADB pool funds together under a basket fund managed according to the IADB's administrative regulations, whereas other bilateral donors, including Japan and USAID, continue channelling funding to the SWAp through parallel financial arrangements. In some cases, one single donor agency uses a modality mix to support the sector (Anson and Pfaumann 2006). Danida in Uganda uses sector budget support for the Agriculture Research Component of the PMA, basket funding for support to the National Agriculture Advisory Services, project funding to some public partner organisations and direct project funding for the Agri-business Development Component (DESAM 2007).

The trend towards mix modalities has been accompanied by another trend towards stronger donor alignment with government financial management systems, which reflects current thinking on 'aid effectiveness'. This means that there has been a progression from

basket funds and modalities using parallel management systems to sector budget support and other modalities better aligned with domestic public financial management systems (e.g. Mozambique and Nicaragua).

### ***Performance assessment***

Agreements between government and donors on funding of a sector programme have usually included some form of monitoring and evaluation framework, specifying aims, objectives and activities foreseen as part of the implementation process and, sometimes, indicators and measurable targets to be monitored along implementation. In the early years these took the format of logical frameworks. Today they are frequently called performance assessment frameworks and are in some cases associated with the assessment framework for the general budget support modality. In Mozambique, a matrix of agriculture sector performance indicators was derived from that of the general budget support Performance Assessment Framework (PAF) forming, according to a Memorandum of Understanding signed in 2007, the major part of the annual monitoring indicators of PROAGRI II implementation (Cabral 2009).

One problem with M&E frameworks in agriculture is that they tend to focus on sector performance (production, productivity, exports) and say little about service delivery and public investment (coverage, efficiency, quality, sustainability) and can hence be a limited tool to assess SWAp effectiveness. This problem has been compounded by severe weaknesses in M&E systems (inconsistencies and gaps in data, inappropriate data collection methods, lack of timely information, etc.), which are common ground in developing countries.

### ***Capacity building and technical assistance***

Institutional capacity building has been a common feature across many agricultural SWAps. In Mozambique, institutional development activities absorbed on average more than 35% of overall resources of the sector programme (*ibid*).

The nature of capacity building activities varies from country to country. In Mozambique, the first phase of PROAGRI put significant focus on strengthening planning, budgeting and financial management systems. In Uganda, capacity building activities have ranged from efforts targeting national level government organisations to activities targeting farmer organisations at local level (Evans et al. 2007). In Nicaragua, initial institutional capacity building plans also covered a wide range of issues, from reforming the agricultural public system (SPAR), including decentralisation of management functions, to reinforcing the Ministry of Agriculture's policy formulation and facilitation functions, and strengthening management systems supporting the implementation of the SWAp. But, as discussed below, actual implementation fell short of initial ambitions (Fajardo 2009).

Technical assistance earmarked to specific areas has often been provided in complement to discretionary funds channelled through basket funds or sector budget support. In Nicaragua, donors channelling resources to the common fund provided technical assistance to support the development of a monitoring system and specific studies to support policy design and institutional reform of the agricultural public system (*ibid*).

## **4.3 Achievements against outputs**

### ***Strengthened sector ownership and leadership?***

Domestic leadership and ownership of sector development are central elements of the SWAp which contrast with earlier approaches where donors played a major role in design

and implementation of development interventions. Experience with agricultural SWAps suggests that there have been improvements in ownership by government, and by Ministries of Agriculture in particular, in the sense that a larger proportion of financial resources flowing to the sector are now subject to their direct scrutiny. Basket funds and sector budget support mechanisms are in itself an important source of policy leverage for government. Increased resource predictability and budget coverage (as discussed below) have contributed to strengthening government ownership, by giving Ministries of Agriculture more discretionary power over resource allocation. Investments made in strengthening planning, financial management and M&E systems all have served to enhance government's direction and management of the sector, compared to the pre-SWAp situation. In Mozambique, a mid-term review of PROAGRI concluded that the SWAp had been successful in establishing the institutional capacity needed for the Ministry of Agriculture to take ownership of its responsibilities. The integrated planning framework and the common fund enabled the Ministry to get back in control of resource allocation for a significant proportion of development assistance to the sector (Cabral 2009).

It could be argued, however, that in a sector where the state is a minor player and where the agriculture line ministry is no longer responsible for important areas of sector development, this is a narrow form of ownership. Furthermore, leadership of the sector has been compromised by the limited involvement of sector stakeholders (private sector, NGOs and local government) and by the fact that significant players (including important sources of aid funding) were not part of the SWAp. In Tanzania, many donor projects remain outside the ASDP framework. In Mozambique, key sector donors (such as the World Bank and USAID) removed themselves from the SWAp process.

Despite some evidence of improved ownership (even if of a narrow type), there is less evidence that this translated into clearer policy guidance, namely on roles of different stakeholders. Limited progress of institutional reforms of Ministries of Agriculture (e.g. Mozambique, Nicaragua and Zambia) reflects the lack of consensus on roles and scope of the state vis-à-vis other sector players and continues to challenge both leadership and ownership of development interventions in the sector. In Nicaragua, failure to implement envisaged institutional reforms has undermined efforts to strengthen the credibility and leadership of government vis-à-vis donors and the private sector (Fajardo 2009).

Furthermore, donor commitment to domestic ownership has sometimes faltered. In Tanzania, several donors reacted strongly against a government policy direction on massive irrigation investment, displaying unwillingness to engage constructively in policy which they had not initiated (Greeley 2007).

### ***Improved sector coordination and policy coherence?***

Inter and intra-sectoral coordination remain a major challenge for agriculture SWAps. There are ideological and institutional barriers to coordination. In Mozambique, unresolved internal political and ideological differences within the Ministry of Agriculture with regards to the vision for the sector and the role of the state have been impediments to internal sector coordination (Cabral et al. 2007). SWAps with complex institutional set up (such as those with larger scope) pose greater challenges to coordination. In Uganda, various arrangements were put in place to manage coordination: there are several cross-sectoral committees and all line ministries with relevant mandate are required to review and reorient their activities in line with PMA objectives (Evans et al. 2007). These arrangements have worked well at central level but have not been sufficient to ensure coordination at decentralised levels, where lack of coordination continues to be a major constraint to implementation.

Where there have been efforts to improve coordination these have usually been confined to the agriculture sector and donors working in that sector. Involvement by other parts of government and by non-government players has been limited.

