

# RT8

## **Round Table 8**

Accra 3rd High Level  
Forum on Aid Effectiveness.

Enhancing Results  
by Applying the Paris  
Declaration at  
Sector Level.

**Outcome Document**  
**Final Draft**



## Proposed Approaches to Enhanced Sector Development Effectiveness

1. Donors and their aid are not the centre of the development universe. Change from an aid delivery to a sector development perspective.
2. The Paris Declaration principles apply equally to all sectors – but one size does not fit all.
3. Move from focus on inputs and conditionality to mutual accountability for results.
4. Be practical about planning. If consensus on a ‘perfect plan’ is proving elusive, be prepared to start implementing, measure results and improve plans through use.
5. Place capacity and institutional development at the core of sector programmes and strategies. But avoid treating technical assistance (TA) as the single solution.
6. Prioritise alignment over harmonisation (of procedures) between donors.
7. Don’t turn SWAps into SNAs (Sector Narrow Approaches).
8. Promote pragmatic mechanisms for democratic ownership and stakeholder involvement at sector level.
9. Match sector reform with “development partner reform”. Focus on relevant knowledge and incentives for all actors.
10. Address incentives and the political economy of sector development – don’t shy away from the real problems.

## List of acronyms

AAA	Accra Agenda for Action
CAADP	Comprehensive Africa Agriculture Development Programme
CCIs	Cross-cutting issues
CD	Capacity Development
CdC	Code of Conduct
CF	Common Fund
CSO	Civil Society Organisation
EFA-FTI	Education For All – Fast Track Initiative
GAVI	Global Alliance for Vaccines and Immunization
GBS	General Budget Support
GFATM	The Global Fund to Fight AIDS, Tuberculosis and Malaria
H&A	Harmonization and Alignment
HLF	High Level Forum
JPAF	Joint Performance Assessment Framework
M&E	Monitoring & Evaluation
MA	Mutual Accountability
MDG	Millennium Development Goals
MoF	Ministry of Finance
MoH	Ministry of Health
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NGO	Non-Government Organisation
ODA	Overseas Development Assistance
OECD/DAC	Organisation for Economic Co-operation and Development / Development Assistance Committee
PAF	Performance Assessment Framework
PBA	Programme Based Approach
PD	Paris Declaration
PFM	Public Financial Management
PRORURAL	Programa de Desarrollo Rural (Nicaragua)
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
RT8	Round Table 8
SBS	Sector Budget Support
SWAp	Sector Wide Approach
TA	Technical Assistance
TC	Technical Cooperation
ERS	Economic Recovery Strategy
SEA	Strategic Environment Assessment
PIU	Project Implementation Unit
JAS	Joint Assistance Strategy
MoU	Memorandum of Understanding
JFA	Joint Financial Arrangement

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# 1. Introduction

## 1.1 Purpose

As part of the Third High Level Forum (HLF III) in Accra<sup>I</sup>, Round Table 8 will discuss the experiences of applying the Paris Declaration at sector level – drawing lessons from the health, education, agriculture and infrastructure sectors. This document is designed to serve as an input for the HLF III and its **purpose** is to:

- **summarise the main lessons learnt** from 10–15 years of experience with initiatives for increasing aid effectiveness at sector level – including experience from the last 3,5 years of implementing the Paris declaration; and
- **outline key recommendations for furthering aid and development effectiveness at sector level.**

The document primarily attempts to address the following questions related to initiatives to enhance aid and development effectiveness at sector level:

- I. To what extent have the Paris Declaration principles been applied at sector level in the respective sectors, and what are the key factors necessary for success as well as the main bottlenecks and challenges?*
- II. What are the similarities and differences between the different sectors in terms of progress and challenges, and what can sectors learn from each other?*
- III. What additional steps and measures are needed to enhance aid and development effectiveness at sector level?*

The document by no means attempts to deal with the totality of aid and development effectiveness endeavours in these sectors, but aims to highlight a selected number of issues of high relevance to this end. To date, the programme-based approach at sector level has been the most commonly employed way of enhancing aid effectiveness at sector level. Therefore, most of the examples included in the paper refer to this type of approach.<sup>II</sup> Furthermore, since the Paris Declaration and previous aid effectiveness initiatives have focussed primarily on bilateral or multilateral development cooperation with partner

<sup>I</sup> The Third High Level Forum on Aid Effectiveness that will take place in Accra, Ghana, from the 2-4 September 2008. The purpose of this forum is to (1) review progress in improving aid effectiveness; (2) broaden the dialogue to newer actors; and (3) chart a course for continuing international action on aid effectiveness. [www.accrahlhf.org](http://www.accrahlhf.org).

<sup>II</sup> OECD/DAC Definition of a Programme Based approach: A way of engaging in development co-operation based on the principle of co-ordinated support for a locally owned programme of development, such as a national poverty reduction strategy, a sector programme, a thematic programme or a programme of a specific organisation. PBAs share the following features: (1) Leadership by the host country or organisation; (2) A single comprehensive programme and budget framework; (3) A formalised process for donor co-ordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement; and (4) Efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation.

country governments, this is necessarily the main focus of this Outcome Document. The roles of non-government stakeholders are not overlooked, however.

The Round Table 8 process has been informed by: OECD/DAC work streams relating to sectors included in this document; working groups dealing with cross-cutting issues; experiences and cases shared at the HLF III preparatory consultation meetings; and other studies, research and experiences shared by partner country representatives, development partners, research institutions and other practitioners. The Round Table 8 core team would like to extend special thanks to those organisations and individuals who have added value to this document through their fruitful and constructive feedback during the drafting process. Please note that this is a final draft, and that the fully finalised version of the document will be presented after the Accra HLF III.

## 1.2 Definitions

Round Table 8 defines “Applying the Paris Declaration at sector level” as the practicing of its five principles – ownership, alignment, harmonisation, managing for development results and mutual accountability – jointly and coherently in a specific sector, with the principle objective of improving overall sector aid and development effectiveness, and thereby enhancing development results.

A “sector” can be defined in several ways. It could be based on a socio-economic area that produces specific goods and/or services, a policy area or a group of results. However, more often than not, a sector is defined in accordance with the way a government is organised, (i.e. the separation into different ministries)<sup>1</sup>. This is the case for most of the sectors referenced in this document.

The characteristics of a sector can vary substantially with regards to context and to elements such as:

- I) the role of the state versus other actors in the sector, i.e. whether the state is the principal financier/service provider or is principally a regulator/facilitator
- II) the institutional set-up of the sector (incl. decentralisation) and the extent to which sector performance and development results depend on the actions of other government institutions outside of the main coordinating ministry/agency;
- III) the multitude and diversity of actors involved in the sector;
- IV) the importance of location-specific activities/solutions.

The characteristics and the context of a specific sector will influence the selection of strategies to be employed to most effectively apply the principles of the Paris Declaration.



## 2. The Paris Declaration at Sector Level

– what has been achieved so far?

The section below attempts to summarise the progress to date regarding the application of the Paris Declaration at sector level, including some intermediate and – to the extent possible – development results. It is important to keep in mind, however, the difficulties that exist in directly attributing improved (pro-poor) development results to the implementation of the Paris Declaration (or previous aid effectiveness initiatives) at sector level.

