

**Sida's Policy
for Sector
Programme
Support
and
Provisional
Guidelines**

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The policy and guidelines have been drawn up by a project group consisting of: Ingemar Gustafsson (chairman), Kaviraj Appadu, Agneta Lind, Anders Nordström, Ann Stödberg. Katarina Zinn participated in the initial stages of the process. The policy is also available in Spanish and Portugese. The guidelines are available in English and Swedish. E-mail for matters relating to the policy and guidelines: ingemar.gustafsson@sida.se. Design by A4. Printed by Novum Grafiska AB, Gothenburg 2000.

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This document is a complement to
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FOREWORD

These guidelines describe the practical application of Sida's policy for sector programme support. They are intended primarily for Sida staff but can be used by consultants and others who work, on behalf of Sida, with the assessment, implementation and follow-up of sector programme support. The guidelines supplement "Sida at Work". It will be tested during the year 2000 and then revised.

The policy lays down the focus and points of departure of Sida's participation in sector programmes, i.e. programmes in which several financiers coordinate their support for the development of a sector. The establishment of a sector programme can best be described as a process in which the objectives and strategies for the development of the sector gradually assume concrete form. Any existing shortcomings, for example in implementation capacity, are remedied as part of the implementation of the programme rather than constituting a condition for Sida's decision to participate in the process.

The policy is also an expression of an explicit intention to review established forms of support and working methods. This review is taking place at Sida and internationally. It encompasses budget and balance of payments support, project support and so-called technical assistance.

In this respect the contributions made by the financiers must be focused on the recipient party's objectives and strategy for the sector. As far as possible the resources should be placed in the "same basket" and existing institutions and organisations must be strengthened. A dialogue shall replace conditions imposed by external parties, and results shall be measured as effects rather than as activities financed by external support. To reduce the administrative burden of all parties involved, rules and routines must be harmonised and a common approach established.

The policy and guidelines are based on this approach. They are applicable in many different situations. They can be used for coordinated support to publicly financed programmes such as education and health but also for support to universities, support for a regional or international organisation or to an organisation/enterprise in the private sector. They are also applicable in sectors which have a mix of public and private sector activities and which are undergoing a process of reform.

At the present time it has not been possible to draw up detailed guidelines for all situations and contributions. The guidelines are primarily based on the experience gained by Sida of working with coordinated sector programme support to the health sector and education sector in one country. They should therefore be read and tested with a certain degree of discernment where other types of coordinated support are concerned, for example to universities or to a regional organisation.

The reference literature given in appendix 3 is recommended reading. The literature includes a great deal of concrete experience, examples, and lessons learned which are of general interest. The material is available at the recently established Policy Unit of the Sector Departments.

It is intended that the guidelines shall now be tested in several different contexts in which coordinated support is being considered.

We hope that they shall provide assistance and support. Points of view are welcome.

For the project group, February 2000



INGEMAR GUSTAFSSON



ANN STÖDBERG

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SIDA'S POLICY FOR SECTOR PROGRAMME SUPPORT

IN ITS CONCERN to enhance partnerships and improve the effectiveness of Swedish participation in international development cooperation, the Swedish Government has reinforced its commitment to a *sector wide approach* in the support to key development areas. It has instructed Sida to increase its efforts to participate in such processes, and to shift from project to programme support, whenever possible. Simultaneously, thanks to the wider recognition at international level of the potential benefits of the sector wide approach and through the experiences gained at country level in a wide range of differing contexts, both policy and practice have evolved. These factors have all contributed to the need for a revised Swedish policy for support to sector programmes.

The Sector Wide Approach (SWAp) is the term used for current international thinking and practice regarding a form of long-term assistance to development at the sector level, embracing a sector policy and a sector expenditure programme. *The aim* of the sector wide approach is to attain sector specific objectives and to ensure national ownership through genuine partnerships in development cooperation. The broad sector programme approach is intended to

reduce aid fragmentation and improve coordination, strengthen national institutional capacity, enhance effectiveness of public sector expenditure and promote institutional reform. Expected benefits are the strengthening of democratic practices through improved transparency in the national budget, enhancement of national coordination mechanisms and promotion of participatory practices in decision-making.

The focus of SWAp is on an intended direction of change rather than on an established format.

Sector Programme Support (SPS) is the term used by Sida to participate in and support the Sector Wide Approach process. Sida's policy for sector programme support adheres to and embraces the SWAp principles described as follows.

A central feature of the SWAp concept is the principle of *strong national ownership and political commitment*. The role of external funding agencies is that of legitimate stakeholders and partners in dialogue. The *partnership* is understood as a shared framework of common values and objectives, essentially establishing a new *code of conduct* between national and external partners. The new code of conduct has a practical application in the change of modalities of interaction and cooperation between the partners.

The establishment of *common goals and a common policy framework* as opposed to detailed conditionalities, are the basic principles and points of departure for a joint long-term sector commitment.

As stakeholders in a joint sector programme, the external funding agencies must be prepared to *change* their own *support modalities*; concentrate on policy dialogue issues and participate in assessments of policy frameworks and institutional environments; give up conditionalities, ear-mar-

king funds and the focus on projects; adjust specific agency procedures for the transfer and monitoring of resources to joint, harmonised systems, and be prepared to delegate responsibilities to other partners in order to achieve the common goals.

The sector programme is seen as a *joint programme of work* with a process-oriented approach, geared to jointly agreed goals and policies. The partners work together in the definition of a strategy and in the negotiation of resource allocation. Recognizing that a step-by-step process may apply, partners shall strive to reach a point where resources, external and national, can be pooled in non-earmarked budget support to the sector.

Constraints to adequate sector performance and development need to be identified and addressed in the joint programme of work. One common constraint is weak *institutional management capacity*, both in general terms and in financial management terms. Institutional strengthening is thus in most cases a key component of sector programme support, to be jointly agreed upon.

Accountability, transparency and adequate measures to counteract corruption are legitimate concerns that need to be addressed. Systems and structures for financial resource management need to be analysed. Gaps and weaknesses in budgeting, accounting and control of funds will require solutions, based on existing national mechanisms.

Institutional reform and development is often a cornerstone element of cooperation towards successful implementation of a sector programme. Reform needs, being different and specific for each country and sector, cannot be defined at a general level but will need contextualized analysis and poli-

cy dialogue involving all stakeholders, including key national ministries and civil society. The reform process, and support for it, will normally become an integral part of the sector programme.

Harmonised joint review procedures, including reporting, monitoring, evaluation and auditing (the latter in accordance with international auditing standards) will need to be established. Monitoring shall be based on the follow-up of indicators at the sector level including milestones in the sector reform process, and will also relate to economic and political development at the macro-level. Partners shall agree on a division of labor and delegation of responsibilities in a coordinated mechanism.

In addition, the following shall also apply for Sida:

1 In drawing up the country strategies for bilateral cooperation, Sida shall make assessments of the general macro-economic, political and governance conditions as well as of sectoral policies, which shall guide decisions on active Swedish involvement in a sector programme process, both in terms of policy dialogue and finance.

2 Providing there is a positive decision for a Swedish engagement in a sector programme process, the following steps shall apply:

- Sida shall be prepared to allocate resources to the sector programme for specific purposes, such as capacity strengthening, or to the continuation of on-going projects within the overall sector programme framework, when agreement on goals and policy framework has been reached between partners on the sectoral level.
- Sida shall strive to pool resources with other partners in basket-funding financing arrangements, when transparen-

cy and control in the management of these funds is found to be satisfactory.

- Sida shall further be prepared to allocate untied resources to the national state budget for the sector programme when there is joint partner satisfaction with financial management arrangements at the national budget level, and when other significant donors are prepared to do likewise.
- Sida can choose to allocate resources in any of the above-mentioned manners and be a “silent partner” in its support to a sector programme. This entails an agreement with another donor agency to carry out assessments, participate in the dialogue and negotiations, and take on other identified actions such as monitoring and evaluation on the behalf of Sida.

3 Regarding the policy dialogue with the partner country, Sida shall:

- Focus on poverty reduction and a human rights perspective as central policy issues. The principles of democracy, gender equality and environmental sustainability shall further guide and inform Swedish participation in this dialogue.
- Emphasize the necessity of ensuring the involvement and participation of stakeholders at the local level as well as users and beneficiaries in the preparation and reviews of the sector programme, in order to enhance the relevance of programme design and service delivery. This shall further be followed up in monitoring and evaluation.