El Salvador may offer an example of emerging good practice. The SWAp is using an existing stakeholder coordination forum (the Rural Development Coordination Roundtable) which has had a major role in moving the SWAp process forward and has pushed for collaboration with the private sector and other parts of government – Ministry of Finance, Ministry of Foreign Affairs and the Technical unit of the Presidency (Anson and Pfaumann 2007).

### ***Improved donor harmonisation and division of labour?***

Donor harmonisation has received considerable attention in SWAp processes and there have been significant efforts to improve it, including the setting up of common funding mechanisms, common management procedures and donor working groups. These have contributed to strengthening dialogue between participant donor organisations, improving coordination of actions and saving on costs as, for example, through joint evaluation missions.

It is not clear, however, whether such efforts have contributed to better division of labour and more effective dialogue between donors and domestic partners. In many countries, important donor agencies have remained outside the SWAp process and have maintained bilateral dialogue with government and use an array of parallel aid management structures (e.g. typical examples would be USAID, World Bank and regional banks). This has happened even in contexts where national level discussions around aid effectiveness had been quite advanced, as in Mozambique, Nicaragua, Tanzania and Vietnam (Evans 2007). Continued proliferation of aid mechanisms in the sector has weakened the coordination and policy influence ambitions of policy dialogue fora such as Sector Working Groups.

Furthermore, the lack of internal coherence of donors within country offices and with their headquarters has also challenged harmonisation objectives (Greeley 2007).

### ***Improved accountability?***

The record of SWAps in terms of accountability is mixed. Accountability in a SWAp has by and large remained limited to the interaction between government and donors, i.e. an upwards form of accountability. In Nicaragua, for example, PRORURAL's monitoring and evaluation system (SISEVA) has been mainly used as an instrument for reporting to donors (Fajardo 2009).

Furthermore, accountability has often been dominated by preoccupations with financial performance and other process issues (e.g. setting up planning, budgeting and M&E systems) with little attention being given to efficiency, quality and effectiveness of public service delivery and investment. This has been compounded by major capacity weaknesses in M&E.

Downward accountability has been limited, as indicated by the general poor involvement by non-state actors in policy dialogue and monitoring of SWAp performance. On a positive note, however, progress in alignment with domestic systems is contributing indirectly to improvements in accountability vis-à-vis recipient country citizens, given that resources captured in the state budget are under the direct scrutiny of national Parliaments.

### ***Better predictability of funding and coverage of sector expenditure framework?***

Coverage of the agriculture sector budget and predictability of funding have considerably improved where donors pooled resources into a common funding mechanism under

government's control. Progressive alignment with the budget calendar has further contributed to improving predictability, as donors were becoming able to announce financial commitments in time for consideration in the budget preparation process. These have been important contributions to improve allocative efficiency of the state budget and strengthen government's ownership over the management of public resources. In Mozambique, the common funding mechanism has given the Ministry of Agriculture a more comprehensive picture of resource availability and absorption capacity and there have been even attempts to further improve that by measuring the magnitude of off-budget resources flowing outside government's financial management systems (Cabral et al. 2007).

Such gains have been undermined, however, by the fact that important sources of funding to the sector have remained outside the integrated financing framework. In Nicaragua, only four of the 18 sources of development cooperation in agriculture have been part of the PRORURAL Common Fund, corresponding to about 20% of total external resources and 11% of actual spending (Fajardo 2009).

#### ***Increased public expenditure in the sector?***

SWApS have contributed in most cases to an increase in external financing to the sector. This increase has not necessarily translated into increases in public spending in agriculture. In Mozambique, where PROAGRI attracted a considerable amount of external financing (US\$ 207 million, between 1999 and 2006), public agricultural spending remained more or less stable (at around 1-4% of GDP during the same period). This is because increases in external funds were matched by cuts in domestic funding to the sector (Cabral 2009).

#### ***Strengthened financial management systems?***

SWApS have been typically accompanied by significant investments of resources into setting up or strengthening financial management systems. Donor alignment required that domestic systems had sufficient quality to ensure reduced fiduciary risks.

Evidence suggests that financial management systems – budgeting, accounting, procurement and audit – have improved with SWApS (Evans et al. 2007, Fajardo 2009, Cabral 2009). Achievements include the elaboration of annual operational plans and implementation reports, setting up of procurement units at sector level, joint audits and some modest progress towards results-based budgeting. Such improvements have in some cases prepared Ministries of Agriculture for reforms to be later introduced in overall financial management systems (e.g. Mozambique).

It is not clear, however, whether such achievements have translated into simplified financial management procedures and cost savings in resource management in the agriculture sector. In Nicaragua, despite the improvements made, financial management has not been simplified due largely to the fact that projects, with their own financial management requirements, have remained the main development cooperation financing instrument (Fajardo 2009).

In some cases such investments in financial management systems contributed to the creation of unsustainable parallel systems at sector level. Some of the systems and procedures introduced under PROAGRI were later to be discontinued as the government-wide public financial management reform started to be implemented at sector level (Cabral et al. 2007).

#### **4.4 Achievements against outcomes and impact on sector performance**

How have achievements against outputs translated into outcomes and how have these impacted on sector performance?

##### ***Better quality of policies and inclusiveness and transparency of policy-making?***

There is some evidence that SWAPs have contributed to improvements in the sector policy framework. New competences created through investments in institutional capacity contributed to improvements in laws and regulations. An example is the land reform process in Mozambique, which PROAGRI successfully supported (Cabral 2009).

The institutionalisation of channels for joint policy dialogue between government and donors has been an important achievement on its own. Despite somewhat limited capacity to influence the course of policy, these channels have been instrumental in promoting debates on roles of the state and core state functions in agriculture. In Mozambique, dialogue between donors and government helped to develop the view that the Ministry of Agriculture is only one of several players in the sector, and one which should focus on policy formulation and market regulation and the view of cross-sectoral coordination to bring together all interlocked sectors contributing to agriculture and rural development. It also encouraged the introduction of new approaches to service provision, such as outsourcing and demand-driven services, in a highly interventionist public sector (Cabral 2009). Although many of these reformist ideas never got to materialise, some of them ended up permeating to some extent policy design.

