Experiences from Sector Programme Support

English version

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Foreword

This study has been carried out at the request of the Methods Development Unit of Sida by Mr. Martin Schmidt, SPM Consultants. It describes and analyses generic experiences of Sector Wide Approaches, SWAPs as reflected in the literature. It is the first of its kind carried out by Sida. The terminology used internationally varies. Although the Sector Wide Approach, SWAP, is a widely used acronym, Sida and the report uses the term Sector Programme Support, SPS.

The report is the first in a series of working papers reflecting the different facets of "programme support." It is meant as an input into the work of Sida's task team on "programme support", which was established in 2001. Its task is to support the operating departments of Sida in their participation in different forms of programme support processes.

For this series of working papers we will use the term "programme support" to mark that the principles of SWAPs are underlying also other forms of support such as debt relief, general budget support and core funding of organizations. These characteristics include strong leadership on the part of the cooperating country or organization, strive towards basket funding, coordination in all steps and harmonization of procedures; all within a framework of one single strategy.

We hope that the report will be of interest to other cooperating partners who are concerned about the issues identified in the report.

Stockholm, January 2002

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Executive Summary

During the early 1990s development co-operation known as Sector Support evolved. This development particularly aimed at improving co-ordination between donors on the one hand, and improving sector strategy dialogue with governments on the other. In terms of financing, donors also strived towards providing joint basket funding of the sector strategy. This new approach to sector support has become known as the Sector Wide Approach (SWAp).

The present report summarises experiences from sector programmes of the 1990s and their results as they are recorded in the literature. Emphasis rests heavily on recent experiences and reports. Not only because they represent a more homogenous view of the concepts at hand, which are briefly described, but foremost because it is only recently that results generated by this form of development assistance can be identified and recorded. The report reviews three main aspects of Sector Programme Support (SPS): impact in the recipient environment, the co-operative process, and donor organisation and capacity.

Recipient environment: Overall, the view of most commentators is that the recipients stand to gain and have gained from participating in sector programmes. A number of reports conclude that on the aggregate, outcome is in line with expectation.

Particularly, the evidence from ongoing sector programmes suggest a) increased aid efficiency, b) strongly increased recipient ownership, c) improved sector-overview, policy development and resource allocation in targeted sectors, and d) initially increasing but subsequently decreasing domestic transaction costs from aid management.

The co-ordinated approach introduced by the SWAp is believed to have contributed substantially to these findings. A drive away from project assistance towards programme support has lessened donor fragmentation and strengthened domestic administrations in their ability to create and pursue consistent policy. On a theoretical level, it has also been concluded that the SWAp greatly facilitates the *sharing of information*, and thus strengthens the platform for finding common policy positions and making informed choices regarding strategy and allocation priorities.

It should be noted, however, that aggregate evidences are comparative in nature. They compare the situation before SPS with what has evolved since its initiation. Hence, they do not necessarily imply a satisfactory condition, nor do they tell us that expectation correlates with outcome on the micro level, where deviations from what was expected are much more frequently reported.

Evidence also suggests that with regard to poverty alleviation, the poverty *orientation* of sector programmes has improved as they are increasingly being linked to the PRSP (Poverty Reduction Strategy Paper) processes. Relatively little is known about the impact of sector programmes on poverty reduction. What few results have been identified are mixed.

The co-operative process: An overriding conclusion drawn regarding the SWAp is that once sector programme support is initiated or conceptualised, the whole notion of development aid is transformed. From having been the concern of two-way relations with governments or civil society, development aid has become the concern of inter-agency co-operation. The literature often concludes that this feature has wide ranging consequences for the way in which development aid is carried out.

This study discusses experiences from the co-operative process on three overriding levels: In leadership, sector strategy development, and co-ordination and process development.

In leadership, evidence tends to show the benefits of a lead donor, at least initially, and emphasises the necessary requirement of a positive, non-exclusive, government leadership of the process.

In strategy development, reports detect two prominent tendencies. First, the process of strategy development has often proved to be dynamic and successful in creating sector overview and defining the roles and responsibilities of the respective participating partners. Secondly, there is a clear tendency to overburden the sector strategy (in terms of scope and financial requirements) and at the same time pay too little attention to the need for institutional and capacity related analysis.

Lastly, it has been noted that failure to co-operate successfully often explains delayed, stalled or failed sector programmes. Reports point to an inherent resistance among donor organisations to harmonise, while at the same time often succeeding in developing and pursuing the process. In this context, it is a suspicion that a relative inability to co-ordinate interaction between the donors is one reason why transaction costs on the donor side are yet to show signs of decrease.

Donor organisation and capacity: A general finding is that donor workload and transaction costs increase at the onset of sector programmes, and has generally remained at a higher level. This seems due to two major factors. First, because of the additional need for sector level analysis and inter-agency negotiation and dialogue. Secondly, because the new co-operative environment demands attention and reformed working methods at the same time as everyday business goes on as usual. When co-operation deepens even further, it is nevertheless reasonable to expect reduced workload through division of responsibilities and phasing out of project assistance.

Regarding organisational readiness and the skills needed to pursue a sector programme, it has been widely noted that the multilateral banks have the upper hand over bilateral donors and NGOs. Numerous reports also indicate that the field offices are those most burdened in the new working environment. It has not been recorded that bilateral donors have responded to this pressure by increased field presence to any significant degree.