4 The *DAC Principles for Programme Assistance* (“DAC Principles for Effective Aid” 1992 or future DAC documents replacing this), particularly regarding what is termed “sector assistance”, shall further guide Sida’s participation in Sector Wide Approaches.

This revised policy replaces Sida's policy of 1995 for Sector Programme Support. Sidas Guidelines for Sector Programme Support provide instructions and guidance for the concrete application of this Policy.

Stockholm, February 2000

A handwritten signature in black ink, appearing to read 'Bo Göransson', with a stylized, cursive script.

BO GÖRANSSON
DIRECTOR GENERAL

WHY SECTOR PROGRAMME SUPPORT?

IN ITS ANNUAL DIRECTIVES to Sida in 1998 and 1999, the Government instructed Sida to review and develop forms of “programme support, i.e. in particular budget support and sector programme support”. This was followed up in this year’s directives which stated that “Sida shall continue to actively examine possibilities of providing sector programme support and shall aspire to provide this type of support within the framework of a sound budget policy and in sectors which are mainly financed by the governments of the partner countries, including education, health, public administration, agriculture and roads.”

In other words Sida has been given a specific assignment to participate actively in broad sector approaches and to develop forms for these approaches.

Internationally a similar trend can be seen. There are three main reasons for this.

1 Many of the development problems of today are related to overall financing, systems and policies. They cannot be solved by limited project support or by general macro-economic support. Therefore there is a need for budget support which has the aim of reducing the financing gap, for example where health care and education systems are concerned.

2 It is necessary to create a new form of cooperation which is an expression of genuine partnership in development cooperation and in which the partner countries assume political leadership. They are the subjects rather than the objects of external support. The one-sided imposition of conditions by external financiers shall be replaced by a dialogue. Sector-wide approaches in cooperation with others are an expression of this new form of cooperation. The change in approach is described in Sweden's policy for Africa.

3 In many countries project support has reached the end of the road. There are too many projects and they are too fragmented. Each has its own routines and time schedules for planning, follow-up and evaluation. Project administration takes up far too much of the partner countries' time and resources; projects are difficult to direct towards national objectives, and in practice they are subjected to far too great an extent to the controls of the various financiers. The result is a lack of national ownership and control. Quite simply it is necessary to find new forms for cooperation and coordination between local and external parties.

The basic component of the process is that the partner countries themselves determine the political objectives and that those countries which receive support direct the implementation of programmes in a dialogue with the various interested parties, including external financiers. The external financiers relinquish their right to identify and direct individual projects. The restrictions implied in the traditional project form of support is replaced by a continuous dialogue on strategies for the implementation of broad sector objectives.

Two traditions of development cooperation are combined in sector programme support. They are present in

the concept used in the Swedish government's annual directives to Sida, i.e. 'programme support'.

One is support for macro-economic reforms where the former focus on balance of payments support is now shifted towards the expenditure side of the national budget with a focus on poverty alleviation and social sector development. The other is project support where the aspiration internationally and at Sida is to focus support on broad sector objectives within the framework of a country's programme for the development of a particular sector.

In practice this is a gradual process and in certain situations different forms of support to sector programmes can be appropriate.

QUESTIONS AND ANSWERS ON SECTOR PROGRAMME SUPPORT

A NUMBER OF FREQUENTLY ASKED questions on countries' sector programmes and the support provided by external financiers for these programmes are answered briefly below. The answers represent Sida's approach in these matters.

What is Sector Programme Support exactly?

Sector programme support is a process-oriented form of support, based on a country's sector objectives, sector policy and sector strategy which all parties have agreed to support. The support is given to a sector programme which focuses on the development of a sector (or a sub-sector), i.e. a subject area which has a specific institutional and financial framework. The sector programme should cover all contributions, regardless of their form, both external contributions and the financing provided by the partner country for investments and operating costs in the sector. The concept "Sector Wide Approach (SWAp)" is now used internationally for what we, in Sweden, call sector programme support.

The sector programme provides a framework for genuine partnership in which the "ownership" of the

recipient is in focus. External donors are regarded as parties with a legitimate interest, whose influence is mainly exercised in the policy dialogue, and in negotiations on the formulation of the strategy and the allocations of resources. The degree to which ownership can be achieved is dependent to a great extent on how the various parties can coordinate their contributions to the process.

What are the comparative advantages of sector programme support in relation to project support and sector support?

The advantage of sector programmes is that they reduce the administrative burden on the partner country in comparison with fragmented project support. Cooperation in the sector programme is expected to have a long-term perspective and be linked to the country's development objectives for the sector in question, rather than to defined activities. This facilitates a greater degree of ownership compared to project support. The dialogue between the partner in cooperation and the financiers is also facilitated since the donors coordinate their contributions to a much greater extent than in project support. The holistic perspective of sector programme support also facilitates more rational and long-term planning and use of resources. The difference between sector programme support and sector support is, in particular, that the former emphasises the overall holistic perspective, while the latter still has its emphasis on project level, with several interlinked projects within a sector.

What is the relationship between programme support (i.e. general budgetary support, balance of payments support and debt relief) and sector programme support?

Programme support has a different aim to sector pro-

gramme support. The issues which are of central importance in the dialogue on budgetary support are therefore somewhat different to those of sector programme support. They have more of an overall character, for example issues relating to the macro-economic stabilisation policy, the policy to counteract poverty as reflected in the government budget, and the internal mobilisation of resources. In sector programme support the dialogue focuses on the policy and priorities for a given sector. The financiers have the possibility of participating in the formulation of the sector strategy and of exerting an influence on the allocation of resources in the sector.

What are the points of contact between the macro-economic policy of the partner country and the sector programmes?

Structural adjustment programmes mainly focus on macro-economic stability and on transformation of the economic structure. The sector programmes can facilitate an analysis of the economic reforms in relation to requirements for political and social development in a long-term perspective by making certain issues in the government budget visible and bringing them into focus, for example the distribution of incomes and resources, and poverty orientation. On the occasions when the donors conduct a dialogue with the partner country on the government's public expenditure, for example in the Public Expenditure Reviews, the sector programmes comprise important points of departure.

In some partner countries there are also so-called Medium-Term Expenditure Frameworks (MTEFs), processes which link and cover macro-economic analysis and budget allocations to sectors over a medium-term period of time. In the MTEFs there are frequent links to the sector

programmes and these processes should therefore be followed closely.

On account of its long-term perspective, sector programme support can counteract fluctuations in the flow of resources. The sector programmes also require the mobilisation of local resources which, in the long run, will permit sustainability in the programme without the participation of external finance. Financing for the sector in the long term is dependent on the development of the country's economy as a whole and therefore an assessment must be made of the country's economic policy, and the application and results of this policy, in connection with decisions to participate in sector programme support.

The follow-up of macro-economic developments shall also take place regularly during the implementation of the programme. A long-term deterioration in conditions may make it necessary to consider re-negotiating the support.

How are results measured in sector programme support?

Results achieved in the sector programmes should preferably be measured with the aid of sector level indicators which are agreed jointly between the parties and which are related to long-term and strategic objectives. The indicators shall measure both quantitative and qualitative changes.

In addition to monitoring changes at sector level, a follow-up should also be made, if possible, at macro level, for example with the aid of general poverty indicators. The responsibility for the collection of data and analysis of the indicators shall be agreed by the parties. A system for management and follow up, including the division of responsibilities, content and periodicity, must be worked out and agreed by all parties.

What guarantees the participation of interested parties in the sector programme support process?

The interested parties and their roles are defined as part of the process. Thereafter an analysis is made of the degree of political support which is necessary in order to make the programme feasible and sustainable. Mechanisms to make participation possible should be established at an early stage in the process. Local, regional and central consultations with civil society in the country should be planned, particularly if the sector programme support process includes decentralisation of sector activities (which is often the case). The participation of the interested parties is a prerequisite for successful implementation of the programme and therefore it is necessary that the process of gaining full support for sector programmes is institutionalised. This is a core issue. The requirements of individual interested parties (foreign and local) in respect of “good” documents and rapid results can otherwise lead to a situation in which the programme becomes an “experts’ product” without the support of the target group or the country’s development policy.