Yet, limited involvement of sector stakeholders has compromised the quality of decision-making processes and its policy outcomes. Agricultural SWAPs have largely remained processes dominated by donors and Ministries of Agriculture's agendas. In Nicaragua, limited involvement by nongovernmental and private service providers, as well as other relevant parts of government (e.g. Labour Ministry for issues to do with rural labour markets), is thought to have jeopardised the quality of policies. The current formulation of PRORURAL is considered insufficient to meet agriculture growth and poverty reduction objectives – it has a narrow perspective on the livelihoods of the rural poor (e.g. it fails to address the importance of trade, agribusinesses and waged labour) and has policy gaps in areas considered to be of major importance for rural development, such as rural infrastructures, rural financial markets and labour markets (Fajardo 2009).

Finally, SWAPs have been unable to lock-in political commitment and insulate technocrats from the whims of the political elite. Changes in government have often prompted changes in SWAP core principles and focus, which have undermined confidence in the process and compromised ongoing reforms. In Nicaragua, the change in government in 2007 led to a redefinition of PRORURAL principles and priorities which are now indicating stronger government intervention and a focus on food production and smallholder producers, leaving out other key aspects of rural development (*ibid*). A very similar situation has happened in Mozambique (Cabral 2009).

##### ***Greater efficiency in the use of development assistance (lower transaction costs)?***

High transaction costs resulting from fragmentation of the aid system was one of the main reasons for developing SWAPs in the mid-to-late 1990s. Almost two decades later it is still not clear whether SWAPs have contributed to increased cost efficiency in the use of development assistance. One study on transaction costs in SWAPs found no evidence that such costs are reduced and concluded that there was a large gap between donors' stated

ambitions to improve aid effectiveness, and the incoherent, inefficient reality on the ground (Watt 2005).

Better funding predictability and increased budget coverage may have contributed to more effective planning and improved efficiency in the allocation of public resources. But added costs associated with SWAp have also been considerable. SWAp have tended to develop into complex processes, with extensive and expensive design stages. The preparation of the agriculture SWAp in Ghana started in 1996 and continued until 2006 (Evans et al. 2007). Despite being a sub-sectoral SWAp, the Bolivian SIBTA took about three years to be put in place. SWAp have also been usually associated with complex management structures (e.g. for managing pooled funding and coordinating donors) absorbing a significant proportion of resources.

Furthermore, and because not all donors adhere to the SWAp framework, recipient government have had to continue managing different types of aid arrangements and hence distinct sets of transaction costs. This problem is compounded by the fact that even those donors buying into the SWAp have retained other forms of support to the sector. Watt (2005) found evidence that rather than lowering transaction costs SWAp redistributed and concentrated those costs, with increasing burden falling on senior staff at central ministry level.

In 2005, the Paris Declaration on aid effectiveness emphasised the need to address excessive fragmentation of aid and associated high transaction costs through better division of labour on the basis of comparative advantages. The 2008 Accra Agenda for Action reaffirms the need to improve division of labour and donor complementarity to bring down the costs of managing developing assistance. Are there signs of this happening in agriculture?

#### ***Increased coverage and quality of service delivery?***

There is little evidence about the contribution of agriculture SWAp to service delivery. According to Evans et al. (2007) the evaluations of PROAGRI in Mozambique and PMA in Uganda provide some of the scarce evidence available on this issue. PMA results were positive in some areas (e.g. services provided by the National Agricultural Advisory Service) although slow in being realised. In Mozambique, the evaluation concluded that PROAGRI did fairly well on institutional improvements but did less well on actual service delivery; district level surveys revealed that demand for agricultural services has been left largely unmet. In Nicaragua, lack of progress in institutional reforms to the public sector is thought to have constrained progress in the coverage and quality of service delivery (Fajardo 2009).

On the whole, it seems that the excessive SWAp focus on processes and systems and on the government-donor interface has relegated the quality and coverage of service delivery to secondary concern. SWAp have thus tended to get trapped on the means and to lose sight of the ends they were supposed to pursue.

It should be added however that M&E systems have hardly generated enough detailed information to assess public sector performance but have usually focused on sector performance (measured in terms of production, productivity or food security) saying little about the coverage and quality of services provided by the state as well as other providers. Any remark about the contribution of SWAp to coverage and quality of service delivery can therefore only be very tentative.

#### ***Improved sector performance?***

Can agriculture sector performance (good or bad) be attributed to the SWAp? Existing analysis on the impact of SWAp on sector performance is limited and not conclusive. Although the evaluation of PMA revealed that significant agricultural activity was going on at

district level (with progress reported in terms of improved technologies and increased volume of marketed output) it also recognises that it is difficult to attribute such achievements to any particular element of the SWAp (Evans et al. 2007). There is little evidence that SWAp-related public sector actions and services in the agriculture sector have contributed to addressing the constraints faced by farmers and consequently improved sector outcomes. Attribution is further complicated by the significance of exogenous factors affecting the causal link between service delivery and agriculture performance (private investment and climate are examples of such factors).

In any case, it seems undisputable that SWAp have privileged systems development to service delivery *per se* and that such systems development take time to trickle down to field level.

#### 4.5 Overall assessment and possible causes of underperformance

Overall performance of agriculture SWAp has been at best mixed. There have been undisputable achievements in areas like donor harmonisation and financial management capacity. However narrow forms of ownership and failure to coordinate all relevant sector players and interventions have compromised progress in the quality of sector policies and decision-making processes. Excessive emphasis on systems and processes and institutional capacity building initiatives has pushed service delivery to secondary concern while turning SWAp into expensive experiments. Performance assessment mechanisms continue to be insufficient to assess impact of SWAp in governance and sector performance. Table 2 highlights examples of practice with positive and negative effects for each of the indicators in this study's assessment framework.