A general conclusion is that little has yet been done to re-organise donor organisations in light of the new working environment. The need for such reorganisation is sometimes proclaimed but largely unexplored.

Background

Sida's *project group on programme support* has responsibility for developing Sida's working methods in all forms of programme assistance. In connection with this task a report has been commissioned to summarise key findings from the literature on the Sector Wide Approach (SWAp). More specifically, the report records experiences from working with the SWAp in Sector Programme Support (SPS), and is based on a review of some 50 relevant publications. For reason of delimitation, the study rests heavily on a selection of more recent studies. A full list of references is attached.

The report takes a non-sectoral approach focusing on the SWAp concept. The intention is to treat sector programme support as a form of development co-operation irrespective of cultural patterns, social sectors or financial and economic conditions.

The report focuses on three main aspects: a) experiences of impact in the recipient environment; b) experiences of the co-operative process and its mechanisms; c) consequences for the donors in terms of organisation and capacity needs. Given that this is a review of recorded experience, the emphasis put on each aspect reflects that of the literature at hand. In consequence, the reader will find aspect a) most elaborated, and aspect c) least elaborated.

Overall conclusions

The study draws three overall conclusions. It does so recognising that sector programme support processes are heavily context bound, distinguished by inter-agency interaction and dialogue, and thus different from other forms of development assistance (e.g. *project assistance*) which provide a comparative benchmark in this study.

1. The SWAp in SPS development has little to do with subject matter. It is rather a form of co-operation at the inter-agency level whose characteristics are essentially independent of the social sectors they concern.

This conclusion is possibly open to some debate. Much of the literature on SPS arises from subject matter debates; primarily within health and education. There is a clear tendency in this literature to view the SWAp as determined by specific sector characteristics. Irrespective or whether or not this is the case at the detailed level, there is little or nothing to imply that it has importance at the level of inter-agency co-operation.

2. Imperfections in the collaborative processes, mainly a lack of information regarding *intent* and *capacity*, are the factors that seem most influential in cases where processes have failed, stalled, or produced negative results.

3. On the other hand, the co-operative approach and the aim to place the recipient government in the "driver's seat", are two factors which most persistently account for the positive experiences that the report can point to.

The two latter conclusions make tacit reference to the issues of trust and transparency in co-operation. On these matters they are not overly controversial. It is reasonable to imagine that the greater level of transparency so the more likely is the possibility that co-operation works and vice versa. It is important to recognise however, that evidence confirms a tendency to correct failing co-operative processes by imposing conditions, or over-regulating collaboration by "codes of conduct", rather than contributing to quality information sharing (primarily through joint analysis and dissemination).[1]

It is worth pointing out that the backing provided in the literature for these conclusions is not unambiguous. Also, whereas the early literature (approximately 1992–1997) was mostly concerned with the theory of sector programme support, it is only recently that it starts to record actual results. As these results have appeared gradually, the literature also displays increasing optimism about the prospects of sector programme support.

Introduction

A reasonable point of departure for an inventory of recorded experiences, concerns the theoretical arguments for sector programme support. If these are made clear, they may serve as points of reference between these experiences and the expected results.

It is interesting to note that the literature on sector programme support mainly refers to the drawbacks of alternatives to this kind of development aid – project assistance or structural adjustment programmes – as a starting point for their line of reasoning. This is interesting because it implies that sector wide programmes[2] have evolved as a consequence of other forms of development aid not generating the expected results.

This review cannot entirely ignore this legacy. It shall, nevertheless, begin with an attempt to summarise the arguments in favour of sector programme support without reference to the problems one avoids but rather to what possibilities one creates through this form of development co-operation.

The major arguments are that sector programmes:

- Create conditions for sector overview, policy development and adequate prioritisation with scarce resources by supporting *one coherent sector strategy*.

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[1] Numerous reports testify to this need. It should be noted also that these implications exclude neither conditions nor codes of conduct if discussed in a context of trust and transparency. Cf. primarily The World Bank/Africa Region Human Development Series; *Education and Health in Sub-Saharan Africa; A Review of Sector-Wide Approaches*, p. 39, Washington 2001.

[2] The terms *sector programme support* and *sector wide programmes* are used interchangeably for the same concept throughout the report.

- Create conditions for a sustainable development that in the end can be borne entirely by the beneficiary by *promoting recipient initiative, ownership, and ability to assume overall leadership*.

- Co-ordinate the donors and concentrate resource flows through a coherent plan for sector development and thereby contribute to increasing *aid effectiveness*.

These claims rest on a number of assumptions. Probably the most fundamental (which is also an experience from early sector programmes) is that when donors and partner governments co-operate (at the inter-agency level) within the confines of a sector programme, it greatly facilitates the *sharing of information*. This strengthens the platform for finding common policy-positions and making informed choices about the content and direction of the sector strategy. And, in theory, it lessens transaction costs by making many individual donor efforts (assessments and monitoring) redundant in favour of a concerted effort.[3]

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[3] Gould, Takala and Nokkala; *How Sectoral Programs Work*, p. 11–12. Policy paper 1/1998, Institute of Development Studies, University of Helsinki 1998.