What action shall be taken to improve the generally weak administrative capacity of recipients in sector programme support?

The institutional framework of the sector programme constitutes the foundation of the sector programme and implementation capacity is a key factor. The general weaknesses which are often to be found in both the institutional framework and in capacity necessitate, in most cases, institutional reform and a capacity development plan. Capacity development is considered a sub-goal in the process itself – rather than a prerequisite for sector programme support. The donors shall be prepared to give coordinated support

to capacity and human resource development in the form of both financial and personnel resources.

To make it easier for the public administration in the partner country, the financiers must also be prepared to harmonise their rules and routines. They shall have the ambition to channel their contributions in the form of budgetary support, and cease to earmark funds and to make demands for special administrative solutions, so-called *bypass* solutions, which most often have the effect that funds are channelled outside the government budget and are thus not accounted for in the budget. The consequence of budgetary support is that it is no longer possible for individual donors to follow up their own funds. Instead they waive this right in order to follow up goal fulfilment collectively, in relation to the sector as a whole.

The financiers must have the ambition to participate in a jointly agreed system which is based on, and integrated in, the partner country's central financial control systems (i.e. in the areas of budget/planning, accounting, payments system, and internal and external audit). In addition it must be possible to use the government's personnel and salary systems.

However, it will often be the case that weaknesses in capacity have the result that various forms of temporary transitional solutions must be used before the stage is reached where pure budgetary support can be provided. The process leading to budgetary support must be organised in a manner which is flexible and specific to the situation, with clear criteria for the transition between different forms of support.

Where the various requirements of the financiers in respect of agreements are concerned, it is intended that these shall also be harmonised. Where Sweden is concer-

ned, Sida's normal requirements in respect of agreements can be replaced by other agreed routines which are judged to be satisfactory and which, in principle, fulfil the same purposes as current Swedish requirements in respect of, for example, reports and audits.

In general, forms for cooperation and collaboration between the parties should be formalised in memos of understanding, agreements or codes of conduct.

Are the risks of abuse and corruption different in sector programme support compared to project support?

There is a great deal which indicates that the risk of corruption is no greater in sector programme support than in project support. The system for financial transactions shall be audited and approved by the parties before it is taken into operation. All parties shall have full insight into the systems for budgeting, procurement, financial transactions and accounts, and reports. The programme shall be accounted for in its entirety and be the subject of regular audits. If the national audit institution in the country is not considered to possess requisite levels of expertise, an independent firm of auditors of international standard should be engaged by the country and the donors jointly. Audits which are undertaken by an external firm of auditors shall always be performed in cooperation with the national audit institution and in the presence of representatives of this institution.

How can we be sure that our international development cooperation objectives are respected/followed?

Sector programme support provides greater opportunities for a dialogue on strategic issues than traditional project support and/or general budgetary support. Combating

poverty constitutes the platform of the dialogue in the sector programmes, as well as of the political overall dialogue between Sweden and the partner country. The basis of the dialogue is DAC's "Shaping the 21st Century". The objectives of Swedish international development cooperation in respect of the environment and gender equality, as well as respect for human rights, are covered in legally binding international conventions. Operational plans of action, based on these conventions, have been drawn up at the UN's major conferences of the 1990s in New York, Rio, Peking, Vienna, Copenhagen and Stockholm. The great majority of our partner countries have acceded to these conventions and participated in drawing up the above-mentioned plans of action. The Convention of the Rights of the Child has extremely widespread support. In the dialogue Sweden can, and should, refer to international commitments undertaken by the recipient country and thereby ensure that the objectives expressed in the conventions are taken into consideration in the sector programmes.

What sectors are suitable for sector programme support, and why?

In the first place the social sectors of education and health are suitable since these are part of the public sector and cover the entire country. Other sectors in which the central government normally has extensive responsibilities and which can be the subject of a process of reform, for example the roads sector or the public administration sector, are also suitable. The agricultural sector has also proved to be suitable. Likewise sector programme support has been used to support international and regional sector organisations and universities. On the other hand cross-sector programmes, for example programmes for a defined geographical

area, or other areas which lack a uniform institutional framework, are rarely suitable for this type of support.

How does sector programme support affect demand for our national consulting services?

All donors must be prepared to forgo their expectations that consultants from their country shall be given precedence in the support provided for the sector programme. The Swedish policy of waiving its rights in this respect is applicable and shall be pursued in the dialogue with other donors. It is naturally possible to agree, and to lay down in the agreement with the partner country, that for example only consultants from the group of donor countries participating in the sector should be invited to take part in so-called *limited competitive bidding* for different assignments, but this should only be done under the condition that real competition exists. If there is an intention to provide support for building up a partner country's resource base of consultants, it is also possible to stipulate in agreements that these shall be invited to participate and be given a certain degree of preference in a tender negotiation. Flexible and varying solutions to the need of technical expertise can lead, for example, to the establishment of consultancy funds, institutional cooperation agreements, participation in international and regional networks and so on. One method which has been tested successfully in various places is joint solutions, i.e. assignments implemented in cooperation between external and internal consultants.

What are the consequences for Sida of more extensive participation in sector programme processes?

Where Sida is concerned, sector programme support will mean changes in working methods. Internal decision-

making processes may need to be reviewed. Requirements in respect of the qualifications and experience of staff will change for all involved, both at Sida in Stockholm and in the field. Greater emphasis will be placed on analytical skills, on negotiation and communication skills, on knowledge of macro-economic issues, and on the understanding of political processes. Requirements in respect of change can also be made of Sida's organisation, since the field, sector experts, desk officers, social analysts, and public administration experts must cooperate with each other during the entire sector programme process. In comparison with traditional project support the embassies will acquire a much more central role, since the continuous dialogue in the field will be of decisive importance.

Sida can also choose to participate passively in a sector programme process. If it is found in a sector strategy that it is suitable to provide Swedish support for a sector programme, and another donor in whom Sweden has confidence is active in the process, Sida can choose to enter into cooperation with this donor. This means that the Swedish role is that of a passive participant, a so-called *silent partner*. Sida's role is purely financial and all assessment, dialogue and follow-up work is performed by the donor with whom Sida has an agreement. In this way it is possible to save considerable administrative resources. Likewise Sida can assume a similar responsibility on behalf of another donor if this is found to be suitable. In other words like-minded donors can save administrative resources for each other in a coordinated system.

WHAT ARE THE CORNERSTONES OF A SECTOR PROGRAMME?

PARTICIPATING TOGETHER WITH other financiers in a sector-wide approach which has the aim of supporting the development of the road network, education system or health system in a partner country can best be described as a gradual process in which the ambition is to provide coordinated long-term support linked to the country's objectives for the sector. Cooperation is of a long-term character and is based on trust. The process is implemented by and through existing organisations and structures in the country. Follow-ups, reports and evaluations are made on the basis of jointly agreed criteria and routines. A continuous and open dialogue is an important part of the process.

In practice it is seldom the case that all these conditions are in place. Donors will impose various restrictions on the use of their support, insist on various routines, draw up various time schedules for their support etc. It is a question of a process which has specific objectives.

The basic principle is that the support provided by all external parties is subordinated to the objectives of the country's policy and strategy for the development of the sector, regardless of the form of support. A process for the implementation of coordinated support has certain

characteristic features and a number of fundamental issues will arise which must be given attention as part of the process.

Two assessments must be made.

1 The first concerns the general political, economic and public administration situation. It assesses the country's general development and development policy, including the macro-economic situation, democratic trends and the efficiency of the public administration.

As a rule, where Sida is concerned, this assessment is made in country strategies and country analyses and refers to the possibility to pursue long-term development cooperation. The focus on sector programme support necessitates a greater degree of stability than short-term contributions, for example to civil society.

2 The second assessment refers to the aspects which are particularly important to analyse in the assessment and decision-making process for sector programme support. These aspects are of decisive importance for the successful implementation of the process and for the achievement of permanent effects. Trends in respect of these aspects should be monitored during all stages of the process.

The parameters which Sida shall focus on are summarised graphically below. The first column covers those aspects which should be the objectives of external financiers, namely a long-term perspective, cooperation in all stages of the process, and harmonisation of rules and routines.