**In the education sector**<sup>2</sup> advances have been made in terms of country ownership (commitment to development objectives), coordination of donors, alignment of donor strategies to partner country strategies, harmonization of policies and procedures, and formal mutual accountability (MA) arrangements in the form of Memoranda of Understanding (MOUs). Joint work has increased, especially in relation to appraisal and monitoring of sector plans. With the exception of the private sector, SWAp processes have been consultative with regards to stakeholders, with specific mechanisms having been setup for this purpose. SWAp processes have provided opportunities for integrating so called cross-cutting issues in sector strategies, but further advances are needed to ensure impact. SWAp have generally been accompanied by joint programmes for institutional development. Overall, these efforts are helping to reduce fragmentation of donor support, lower transaction costs for partner countries, and strengthen government systems.

It is unclear to what extent SWAp have influenced complementarity of different donor interventions. Work is needed in terms of enhancing mutual accountability agreements, increasing the predictability of financing and further use of country systems. Furthermore, the quality of donor-partner dialogue and coordination have not necessarily improved. The lack of incentives and training for donor staff, their consultants and sector partners to be able to adequately deal with the complexity and scope of multi-donor operations are important challenges. In the education sector there are some indications that aid effectiveness initiatives have contributed to enhancing development results. For instance, EFA (Education For All) endorsed countries – which have benefited from a common international framework for harmonisation and alignment – have better average scores than non-EFA countries for development results such as gross enrolment ratios and repetition.

**In the health sector**<sup>3</sup> progress has been made in coordination and harmonisation (e.g. joint sector reviews, sharing of information and studies/reports), improved health policy, strategic planning, and more transparent resource al-

location. Sector strategies are increasingly linked to the national budgets and aid flows reported on-budget. SWAp have enabled a focus on human resources, procurement and PFM systems. Joint M&E systems have been introduced. Progress in use of country systems has also been evident until recently.

However, partly due to the increase in global health initiatives, sector coordination has in many places been put under pressure. Non-alignment of aid with government priorities is a significant problem, with a detrimental effect on the funding available for holistic health systems approaches. Other challenges to further alignment include vague, unrealistic or poorly costed plans, and insufficient links to macroeconomic frameworks, including cross-sector issues. Poor aid predictability and volatility is also a major concern. MA instruments have sometimes not been specific enough to hold respective partners to account. Several countries have progressed in relation to MDG indicators, yet despite recent increases in ODA for health this progress is not quick enough. However, it is hard to know to what extent different parameters – such as strained relations between global health initiatives and existing sector structures, chronic underfunding and a widespread shortage of skills – have contributed positively or negatively to the achievement of health sector objectives.

**In the agriculture sector** progress has been made regarding government leadership, negotiation skills and harmonisation and coordination (improved information sharing and debate through sector working groups). Performance Assessment Frameworks (PAFs) and Joint Assistance Strategies (JASs) increasingly include agriculture sector objectives, and mutual accountability commitments are commonly agreed in a MoU/CoC. Alignment with national policy and management systems, including aligned common funds, has increased.

Areas that need more work include addressing ownership gaps (lack of involvement of relevant stakeholders), improving coordination across relevant sectors (avoiding a sector-narrow approach), countering an excessive focus on centralised, government-led development interventions and improving planning and policy frameworks (matching policy priorities, strategies and spending). Capacity and systems for M&E (e.g. data availability) raise concerns. Agriculture sector programmes struggle with continued high transaction costs due to the resources devoted to harmonisation and alignment initiatives (“the process architecture”), partly due to an excessive focus on joint financing mechanisms. The sector financiers find it difficult to reconcile sector PBAs with the need for the piloting of new approaches and models outside government structures. As highlighted in a recent review, the Ugandan agriculture SWAp presents a good example of improved service delivery, technological advances and associated increases in market output.<sup>4</sup>

**In the infrastructure sector** achievements include the linking of sector programmes or projects to sector or national policies and strategies/PRS, the establishment of joint operational manuals and sector working groups. In the water sector progress also includes improved government leadership of planning and sector coordination, harmonised common funds that support the

overall sector programme and joint M&E systems. Small-scale rural infrastructure projects often have especially well established stakeholder participation and monitoring mechanisms (e.g. a “broader” ownership of plans), although often only at project level.

However, due to supposed weak government capacity and the complexity of infrastructure projects, the sector is still dominated by project implementation units (PIUs) that are relatively detached from government structures, with subsequent sustainability concerns. Donors are relatively active in drafting government sector (or project) strategies/plans, and substantial amounts of donor funding remain outside national/sector budgets. Government leadership in terms of project implementation is frequently weak, as is the link between project expenditure and the national budget. With some exceptions, alignment has been particularly difficult to achieve in relation to national procurement systems - it is still common to adopt the system of one of the donors instead. Broadening government ownership beyond the implementing agency and receiving policy support from other key government institutions is often a challenge. In a recent report on the Paris Declaration application in the infrastructure sector, normal government accountability systems were not referred to in relation to the M&E of any project reviewed. Few projects had effective systems for monitoring results in place at their outset, but were resolving this with time, and MA mechanisms were rare<sup>5</sup>.

Table 1. Overview of Paris Declaration progress in the four sectors

PD Principles	Areas of positive progress	Areas of limited or mixed progress
<b>Ownership</b>	<p><b>Enhanced leadership</b> and coordination by partner country governments.</p> <p><b>Sector strategies/plans increasingly linked to national policies</b>, strategies and performance assessment frameworks (PAF)</p>	<p><b>Ownership focused on Govt</b> and does not always include non-Govt stakeholders</p> <p><b>Quality of plans varies</b>, not always operational</p>
<b>Alignment &amp; harmonisation</b>	<p>ODA increasingly <b>on-budget</b>, and overall in line with country priorities.</p> <p>Increased <b>use of PFM and procurement systems</b></p> <p><b>Increased harmonised procedures</b>, i.e. joint analysis, M&amp;E, shared reports etc.</p> <p>Advances in <b>lead-donor mechanisms and delegated cooperation</b>.</p>	<p>No evidence of increased <b>predictability</b> of ODA to sectors</p> <p><b>Alignment – especially with national/sector systems and procedures - has advanced less than harmonisation among donors.</b></p> <p><b>Technical assistance (TA) lags behind</b> other areas in relation to alignment and harm.</p> <p>Less progress related to <b>sector concentration</b> (within and between sectors)</p>
<b>Managing for Dev. Results &amp; Mutual Accountability</b>	<p>Many sectors have some sort of <b>PAF and mutual accountability (MA) mechanism</b></p> <p>Results follow-up <b>increasingly focussed on the overall (sub)sector</b></p> <p><b>Fora created</b> for policy dialogue (incl. so called cross-cutting issues, CCIs) related to broader sector policy/planning, incl. joint reviews and sector working groups.</p>	<p><b>More modest progress of M&amp;E capacity and systems</b>, and evidence-based decision-making (incl. statistics) and dialogue.</p> <p><b>The quality and focus of sector dialogue</b> and joint annual reviews often perceived as unsatisfactory.</p>

**The experience of reduction of transaction costs at sector level is mixed.** A moderate to non-appreciable reduction has been reported from many education and some health sector programmes, whilst transaction costs seem to have increased in some agriculture programmes. In all sectors the up-front investments required to change modus operandi are considered to be substantial. Limited reduction of transaction costs is due to the substantial workload involved in managing SWAp processes themselves (reviews, meetings etc), and the continued use of substantial parallel mechanisms. Development partners seem to perceive higher transaction costs more often than partner countries, especially at the start-up of a sector programme or similar. Both in relation to this element and the many challenges outlined above, aid and development effectiveness at sector level has a way to go before achieving its full potential.<sup>6</sup>

# 3. Stakeholder Involvement and Democratic Ownership

Ownership issues within sector programmes have, to date, focused mainly on central government. Other key stakeholders – such as parliaments, civil society and the private sector – have not been sufficiently involved in planning, implementation and monitoring and evaluation (M&E). By gradually and pragmatically broadening ownership to include citizens, their organisations and other stakeholders, sector aid and development effectiveness is likely to increase.