**Table 2. Examples of agriculture SWAp practice with positive and negative effects**

Level	Indicator	Examples of practice with positive effects	Examples of practice with negative effects
Outputs	Sector leadership and ownership	In Uganda, the PMA's initial institutional set up (leadership by the Ministry of Finance) proved effective in mobilising the country in support of the agriculture sector. In Mozambique, a mid-term review of PROAGRI concluded that it had been successful in establishing the institutional capacity needed for the Ministry of Agriculture to take ownership of its responsibilities.	In Nicaragua, failure to implement envisaged institutional reforms has undermined efforts to strengthen the credibility and leadership of government vis-à-vis donors and the private sector.
	Coordination and coherence	In El Salvador, the SWAp used an existing coordination platform – the Rural Development Coordination Roundtable – which has had a major role in taking the SWAp forward and pushing for collaboration from private sector stakeholders and non-agriculture government departments.	In Uganda, various arrangements were put in place to manage coordination but they have been insufficient to ensure coordination at decentralised levels, where lack of coordination continues to be a major constraint to implementation. In Nicaragua, coordination efforts did not extend to other parts of government (remained confined to SPAR and donors).
	Donor harmonisation	Common funding mechanisms, common management procedures and donor working groups have contributed to strengthening dialogue between participant donor organisations, improving coordination of actions and saving on costs.	In many countries, important donor agencies have remained outside the SWAp process and have maintained bilateral dialogue with government and use an array of parallel aid management structures (e.g. Mozambique, Nicaragua, Tanzania and Vietnam).
	Accountability	Progress in alignment with domestic systems is contributing indirectly to improvements in accountability vis-à-vis recipient country citizens, given that resources captured in the state budget are under the scrutiny of national Parliaments.	Accountability in a SWAp has by and large remained limited to the interaction between government and donors, i.e. an upwards form of accountability. In Nicaragua, for example, PRORURAL's monitoring and evaluation system has been mainly used as an instrument for reporting to donors.
	Predictability of aid and budget coverage	In Mozambique, the common funding mechanism has given the Ministry of Agriculture a more comprehensive picture of resource availability and absorption capacity and there have been even attempts to further improve that by measuring the magnitude of off-budget resources flowing outside government's financial management systems.	Important sources of funding outside the integrated financing framework have undermined efforts to improve predictability and coverage. In Nicaragua, only four of the 18 sources of development cooperation in agriculture have been part of the PRORURAL Common Fund.



Level	Indicator	Examples of practice with positive effects	Examples of practice with negative effects
	Sector spending	Agriculture SWAs have contributed in most cases to an increase in external financing to the agriculture sector.	Increased aid to SWAs has not necessarily translated into increased sector spending. In Mozambique, public agricultural spending remained more or less stable because increases in external funds were matched by cuts in domestic funding to the sector.
	Management systems	Financial management systems have generally been strengthened with SWAs (e.g. Mozambique, Nicaragua, Tanzania)	In Nicaragua, despite the improvements made, financial management has not been simplified due largely to the fact that projects, with their own financial management requirements, have remained the main development cooperation financing instrument.
Outcomes	Quality of sector policies and policy processes	In Mozambique, dialogue between donors and government has been instrumental to the debate on roles of the state and core state functions.	In Nicaragua, limited involvement by nongovernmental and private service providers, as well as other parts of government is thought to have jeopardised the quality of policies. SWAs have been unable to lock-in political commitment and insulate technocrats from the whims of the political elite (e.g. Mozambique and Nicaragua).
	Efficiency in resource use		Preparations for an agriculture SWA in Ghana started in 1996 and continued until 2006.
	Service delivery	Some evidence of positive results by Ugandan PMA.	In Mozambique, difficult to track service delivery improvements under PROAGRI. In Nicaragua, lack of progress in institutional reforms to the public sector has constrained progress in the coverage and quality of service delivery.

What are the causes for the relative underperformance of agricultural SWAs? This paper suggests that there are three types of causes to be considered: political, institutional and operational (Table 3). Political causes relate to actors' views and incentives. Institutional causes are to do with the set up and capacity of institutional structures supporting the SWA. Operational causes refer to implementation choices in the SWA process. Many of these are closely related to the challenges discussed in Section 3.3.

**Table 3. Political, institutional and operational causes of underperformance of agriculture SWAs**

Dimension	Possible causes of underperformance
Political	<ul style="list-style-type: none"> <li>• Donor dominance and lack of domestic buy-in</li> <li>• Lack of broad-based sector support</li> <li>• Major sources of funding outside the sector framework</li> <li>• Lack of consensus on policy priorities and role and scope for the state</li> </ul>
Institutional	<ul style="list-style-type: none"> <li>• Inadequate institutional set up for governing the SWA</li> <li>• Too wide a scope?</li> <li>• Weak capacity of implementing agencies</li> </ul>
Operational	<ul style="list-style-type: none"> <li>• Public expenditure bias and associated 'interventionism'</li> <li>• Unbalanced mix of process and sector development objectives</li> <li>• Gaps in monitoring and evaluation</li> </ul>

### ***Political factors***

SWAs have from the outset been largely dominated by aid management concerns. They were developed to address problems associated with aid fragmentation and donor harmonisation around a common basket fund was for many years a central feature of SWAs. Such disproportionate focus on donor-centred processes meant that insufficient efforts were put into the mobilisation of domestic support which is essential to drive reforms and policy change. In Nicaragua, the effort needed to manage coordination between the agriculture public sector and donors has been so great that it has overshadowed efforts to coordinate the sector with the rest of government (Anson and Pfaumann 2006). In some countries donors have also displayed weak commitment towards

domestic ownership – in Tanzania such poor commitment was exposed when new policy directions on irrigation investment were declared (Greeley 2007).

Lack of broad-based domestic support – i.e. appropriation by key governmental and nongovernmental sector players – has been a constraint to the much needed sector-wide coordination. One of the weaknesses of the Zambia ASIP was that one a few civil servants had bought into the SWAp process and these were changed as implementation started (Anson and Pfaumann 2006).

Despite the focus on donor harmonisation, SWApS have been unable to bring together all important sources of development assistance to agriculture. This has compromised budget planning, savings in transaction costs of aid and has limited the capacity of the SWAp process to determine the course of policy. Important channels for resource allocation and policy influence continued to exist in parallel to the SWAp.

Ideological differences with regards to policy priorities and the scope and roles of the state explain in part the difficulties in mobilising all sector players around a common policy framework (cf. Section 3.3).

### ***Institutional factors***

Agriculture SWApS have usually been led by Ministries of Agriculture (cf. Table 1). Most country experiences suggest however that the sectoral line ministry has not been able or had the incentives to mobilise other key actors in the sector and this has compromised sector-wide scope and stakeholder coordination in the SWAp. Country experiences also reveal a tendency in Ministry of Agriculture-led SWApS to adopt an interventionist approach to agriculture policy (focused on public expenditure and public service delivery) and difficulties in implementing institutional reforms (which usually imply streamlining the ministry into a reduced set of core functions). The typical institutional set up for governing agricultural SWAp has therefore proved to be inadequate.