In the second column it is emphasised that cooperation should be seen as a partnership in which the various participants have different roles. The task of the external parties is to contribute funds and to conduct a dialogue on strategic issues.

In the third column it is stressed that the most important factors for success in the country are related to the quality of the sector policies. In order to implement the sector policies and to obtain lasting effects, it is necessary that:

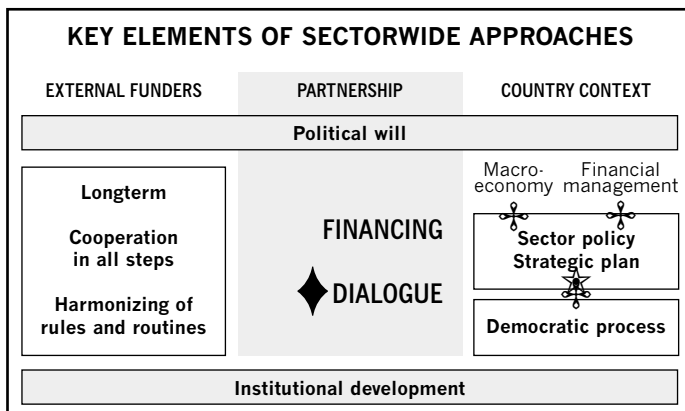
- they are governed by clear political intentions expressed by the decision-makers in the country
- they have the full support of those they affect
- they have been the subject of a democratic consultation process
- it is economically possible to implement the sector strategy
- capacity can be built up as part of the process.

In the initial analysis shortcomings will be found in the various conditions which ideally should be in place.

Sector programme support involves a certain amount of risk-taking and an assumption of a gradual improvement in forms of cooperation and in the country's capacity to implement sector reforms as part of the process.

This process of change and improvement affects all parties involved. It is shown below as a question of institutional development which includes a new code of conduct between the parties, as well as the development of policies and other normative frameworks, organisational improvements and a process of human resource development and learning among all parties involved.

The overall assessment of the above-mentioned aspects determines whether Sida can proceed with the process in the various stages which are specified in *Sida at Work*. The aspects which should be emphasised in the different stages are commented on in the section below "Comment to *Sida at Work*". Some examples are provided below of questions which should be posed in relation to the various aspects shown in the figure.



THE COUNTRY'S SECTOR POLICY AND SECTOR STRATEGY

The country's sector policy and sector strategy are the focus of assessment and follow-up. The assessment of the policy and strategy is performed together with other financiers. They shall be coherent and feasible and shall have the full support of those they affect. As a rule requirements in respect of a detailed activity plan for the first year are also included.

The four action programmes constitute Sida's point of departure for the assessment of sector policies and sector strategies. The action programmes provide further information on those issues which are of strategic importance in each area. The Guidelines for Environmental Impact Assessments should also be taken into consideration.

Questions which should be posed are:

- *Are the poor identified as a target group?*
- *Is the target group broken down into men and women?*
- *Are issues relating to poverty, equality, democracy/ human rights and environmental matters discussed in connection with the development of the sector and the objectives of development?*

- *Are there specific objectives which are based on this analysis?*
- *Does the allocation of resources correspond to these objectives?*
- *Have matters relating to responsibilities and powers been identified?*
- *Are there agreed indicators which can be monitored at sector level?*
- *Is there an agreement on rules for cooperation between the parties, for example for routines for joint follow-ups and evaluations?*
- *Are there any plans for the reform of the sector's institutional structure, including the division of roles between central government, local government, government-owned companies, the private sector and the informal sector?*

Other factors which shall be assessed are specific for each sector and are not taken up here. This usually means that a sector analysis shall be available for decision-making purposes.

MACRO-ECONOMIC REQUIREMENTS

The possibility of implementing a sector programme, and thereby a programme of sector support, is dependent on the macro-economic situation. A stable macro-economic environment creates favourable conditions for long-term planning. An assessment of macro-economic trends is therefore an important component in the follow-up of the sector programme. The macro-economic analysis is complex: three factors are of decisive importance.

The exchange rate policy should result in realistic prices in the economy; the size and financing of the budget deficit shall be compatible with economic stability; and price stability in the form of low rates of inflation shall facilitate long-term economic planning. In practice the assessments of macro-economic trends made by the international finance institutions play an important role, but Sida must make its own assessment and analysis, particularly in situations in which the country is "off-track" according to the

IMF's norms but where an interruption in financing would lead to serious disruptions. An interruption in financing might even exacerbate the problems which integrated support to a sector intends to solve. A so-called *off-track situation* can have many causes which are not directly related to development in the sector.

It is essential that financiers have insight into the budget and confidence in the country's economic policy since sector programme support – in the form of budget support to the entire sector programme – requires that the budget is transparent, that all financing, local and external, is integrated into the government budget, and that the government accounting system functions satisfactorily.

There must be reasonable prospects that the degree of local financing of the programme will increase in the long-term as an indication that the sector has been given priority and that financial self-sufficiency is possible in the long-term. An assessment of the prospects of mobilising local resources is therefore important.

In order to facilitate the analysis, the following questions can be posed:

- *How is the sector programme financed?*
- *What is the breakdown between local and external resources?*
- *How is the sector's development being financed? Centrally, locally, or with the aid of fees?*
- *What financial structures exist which can take over local financing of the sector in the long-term?*

THE GOVERNMENT ACCOUNTING AND PAYMENTS SYSTEMS

If external funds shall also be channelled via existing systems, it is necessary that Sida and all other parties involved have a clear picture of how the government accounting

and payments systems function. Experience shows that the basic data for an assessment of this type are, in general, inferior to the data used in assessments of the macro-economic situation and the budget system.

In other words, parties which have the ambition of giving sector programme support must expect to allocate relatively large resources to this part of the analysis. This is also of decisive importance for confidence in cooperation and reports on results.

In most cases the conclusion will be that supportive contributions need to be made in order to improve the structure of the government accounting and payments systems. The suitability of doing this within the framework of sector programme support or separately as an individual project must be considered from case to case.

Since sector programmes and support for these programmes are of a long-term character, it is important that the accounts can provide the information on the sector needed by the financiers, including the line ministries concerned. At present it is normally the case that systems focus on providing the information needed by the Ministry of Finance.

The criteria used in Sida's analysis and assessment are the international "generally accepted accounting principles".

Sida's analysis should be based on the financial information and information on activities which is actually reported. Regardless of structure it is most important that this is actually done. One indicator is whether annual accounts are presented.

Where the government payments system is concerned, checks should be made to see if the accounts are consolidated, i.e. how the structure of the accounts is linked to the

government payments system. It is also important to check whether there are links between the accounting system and the transfer system, i.e. that transfers in the payments system are registered in accounts in the accounting system.

Where audit is concerned, Sida's point of departure is to build on and reinforce the national system. It is normally the case that the system has deficiencies which must be analysed and assessed. When sector programme support is provided, the direct links between Swedish funds and a specific activity disappear.

From the point of view of controls, this means that the follow-up of the total use of funds in the sector is of central importance. The decisive factor is then the reliability and the standard of the national systems. The next issue is to attempt to link the use of funds to indicators for sector development. In general this is difficult, even in Sweden.

In the short term the control aspect is most important, i.e. that the systems are reliable and that corruption can be counteracted. (The analysis is further developed in appendix 1.)

INSTITUTIONAL AND ORGANISATIONAL ASPECTS

The transition from project support to sector programme support has institutional and organisational consequences for all participants. It focuses on the country's capacity to plan and implement sector programmes, it affects the rules for cooperation and coordination between the parties, and it places somewhat new requirements on the rules and organisation of the external parties.

The institutional and organisational framework in the countries themselves and of the external financiers, as well as cooperation between them, needs to be developed as

part of the process. It is unrealistic to require that they shall be perfect when external financiers decide to participate. Instead Sida's approach should be that the capacity of all parties shall be developed as part of the realisation of co-ordinated and long-term support to a country's strategy for sector development. Giving concrete form to necessary measures is a cornerstone in the assessment of sector programme support.

Capacity in the country

Capacity in the country shall be assessed on the basis of the above-mentioned points of departure. The capacity of the country to implement a sector policy and a sector strategy must be analysed and assessed. Capacity issues do not merely concern the line ministry, they also concern the central ministries responsible for budgets, accounting and audit.

As a rule an assessment of capacity should be made on the basis of three factors.