## 3.1 A multi-stakeholder and pro-poor perspective on ownership

### **“The Village Voice” – Role of Civil Society Organizations (CSOs) in the planning and M&E process**

In Nepal, the National Safe Motherhood Plan includes an Equity and Access Programme (EAP), which operates in selected communities and aims to increase service utilization among socially disadvantaged groups, through “voice-capturing” exercises to obtain and record the views of women from excluded castes, ethnic and regional groups on maternal health issues and service provision. The information from EAP has helped to support the case for government decisions to increase the proportion of the infrastructure budget allocated to construction of peripheral facilities. It has also contributed to the national policy debate and decision to abolish user fees at lower level health services<sup>7</sup>.

### **Stakeholder participation paves the way for a new agriculture law in Mali**

In 2005, the farmers of Mali demanded the right to participation in the drafting of laws that would shape their destiny. This led to the Government of Mali, with the full backing of the President, organising national consultations with farmers, socio-professional organisations, researchers, technical agents and sector partners prior to passing the Law of Agricultural Orientation (LAO). This process put farmers and the rural environment in the centre of complex agricultural problems. 25 local workshops were held involving local farmers and further consultations gathered agricultural leaders and other actors with local knowledge. The transparency and credibility of the process were ensured through a free access webpage detailing all consultations. The resulting LOA now provides policy orientation for The Growth and Poverty Reduction Paper (CSCR, 2007–2011), the second generation of the Poverty Reduction Strategy Paper (PRSP) 2002–2006<sup>8</sup>.

Civic participation is an essential aspect of development. Where mechanisms are employed that allow citizens voices to be heard in relation to government and the public administration, (sector) development initiatives tend to be more relevant and effective in meeting citizens needs and rights. Yet **sector programmes have so far – at least theoretically – focused mainly on enhancing the ownership and leadership of the partner country government**, with corresponding dialogue fora and accountability mechanisms designed, to a large extent, to serve this relationship between partner country government and donor/lending institution(s). Even effective ownership and leadership within the lead ministry in question has been a challenge, as has involvement of other relevant central government ministries/agencies, sub-national government levels and elected assemblies such as parliaments.

Outside this relationship, there is growing discussion around the **need to broaden the current notion of sector ownership to also include citizens, their organisations and other relevant actors**, in order to enhance domestic accountability relations and the effective achievement of sustainable pro-poor development results. Challenges in relation to this broader ownership of sector programmes include the inexistence of inclusive mechanisms, the limited capacity of governments to conduct effective participation exercises, and a reluctance by some governments or ministries to include CSOs and other relevant actors in sector dialogue and M&E.

**Stakeholder involvement therefore seldom moves beyond “window-dressing”**, wherein CSOs and other actors are invited to the table but lack any real possibility of influencing events. Local and/or rurally based organisations also often lack the capacity and financial resources to be able to participate effectively in sector dialogue and M&E. In combination with the centralising tendency of sector PBAs, this can lead to participation mechanisms at sector level being dominated by well-financed, international/national NGOs in the capital city, to the detriment of balanced national and local multi-stakeholder participation and accountability.<sup>9</sup>

#### **Vietnam forestry sector “Pining for private participation”<sup>10</sup>**

In Vietnam, it is estimated that the private sector, households, state forestry enterprises and cooperatives will account for 60 percent of the investment in the forest sector over the next 15 years. The Forest Sector Support Partnership (FSSP) is a means by which stakeholders engaged in Vietnam’s forestry sector work together, including local civil society organisations, international organisations, non-governmental organisations, and both domestic and foreign private sector enterprises. Although the Partnership had previously aimed to move towards a full SWAp, it is now recognised that an adapted approach is needed. This given the nature of the forestry sector in Vietnam, with the rapidly growing importance of private sector investments, and rapid economic development in the Vietnam overall, which means that Vietnam may achieve medium-income status by 2010, and thus no longer be eligible for many types of ODA. However, partners remain committed to the ideas of promoting coordination and improved overall management of the sector. Hence, key elements of the programme are improved mechanisms for information sharing, increased policy dialogue, and maximising effective use and mobilisation of resources. The programme has secured provincial representation within the partnership through the establishment of six Regional Forestry Networks to promote decentralised forest-sector coordination and information exchange, and piloted decentralised forest-sector planning systems.

Difficulties in involving stakeholders are often exacerbated by the adoption of a one-size-fits-all approach of focussing support on a government-led sector programme. Relevant sector context is frequently overlooked. This can be problematic in all sectors, but particularly so in sectors which are “private sector-led”. This is the case in the agriculture sector, for example, where the **government can receive a disproportionate amount of development partner attention compared to other actors** in the sector that also play important roles in achieving development results.<sup>11</sup>

Despite the challenges mentioned above, there are several examples of sectors where **CSOs and other non-state actors have played a vital role** in furthering democratic governance, accountability, innovation, the quality of results and issues linked to gender equality, human rights, and the environment at sector level. The Bolivian education sector programme includes a planning model which prioritises commonly excluded groups, such as indigenous people, woman and girls and citizens living in rural areas. Mechanisms exist to involve CSOs representing these groupings in sector policy dialogue, and progress has been made in relation to indigenous rights in particular. As with many other initiatives to promote gender, human rights or the environment at sector level, a further challenge lies in moving beyond tools and planning instruments, to ensuring positive effects for poor people at the implementation stage<sup>12</sup>.

## 3.2 Ways forward

Although initiatives exist to include relevant stakeholders in sector planning and M&E, there are several steps that still need to be taken to ensure effective, meaningful and results-focused participation at sector level. These include:

- **Institutionalisation of mechanisms for effective involvement of key stakeholders** – including national and sub-national government organisations, elected assemblies, citizens and CSOs, research institutions, private sector etc – in policy formulation, planning and M&E of sector policy and programmes. Sector-level mutual accountability frameworks should ideally include roles for these key stakeholders.
- **Facilitation of the participation of relevant stakeholders** as concerns resources (e.g. through support to key drivers of change outside government), capacity development and provision of relevant information, especially from the partner Government. It is essential to have a gradual and pragmatic approach, to ensure an adequate balance between the participation of different actors, and to address issues related to representation, legitimacy and self-interest among the stakeholders involved. All sectors have good practice and lessons learnt to draw upon regarding (project-based) stakeholder participation mechanisms, some of which it may be possible to “scale up” to sector or sub-sector level.



# 4. Realistic Plans, Results Frameworks and Mutual Accountability

Sector planning, budgeting and monitoring of results can be complex processes in any country. Joint efforts are required to unite all actors behind realistic operational sector plans and coordination frameworks, improve these plans with time through effective monitoring of their implementation, and employ precise, comprehensive mutual accountability mechanisms to ensure that all actors fulfil their agreed roles.