1. Recipient Environment

What effects for the partners – and the partner countries – are to be expected from participating in a sector wide programme? By posing this question one can return to the issue of what problems are avoided and with what situations comparisons can made.

The main object of comparison in terms of aid development strategy is *project assistance*. Project assistance at the sector level – no matter how effective in the individual project – has a propensity to fragmentize aid flows and increase the recipient's, and possibly also the donor's, transaction costs of aid management.[4] With project assistance, it becomes difficult to maintain a sector overview; a lack of information adds to the likelihood of omissions or overlapping (even contradictory) activities at the same time as the domestic administration is divided and weakened. Forrester and McLoughlin have summarised the problems project assistance tends to generate for the recipient[5]:

a) There is no clear framework or focus within a particular sector to prioritise activities and to allocate resources;

b) The availability of short term foreign support can distort domestic policies and spending priorities;

c) A range of fragmented, independent and possibly competing projects tend to dissipate government capacity while diluting the impact of scarce resources;

d) Without a clear analysis of sectoral priorities and available resources duplications and omissions, in the form of funding and coverage gaps, are likely;

e) Separate and often parallel systems to account for and manage different agency projects require additional staff time and make comparative analysis and coordination difficult;

f) Inconsistent arrangements for accounting, reporting and auditing demand further staff time and a level of foreign technical support.

In reviewing experiences of impact in the partner environment, a basic aim would be to determine to what extent these problems have been alleviated. However, the experiences are not limited to this set of "problems", but have wider connotations, primarily with regard to the environment in which the process operates as well as social, political and macroeconomic factors. In the following, the intention is to highlight some main points mentioned in the literature.

First, experiences from ongoing SPS processes present quite a strong correlation between expectation and outcome. This is more so at the aggregate level than at the detailed micro level, where deviations (in practice) from what was expected is greater.

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[4] Gould, Takala and Nokkala; *How Sectoral Programs Work*, p. 11. Policy paper 1/1998, Institute of Development Studies, University of Helsinki 1998. Whether or not donor transaction costs increase is a matter of debate. Confer section 3.

[5] Forrester and McLoughlin; *Sector Wide Approaches and Financial Accountability*, p. 2, Dublin 1998.

In line with theoretical expectations, the evidence from ongoing sector programmes suggest: a) increased aid efficiency; b) strongly increased recipient ownership; c) an improved sector-overview, policy development and resource allocation in targeted sectors; d) initially increasing but subsequently decreasing transaction costs from aid management.

These evidences are comparative in nature, allowing comparison of the ex ante SPS situation with that which has evolved ex post its implementation. Hence, the experiences do not necessarily imply a satisfactory condition. Moreover, at each level (a–d) the contextual variety and relative short duration of ongoing sector programme support implies caution.

1.1　Sector overview, policy dialogue, and resource allocation

At one level the collected reporting on sector wide programmes is quite unanimous; sector overview, qualitative policy development and more appropriate resource allocation has improved substantially since the initiation of a sector wide dialogue.[6] A number of indicators such as audit effectiveness, dialogue transparency, allocation efficiency and budget coherence (particularly between recurrent and capital budgets) are easily monitored, and show that on the whole it is safe to attribute improvements to the sector wide process.

More specifically, the processes have almost without exception stimulated better links between policy, resource allocation and performance monitoring and auditing. This situation is also unique in the recipient environment.[7] One can furthermore conclude:

- An increased audit ability that has improved the quality of the policy dialogue within government's as well as between government's and donors.[8]

- That sector programme support has contributed to mitigating structural imbalances between capital and recurrent budgets and at times created a unique level of budget balance.[9]

Underpinning these positive accounts often lies a rather complicated process of development. The way forward has been characterised by arduous negotiations and situations not always favourable to recipients in the short term. One area of dialogue which has been the subject of particular attention is budget planning. As an example, a group of economists in September 1998 noted that the planned resource allocation in three sector programmes in Ethiopia (health, education, and roads) exceeded by far the

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[6] Confer among others The World Bank/Africa Region Human Development Series; *Education and Health in Sub-Saharan Africa; A Review of Sector-Wide Approaches*, p. 38, Washington 2001, Peters and Chao; *The Sector Wide Approach in Health*, International Journal of Health Planning and Management 13, p. 188, 1998, and the Department for International Development: *Emerging Lessons from Sector Wide Approaches in Africa*. Report from a meeting of Africa directorate economists, 30 September 1998.

[7] Peters and Chao; *The Sector Wide Approach in Health*, International Journal of Health Planning and Management 13, p. 184, 1998.

[8] The World Bank/Africa Region Human Development Series; *Education and Health in Sub-Saharan Africa; A Review of Sector-Wide Approaches*, p. 66–67 (*Ghana Health Case*), Washington 2001.

[9] The World Bank/Africa Region Human Development Series; *Education and Health in Sub-Saharan Africa; A Review of Sector-Wide Approaches*, p. 38, Washington 2001.

total resources available to *all* sectors of Ethiopian society.[10] In what way this affected Ethiopia is unclear. It does seem clear, however, that in the initial stages of a sector wide dialogue, sector overview is a relative term. The principal and recurrent problem seems to be flaws in the co-operative process. The extent to which this is the case, however, is beyond this review (although refer to sections 2 and 3 for further comments). The development towards better sector overview, policy development and resource allocation in sector wide programmes should nevertheless be seen as essentially established.