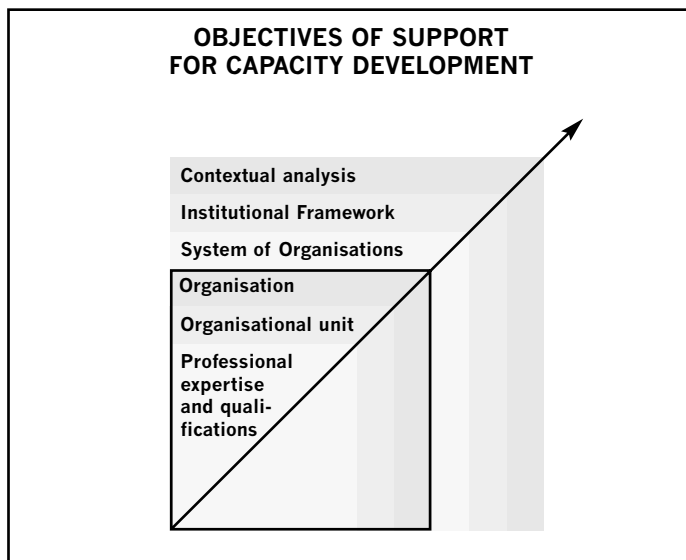
1) The professional expertise and qualifications of the personnel concerned.

2) Organisational aspects such as management issues, structures and routines. (Cf. that stated above on the importance of efficient budgetary, accounting and payments systems.)

3) The institutional framework in the form of laws and policies which affect the sector. This can include discriminatory legislation as well as the focus of official policies.

Sida's plan of action for capacity and institution development provides an analytical framework which assist in this analysis.

As a rule this analysis is also made in project support. The difference in relation to project support is that the



assessment of capacity in the country must include other units and organisations than the line ministry concerned.

The capacity of the Ministry of Finance is also of decisive importance as are the systems for accounting, payments and audit.

In practice Sida must be open to transitional solutions or combinations of solutions to capacity problems in one or more of the systems which are of decisive importance for the final integration of all external support into existing structures.

An assessment of capacity may also need to include public and private sector participants outside the central ministries. It is often possible to use market-oriented reforms to reduce the need for capacity in the public sector (for example through the outsourcing of road maintenance to private companies or through concessions to private companies in respect of power or water supplies).

Framework for cooperation between the parties

Coordinated support for a sector involves cooperation between a large number of parties. Experience has shown that it is important that the rules for cooperation are clear and have been agreed by the parties. Experience also shows that the discussion of these rules should be held as early as possible in the process. Even if it is not possible to reach agreement on all the details at an early stage, the parties should have the ambition to formulate a code of conduct as early as possible. Sida should take appropriate action to ensure that this is done. Examples of how a code of conduct can be formulated are available. Examples are also available of detailed agreements on how sector reviews shall be held, the documentation which shall be produced, who shall represent the external financiers, and how conflicts shall be solved (for example through a memo of understanding).

The dialogue

Hitherto experience has shown that, in practice, sector programme support involves building up cooperation and trust during all stages of the process. The dialogue also offers the external parties the opportunity to put forward the issues to which they have given priority. Cassels describes the importance of the dialogue in the following way:

“The most fundamental change is that some donors will give up the right to select which projects to finance, in exchange for having a voice in the process of developing sectoral strategy and allocating resources.

For these donors, becoming a recognised stakeholder in negotiating how resources are spent replaces project planning and joint reviews of sectoral performance replace evaluation of discrete projects.”

(Cassels, A. 1997, A guide to sector-wide approaches for health development. WHO, p. x).

It is in this context that Sida can and shall pursue the

overriding themes and priorities of the action programmes: the focus on poverty, gender equality, democracy, consideration of the environment and environmental impact. Poverty issues constitute the central framework for all Sida's operations.

In practice it is a question of participating in processes together with other interested parties, inside and outside the country, that have the aim of exerting an influence on strategies in order that overall objectives for the development of the sector can be achieved. The focus should be placed on the strategic issues while the political objectives should be the result of a political process in the country.

This, in turn, gives sector programme support a different political dimension to traditional project planning, since the dialogue focuses on strategic issues instead of details in the project.

The dialogue with external financiers should focus on strategies which shall be achieved in cooperation.

Hitherto Sida has gained experience of conducting a dialogue in connection with the assessment phase. On the other hand Sida lacks experience of a dialogue as part of the implementation of sector programme support.

POLITICAL CONDITIONS

There is a clear political dimension to the possibilities available to a country of implementing sector programme support, and the possibilities available to the external financiers of providing sector programme support. It is therefore important that the political conditions are examined.

Political commitments in the country

The first aspect which should be examined is the political commitment in the country to give priority to the sector

and its development. Linked to this is the capacity to steer the process towards political objectives. All experience gained hitherto shows that political intentions are of decisive importance for the success of sector programmes.

The capacity can be strengthened since sector programme support is a highly integrated component in a country's planning. One important step is that the external contributions are integrated into the budget. This, at least in principle, gives popularly elected assemblies the possibility of exerting an influence on the total allocation of resources to the sector, including external contributions.

Political support for sector policies and sector programmes

It is important that policies and plans have full political support in the country. This is an important part of the assessment. The possibility available to external financiers to assess this is the so-called stakeholder analysis and various forms of participatory methods.

Stimulating consultations with those affected and their participation in decision-making process can also be part of the consultative process. Education policies are often the subject of special consultations with national education commissioners. There are several examples of Sida providing support for these types of consultations.

There is an obvious risk that the external financiers' demands for well-prepared policies and plans result in documents drawn up by experts which lack political support.

Political support for external financiers

The transition from project support to external support has the effect that direct links between Swedish contributions and individual activities disappear. The Swedish sector

programme support is one contribution among several for the development of a sector. This creates new requirements in respect of an understanding of broad sector issues and of the contribution of the Swedish support to the development of the sector. Information activities in Sweden must be adapted to this new situation.

It is also important that the necessary flexibility exists to permit short-term contributions to be made while assessments are being performed and capacity is being built up. Sida should also be prepared to contribute to financing the planning process and to building up capacity. The financing of short-term inputs and support for the planning process has, in certain cases, been of decisive importance for establishing support and confidence in a country's sector policies.

COMMENT TO 'SIDA AT WORK'

THE DIFFERENT STAGES IN Sida's project cycle consists of initial assessment, in-depth assessment, implementation and follow-up. Sector programme support is not taken up as a special form of support in *Sida at Work*.

This section describes how the different stages in the project cycle are affected by sector programme support.

'SIDA AT WORK' SHALL BE FOLLOWED

Sector programme support does not involve any basic changes to the different stages in Sida's internal decision-making process. On the other hand the content of the documentation produced for decision-making purposes is affected.

THE CONCEPTS OF 'PROJECT' AND 'CONTRIBUTION'

In *Sida at Work* (p. 13–14) the concept 'project' is used for activities which "vary considerably in scope and complexity". A project can be anything "from trying out a new method to supporting development in an entire sector or even balance-of-payments support". Sida's financial support for a project is called a 'contribution'.

Here it is stated that Sida should work with two concepts. One is the 'sector programme' which is a country's

policy and strategy for development in a sector. This corresponds to the concept of a 'project' in *Sida at Work*. Furthermore it is stated that Sida's support to a sector programme shall be called 'sector programme support'. This corresponds to the concept of a 'contribution'.

SIDA'S TWO ROLES

Support for a process which focuses on the development of a sector means that Sida's role as a partner in the dialogue is strengthened during all stages of the process. The content of the dialogue is different. It focuses more on strategy than on details in separate activities.

In *Sida at Work* it is stated that Sida has two roles: financier and partner in the dialogue. In its capacity as a financier Sida assesses sector programmes, decides whether or not to provide support, follows up and evaluates. Sida always has this role regardless of any changes in the forms of support.

It is increasingly important to be explicit when Sida "takes a step back to make an assessment" (i.e. prior to reaching a decision on financing) and when Sida participates as a partner in the dialogue in a process which has the aim of building up confidence, developing a sector strategy or solving conflicts which have arisen.

The point of departure of Sida's actions is the Swedish view of partnership in development cooperation. This is taken up exhaustively in the Government's paper on Africa. There it is stated, among other things, that "Partnership should be seen as an approach in cooperation which is based on common values and mutual trust. Jointly and specifically formulated objectives, conditions, commitments, roles and responsibilities are part of partnership."