## 4.1 The importance of macro frameworks and cross-sector coordination

Effective sector planning and budgeting must overcome various difficulties and pitfalls, including: (1) the level of ambition of sector plans not matching available resources or previous results; (2) unclear objectives and/or spending priorities; (3) insufficient consideration of existing policies or key stakeholders; (4) excessive donor pressure to define a policy in too short a timeframe; and (5) continuity across government mandates. **Several of these difficulties are also present in many development partners' own countries<sup>13</sup>.**

In countries like Uganda and Tanzania the **development of coherent sector plans, budgets, results frameworks and coordination mechanisms** in education, health and water **has been facilitated by the existence of macro-frameworks** such as poverty reduction strategies (PRS), linked performance assessment frameworks (PAF), and medium-term expenditure frameworks (MTEF). In reciprocal fashion, PBAs at sector level have contributed to highlighting the issue of sustainability of results through strengthening links between sector expenditure programmes and national budgets, and by increasingly linking plans and budgets<sup>14</sup>. National level “poverty or MDG monitoring” groups involving government and key development partners have also positively influenced sector development in several cases, especially where these groups include sectors like health, education or agriculture as “tracer sectors” for overall government policy. Any risks of partner countries or donors applying incompatible policies within or between sectors can thereby be reduced<sup>15</sup>.

There are evident **challenges in achieving a fruitful macro-level – sector relationship**, however. The relationships between the sector ministry and the ministries of finance and planning are of particular importance for the suc-

cess of sector programmes. Lack of commitment or support from these ministries can create various problems for the sector. For instance, increased transparency of existing external financing to the sector and subsequent inclusion on budget may lead to the sector receiving lower allocations from the Ministry of Finance (MoF). A similar problem (from the sector ministry's standpoint) can occur when sector ODA financing shifts from earmarked support to projects or a (sub) sector, to (sector) budget support, since sector ministries must thereafter negotiate further with the MoF as concerns their budget allocations<sup>III</sup>. Furthermore, sector ministry needs (especially at sub-national levels) are sometimes not sufficiently reflected in MoF-led PFM reforms which affect sector systems. A review in the health sector concludes that "PRSPs rarely address the health sector adequately, or discuss the explicit complementarities and tradeoffs with other sectors. Few ministries of health can communicate effectively with ministries of finance on planning and budget issues"<sup>16</sup>.

**Cross-sector linkage has also been a challenge in several sectors.** SWAp initiatives have sometimes had a tendency to become too sector narrow – the so called "SNAp" effect (Sector Narrow Approach). Agriculture SWAps, for example, have found it difficult to establish effective stakeholder coordination mechanisms at sector level reaching beyond the administrative boundaries of ministries of agriculture, into other areas of strategic importance such as trade, infrastructure and finance. The same can be said for links to public institutions responsible for central development issues such as gender equality, human rights, the disabled and the environment, which have so far been insufficiently involved in supporting and monitoring sector-level application of policies relating to these issues<sup>17</sup>.

A further related cross-sector coordination challenge is the **articulation between (vertical) sector programmes and (horizontal) area/geographically focussed programmes**. This has been addressed in some cases, such as in the Ethiopia health programme (see case study on p. 15), and the Nicaraguan PRORURAL SWAp, which initiated a pilot process of programme decentralisation to departmental level in 2007<sup>18</sup>. Sector planning is sometimes further complicated in sectors such as agriculture and health by a lack of consensus on the role of the state in the sector<sup>19</sup>. Sector actors can learn a lot from the way Hiv/aids programmes have managed to provide a multi-sector response to the pandemic at country and sub-national levels.

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<sup>III</sup> This is however not necessarily an argument for earmarking funds to the sector, since earmarking for a sector is likely to create distortions and undermine ownership and accountability of the overall government system.

## Integrating gender and the environment in sector plans and results frameworks

### Women in Labour

Experiences exist of the incorporation of so called CCLs within sector policies, plans and results frameworks. For example, in Honduras, collaboration between the Ministry of Employment, the National Women's Institute and the Gender and Economy Table (formed of government, donor and civil society representatives) has led to the inclusion of gender equity related indicators and goals, guides as to the incorporation of these indicators in specific interventions, and earmarked funds for gender equity related actions within the National Plan for Dignified Employment 2006–2010 (which covers – amongst others – the agriculture sector). Furthermore, these indicators and the impact of the implementation of the plan on the employment levels of women are monitored by the National Labour Market Observatory<sup>20</sup>

### Strategic Environment Assessment (SEA) in the Kenya Education Support Programme

Applying a strategic environment assessment at an early stage of sector planning can influence programme design. The Government of Kenya, development partners, civil society, communities, and the private sector together support education sector development through the Kenya Education Support Programme (KESP), which covers the period 2005-10. The programme fits within the framework of national policy set out in the Economic Recovery Strategy (ERS) and has been developed through a Sector Wide Approach to Planning (SWAp). A strategic environment assessment (SEA) was undertaken at an early stage, before the investment programme had been fully designed, and resulted in a) strengthened environmental and social sustainability of programme implementation; b) institutional improvements which enhanced implementation; and c) improved donor co-ordination by maximising the use of resources, avoiding duplication of effort and integrating different donor aims and priorities<sup>21</sup>

## 4.2 Sector plans and strategies – when is a plan good enough?

Joint sector planning processes have contributed to improved coherence and coordination of development interventions at sector level. Advances have been made compared to 'early generation' sector plans and budgets, many of which entailed little more than compilation of a list of existing (donor-led) projects in the sector. However, in sectors and countries where ODA constitutes a substantial part of the budget, **development of sector plans has often focussed more on attracting external funding** (through identification of "funding gaps") than on producing a realistic, operational management (and/or coordination) instrument for the government. In the education sector, for instance, plans and results frameworks seem to have evolved more in the sub-sector of primary education, an area donors are more willing to fund, in contrast with other education-related sub-sectors that attract less donor attention<sup>22</sup>.

Development partners have often struggled to find an adequate level of involvement in the planning, budgeting and approval process of sector plans. Some find it difficult to resist a gut reaction to pursue their own policy agendas. The health sector review in Africa referred to above points to the **challenge of avoiding donor micro-management**, even in mature sector pro-

grammes, and leaving room for partner country governments to take responsibility, control and ownership of programme decisions<sup>23</sup>. A recent study on the Paris Declaration in the infrastructure sector shows a similar picture: “The very complexity of many projects in this sector, combined with weak local capacity, may make it more likely that donors in this sector chose to be relatively active in drafting strategies and plans”<sup>24</sup>.

**The lack of agreed and predictable criteria (to the extent that this is possible) on what can be considered a “good enough” plan** may have contributed to behaviour of this type by development partners and their consultants. In view of this, FTI has reached a global agreement of an endorsement and appraisal process between governments and donors for agreeing on a “good enough” education sector plan, which then forms the basis for future support to the sector<sup>25</sup>.

Across various sectors many actors agree that sector programmes to date – due to some of the issues listed above – have been excessively “frontloaded” in terms of a heavy focus on planning to the detriment of implementation capacity and M&E. Such **preoccupation with a “perfect” plan can mean that opportunities to achieve development results are missed**. There is reliable evidence that plans (and budgets) can be improved progressively when they are genuinely adopted by the government as operational instruments to guide sector actors, when a sufficient number of significant donors in the relevant sector align effectively behind them, and when the planning and monitoring process is increasingly inclusive of relevant actors. Examples of such progress include the Uganda Water and Sanitation SWAp<sup>26</sup>, the Mozambique Strategic Health Sector Plan<sup>27</sup> and the Nicaraguan agriculture SWAp<sup>28</sup>.