There are examples of alternative institutional arrangements being pursued. In Uganda, the Ministry of Finance spearheaded the PMA in its early days and played a major role in mobilising players into the SWAp and in pushing for reforms in the agricultural governance framework which put emphasis on deepening decentralisation and empowering local communities and encouraged private sector provision of goods and services. But the PMA ended up being absorbed into the Ministry of Agriculture which strongly resisted reform through any other vehicles which were not the ministry itself (Cabral and Scoones 2006).

Is a sectoral scope too wide a scope for a SWAp? Agriculture is a complex sector with a plethora of actors and interests at play. SWApS have demonstrated how difficult it is to develop a common policy framework at sector level and mobilise those numerous actors around that common framework. Anson and Pfaumann (2006: 50) note that “a subsector approach can be more feasible than covering the entire sector or a multi-sector SWAp, especially given the institutional weakness and the high uncertainty in the public sector”. Recently introduced SWApS seem to show indeed preference for the more manageable sub-sectoral or thematic focus.

Weak capacity of implementing agencies also explains some of the difficulties experienced. This is a common problem in government agencies throughout the developing world. However, Ministries of Agriculture’s capacities and leverage had in some countries been significantly eroded by years of underinvestment under structural adjustment programmes.

### ***Operational factors***

SWAp processes are typically associated with an increase in discretionary development assistance in support of a country-led sector programme. The additional volume of (more or less) discretionary resources coupled with the appropriation of SWAps by the line ministry, have created a public expenditure bias. Action plans were designed to justify the use of additional resources rather than to respond to priority needs in the sector.

Foster et al. (2001) notes that 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. In fact, the public expenditure bias has often led to or reinforced an 'interventionist' approach by Ministries of Agriculture focused on public service delivery and public investment even in areas where the scope for state action is questionable (such as input distribution and credit).

As mentioned before, SWAps have put so much emphasis on processes and systems that they have often lost touch with the local realities. This has led to a disproportionate investment on systems development and institutional capacity building initiatives with little effect (at least in the short to medium term) on service delivery at field level.

Such disproportionate emphasis on systems and capacity may have resulted from the difficulty to advance in more sensitive areas but is certainly also the result of design oversight. Insufficient attention to the development of a suitable M&E framework to guide implementation has been a common drawback in SWAps – Evans et al (2007) note that the lack of visible results supported by M&E data in the more established SWAps is alarming. The absence of such a framework is likely to have compromised the balance between focus on institutional reform and enhancing service delivery.

## **5. Current challenges and opportunities for sector-based approaches in agriculture**

Agricultural SWAps face today two additional challenges.<sup>6</sup> One is the general sense of fatigue in partner countries in relation to SWAps due to failure to see palpable results on the ground. The other challenge relates to changes in aid architecture driven by the emergence of non-traditional sources of development finance with different cooperation frameworks (e.g. China and Brazil are key emerging donors in the sector) and the proliferation of vertical funds associated with global and regional initiatives to support agriculture led by multilateral donors and emerging large private foundations (such as the Gates Foundation).<sup>7</sup> The pressure to respond to climate change adaptation and mitigation needs in agriculture is likely to result in an additional load of global initiatives. Such aid architecture changes offer new funding opportunities for agriculture but they also threaten to undermine the core SWAp principles of harmonisation, coordination and integrated sector policy framework.

Despite the challenges, the current setting seems favourable to the restoration and consolidation of sector-based approaches in agriculture – and indeed agriculture SWAps and SWAp-like approaches continue to be developed worldwide (cf. Table 1). Agriculture is back at the top of international development agenda and the implementation of this agenda is

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<sup>6</sup> In addition to those discussed in 3.3 and 4.5.

<sup>7</sup> Examples of global and regional initiatives include: GEF's Market Led Smallholder Development; the Global Initiative on AIDS, Agriculture and Food Security; the Africa Food Security Initiative; the Millennium Villages Project, and many other. There are also ongoing discussions about the creation of a Global Fund for Agriculture.

being strongly shaped by a consensus on aid effectiveness which encourages the adoption of programme or sector-based approaches.

Agriculture is restoring its prominent position in the development agenda. After almost two decades of neglect, the fuel, food and financial crisis have redirected attention to agriculture at both international and national levels. In July 2009, G8 heads of state, together with developing countries' heads of state and some of the main international donor organisations, meeting in L'Aquila for a special session on food security (as part of the G8 Summit) committed to increase aid to agriculture. An additional of US\$ 20 million was committed to be delivered over the next three years through joint efforts concentrated in sustainable agricultural development and food security. NEPAD's Comprehensive African Agriculture Development Programme (CAADP) is one of the joint initiatives to be targeted by this additional support. Back in 2003, heads of state from African countries, meeting at the African Union Summit in Maputo, had also committed to increase spending in agriculture to 10 percent of overall public spending.

At the same time, the last five years have witnessed the building up of an international consensus on how to improve the effectiveness of development assistance. This consensus is articulated in the 2005 Paris Declaration and the 2008 Accra Agenda for Action and calls for strengthened domestic ownership and results-focused policies supported by better aligned and harmonised development assistance, with accountability for development results running both ways in the aid relationship. The so-called 'aid effectiveness agenda' is favourable to programme-based approaches, which include SWAPs and similar sector-based approaches (c.f. Section 2.3).

It is not clear however whether the aid effectiveness consensus is strong enough to restrain the proliferation of donor initiatives and mechanisms to support the agriculture sector. Important sources of development assistance to the sector have to date remained on the margins of the debate on aid effectiveness, including new donors from large emerging economies (such as the BRICS).

Is the consensus strong enough to persuade partner countries that despite the uninspiring record of SWAPs their fundamental principles remain valid and useful to the pursuit of developmental objectives in agriculture? The repackaging of SWAPs as Sector Budget Support frameworks has been a way of breaking with some of the malpractices and unfavourable reputation of SWAPs but has also been a way of reinforcing certain elements of the approach, such as domestic ownership, donor alignment and results focus.

In addition to this, there are emerging country processes which are following similar principles to those of a SWAP. CAADP national roundtables are a case in point.<sup>8</sup> Their aim is to define country strategies (or 'national compacts') to boost agricultural growth and productivity and reduce poverty and hunger, through strategic coordination processes involving all sector stakeholders. The underlying principles are not very different from those of a SWAP (e.g. comprehensive approaches, country leadership and joint financing mechanisms) but CAADP roundtables may be more effective in creating country-embedded processes than donor-driven initiatives, provided they do not undermine ongoing domestic policy processes by imposing top-down solution to local problems. The CAADP process also has the potential to bring about a wider approach to agriculture sector coordination given its strong emphasis on the role of the private sector.