1.2   Ownership

Even if ownership is an issue laden with nuances, there is probably no other separate factor so clearly stimulated by the SWAp as recipient ownership. The degree of ownership can be discussed at many levels; in leadership, in formulation, in policy process and in implementation.[11] Experiences vary, and from a practical point of view they are far from always encouraging. A balancing act is sometimes required to stimulate a "positive" ownership that can be accepted by all parties. This is acknowledged by the World Bank in its operative advice given in a recent report; "Follow Government's lead, but ensure that ownership and participation is increased progressively from a narrow group of reformers and includes participation of central ministries and legislatures"[12].

The World Bank's recommendation suggests underlying problems and years of co-operation experience. Notably when the transition from project assistance to programme support is initiated, a parallel change of the political landscape is initiated and this in turn places pressure on established incentive structures. In order that the "old" structures shall not influence the process negatively (through institutional resistance), a strong leadership and a strong anchorage with central stakeholders are thus critical.[13] It has proved vital that these conditions are met simultaneously and that leadership does not overshadow the process of achieving acceptance and participation. A number of examples show excessively strong leaderships that tend to forego this need and these have tended to be overlooked by the donor community for long periods of time.[14]

In a similar way, there is a danger that donors compensate for overly weak government leadership by seeking to govern themselves. Hence, it is not without reason that many governments have reacted with scepticism to the prospect of a sector program because of a fear of donor's "ganging up". This tendency towards scepticism is probably linked to the structural changes involved and that have been discussed above. In cases with strong (positive) government ownership, this fear has also proved to be unfounded as the SPS

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[10] Department for International Development: *Emerging Lessons from Sector Wide Approaches in Africa*. Report from a meeting of Africa directorate econimists, del 2, 30 September 1998.

[11] For a detailed discussion confer Foster, Brown, Norton and Naschold; *The Status of Sector Wide Approaches*, p. 6–24, ODI, February 2000.

[12] The World Bank/Africa Region Human Development Series; *Education and Health in Sub-Saharan Africa; A Review of Sector-Wide Approaches*, p. 39, Washington 2001.

[13] For an instructive example of this combination of fortunate circumstances confer Martin, Oksanen, and Takala; *Preparation of the Education Sector Development Program in Ethiopia*, ADEA 2000.

[14] There are examples of government's aiming to exclude parts of the administration and/or civil society in favour of their own institutional development (e.g. Zambia ASIP, confer Gould, Takala and Nokkala; *How Sectoral Programs Work*, p. 14–17. Policy paper 1/1998, Institute of Development Studies, University of Helsinki 1998).

process has evolved. In a similar manner, many donors have drawn the conclusion that weak leadership could be a reason not to initiate a sector wide dialogue.

Finally, it may be said that in general, the intention to involve the recipient and place government in a lead position has succeeded. Consultation and participation of sector stakeholders has also increased significantly in the recipient environment.[15]

1.3   Transaction costs

The prospect of decreasing recipient transaction costs is critical to the literature on sector programme support, and indeed to its underlying arguments. The World Bank observes that initial steps taken towards basked funding has lessened the recipient government's administrative burden. This is particularly the case when funds have been channelled through national budgets.[16] One can assume that, in part, this is due to the fact that from this point onwards, the number of parallel accounting routines in the system begin to decrease.

On the aggregate level, transaction costs will depend in part on administrative reform. In theory, decentralisation holds the prospect of decreasing transaction costs from aid management through a more efficient division of labour, leadership and resource flows. Many sector wide programmes are closely linked to processes of political and administrative reform, and evidence suggest that several programmes have contributed to a process of decentralisation or decentralised planning[17] made possible in part through the stability introduced by the sector programme.[18]

In aiming towards decentralisation sector programmes have produced mixed results in terms of decreasing recipient transaction costs. There lies a paradox in creating sector overview and strengthening at the central level and thereby opening up for effective decentralisation. Many central bureaucracies have reacted to sector programme support by increasing its hold over the periphery (see, for example, the case of Tanzania education – cf. Penrose 1998, point 39; and Zambia ASIP – cf. Gould, Takala and Nokkala 1998, p. 17), thereby increasing rather than decreasing central bureaucracy. Such tendencies have temporarily put upward pressure on transaction costs.

It seems clear that, at least initially, the work load of the recipient increases. The sector wide mode of co-operation demands resources for planning and policy development previously unknown, and at the same time project assistance continues undiminished. It seems equally clear that already in the formulation stages of a sector programme, there is a shift towards fewer contacts with the donor community, fewer evaluation missions and

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[15] Confer for example Gould, Takala and Nokkala 1998 and The World Bank/Africa Region Human Development Series 2001.

[16] The World Bank/Africa Region Human Development Series; *Education and Health in Sub-Saharan Africa; A Review of Sector-Wide Approaches*, p. 38, Washington 2001.

[17] Here, *decentralisation* means redistribution of power whereas *decentralised planning* refers to a division of labour in the domestic sector planning process.