## 4.3 Working on the basis of a common results framework

### **Performance-based dialogue in the Water and Sanitation sector in Uganda**

The Ugandan water and sanitation SWAp includes structured dialogue mechanisms and a formal review process. The joint sector review is held annually and attended by sector ministries, civil and political leaders, local government staff and representatives of donors. During the review, an increasingly sophisticated and comprehensive review of the performance of the sector is carried out, shortcomings discussed, and undertakings for addressing priority issues during the following year agreed upon. The sector review process has provided a forum for conducting joint diagnostics, such as value for money studies and fiduciary assessments. The most important aspect has been the development of a sector-wide performance measurement framework. In order to strengthen the strategic focus of the dialogue on performance, 10 “golden indicators” have been identified. In Uganda, joint sector reviews are bolstered by the fact that they are part of the central budget and GBS review process. Thanks to use of budget support mechanisms, sector dialogue has been able to focus on overall performance against policy and the performance of government systems, as opposed to the details of funding modalities. This, together with the broad stakeholder participation in the annual reviews, has helped to strengthen domestic accountability.

Joint Performance Assessment Frameworks (PAFs) at sector level have matured alongside sector programmes and related aid effectiveness initiatives. Habitually linked to a national PAF (where this exists) and including a system of joint annual reviews, they have contributed to an increased focus on overall sector development results, relating both to sector service delivery and progress against the MDGs. This has triggered a demand for relevant statistical information (including disaggregation of data by sex and other criteria) and initiatives to develop M&E systems at sector and cross-government levels, in order to demonstrate results.

The transparency of reliable information and timeliness of its availability to all relevant actors – in advance of joint annual review exercises, for example – is a fundamental prerequisite for well-functioning results analysis and subsequent dialogue. In practice, however, this scenario seldom plays out as desired. Whilst most health sector programmes have results frameworks, **there is still a long way to go before quality follow-up is achieved**<sup>29</sup>. A principle reason is that the process of **attaining reliable information is complex and expensive and requires capacity** development both in partner countries and for donors and other actors. In the education sector, the low quality of data and limited capacity within ministries has hindered follow-up of sector results and evidence-based decision-making<sup>30</sup>. There has also been a tendency to include too many results indicators within frameworks – with each donor wanting to include their own indicators – thus putting undue pressure on often weak sector systems for data collection and statistics production. In the agriculture sector, there is concern that results frameworks do not sufficiently measure quality, efficiency and effectiveness of public service delivery.<sup>31</sup>

There have been advances in tackling these shortcomings. The Comprehensive Africa Agriculture Development Program (CAADP) **has developed a joint results and indicators framework** which can assist in selecting relevant indicators and help different actors take part in the monitoring of results<sup>32</sup>. In the education sector, **planning and budgeting tools have been developed to facilitate a more poverty-focused and rights-based analysis of results**. The Bangladesh education sector programme performance framework, for example, includes indicators for school access disaggregated by sex and disability. In the review of health SWAp<sup>33</sup> mentioned above, some indicators relating to gender equity can also be found. Nonetheless, it cannot be said that a gender equity focus is widely applied. Development results regarding gender equity, human rights, the disabled and the environment are not generally at the centre of sector results frameworks.

## 4.4 From conditionality to mutual accountability for results

Most development actors are familiar with the substantial criticism of the policy conditionality employed in the past (e.g. structural adjustment), which infringed on national sovereignty and was generally ineffective in promoting development. There is now substantial evidence that **reforms are only effective when there is strong domestic support for them**<sup>34</sup> and that “using aid to buy reforms from an unwilling government does not work”<sup>35</sup>.

Few recent analyses exist regarding the application of conditionality at sector level. Nor do donors talk about it much. It still exists, however, whether it's called conditionality or by any other name, and whether linked to sector policy, inputs, process or outcomes. In practice this means donors and partner countries agreeing on (or subjecting to/accepting) conditions for continued support and disbursements. **The transparency and predictability of conditions for further support and/or disbursement is still an issue in some sectors.**<sup>36</sup> For instance in the Tanzanian health sector, basket-funders in the health sector impose so called soft conditionality in their yearly 'side agreements' with the Ministry of Health and Social Welfare (MoHSW), which are different from the undertakings agreed at the Joint Annual Review<sup>37</sup>

A recent trend, enhanced by the Paris Declaration, is to increasingly link these conditions to existing national and sector results frameworks, i.e. to condition support to results that sectors have already committed themselves to achieving – so called outcome-based conditionality. In reality, unreliability of data and M&E systems, attribution problems with outcomes and disagreement among donors on relevant performance indicators are all challenges to a strong shift towards outcome-based conditionality. In view of this, many sector programme donors choose to relate disbursements to a combination of process, output and outcome indicators, so as to spread risks. What is important is that ground rules are clear and fair, i.e. **that conditionality is transparent, predictable and realistic in relation to performance targets, and relates to results to be achieved.**

## 4.5 Ways forward

The principle challenges with regard to realistic planning, results frameworks and mutual accountability involve receiving firm commitments from sector actors to support partner country sector institutions in developing one plan and results framework, one coordination mechanism, and one budget (as applicable), which are linked to macro frameworks and enhance national transparency and accountability mechanisms<sup>IV</sup>. More specifically this implies:

- Acceptance on the part of development partners that supporting national plans and policies can contribute to their improvement through implementation and (joint) evaluation, even when they are far from perfect and/or not adequately embedded in national frameworks. **Some of the planning energy should instead be invested in implementation and joint monitoring mechanisms.**
- **Establishing mutual accountability agreements based on results**, with specific commitments for all relevant sector actors (incl. all donors regardless of aid modality utilised), within a common framework such as a compact, a code of conduct or similar. Agreements should be **monitored on a regular basis, preferably by an independent entity.**
- Renewed efforts on the part of partner countries to continue to strengthen capacity and incentive systems for efficient public management and **improved coordination mechanisms within and between sectors – avoiding a “sector narrow approach”.**

<sup>IV</sup> As described earlier in this document, depending on the sector characteristics, the role of joint budget frameworks versus coordination mechanisms may be different, and in some sectors the one coordination framework may be more relevant than one budget framework.

# 5. Alignment and Harmonisation

Harmonisation between development partners – especially in terms of joint procedures and financing mechanisms – has advanced more than alignment with partner country strategies and systems since the two principles were highlighted in the Paris Declaration. Yet there is evidence that only through adoption will these partner country strategies and systems be strengthened. Urgent efforts are required of all parties in order to turn the tide.

## **Breaking the circle: The rural water sub-sector in Uganda<sup>38</sup>**

In Uganda's rural water sub-sector, a shift to modalities which use government systems in full, including debt relief, general budget support and notionally earmarked sector budget support, has helped build stronger local government systems for service delivery. Before the shift, government reforms only existed on paper. Systems and capacity in local governments were either weak or non-existent. The move to programme modalities has meant that donors have a far smaller operational role than previously (although they retain some visibility as supporters of the sub-sector). This leaves the Ministry of Water to play its primary role, which includes policy development, monitoring and supporting local governments, not the implementation of projects. The fact that funds are now transferred to local governments to finance service delivery creates stronger incentives for them to attract and retain qualified personnel, and strengthen local government systems for delivering services to the public.

## **Should projects and PIUs be eradicated now that sector programmes exist?**

Despite their often negative influence on ownership and sustainability, donor-defined projects and PIUs to a great extent continue to rule sector development. Yet there are many misconceptions related to projects and project support which often overly simplify the 'projects versus programmes' debate. One is that once a sector programme is up and running, donors should not support civil society-led (or other non-government) projects/programmes. Another is that PIUs and projects – as a way of working – are negative on the whole and should be eradicated. There are in fact several legitimate *raison d'être* for projects, such as needs for innovation and flexible piloting of new approaches and reforms. It is also generally accepted that project-type set-ups are one of the viable options for large-scale infrastructure initiatives, for example.