There is a code of conduct related to partnership which

involves, among other things “a greater element of management by objectives and a focus on the results of development cooperation instead of a multitude of predetermined conditions.” “Highly developed sector and budget support” is an important component in the method (Africa in a process of change. A new Swedish policy for Africa for the 21st century. Government paper 1997/98:122, p. 101.)

APPROACH TO CONDITIONS

The approach to conditions associated with decisions to approve financing is changed in the transition from project support to sector programme support. Decisions to approve individual projects are made on the condition that there are detailed plans at activity level.

In decisions on sector programme support an examination is made of the basic political and economic situation and the aspects which have been described above as cornerstones of the sector approach.

General assessments are normally made in country strategies and country analyses, while specific assessments which concern a certain sector are made in connection with the initial assessment of sector programme support.

In general it can be said that the assessment of sector programme support involves paying a greater amount of attention to factors which lie outside the sector and which are of decisive importance for the long-term success of the sector programme. This is particularly the case for the initial assessment which should be made at an early stage.

Sida's decision to proceed in the various parts of the process is based on an overall assessment of these conditions. However Sida's specific requirements in this respect cannot be expressed in general terms. It is a question of making assessments from case to case.

All decisions to approve financing, for both projects and sector programmes, involve taking a risk. One of Sida's most important tasks is to assess the risk in each individual case on the basis of the criteria laid down in the policy and guidelines for sector programme support. The other is to participate in the dialogue, with a large number of collaborating parties, in which the country's ownership and control of the programme are of prime importance.

As a rule the decision should be based on a concrete plan of action for the development of the sector, at least for the first year. Thereafter these plans will be made more concrete and gradually developed as part of the implementation of the programme of sector support.

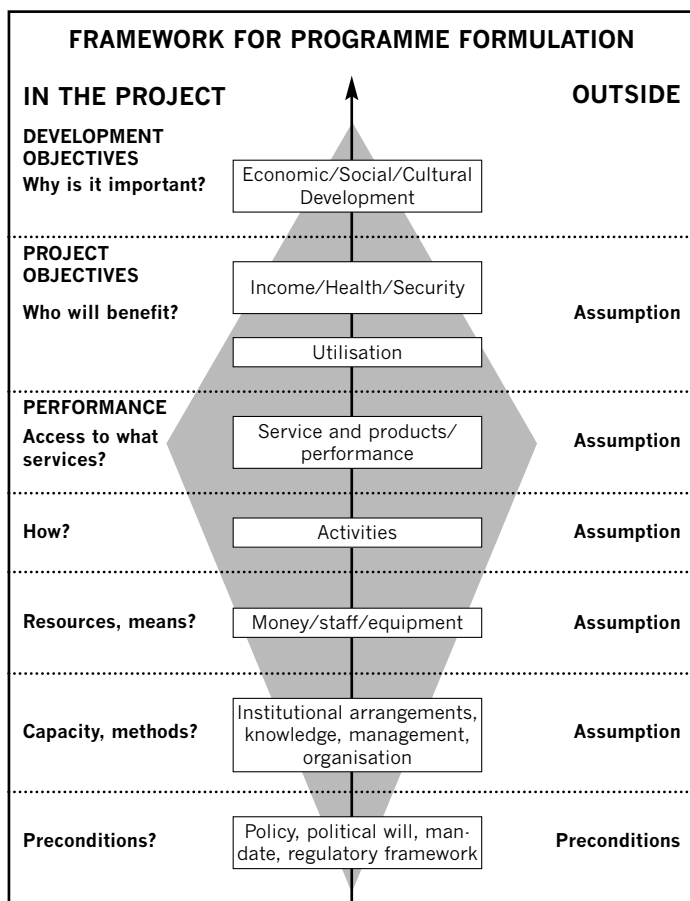
THE ROLE OF LOGICAL FRAMEWORK APPROACH, LFA

Sector programme support means that thinking in respect of processes and plans must be combined in a new way. The development of a sector is affected by external and internal factors. Sida's decision to contribute to sector development basically means a decision to participate in a long-term process which focuses on objectives agreed by the parties. At the same time the parties must be prepared to change strategies and concrete plans when this is made necessary by internal or external circumstances. For this to happen it is necessary that the parties have reached agreement on how they shall cooperate, and how decisions of this type shall be made, as a part of the implementation of the programme.

In concrete terms this means that the planning of concrete activities takes place step by step, usually through the approval by the parties of annual plans as part of the implementation of the sector programme. A detailed and

long-term activity plan cannot be a precondition of a decision to approve support.

In *Sida at Work*, LFA is given a central position as a method of building up a joint approach to problems, objectives and obstacles. It is also an analysis guide which assists decision-makers to ensure that analyses of problems, formulation of objectives and assessments of risks have been made and that they are interrelated in a logical way.



This can be illustrated by the so-called *diamond* which is included in Sida's guidelines for LFA.

LFA analysis is relevant for the assessment of the conditions which shall be in place for a decision to approve sector programme support. But, as opposed to assessment of projects, the focus of LFA is on the relevance of and between the two uppermost levels in the model (where the level "Who will benefit?" refers to the sector objectives). It is of decisive importance that there are links to the lowest level – whether there are conditions in place (policy, political will, mandate and regulatory framework) which support sustainable development in the sector.

The part of the diamond which refers to concrete activities and resources is more relevant during the implementation phase.

All in all this means that LFA should be used flexibly since different parts are relevant during different stages of the process.

THE ASSESSMENT PHASE

Sida's assessment of the possibilities of providing sector programme support is made in three steps.

1 Country strategies and country plans include an examination of the general conditions which are related to the partner country's general development policy and the extent to which it corresponds with Swedish objectives and aspirations. In this connection an assessment is normally also made of macro-economic trends.

2 During the initial assessment process a risk assessment is made on the basis of the dimensions given above: macro-economy, financial management and control, ownership in the country and the prospects of providing a coordinated long-term contribution together with other

external parties. It is also important that Sida examines whether the sector objectives and strategy are relevant in the initial assessment phase. As a rule there should also be a cooperation agreement between the parties in the form, for example, of a code of conduct or a declaration of intent.

The project committee can enter the picture at this stage if the division at Sida concerned needs assistance with risk assessment.

3 During the in-depth assessment process there is a focus on the sector-specific issues and on an analysis of the implementation capacity of the partner in cooperation. This analysis must be made at both system and human resource levels. The generally existing weaknesses in both institutional teamwork and in human resources most often require institutional reform and plans for capacity development. The desired capacity will constitute a sub-goal in the sector programme.

Even if untied budget support for the sector programme is aimed at, existing weaknesses can, however, often have the effect that it is deemed unsuitable to provide support of this type directly from the very start. Sida can choose to give support to the sector programme through different forms of transitional solutions, with the aim of providing budget support as soon as conditions permit. These various forms must be adapted to the specific situation.

If project support has been provided earlier, the question can arise of continuing project support in accordance with normal project appraisal, together with measures to strengthen systems and human resources. The question can also arise of co-financing of parts of the programme together with other donors without internal earmarking, i.e. so-called pooling.

How the support is formulated in concrete terms depends to a great degree on the solutions which can best support the process itself and on the financing picture in its entirety.

The agreement should be constructed in such a way that scope is provided for flexibility in allocations but should have clear criteria for the transition from one form of support to another. Examples of these types of agreements are available.

Joint procedures should be agreed between donors and the partner country for implementation and follow-up. These procedures should include what should be measured, reported and evaluated and how this shall be done.

When the question of budget support arises, Sida shall have the ambition of participating, together with other donors, in a jointly agreed system which is based on, and integrated in, the partner country's own governmental financial control systems. If this is achieved the funds will also be the subject of the democratic decision-making process in the partner country's parliament, and thus have an effect which strengthens democracy.

RISKS AND RISK MANAGEMENT

Making a risk assessment is one of Sida's most important tasks prior to reaching a decision on sector programme support.