[18] The World Bank/Africa Region Human Development Series; *Education and Health in Sub-Saharan Africa; A Review of Sector-Wide Approaches*, p. 38, Washington 2001.

an increasing efficiency in the dialogue with the donors as it progressively concerns the common framework.[19]

The mere fact that an increasing part of the dialogue with the donor community concerns the development of *recipient capacity*, rather than parallel project development, shows that even if transaction costs remained unchanged the quality of co-operation increases in favour of the recipient. In the long term, this will place downward pressure on transaction costs through a more efficient use of domestic resources in managing aid.[20]

1.4   Poverty

Relatively little is known about the impact of sector programmes on poverty reduction. It is important not to regard sector wide programmes as a solution, but rather a possibility or prerequisite, for combating poverty in the long term. If sector wide programmes can contribute to the development of systems for service delivery that, given the resources, can be oriented towards poverty reduction, much has been achieved.

Poverty reduction in sector programme support has to do with aid efficiency. Given the level of poverty orientation (i.e. orientation towards the poorest groups in society) in any particular sector strategy, increased service delivery and efficiency will, to that extent, impact on the poor. It might be concluded from the fact that sector wide programmes aim to redirect leadership from donors to recipients, that targeting the poorest increasingly becomes the business of the recipient government itself. Some of the power to influence poverty reduction measures is hence handed over.

During recent years, sector strategies have increasingly become oriented towards poverty reduction through their links to the PRSP (Poverty Reduction Strategy Paper) processes. Through increasingly targeting *primary* health and education, sector strategies are now widely recognised as "better" from a poverty perspective. However, it should be made clear that it is not yet determined if or to what extent this shift of strategy has benefited the poorest groups in society.

It is generally recognised that in many cases macro indicators on health and education have developed positively during the life-span of sector wide programmes. Particularly so when they have progressed for a longer period.[21] However, this does not necessarily mean reaching the poorest to a larger extent than previously. Experiences are mixed. For example, in Uganda primary education enrolment has increased significantly and both wealth and gender biases[22] in enrolment have virtually disappeared. In Ethiopia, primary enrolment has increased moderately and strong enrolment biases remain.[23]

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[19] Foster, Brown, Norton and Naschold; *The Status of Sector Wide Approaches*, p. 32, ODI, February 2000.

[20] Foster, Brown, Norton and Naschold; *The Status of Sector Wide Approaches*, p. 33, ODI, February 2000.

[21] The World Bank/Africa Region Human Development Series; *Education and Health in Sub-Saharan Africa; A Review of Sector-Wide Approaches*, p. 49ff, Washington 2001, and Foster and Mackintosh-Walker; Sector Wide Programmes and Poverty Reduction, p. 15–16, ODI 2001.

[22] I.e. enrolment favouring certain pupils based on their parents wealth or their sex.

[23] Foster and Mackintosh-Walker; Sector Wide Programmes and Poverty Reduction, p. 15, ODI 2001.

On the micro level it is usually recognised that sector strategy expectation on service delivery is seldom met. A disquieting finding is that the discrepancy between expectation and outcome seems larger in cases where decentralisation is a major aspect of the strategy. Some tracking studies[24] suggest that decentralisation at times lead to excessive investments in physical infrastructure and faltering spending on "softer" needs such as human resource development (e.g. Bolivia and Uganda health).[25]

Ongoing sector programmes operate in environments of extreme resource scarcity. The long term possibilities to contribute to poverty reduction is in part dependent on factors unrelated to specific sector performance. Without doubt, sector programmes can be oriented towards the poorest groups and in the short term contribute to an increased supply, but sustainable service delivery ultimately depends on the social and economic development of society as a whole.

1.5   Indicators of development

The interesting but complicated question of what happens in a sector when project assistance is phased out in favour of programme support is important to the theoretical foundation of the latter. As yet no systematic attempt has been made to investigate the level of project assistance phase-out relative to the transition to sector financing and indicators of service delivery. Note that in most cases programme support is only slowly replacing traditional project assistance as the main source of external funding in a given sector. Hence, it is not altogether clear what happens when project assistance is entirely replaced with program support. In a recent report[26] the World Bank makes several attempts to elaborate on the issue, but concludes that it is probably too early to draw conclusions based on sector indicators.

However, there are several signs, particularly where sector programmes have been ongoing for some time, that both micro (mainly service delivery; quality and quantity) and macro indicators of sectoral development are positive.[27] This finding is encouraging also in terms of aid efficiency. It should, nevertheless, be clearly stated that we still face the problem of safely attributing these positive signs to the sector programmes themselves. At an aggregate level, the issue of increased aid efficiency has to do not only with improved sector performance but with the economic and social development of a whole society. In this context, it has been noted that there is usually a trade-off domestically between social sectors that seems to benefit the sector in which programme support is ongoing, thus reducing domestic funds available in other sectors.[28]

The possibility that sector programme support has a positive effect on sector development, no matter how uncertain, becomes more exciting in light of the logical chain of events that the sector wide rationale promises. There are few voices opposing this

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[24] Studies attempting to track resource flows from donor disbursement to their final use in the system.

[25] Foster and Mackintosh-Walker; Sector Wide Programmes and Poverty Reduction, p. 14–15, ODI 2001.