Hence, rather than suppressing all projects, the solution may be to put them through a Paris Declaration "litmus test", including ownership and alignment (to policy, plans, budgets and working cycles) as well as integration in regular implementation and accountability structures (so called integrated PIUs). It is also essential to analyse what role the government versus different non-government actors play in the sector, and provide support to the most adequate change agents. The Paris Declaration must not be used as a "straight jacket" preventing development partners from delivering relevant and effective ODA.



## 5.1. Prioritising alignment over harmonisation

Numerous examples exist to support the case for prioritising alignment over harmonisation efforts. They include the first phase of the Uganda Health SWAp<sup>39</sup>, and the same country's Water and Sanitation SWAp<sup>40</sup>, wherein sector budget support was promoted as the principle financing modality<sup>41</sup>. Similarly, experiences in Tanzania (Education SWAp) and Mozambique (Health SWAp) conclude that the use of aid modalities that are on-budget, that exclusively employ national procedures and that do not earmark funds (General Budget Support), or that only notionally earmark to a specific sector (Sector Budget Support), are those which best contribute to a “virtuous circle” which strengthens partner country capacities and promotes the right incentives for actors<sup>42</sup>. Further enhancement of this virtuous circle can be achieved through inclusion of monitoring mechanisms related to alignment and harmonisation as part of mutual accountability frameworks (Alignment & Harmonisation plans or Codes of Conduct). In several of the countries referred to above, so called “smart safeguards” (e.g. joint monitoring mechanisms, public expenditure tracking surveys, expenditure reviews, fiduciary assessments and audits) have been introduced as ways of reducing fiduciary and development risks when employing more aligned financing modalities<sup>43</sup>.

Despite the advantages of this virtuous circle, practice to date shows that **development partners have advanced more in harmonising amongst themselves** (in many cases, jointly adopting the procedures of one of their number), than in alignment<sup>44</sup>. In many cases, joint financing and implementation arrangements continue to be defined by donors, sidestepping regular sector structures and procedures. It should also be stressed that **alignment is not a simple, one-off decision. It requires persistence and on-going resolve**. The Ugandan Health SWAp has shown that even after the successful introduction and employment of a budget support modality, use of projects by donors can start to creep back in, with inevitable reductions in alignment with the sector strategic plan<sup>45</sup>.

Consequently, as highlighted by a recent study by the Strategic Partnership with Africa, **project support remains the dominant ODA delivery mechanism**, outweighing the share of total aid of “new aid modalities”<sup>46</sup>. In the review of reports and evaluations done to produce this outcome document, not a single approach to implementing the Paris declaration at sector level has been found where all ODA was aligned with national procedures.<sup>47</sup> When ODA at sector level is delivered through a project there are frequently sustainability problems, since little local capacity is left behind once a project has concluded<sup>48</sup>. Exceptions to this rule can be found, however, including some encouraging examples of more aligned methods of implementing project support in the infrastructure and other sectors.

**Common (or basket) funds are a regular feature of sector programmes**. They have sometimes been stepping stones towards more aligned aid modalities and can have positive effects on dialogue and national systems and results orientation (joint M&E). In some instances, for example, partner countries have found it useful to use the procedures of one of the donors while developing their own system, provided they get a say in which system to use<sup>49</sup>.



However, it can be argued that common funds often represent a **harmonised but parallel approach** to implementing the Paris Declaration at sector level. The continued use of parallel mechanisms (traditional donor-led projects or common funds with substantial parallel structures) tends to create a vicious circle of bypasses which undermines the potential benefits of any budget support modalities supporting the same sector. An ODI report even suggests that common funds employing substantial parallel procedures are nothing but “big projects”, and that they are a serious threat to further advancement of alignment, and subsequently to aid and development effectiveness<sup>50</sup>.

**Parallel common funds often require efforts similar to those needed to strengthen the mainstream government systems** and often face the same capacity constraints and weaknesses as the systems that they attempt to side-step. The resources spent on design and management of a (harmonised) common fund can crowd out time for policy and results-focussed dialogue, and may be an important factor in explaining the limited progress that has been made in reducing transaction costs. Furthermore, existing domestic systems can be overshadowed and hence remain weak<sup>51</sup>. In such cases, the role of common funds as stepping stones towards increased alignment is questionable.

**So why don't development partners align more?** One obstacle is agreeing on a realistic sector plan with clear objectives (as mentioned in the previous chapter). Another is the perceived and/or existing weaknesses in country systems. Furthermore, the internal rules of development partners relating to use of country systems vary substantially and there is additional incoherence in relation to the use of country systems between, and within, sectors and countries<sup>52</sup>. Last, but not least, development partners' incentive systems have traditionally been geared around the full cycle of designing projects and intervention mechanisms and then implementing them, whilst progress in alignment instead implies a focus on strengthening the leadership and ownership of the partner country<sup>53</sup>. In the end, however, the issue boils down to a **classic chicken and egg situation: which comes first – alignment or improved systems?** And is there a chance that systems can improve when a critical mass of development partners decides not to invest in their use? The recent research and experience presented above suggest the answer is no<sup>54</sup>.

## 5.2. Global funds and sector programmes

### **Applying the principles of sector-wide approaches and including the Global Fund in a federal state – Ethiopia<sup>55</sup>**

Ethiopia has a complex federal political system which makes a conventional sector-wide approach unfeasible. Development Partners have to work with multiple layers of government with far stronger institutionalised mandates than in non-federal states, where it is constitutionally unfeasible for the federal government to make resource allocation decisions within sectors. Another challenge includes matching a radical growth in funding for disease-specific programmes, with the need for health systems strengthening.

In spite of these issues the health sector in Ethiopia has made considerable progress towards greater harmonisation and alignment by using some of the principles of programme-based approaches in a strategic and adaptable way. For instance, a health Code of Conduct is in place including its own review mechanisms. Pool funding arrangements have also been established. But one of the most impressive examples of harmonisation is how Ethiopia has been successful in using the health strengthening opportunities of GFATM and GAVI to fund individual areas of its health system such as the Health Extension Programme (HEP) and the Health Management Information System (HMIS).

These and many other improvements have been possible through the hands-on leadership and vision of the Health Minister and the Director of Planning, among others, demonstrating that where there is a will there is a way, and that even in countries which are not obvious candidates for sector programmes, the essential principles of the Paris Declaration can still be applied successfully.

Global programmes/initiatives such as the Education For All – Fast Track Initiative (EFA-FTI), the Global Alliance for Vaccines and Immunizations (GAVI) and The Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) have brought increased financing to the education and health sectors and have speeded up disbursements and supported innovation. Yet in the health sector these programmes have also **complicated the task of managing health sectors and implementing sector programmes**, through introduction of parallel procedures, earmarking of resources for specific programmes or diseases, and attracting professionals away from the public sector<sup>56</sup>. Since its inception in 2001, the GFATM, for example, has become one of the most powerful instruments for combating its three target diseases among the world's most marginalised populations, but has worked, and continues to work in many countries, as a parallel fund.

Nevertheless, some **experiences of integrating global funds into overall sector programmes do now exist**, as in the cases of Ethiopia and Uganda, where parallel structures have been eliminated and national procedures strengthened<sup>57</sup>, and Mozambique<sup>58</sup>, where the GFATM (as well as GAVI) is now part of the Health SWAp and disburses through the common fund, aligned with national procedures<sup>59</sup>.