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<sup>8</sup> CAADP was established by the African Union in 2003 with the aim of boosting agricultural growth and productivity in Africa in order to reduce poverty and hunger. It provides a policy framework and a regional context for country-led processes.

In moving forward, lessons from past experience need to be taken into account and the underlying causes of underperformance (such as the ones discussed in Section 4.5) need to be explicitly addressed. What are then the future options for sector-based approaches?

## **6. Future options for sector-based approaches in agriculture**

Despite the mixed record of agricultural SWAPs and the challenges faced, the fundamentals of the approach remain useful to the management of development assistance and to the pursuit of agriculture policy objectives. Stakeholder coordination and policy coherence are key to address persistent gaps in agricultural investment, aid harmonisation is necessary to improve efficiency and effectiveness in the use of public resources and government leadership is essential in a sector where market failures still abound. In order to move forward, however, the divide between theory and practice needs to be addressed. Country experiences have revealed malpractices resulting from a misuse of the approach's principles – for example, narrow forms of ownership and donor harmonisation leaving out key sector donors. These malpractices need to be corrected if sector-based approaches are to restore the ideal of creating a domestically-owned integrated policy vision shared by all relevant stakeholders which allows for better coordination of policies, investments and service delivery.

This paper suggests that in discussing future options for sector-based approaches the following set of issues should be given due consideration:

- The field as the starting point,
- Presence of a locally owned framework for service delivery in agriculture which clarifies roles of different actors,
- Balance between focus on processes and results,
- Adequacy of scope (how wide should be 'sector-wide?'),
- Institutional set up for governing the approach,
- Aid modality mix,
- The new emerging aid architecture in agriculture, and
- Gaps in agricultural performance assessments.

### ***The field as the starting point***

Agricultural producers, traders and labourers working in the field across value-chains are the main actors in the agriculture sector. They are (or should be) the main beneficiaries of public sector policies, public investment and service delivery. Any agricultural policy framework should have these groups as their starting point and not only as their ultimate aim. Sector-based approaches have been heavily criticised for getting bogged down with institutional processes while never really reaching out to those key sector operators. It is time for these field operators to be brought forward into agricultural policy processes. This should be done by assisting them to be more than passive recipients of supplied services and investments. They need to be assisted to become active sources of demand for good quality policies, relevant institutional reforms and adequate public services and investments.

### ***Presence of a locally owned framework for service delivery in agriculture with clearly assigned roles***

SWAPs have to a large extent been donor driven processes and this may be part of the explanation for failure. There is compelling evidence that donors are relatively ineffective in enforcing reforms and policy change and that domestic political commitment is what really counts. A locally owned policy framework in agriculture should be the starting point and should be considered as a precondition for a sector-based approach. To be effective, such policy framework should have service delivery at its core and should clearly spell out what needs to be done.

But, in agriculture, the question ‘who does what?’ is equally if not more important than the question of ‘what needs to be done?’ (EC 2008). The sector depends on a multiplicity of stakeholders and the role of each stakeholder needs to be systematically considered. This is an area of great contestation and, as mentioned before, such contestation explains some of the difficulties with agriculture SWAPs. Clarity of roles of the state vis-à-vis the private sector, and roles of central vis-à-vis local government should be seen as another minimum requirement for a sector-based approach in agriculture. The EC Guidelines on Support to Sector Programmes (mentioned in EC 2008: 32) suggest a number of useful questions which can guide an assessment of how clearly roles are defined:

- Is the role of government in the sector well defined? And is the rationale for this role clearly presented? Has a distinction been made between a regulatory (including the provision of key public goods) and an interventionist role?
- Have different options for government action been considered and weighted? For example, direct service provision by the government versus the outsourcing of service contracts to the private or NGO sector? Has the distinction been made between the financing and the delivery of public services?
- Taken as a whole, is the sector policy based on an appropriate, affordable and feasible vision of the role of government?

### ***Right balance between focus on processes and results***

Sector-based approaches need to be able to strike the difficult balance between focusing on capacity and systems’ improvements and delivering on outcomes and development results. Service delivery and development results at sector level should be at the heart of design and implementation of sector-based approaches. But strengthening systems and building institutional capacity are also important goals as they can greatly contribute to improving service delivery capacity and therefore achieving better policy results.

Experience shows that SWAPs have had the tendency to get trapped on the means (systems and processes) and lose sight of the ends they were supposed to pursue. A substantial amount of resources has been invested in building management systems and capacity while little attention has been directed to what was happening at field level. Disappointment with the lack of results on ground has in some countries (e.g. Mozambique) led to an abrupt reverse of direction by policy-makers – focusing all attention and resources in the field while disregarding ongoing systems development processes and risking to undermine attained achievements. This is also not desirable.

The Good Practice Note on Sector Budget Support (Williamson and Dom 2009b) recommends that service delivery is placed at the centre of SWAP design and implementation but it also notes that one of the core principles for effective SWAP inputs is strengthening the capacity of institutions and systems for service delivery and recommends that this involves two layers of intervention: (i) upstream, supporting the ability of the

centre to implement actions to strengthen service delivery, and (ii) downstream, establishing systemic and incentive-based solutions to building the capacity of institutions and human resources involved in service delivery and its direct management.

### ***Adequacy of scope – how wide should be ‘sector-wide’?***

There is a range of SWAp models in action with variations in scope. Although there is no conclusive evidence on what scope is most effective, it seems that multi-sectoral and sectoral SWAps have struggled the most to create a common ground for policy dialogue and make different interests converge around a shared policy framework. Agriculture is a complex sector with many interconnected areas and activities but also a number of competing sector perspectives and interests. Therefore, the wider the scope, the more sector perspectives and interests there are to be brought together.

The EC Reference Document on agriculture SWAps notes that defining the scope for agricultural SWAps is a balancing act between comprehensiveness and complexity: “the sector should be wide enough to allow for synergy and value-added between activities, but not so wide as to cause management obstacles and conflicts of interest” (EC 2008: 13). A useful distinction is suggested between scope at the policy level and scope at the operational level. A broad scope is desirable at policy level, to build coherent policies and address the multifaceted character of the sector. It may not be feasible however at the implementation level where too broad a scope may amplify coordination difficulties. It recommends that where coordination is a problem, sector programmes should be made smaller rather than coordination mechanisms bigger.