The logical stages in a risk analysis are given in the LFA guidelines (see appendix 2). In brief the analysis consists of the following assessments:

- If it is a case of an existing problem, an assessment is made of whether it is of importance for the goal fulfilment of the programme. Or
- if it is a question of a risk which could occur in the future,

an assessment is made of the probability of the risk actually occurring. Thereafter

- an assessment is made of whether the problem/risk can be overcome by inputs outside the programme. If not
- an assessment is made of whether risk management can be built into the process. If not
- a decision is made in respect of active monitoring in which there is possibly a so-called *killing factor*, or the problem/risk is deemed to be of the type that a decision is made to refrain from providing support.

The difference between a sector programme and a traditional project is chiefly that many of the coordination and control problems, which were previously made the responsibility of the party concerned in the partner country, are now common problems for all involved.

The parties involved in the process must learn to deal with the problems which can arise and which are concerned with:

- the country's economy is unstable and/or conditions at the external financiers are changed through cut-backs or disbursement ceilings. These types of changes can affect all parties and thereby the process.
- policies and strategies at sector level often have goals which are difficult to combine. This is quite natural but can be reinforced by obscurities in the country's policies and ambitions or by inadequate capacity for long-term planning. Reality in many countries is managing to pay next month's staff salaries or solving other immediate problems
- disagreement may arise among the participants during the course of the process. The method is based on unanimity on the objectives being reached by the parties involved in the process as well as agreement that

problems can be solved. However, experience shows that problems often lie in practical administration rather than in policies and strategies. Therefore the code of conduct, clarity, and openness in the new form of partnership are so important. It is not possible to foresee or prevent all the conflicts which may arise.

- there are shortcomings in the democratic process which have the effect that full support is not obtained and there is thus a lack of ownership.

DECISIONS AND DOCUMENTATION

The headings in the assessment memorandum remain unchanged.

Relevance is mainly a question of the sector's objectives and strategies in relation to the country's economic and social development as well as their relevance to Sida's action programmes and sector policies.

The feasibility analysis is an assessment of external and internal factors in the sector and of the capacity of the project owner and of the financiers.

The issue of sustainability is partly a question of long-term financing and partly of political support for the sector policies and sector programmes.

IMPLEMENTATION

Sida's experience of the implementation of sector programme support is limited. The difference between sector programme and support and project support is that reviews and follow-ups should, as a rule, be made jointly by the external financiers and be based on a joint report.

One basic procedure should also be that the country presents an annual report and a plan for the implementation of its sector programmes.

In this phase the main responsibility of the external parties is to conduct a dialogue which should focus on relating the country's plans for implementation to the long-term objectives and strategy for the development of the sector. It should not fall back on examinations of technical details of the sector programme.

The issue of strengthening capacity will be in focus during the entire process. The point of departure for Sida's actions in this respect is Sida's action programme for capacity and institution development.

One consequence of working with a sector approach is that the central ministries acquire a broader role. This is the case, as stated above, with the ministries and agencies responsible for budgets, accounting and auditing.

FOLLOW-UP AND EVALUATION

The point of departure for follow-ups and evaluations is that they are based on jointly agreed indicators for the sector's development. It is also important that there is scope for in-depth studies of certain issues, for example on whether education and health care reach poor groups, when the need arises.

This, it turn, can give a new role and assignments for local research capacity. Broad thematic studies or evaluations are different from the type of follow-ups and evaluations for each individual project made by each financier with the aid of external consultants.

The regular follow-up of individual projects is replaced as a rule by joint follow-ups of the country's annual sector plans.

In line with the action plan for capacity and institution development, Sida should pursue a policy of utilising local research capacity to a greater extent than it has done hitherto.

CHANGES AT SIDA

SECTOR PROGRAMME SUPPORT also requires adjustment and development of the external financiers' systems and methods. This also applies partly to Sida's expertise, organisation and decision-making processes. Cooperation over sector boundaries is necessary, particularly between sector divisions and the divisions which are responsible for macro-economic analysis and for the assessment and development of budgets, accounting and audit systems.

It is also necessary that Sida has resource groups associated to reinforce and to conduct a dialogue with the embassies concerned. The role of the embassies is of central importance. It is there that the daily contacts take place and the dialogue is conducted. The sector approach necessitates a new form of cooperation between the field and head office. There must be flexibility to strengthen the field, not necessarily prior to decisions in Sida's project cycle, but when the broader process of cooperation makes it necessary.

Participating in a negotiating process with many participants generates somewhat new requirements in respect of expertise compared with the assessment of individual projects. It is important to develop negotiating skills and to create agreement and trust in strategic issues and in cooperation between the parties.

In cases of passive participation (i.e. when Sida chooses

to be a “silent partner” and merely wishes to contribute financial support to a sector programme), the situation is different. In such cases an initial or ongoing process has been identified in the country strategy which is considered desirable to support with Swedish resources. If there is a like-minded donor that is willing to shoulder the responsibility, an agreement can be concluded for cooperation in which Sida relies on the other party’s assessment, dialogue and follow-up of the programme and merely makes financial contributions to the programme. In this way Sida saves administrative resources. Similarly Sida shall be prepared to shoulder the responsibility for another like-minded donor that wishes to rely on Sida’s assessment, dialogue and follow-up capacity. Well-developed and coordinated donor cooperation in a sector programme context can lead to savings for several donor countries and will also certainly save resources for the partner country.

APPENDIX 1: EXTRACT FROM 'SECTOR PROGRAMME SUPPORT AND MACROECONOMIC DEVELOPMENT'

This appendix is an extract from the report *Sector Programme Support and Macroeconomic Development , The need of an effective public administration and efficient financial management and control systems – basic material for guidelines*, SAAC AB, Ulrika Brobäck and Stefan Sjölander, 1999, p. 54–58.

CRITERIA FOR THE INITIATION OF SECTOR PROGRAMME SUPPORT

On/off track situation:

In general implementation of a sector programme is not possible if the partner country is in an off-track situation since this, as a rule, causes macro-economic imbalance. But if it is possible to make the assessment that the underlying cause of the off-track situation does not have a serious direct effect on the financing (see macro-economic framework) of the sector programme, this should not constitute an obstacle to starting a programme of sector support.

Macro-economic framework

Analyses of the exchange rate, inflation and budget deficit (budget composition) should indicate fundamental stability. Trends in these variables provide a indication of the macro-economic situation and affect the financing of the sector programme.

Budget process

Guarantees that the programme can be financed in the

long-term. The government should have an overall budget framework, extending over several years, which includes a financing strategy for the development of the sector programme. The financing strategy must be based on macro-economic reality.

Local mobilisation of resources

The capacity of the partner country to mobilise resources must be assessed. The analyses should include information on revenue-generating measures expressed in the PFP, exchange rate policy, growth in credits to the private sector and the financing of the budget deficit. Economic growth is a crucial variable which should be taken up separately when assessing and agreeing the local share of financing.

Budget priorities

The assessment of the government's budget allocations should indicate that the sector in question is being given priority. The budget allocations should also show a "sound" pattern of priorities in which no controversial sectors, for example the military sector, consume large parts of the resources. The analysis of the capacity to mobilise resources includes an examination of potential government assets which are available and can be allocated to different sectors and which should form the foundation of the government's share of the financing of the sector programme.

Transparency and accountability:

The minimum level of transparency and accountability: sufficient for Sida and other donors to be able to check that the resources are recorded as a receipt in the government payments system and are made available for the financing

of the sector programme. If these criteria are not fulfilled an interim solution can be implemented in parallel with the building up of local technical capacity within the framework of the sector programme.

MONITORING OF ONGOING SECTOR PROGRAMMES

Macro-economic monitoring

- Growth trends.
- Exchange rate trends.
- Inflation trends.
- Budget deficit and financing.

Finance and budget monitoring

- Is the actual mobilisation of local resources taking place in line with agreed sector programme frameworks? If not, why not?
- Make an examination of trends in the patterns of government expenditure. Is the distribution of budget allocations in accordance with the sector programme agreement? If not, why not?
- Are the government's budget priorities acceptable?

Sector monitoring

- Study the trends in sector-specific indicators: Are the trends positive? If not, why not?
- How can the sector's costs be broken down into wages, running costs and investment expenditure? Does the breakdown meet the functional needs of the sector? Have the sector programme's policy objectives been achieved? Has the expenditure had a satisfactory effect on growth and poverty? If not, why not?

- Compare the relationship between results and contributions. How are assessments made of efficiency in the activities of the sector? How can it be improved? How are assessments made of the degree of local ownership?