**Three key factors appear to have been influential in facilitating such integration in Mozambique:** (1) increasing control, authority and ownership exercised by the Government over external resources; (2) a group of development partners who share a common position, speak with a single voice and support

government plans and priorities; and (3) a history of using pooled arrangements in Mozambique in the health sector, which means that any new donor, such as the GFATM, can disburse funds through an arrangement that has already been tried and tested<sup>60</sup>. In order to operationalise the inclusion of its budget, the GFATM accepted use of the health sector budget (including government budget and common funds) as a marker of whether sufficient resources are being targeted to the three diseases. It also accepts use of the national M&E system, recognising that weak national systems need not be an obstacle for involvement, but represent a development challenge where the GFATM shares the same risks and concerns as any other development partner. SWAp partners perceive that the transaction costs linked to ODA disbursements and requirements of partner country governments have been reduced substantially through such integration.

### 5.3 Division of labour – an underutilised key to reduced transaction costs?

**In Zambia**, the government's implementation of a division of labour initiative – determining which development partners should intervene in which sectors – has been positively embraced by the more than 20 different bilateral and multilateral development partners. Nonetheless, some have voiced their concerns over sector distribution – especially when the new distribution requires giving up presence in a social (MDG-focused) sector that enjoys high visibility amongst a donor's public commitments and constituencies.<sup>61</sup>

Harmonisation and division of labour have not yet advanced to the point of yielding much relief in relation to reduced transaction costs<sup>62</sup>. One reason may be that harmonisation has too often been equated with joint financing mechanisms. The ongoing problems of ineffective multi-donor dialogue (as in the case of the education sector<sup>63</sup>) common funds, and continued donor proliferation (as in the cases of the agriculture and health sectors),<sup>64</sup> heighten the **need to dedicate more efforts to effective division of labour, which ensures complementarity of support at sector level**. This applies both within and across sectors.

Numerous efforts have been made to divide labour, including sector concentration (each donor reducing the number of sectors in which they are present), as part of **joint assistance strategies (JAS), delegated cooperation (also known as silent partnerships), and lead donorship**. However, transaction costs related to these solutions – especially on the donor side – remain an issue. In the education sector the assessment is that development partners that coordinate multi-donor work on behalf of a local donor group are likely to spend considerably more time and resources on such activities, without such efforts being fully recognized within their institutions.<sup>65</sup>

**The lack of progress on sector concentration relates to counter-incentives on both the donor and partner country sides**. According to the evaluation of the Paris Declaration, negotiations over division of labour and silent partnerships “can become highly contentious, with some donors taking steadfast positions on their ‘comparative advantages’ or overhead costs”<sup>66</sup>. Disincentives on the

partner country side include governments and line ministries being familiar with, and dependent on, programme and project arrangements with individual donors. Moving away from this arrangement without fully understanding the replacement may not seem attractive. Plunging into sector concentration could detach sector ministries from traditionally strong supporters. This risk may take on additional relevance in sectors already suffering from high volatility in volumes of funds, low predictability and/or permanent underfunding. Nevertheless, in sectors with a large amount of donors, **it is hard to see how reduced transaction costs and increased quality of ODA can be achieved without increased division of labour** – including a substantial say for partner governments as concerns the comparative advantages of different development partners.

## 5.4. Ways forward

The principal way forward lies in the adoption of a holistic approach to the Paris Declaration principles, and therein prioritising alignment over harmonisation. Both partner countries and development partners should seriously address the obstacles and disincentives that stand in the way of this course of action. More specifically, this means that:

- Development partners should **address their internal regulations, competence and incentive systems so as to promote alignment and partner-country led division of labour**. They should simultaneously increase their use of partner country systems and support initiatives to improve/reform these systems. This implies taking calculated risks and introducing smart safeguards, whilst carefully monitoring sector progress and results.
- When a financial mechanism is being selected, **a modality using national procedures should be the first option considered**. The question should be how to use country systems rather than whether to use them. Selection of a financing mechanism should be guided by the possibility of achieving lasting development results, capacity development, reduction of transaction costs and enhancing domestic accountability.
- **Partner countries should take a forceful lead in promoting use of national procedures**, whilst at the same time recognising any shortcomings and specifying precise and feasible commitments as concerns ongoing improvement of these procedures (to be detailed in a CoC, MoU or similar).
- **Peer pressure is an important incentive**. When there is a critical mass of development partners with real commitment to practicing the Paris Declaration principles, peer pressure can be exerted on more reticent development partners
- Global/vertical funds should be **designed in such a way that they can be part of national and sector alignment and harmonization initiatives**. An analysis of the potential pros and cons should be carried out before any further vertical initiatives are put into practice.

## 6. Capacity Development, Institutional Reform and Technical Assistance

A common understanding of sector context and its modus operandi is vital in order for sector development results to be achieved. Needs-based capacity development and institutional reform plans should be central to sector programmes, and allow space for sequencing of reform initiatives. Support to capacity development and institutional reform should not shy away from potentially sensitive areas such as incentives, civil service reform and other issue issues related to the “political economy” of the sector.

### **Capacity development and technical assistance in the Education sector in Mozambique<sup>67</sup>**

Capacity Development has been an integral part of the implementation of the Education Sector Strategic Plan in Mozambique and a variety of capacity building activities have been carried out, including extensive training at decentralised levels. At the central level, the adoption of the sector-wide approach (SWAp) has required strengthened capacity for planning and monitoring of the education sector as a whole. In addition to technical skills, the SWAp has put new capacity requirements on ministry staff as well as development partners, with regard to social and cross-cultural skills, in order to promote transparency and build mutual trust.

Evaluations point to the close links between education sector management and overall reforms of the public sector administration. There is a need for an increasingly systematic approach to capacity development, including decentralization of responsibilities and improved flow of funds. While training activities have been regarded as positive, the lack of continuity and a limited probability of changing staff behaviour “when everything else in the organization is alike” are seen as major constraints to enhanced results. A structural problem that is particularly acute in Mozambique, due to its exceptionally small volume of higher education places, is the overall shortage of professionals with degrees/diplomas. This problem cannot be remedied with short-term training measures, but requires longer-term development of the higher education system.

The MoE has positive experiences from TA related to improved national and regional planning processes and the procurement of TA under the common fund mechanism. It has enhanced its leadership regarding capacity development and has, on several occasions, refused donor imposed (rather than needs based) TA. The thematic working groups, including Government and donors are seen as useful forums for discussing TA needs and recruitment.

## **6.1 Competence development for all sector actors**

**Knowledge and skills development among the actors involved in sector programmes is vital** for the enhancement of aid and development effectiveness at sector level. An understanding of the local and sector context is essential, as are knowledge and skills related to management (not merely planning, but also delivery of quality services, M&E, statistics and human resource management), governance issues (both at macro and decentralised levels) and negotiation and dialogue skills. A comprehensive common understanding (shared by all involved actors – government representatives, development partners and other stakeholders) of the overall sector, its programme(s) and actors need to be developed for sector programmes to be successful.