Hence a sub-sectoral or thematic scope may be a more pragmatic way of dealing with the sector’s complexity, provided there is a wide enough policy framework ensuring that synergies across different thematic areas of sub-sectors are fully explored. But sub-sectoral SWAps are relatively new experiments which seem to be geographically concentrated in Asia and Latin America. Time will tell whether they are a more effective means of pursuing agriculture development objectives. Honduras, where four sub-sectoral SWAps have been put in place, offers a potential interesting case-study to be contrasted with countries where a sectoral focus has been pursued.

### ***Rethinking the institutional set up for governing the approach***

Most agriculture SWAps have been led by Ministries of Agriculture (often with strong donor involvement) and have typically faced three types of problems:

- Difficulty in mobilising other sector players, including other government agencies – the MoA is a line ministry and therefore has limited capacity to mobilise other line ministries.
- Public expenditure and intervention bias, as discussed in the previous Section.
- No incentives to pursue reforms to its own structures as this would most likely result in a reduced scope of action, in line with dominant thinking on the role of the state in the sector.

There have been a couple of interesting alternatives to this set up. The Uganda PMA was initially led by the Finance Ministry and such arrangement proved to be quite effective in mobilising players into the SWAp and in pushing for reforms in the agricultural governance framework. Vietnam, on the other hand, is adopting quite a flexible institutional set up in support of its Forestry Sector Support Partnership. It has set up a partnership platform bringing together government, the private sector, nongovernmental agencies and international agencies. Actors from outside government and from the local level are

represented in all institutional structures created to govern the framework. Hence the sector-based approach in Vietnam is evolving out of the constellation of stakeholders rather than the other way around (EC 2008).

Finding a suitable institutional set up for the SWAp will depend on the scope chosen for the approach. It is likely that the narrower the scope the simpler the institutional set up for managing the SWAp. But the key for success is getting the incentives right. The institutional set up should be adequate to mobilise all interests together and to pursue the necessary reforms. For example, inter-sectoral coordination is likely to require a more prominent role by a central government ministry (e.g. Ministry of Finance and/or Planning, or the Office of the President, Vice President or Prime Minister), with the required mobilisation capacity, in the institutional set up of a SWAp.

### ***Aid modality mix***

No individual aid modality has proved to be the best and only suitable to support SWAp. The idea that SWAp should be financially supported by basket funds only is no longer prevalent and today it is generally accepted that a variety of modalities can be used. In fact, it has been argued that there are synergies between different aid modalities to be explored. DFID's Guidance on Aid Instruments notes that it is not useful to look at individual instruments in isolation and that different types of instruments – financial aid to government and to non-state actors, technical cooperation, policy engagement – have different and complementary strengths (DFID 2006). Likewise, a recent study on sector budget support concludes that the modality should not be provided in isolation but as one of a set of aid instruments whose design and implementation respond to the key constraints in public service delivery at sector level (Williamson and Dom 2009a). Anson and Pfaumann (2006) argue that in Bolivia it was the combination of bilateral resources with more flexible regulation and the basket funding that was the key to success of the agriculture SWAp.

This argument should not be used however as a justification for donors to carry on using the modalities which suit their interests best. And specially, the use of project aid to fund certain sectoral inputs should not be confused with a wholesale reversion to project aid (Williamson and Dom 2009a). The selection of aid modalities (or modality mix) should instead be done together with the recipient partner on the basis of the particular sector circumstances and the assessment of the opportunities and the risks associated with each modality (Annex 1 provides a list of opportunities and risks for different modalities). The following are three best practice principles which should guide the selection process (ODI 2006, Williamson and Dom 2009a).

- Use, wherever possible, domestic systems and procedures for delivering and managing financial resources. This implies avoiding unnecessary derogations from domestic public financial management systems when providing financial aid to the public sector. Budget support modalities (general or sectoral) should therefore be used whenever possible.
- Use different aid modalities in complementary (not parallel) ways. For example sector budget support can complement general budget support by promoting deeper improvements to service delivery in individual sectors. Project support can help strengthening systems and institutions used by sector budget support, thereby increasing the effectiveness of that modality.
- Avoid policy conditionality which has proved to be ineffective in enforcing policy reform and concentrate instead on strengthening the incentives for domestic actors to improve service delivery. Where they exist, conditionality frameworks should focus on issues and actions over which the institutions involved have control. Sector



performance targets are typically not appropriate as institutions typically do not have full control over such results.

### ***The new emerging aid architecture in agriculture***

The debate on the most effective aid modality mix and good practice principles is likely to be confined to traditional DAC donors. It is not yet clear whether the new non-DAC emerging donors (such as Brazil, China, the Gulf States and India), as well as large private foundations playing an increasing role in the sector (such as the Gates Foundation and Rockefeller Foundation), will be interested in engaging in those debates. In any case, the emerging donors and private foundations are likely to become major sources of finance for agriculture in developing countries (FAO 2009) and therefore they cannot be left out of any meaningful policy framework for agricultural development. Future debates on sector-based approaches in agriculture have to take this issue seriously and devise ways of bringing on board all major sources of finance (and influence) in the sector.

### ***Bridging gaps in agricultural performance assessment***

A performance assessment (or monitoring and evaluation) framework is an essential component of a sound policy making framework. In order to make the right decisions, policy makers and planners need evidence on what works. A sound assessment framework is an important source of that evidence.

Performance assessments are therefore required to make accurate judgment of agricultural SWApS. This does not mean that monitoring and evaluation systems should be specifically devised for SWApS, or indeed other cooperation frameworks. Capacity building efforts should concentrate on expanding and improving existing government systems and avoid duplication and overload. The starting point should be addressing gaps in existing systems.

To serve its purposes, a performance assessment framework for the agriculture sector should provide at least four sets of indicators:

- Indicators on outputs (e.g. activities carried out, including public investments and institutional reforms),
- Indicators on outcomes (e.g. volume and quality service delivery, quality of policies and policy processes, transaction costs of managing public resources),
- Indicators on sector results (e.g. agriculture production, productivity, food security),
- Indicators on the external factors affecting sector performance (e.g. private sector investment, climate conditions).

Monitoring systems in agriculture tend to display two gaps: lack of indicators measuring improvements in service provision (i.e. outcomes) and lack of indicators measuring changes to the external environment. Sector programmes are usually assessed in terms of outputs (e.g. public expenditure) and sector results (e.g. agriculture production). Although the focus on sector results is important to give governments a sense of direction and purpose it is insufficient and misleading because the effects of government action on the quality and coverage of service provision and the impact of external factors are not taken into account. These gaps need to be addressed in order to generate all the information required to make an accurate assessment of agriculture sector governance and indeed agricultural SWApS.