Institutional capacity building:

- Assess the functional result of the institutions.
- Is technological development taking place as planned?
- Is the development of local know-how in the right proportion to technological development?

MEASURES DURING ONGOING PROGRAMMES OF SECTOR SUPPORT

General

Avoid "stop-and-go" financing of sector programme support since this results in more damage than good for the progress of the programme. In decisions on measures to be taken when obligations are not fulfilled, financial support should normally be reduced rather than withdrawn in its entirety. It is important that the donors involved have a flexible attitude towards the sector programme's planning, objectives and the amount of donor resources.

Off-track. Sida's position in relation to the IMF and the World Bank:

In an off-track situation Sida should not automatically discontinue a programme of sector support. An assessment should be made in which the underlying character of the off-track situation is weighed against development of the sector, and this should constitute the basis of a decision on the size of further contributions. When a country starts to go off-track, a sector programme should, if possible, func-

tion as a form of support and attempt to prevent the country's economy from going completely off-track. This assumes that the monitoring of the sector programme shows positive results. In cases in which macro-economic imbalances do not allow donor resources to be channelled through the government system, it can be advantageous, and also necessary, for donors to coordinate their actions and provide support during a transitional period in the form of project support within the framework of the sector programme.

On-track; Sida's position in respect of development in the sector and the actions of the government

Sector development: If the monitoring of sector development indicates that stipulated objectives have not been achieved, it can be necessary for donors and the government jointly to make modifications to the programme in the form of extending time schedules, and adjusting objectives and financing requirements. This assumes that there is local ownership of the programme. The building up of institutional capacity should be regularly assessed in parallel with development in the sector.

The government's actions: If the government does not fulfil its commitments in the sector programme, various forms of actions should be considered. If it is considered that development in the sector is moving in the right direction but the government is not fulfilling its financial undertakings due to a temporary deterioration in economic growth which has a direct negative effect on local financing, Sida and the other donors should continue providing support as planned. In certain cases an increase in donor financing may be necessary. If, on the other hand, economic trends

are positive, for example there is an increase in economic growth, we consider it natural that the government should contribute further resources to the sector.

If the *finance and budget monitoring* indicates that the government's proportion of financing is too small due to the fact that the government does not make an effort to introduce necessary revenue-generating measures or that budget allocations are not compatible with sector programme agreements, donors should gradually decrease their financial support by an amount which corresponds to the amount that they consider the government has failed to provide under the agreement.

If, in their *monitoring of sector contributions and sector results*, or in some other way, donors can identify the existence of corruption in the sector, the donors should also reduce their financial support or alternatively re-allocate the support to institution building. If embezzlement takes place in a ministry outside the sector programme, the donors' disbursements should take place as planned if their monitoring indicates that the sector programme is achieving satisfactory results. In situations where corruption exists at a central level and has an effect on the total resources of the government and consequently of the sector programme, donors should take action and reduce their support.

COMMENTS FROM SIDA'S PROJECT GROUP

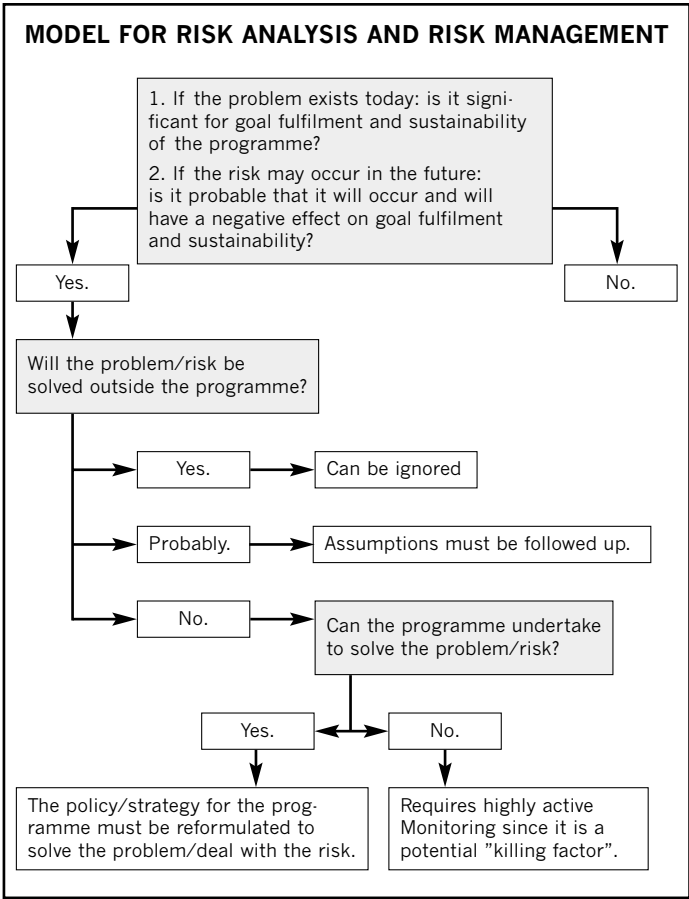
Brobäck/Sjölander's review of the above issues does not take a standpoint in respect of the need of comprehensive reforms and the possibility of implementing such reforms. This was not part of their terms of reference.

However, where Sida is concerned, it is a question of assessing whether the division of roles and responsibilities

between different participants in the sector meets basic requirements in respect of economic efficiency. Does central government/local government exercise satisfactory powers as owners of the activities which are implemented in the public sector. Is there a need for regulation of activities which are exposed to competition and, if so, is regulation of this type exercised in a reasonable way?

APPENDIX 2: RISK ANALYSIS

What are the problems or the risks? When making assessments and participating in the dialogue it is important to pose questions on external factors which must interact with the sector programme for the fulfilment of goals and the achievement of sustainability. The model provides guidance for the assessment of these types of factors.



APPENDIX 3: RECOMMENDED READING

Cassels A. (1997) *A guide to sector-wide approaches for health development concepts, issues and working arrangements*. World Health Organisation (WHO).

Foster M, et al. (2000) *The Status of Sector-Wide Approaches: a Framework Paper for the Meeting of the Like-Minded Donor Working Group on Sector-Wide Approaches*, Dublin February 8–10 2000. ODI, London, UK.

Gould J, Takala T, and Nokkola M. (1998) *How Sectoral Programs Work: An analysis of education and agriculture sector programs in Zambia, Ethiopia, Mozambique and Nepal, Policy Papers*, Institute of Development Studies, University of Helsinki.

Lister, S. (1998) *Implementing Sector Development Programmes in Ethiopia*. Mokoro Ltd, UK.

Martin J, Oksanen R. and Takala T. (1999) *Preparation of the Education Sector Development Programme in Ethiopia*. Cambridge Ed Consultants, UK and FTP International, Finland

NORAD, (1999) *Report from Seminar on Sector-Wide Approaches*. NORAD, Norway.

Norton A. & Bird B. (1998) *Social Development Issues in Sector-Wide Approaches*. DFID, UK.

Rylander L. & Schmidt M. (1999) *SWAPs Management, Experiences and Emerging Practices*. Sida/DESO, Sweden.

Seel A. (1999) *Can Sector-Wide Approaches in Education Reach the Poor?: Early lessons from Uganda*. Oxford Int Conference on Education and Development, UK.

Sector-Wide Approaches to Education, A Strategic Analysis. (1999). Ratcliffe Macrae Associates, UK.

Sjölander S. & Brobäck U. (1999) *Sector Programme Support and Macroeconomic Development, The need of an effective public administration and efficient financial management and control systems – basic material for guidelines*, SAAC AB/Sida's Policy Secretariat.

Stridsman M. (1998) *Report from the seminar on practical planning and implications of sector-wide approaches for education and health development, March 23–25, 1998, at Lejondal, Stockholm, Sweden*. Sida/DESO, Sweden.

This policy, February 2000,
for Sector Programme Support
replaces Sida's earlier policy
of 1995. The provisional
guidelines provide instructions
and guidance for the concrete
application of this Policy.
The guidelines will be tested
during the year and there-
after revised.



SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
SE-105 25 Stockholm, Sweden. Office Sveavägen 20, Stockholm.
Telephone +46 8 698 50 00 Fax +46 8 698 56 15
Website www.sida.se