[26] The World Bank/Africa Region Human Development Series; *Education and Health in Sub-Saharan Africa; A Review of Sector-Wide Approaches*, Washington 2001.

[27] The World Bank/Africa Region Human Development Series; *Education and Health in Sub-Saharan Africa; A Review of Sector-Wide Approaches*, p. 39–141, Washington 2001.

[28] Ibid. Cf. also Foster, Brown, Norton and Naschold; *The Status of Sector Wide Approaches*, ODI, February 2000.

rationale in the literature. If everything turns out as expected, a significant level of impact is likely to result from funds channelled through sector programmes. Whatever disagreement there is, however, concerns the possibilities of creating successful co-operative processes based on mutual and open dialogue.[29] Section 2 discusses lessons learned from working inside the co-operative processes.

1.6   Summary

The impression presented in the literature about impact in the recipient environment is relatively fragmented. This summary is motivated by this circumstance, which is mainly a consequence of the fact that what is described are *processes* in continuous evolution. For the most part, however, what is described is a positive development. It is interesting to note that in general, the longer the life-span of a process, the more clearly recipient benefits present themselves.

Experiences can be summarised at different levels. On the aggregated level it may be concluded that:

- Experience so far suggest that sector development programmes have stimulated improved sector performance.

- Overall recipient ownership is strongly stimulated by the sector programmes.

- Recipient transaction costs seem to increase initially, then tend to decrease as sector programmes develop.

- The poverty orientation of sector programmes has been strengthened by the PRSP processes.

- Sector overview, policy development and resources allocation in respective sectors have improved substantially.

- Sector programme support processes have often made possible decentralisation or decentralised planning through the stability introduced by the programme.

On a more specific level, it may be concluded that;

- Sector programme support has stimulated strong and logical links between policy, resource allocation and performance monitoring.

- Sector programme support has contributed to correcting structural imbalances between capital and recurrent budgets.

- Consultation and participation of all sector stakeholders has improved substantially in the recipient environment, although there are evidences of government's attempting to exclude parts of civil society in favour of institutional development at the ministerial level.

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[29] Se bland annat Penrose, Perran; *Sector Development Programmes: Definitions and Issues*, January 1998, och Pavignani, Enrico; *Swamped in a SWAp?*, draft, April 18, 2001.

- Gradual transition to basket funding, particularly when channelled through national budget systems, has reduced the administrative costs of government aid management.

- Sector Wide Programmes have led to increased domestic budget shares in those sectors.

- Increased audit ability has improved the quality of the policy dialogue within governments as well as between governments and donors.

2 The Co-operative Process

An overriding conclusion drawn regarding the SWAp is that once sector programme support is initiated or conceptualised, the whole notion of development aid is transformed. "Sector oriented" support has existed for decades, but with sector programme support a number of new characteristics emerge. Once the concern of two-way relations with governments or civil society, development co-operation has become the concern of inter-agency co-operation. An influential study by Gould, Takala and Nokkala (1998) has summarised the new features. Sector programme support entails: a) programme orientation; b) harmonisation of procedures and policy; c) long-term evolutionary processes; d) recipient leadership.[30]

A number of studies have described the overriding implication of this new environment: *sector programme support is context bound, process-oriented, and lacking of any kind of standard format or blueprint.*[31]

A discussion on experiences from pursuing inter-agency co-operation in sector programme support should give consideration to this finding. It is important, because just as little as there is a given format for this form of development aid, there are few clear-cut experiences from the co-operative processes. Each experience is determined by its context. This study discusses the co-operative process on three overriding levels; leadership, sector strategy development, co-ordination and process development.

1.7 Leadership

Two questions dominate the discussion on leadership in sector programmes; who's leading the process, and who's leading the donors?

A general finding with regard to who's leading the process, is that if leadership becomes imposing or dominating, inter-agency co-operation malfunctions. Some reports describe this circumstance as a fundamental "partnership dilemma". Co-operation seems be the most efficient when the (positive) leadership of the recipient is firmly established and supported by a donor group, in a situation where the division of roles is clear and consensus exists about the central aspects of the sector strategy. Inventories of sector programmes made in recent years emphasises the need for the recipient government to have and retain a positive leadership for the processes to be successful.[32]

In practice, reports indicate that at some stage, all sector programmes are afflicted with leadership problems. Almost unanimously reports that highlight these problems suggest that failure to establish positive leadership, based on trust and transparency in the information flows, have resulted in partial programme breakdown or lengthy and

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[30] Gould, Takala and Nokkala; *How Sectoral Programs Work*, p. 8–9. Policy paper 1/1998, Institute of Development Studies, University of Helsinki 1998.

[31] Cf. among others Cassels 1997, Forrester and MacLoughlin 1998, IBRD 2001, Peters and Chao 1998, Gould, Takala and Nokkala 1998, Rylander 1998, Therkildsen, Engberg-Pedersen and Boesen 1999.

[32] Cf. among others Foster and MacIntosh-Walker 2001, World Bank 2001.

laborious discussions over policy.[33] Two basic situations are most commonly described. First, there are instances where government has been left to lead the process without giving the donors a chance to observe its movements (e.g. Ghana health), with programme and process imbalances arising as a consequence.[34] Secondly, there are cases where donors have attempted to take over leadership from government, mainly because of perceived weaknesses within the existing sector policy (e.g. Vietnam health, Ghana and Tanzania education, Zambia ASIP). The principal remedy suggested is dialogue and a return to a positive government leadership.