## 7. Conclusion

This paper reviewed the experience with sector-based approaches in agriculture. The analysis revealed that overall performance of agriculture SWAs has been at best mixed. Some undisputable achievements, such as improvements in financial management and aid coordination, were highlighted. But many considerable gaps were also identified, including: failure to coordinate all relevant stakeholders, narrow forms of domestic ownership, excessive emphasis on systems development vis-à-vis service delivery and public expenditure bias. Underperformance is likely to have been affected by a number of political, institutional and operational factors.

Despite the unconvincing record of agricultural SWAs and the challenges faced, the fundamentals of the SWA concept remain useful to the management of development assistance and to developing countries' agricultures. The current context is on the whole favourable to sector-based approaches. In moving forward lessons from past experience need to be taken into account and the underlying causes of underperformance should be explicitly addressed.

This paper concluded by suggesting eight issues which should be taken into account when discussing future options for sector-based approaches: (i) the field as the starting point, (ii) framework for service delivery and roles for different actors, (iii) processes versus results, (iv) scope, (v) institutional set up, (vi) aid modality mix, (vii) the new aid architecture, and (viii) gaps in agricultural performance assessment.

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## Annex. Aid modality selection: opportunities and risks

Instrument	When to use it?	What opportunities?	What risks?
General budget support	<ul style="list-style-type: none"> <li>• The objective is to provide discrete financial aid to the government to assist the implementation of the government’s policy programme.</li> <li>• Policy and spending decisions are guided by a clear policy strategy (normally a PRS).</li> <li>• Government planning and financial management systems ensure that resources are allocated and used in consistency with policy objectives and with reasonable efficiency.</li> <li>• Monitoring and evaluation mechanisms exist to measure progress and results.</li> <li>• Sufficient checks and balances are in place to meet accountability requirements (to both donors and domestic constituencies).</li> </ul>	<ul style="list-style-type: none"> <li>• Improve ownership of development process by increasing the volume of aid resources subject to the national budget process and parliamentary scrutiny (although it may undermine country ownership by concentrating the policy dialogue at a very central level – around the MoF).</li> <li>• Focus policy dialogue between government and donors on the strategic issues of public policy and economic management.</li> <li>• Increase the level of discretionary funding to the budget – improving the allocative efficiency of public expenditure</li> <li>• Dynamic effect of budget support on public financial management systems</li> <li>• Donor alignment and harmonisation – expected reduction of transaction costs (even in the short term these might increase)</li> </ul>	<ul style="list-style-type: none"> <li>• Threat of withdrawing support with important consequences over public expenditure (for governments).</li> <li>• Unbalanced policy dialogue – donors ganging up against government.</li> <li>• Over-centralised policy dialogue (Ministries of Finance as main policy stakeholder).</li> <li>• Fiduciary risk (for donors).</li> <li>• Donors funding of recurrent government expenditure raises concerns about sustainability.</li> <li>• Undermine incentives to raise domestic revenue.</li> <li>• Technical quality of donor dialogue – donors are likely to loose touch of sectoral and local realities.</li> <li>• <i>Dutch disease</i> (resulting from a substantial increase in foreign exchange which may lead to the appreciation of the exchange rate and competitiveness losses).</li> </ul>
Sector budget support	<ul style="list-style-type: none"> <li>• Same conditions as above hold but sector specific earmarking and sometimes specific reporting procedures are required.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide additional funding to a sector considered under-funded while not undermining the functioning of domestic planning and financial management systems.</li> <li>• Donor influence in sector policy fora.</li> </ul>	<ul style="list-style-type: none"> <li>• Earmarking could be seen as undermining ownership of the resource allocation process.</li> <li>• Earmarking might be offset by government resource allocation process (fungibility).</li> <li>• Transaction costs with additional sector specific conditions and reporting procedures, where these are required.</li> </ul>

Instrument	When to use it?	What opportunities?	What risks?
Common basket fund	<ul style="list-style-type: none"> <li>• Same reasons for using projects (see below) with the added advantage of pooling donor resources and hence potentially reducing transaction costs and improving allocative efficiency of donor resources.</li> </ul>	<ul style="list-style-type: none"> <li>• Offer advantages in relation to project support both in terms of donor coordination and alignment with government policies and expenditure programming systems.</li> <li>• Reduces transaction costs (in relation to project modalities) by introducing common reporting, disbursement, accounting and procurement procedures for activities which would otherwise be funded through a number of discrete projects.</li> <li>• May provide a useful 'learning ground' for building confidence between government and donors and hence facilitate the move towards budget support and the use of government procedures.</li> </ul>	<ul style="list-style-type: none"> <li>• A transitional arrangement that might become a permanent one.</li> <li>• Undermines GBS potential effects on budget coverage, transparency and allocative and technical efficiency.</li> <li>• Experience shows that the establishment of pooled funds is highly demanding of government time and very costly in terms of technical assistance and preparatory costs.</li> </ul>
Project support	<ul style="list-style-type: none"> <li>• Technical assistance support, where very specific earmarking is required and where specific procurement rules to recruit advisers might be needed,</li> <li>• Large scale infrastructure investments, where the transaction costs for managing procurement through the PFM system might be too high.</li> <li>• Piloting projects, where particular service delivery innovations need to be tested before their mainstreaming by government.</li> <li>• <i>Ad hoc</i> response to a narrowly specified, perhaps transitory need – such as change management processes.</li> <li>• Support to entities outside the government (i.e. civil society , private sector).</li> </ul>	<ul style="list-style-type: none"> <li>• Better targeting of specific groups and regions.</li> <li>• Keep issues on the agenda.</li> <li>• Retain connections with local realities.</li> <li>• Explore comparative advantages of donor or other intermediary agencies in the management of resources (particularly in large scale one-off investments).</li> </ul>	<ul style="list-style-type: none"> <li>• Poor ownership by domestic agencies.</li> <li>• Undermines comprehensiveness and allocative efficiency of the State Budget.</li> <li>• Undermines the domestic structures of democratic accountability.</li> <li>• High transaction costs resulting from fragmentation of development interventions.</li> <li>• Inefficiency in spending – when for example procurement is tied to donor countries' own contractors.</li> </ul>

Source: ODI (2006).