The issue of *Lead Donor* is a delicate matter. Case histories generally show that successful processes have one (occasionally two-three) donor as lead, particularly in the initial stages of the dialogue.[35] It seems important, however, that "lead" implies a responsibility for co-ordinating and stimulating the process; not dictating it or crowding partners out of the policy dialogue. Case studies repeatedly call for donors to clarify their respective roles in this respect even further.

Evidence furthermore suggests that a lead donor (or equivalent) is often desirable, or even necessary, to allow for small donors to participate. Many small actors lack the means to participate in any other way.[36]

Among those who have found it most difficult to restrain a desire to assume leadership, one finds the multilateral banks; chiefly the World Bank, though not without reason. Development banks have a few compelling advantages over their bilateral partners that manifest themselves already in the early stages of a sector wide process.[37] In many cases the World Bank has been inclined to exploit its competitive advantages as a means of "guiding" the process in the desirable direction. The World Bank's dominating position seems also to have contributed to an unwillingness to re-evaluate and harmonise their procedures with co-operating partners.[38]

Experiences from managing the issue of lead donor present a variety of examples, some of which are more successful than others. It should be feasible to conclude, however, that it is an issue for open dialogue, and that all involved stand to gain from co-operation. The World Bank itself has, both in general and more specifically, drawn the conclusion that its tendency to lead at the expense of their partners has been harmful and should be avoided;

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[33] Foster, Brown, Norton and Naschold; *The Status of Sector Wide Approaches*, p. 9–10, ODI, February 2000.

[34] Cf. discussion in Gould, Takala and Nokkala; *How Sectoral Programs Work*, p. 17. Policy paper 1/1998, Institute of Development Studies, University of Helsinki 1998, and in Foster, Brown, Norton and Naschold; *The Status of Sector Wide Approaches*, p. 8–10, ODI, February 2000.

[35] Martin, Oksanen and Takala; *Preparation of the Education Sector Development Program in Ethiopia*, p. 54. ADEA 2000.

[36] Martin, Oksanen and Takala; *Preparation of the Education Sector Development Program in Ethiopia*, p. 55. ADEA 2000.

[37] a) Ability to release funds more quickly and flexibly, b) larger analytical capacity, c) more competent local staff, d) decisive ability to (often together with the IMF) influence the macroeconomic situation in the country. Gould, Takala and Nokkala; *How Sectoral Programs Work*, p. 28. Policy paper 1/1998, Institute of Development Studies, University of Helsinki 1998.

[38] Confer Foster, Brown, Norton and Naschold; *The Status of Sector Wide Approaches*, p. 27, ODI, February 2000.

"The Bank should strive to step away from the lead role in program design to encourage complementarity among donors and to promote ownership"[39].

1.8   Sector strategy development

The starting point of any sector wide programme is the development of a sector strategy. This process has often proved to be dynamic in that it defines the roles of participating partners, and allows the donors to stimulate a positive ownership/leadership with the government.

On the other hand, and perhaps in light of the initial progress, there is a tendency in the co-operation to overburden the sector strategy. Simultaneously, institutional and capacity needs analyses tend to fall behind.[40] The chief manifestation of these circumstances is a sector strategy rather too large in terms of scope and financial requirements, and lacking of a realistic assessment of what can be achieved. A number of examples show that sector strategies not at par with implementation capacity run the risk of selective prioritisation *ex post*, which is only reasonable to expect. Prioritisation needs to be done continuously, and if available resources over time do not match set activity plans, a selection process sets in. However, in so doing the co-operative process loses its foundation, with misunderstandings and drawn out policy debates following.[41]

In line with these findings a number of studies call for a more *comprehensive* and *co-ordinated* sector analysis, including a macroeconomic assessment and a systematic analysis of implementation capacity.[42]

1.9   Co-ordination and process development

Reports from the early sector programmes suggested there was a fine balance between over or under planning the process. On the one hand it was important to communicate to all involved where the process was leading, and what were the next steps to take. On the other hand, one could not "bolt" the dialogue in manuals or a ready-made process lest the room for flexibility and dialogue disappeared.[43] Although this is essentially true, the early focus on *planning* may inadvertently have drawn attention from the contextual nature of sector programme support. A comparative study of early sector programmes in Zambia (health and agriculture) showed that the sector context, provided by current conditions, gave the respective processes their momentum.[44] The less planned and the more adaptable the inter-agency dialogue became, the more success it achieved.

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[39] The World Bank/Africa Region Human Development Series; *Education and Health in Sub-Saharan Africa; A Review of Sector-Wide Approaches*, p. 79 *(Senegal Health Case Study)*, Washington 2001.

[40] Gould, Takala and Nokkala; *How Sectoral Programs Work*. Policy paper 1/1998, Institute of Development Studies, University of Helsinki 1998.

[41] Foster, Brown, Norton, Naschold; *The Status of Sector Wide Approaches*, p. 12 (23) and 15 (33), ODI, February 2000.

[42] Se bl a The World Bank/Africa Region Human Development Series; *Education and Health in Sub-Saharan Africa; A Review of Sector-Wide Approaches*, p. 38, Washington 2001.

[43] Martin, Oksanen and Takala; *Preparation of the Education Sector Development Program in Ethiopia*, p. 55. ADEA 2000.

[44] Rylander, Lars; *Is there an Ideal SWAp?: Findings from two case studies in Zambia*, p.21–23, Stockholm, 1998.

Numerous donor reports show recognition of the need to treat process development as dependent on the given circumstances in each case. Yet, there remains a tendency to pre-determine actions to be taken beyond what is needed to pursue inter-agency dialogue. This way of viewing the dialogue process is partly a symptom of a record of poor co-ordination among donors, which is worthy of recognition, but it is also due to a persistent view of sector programmes as yet another form of development aid that can be systemised in the same fashion as project assistance. Co-ordination (who does what, how and when?) is the factor, when it works, that advances the process through its set of *articulated roles and objectives*, and which leaves space for the dialogue to focus of sector development rather than detailed planning.

In reality, donor co-operation has proved to be a fundamental area of concern, both in management and implementation, to sector programmes. Failing co-ordination has delayed, complicated, and stalled many processes. It is also likely that the relative inability to co-ordinate interaction with the recipient environment is one reason why transaction costs on the donor side are yet to decrease (for further comments, cf. section 3).[45] This last feature has been particularly evident when large bilateral donors and multilateral banks have co-operated.[46]

A disproportionately large part of the dialogue between donors has focused on harmonisation of procedures, and it is apparent that the strain imposed by the new co-operative environment, and also some rivalry, has characterised this debate. Evidence suggests it has been easier to harmonise reporting formats and monitoring mechanisms, whereas financial procedures have proved more difficult.[47]

It should be regarded as a great challenge and possibility for the donors to enhance co-operation, and thereby contribute more effectively to the impact of sector programme support.

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[45] Foster, Brown, Norton, Naschold; *The Status of Sector Wide Approaches*, pp. 26–30, 50–51, ODI, February 2000.

[46] Confer among others Foster et al 2000, Penrose 1998, Gould, Takala and Nokkala 1998, World Bank 2001.

[47] Martin, Oksanen and Takala; *Preparation of the Education Sector Development Program in Ethiopia*, p. 56. ADEA 2000.

3 Donor Organisation and Capacity

The topic of this section of the study is not much commented in the literature on sector programme support. Only a few broad remarks can therefore be made.

A general finding is that workload and transaction costs increase at the onset of a sector wide programme, and generally remain at a higher level. This seems due to two major factors. First, because of the additional need for sector level analysis and (inter-agency) negotiation; secondly, because the new co-operative environment demands attention and reformed working methods at the same time as everyday business goes on as usual.[48]

There are hence few indications that the increased work-load has diminished over time. When co-operation deepens even further, it is nevertheless reasonable to expect a reduced work-load through division of responsibilities and phasing out of project assistance.

Regarding organisational readiness and the skills needed to pursue a sector programme, it has been widely noted that the multilateral banks are better equipped than bilateral donors and NGOs.[49] Banks, and particularly the World Bank, can often draw on internal skills and experience that match closely the requirements of sector programme dialogue. These requirements, although not so clear-cut, can be summarised as;

a) Capacity and experience to pursue high level negotiation;[50]

b) Ability to assess political and macro/sector economic prerequisites for sector support;[51]

c) Ability to flexibly utilise internal resources and quickly accommodate peaks in the work load;

d) Knowledge and ability to assess the needs for financial management.

Adding to these requirements, there is of course the need for organisational skills to manage the shift in working methodology.

On the organisational level, numerous reports indicate that the field offices are those most burdened by the working environment introduced by the sector programmes. This is where the dialogue is pursued, and the ability to assess the prospects of sector support demands presence and knowledge about the political and economic environment. The multilateral banks are usually more apt to cope with this situation due to a superior field organisation. Not only do the banks have the strongest field presence, they also attract the

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[48] The World Bank estimates an initial increase in the range of 30–50%, confer The World Bank/Africa Region Human Development Series; *Education and Health in Sub-Saharan Africa; A Review of Sector-Wide Approaches*, p. 37ff, Washington 2001.

[49] Gould, Takala and Nokkala; *How Sectoral Programs Work*, p. 28–29. Policy paper 1/1998, Institute of Development Studies, University of Helsinki 1998.

[50] Gould, Takala and Nokkala; *How Sectoral Programs Work*, p. 8–9. Policy paper 1/1998, Institute of Development Studies, University of Helsinki 1998.

[51] The World Bank/Africa Region Human Development Series; *Education and Health in Sub-Saharan Africa; A Review of Sector-Wide Approaches*, p. 37, Washington 2001.

most skilled local labour force.[52] It has not been recorded that bilateral donors have responded to this pressure by increased field presence in any significant degree, other than through consultants and technical assistance programmes.

A general conclusion is that little has yet been done to re-organise donor organisations in light of the new working environment. The need for such reorganisation is sometimes proclaimed but largely unexplored.

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[52] Gould, Takala and Nokkala; *How Sectoral Programs Work*, p. 28–29. Policy paper 1/1998, Institute of Development Studies, University of Helsinki 1998.

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