The **joint learning programme** (Train-4-Development) training events on SWApS at country/regional level have contributed substantially to the creation of joint platforms of this type, primarily between governments at sector level and development partners<sup>68</sup>. Through such initiatives, the often confusing (donor) language and architecture related to SWApS and aid effectiveness can be clarified for relevant actors in the sector<sup>69</sup>. **Learning and training initiatives have not so far included other actors, such as parliaments, CSOs or the**

**private sector**, however. Yet the need for training and access to information for these actors is important in all four sectors – and especially in the agriculture and (smaller scale) infrastructure sectors, where the participation and involvement of the rural population, farmers associations etc. is essential for sustainability.<sup>70</sup>

On the development partner side, staff members are often inexperienced, change frequently and subsequently lack understanding of the sector context. They may also not understand the government structures, systems and reforms related to issues like planning, budget, finance and M&E. This complicates sector dialogue, slows down programme implementation and sometimes leads to unnecessary additional requirements being imposed. **Development partners need to invest more in developing and retaining specific sector and country knowledge** (e.g. in recruitment and when country representatives move on)<sup>71</sup>. “Donors should ensure that their staff has at least the same training as the partner country representatives in these areas”<sup>72</sup>.

## 6.2 Linking sector programmes to public sector reform and recognizing incentives

Sector programmes often include ambitious links to institutional and broader public sector reform initiatives. The degrees of success of these reforms vary substantially, however. **Sector ministries often suffer “reform overload”** wherein, for example, various reform initiatives are all encouraged at the same time as the sector ministry attempts to roll out a comprehensive sector service delivery programme<sup>73</sup>. The Bangladesh health sector experience shows the importance of development partners not pushing too hard for unrealistic reform initiatives, but rather allowing governments the leeway to sequence reform initiatives, thus making them more realistic and sustainable. In the health sector in general, the importance of a buy-in to the reform agenda by both domestic actors and development partners, as well as clarity on intended policy and institutional reform objectives, have been highlighted as crucial factors for success<sup>74</sup>.

**The political environment of sector reform is also frequently overlooked.** Sector development and the implementation of the Paris Declaration are often technically oriented – lacking an understanding of potential resistance to reform. In Tanzania, for instance, lack of attention to political analysis led education sector donors to underestimate disincentives preventing government staff from actively engaging in sector reform.<sup>75</sup>

In order for a sector to develop its human and organisational capacity to deliver results, it is often dependent on central public sector reform initiatives, coordinated by other government institutions. In addition to PFM and procurement, both highlighted in the Paris Declaration, important factors in determining **sector capacity and subsequent results are often related to “the thorny issue of civil service reform”**<sup>76</sup>. These factors include recruitment and training, salaries, staff retention and brain drain (on both national and international levels).

In the education sector in Mozambique, **the impact of the capacity building that has taken place has been curtailed at all levels by the lack of incentives built into the existing structure** of salary levels and career paths<sup>77</sup>. In Zambia, a recent assessment reported that the workforce in the health sector is only 50 percent of that required. The Government of Zambia has since set up a Human Resource Task Force – as part of the SWAp – to develop and implement an emergency Human Resource Rescue Plan<sup>78</sup>. Initiatives have also been taken to harmonise salary and compensation packages for health staff, in order to avoid brain drain from the public sector health institutions to NGOs and Hiv/aids initiatives with more attractive employment conditions<sup>80</sup>. In Mali, one of the major policy impacts of the health SWAp is the validation of the Human Resource for Health Development Policy that puts special emphasis on motivating health staff to work in rural areas<sup>81</sup>.

In addition to addressing these incentive issues, there is also a need to develop human resources capacity in the long-term, and make sure sufficient qualified hands are available. **The roles of national training and higher education institutions cannot be neglected** if sustainable results are to be achieved at sector level.

## 6.3 Rethinking technical assistance

Technical assistance (TA) has for a long time been viewed as **the** solution to development of institutional capacity. However, without sufficient links to overall sector strategies, results frameworks and implementation structures, and without leaving space for other initiatives with equal or higher relevance for the sector in question, **the results left behind in terms of institutional capacity have not always been impressive.**

Joint technical assistance (TA) programmes supporting capacity development seem to lag behind other cooperation areas when it comes to applying the Paris Declaration principles at sector level. Many initiatives exist, but few work satisfactorily. **Technical assistance is still often strongly supply-driven**, i.e. in the control of the funding agencies, with their staff identifying areas in need of further development, designing and managing interventions, identifying consultants etc. Yet the relevance and effectiveness of this type of TA are questionable when other conditions necessary for sustainable institutional development – such as government leadership and adequate staff incentives – are not in place when the TA is implemented<sup>82</sup>. Persistence in pushing TA in such situations can weaken government ownership, distort accountability mechanisms and lead to unsatisfactory results.<sup>83</sup>

**The supply-driven nature of technical assistance has many reasons.** Partner countries often perceive the cost of TA as high and hard to justify given the funding gaps in many other areas. TA has also been a way for development partners to push their “pet” policy priorities or to access to privileged information relating to the sector programme<sup>84</sup>. Supply-driven TA often goes hand-in-hand with project support (including PIU setups). Furthermore, there is a considerable development cooperation consultancy industry behind the scenes. Those interested in maintaining the present TA status quo include



such companies which benefit from TA contracts, individual professionals that earn higher salaries and have more power and status in PIU posts, and donors and creditors that receive incentives based on their disbursement levels and that are interested in delivering quick results (at activity/output level) whilst avoiding fiduciary risk.

Fortunately, institutional capacity not merely to plan but also to implement and achieve results is increasingly highlighted in sector programmes<sup>85</sup>. There are several **good examples of the elaboration of capacity development, reform or (TA/TC<sup>V</sup>) plans based on the needs identified in the sector programme planning process**, and mechanisms for coordination and harmonisation of this TA/TC being installed as part of the programme.

**In Nicaragua, a common fund for flexible TA/TC is part of the agriculture sector programme**, whilst in Ghana the technical assistance needs of the health sector are mapped and prioritised as part of the sector planning exercise. FTI has developed guidelines on best practice in capacity development<sup>86</sup>, detailing five steps to support the design of a strategic, participatory approach to capacity development in the education sector. There are also several experiences at sector level with successful south-south and triangular cooperation (including institutional exchanges). South-south technical cooperation has advantages in certain respects – context, culture and systems are often similar between countries in the same region, and a peer learning environment is often developed that is more conducive to promoting ownership.

## 6.4 Ways forward

Capacity development in relation to all key sector-related actors needs to be at the core of sector programmes. Incentives issues must be addressed in order to make this happen. The Paris Declaration principles should be applied to capacity development (and related technical assistance) in the same measure as to any other type of support. More specifically, the following measures can be adopted to support demand-driven sector capacity development:

- **Sustainable institutional capacity development should be an integral part of sector assessments**, planning and results frameworks, including “the thorny issue of civil service reform”, where relevant. Capacity development support should not be limited to central level government actors, but include rural and other neglected stakeholders.
- Just as partner country governments and other actors need to develop their capacity and reform their institutions – so do development partners. **Development partners must make sure their competence matches that demanded of partner countries**, and that their incentive structures adequately support partner country led sector development. Initiatives such as the Joint Learning Programme on SWAs could play an important role in developing common understanding between all relevant stakeholders in any given sector/country.

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<sup>V</sup> TA/TC= technical assistance/technical cooperation.

- Development partners and partner countries should **include the emerging good practice<sup>87</sup> related to capacity development and technical assistance in MA frameworks at sector level**. This implies a needs-based and demand-driven approach to capacity development, where TA is merely one of several ways to enhance institutional capacity. Good practice related to TA includes clearly defining the roles and accountability mechanisms of technical assistance personnel in relation to regular staff. TA-related ODA needs to be untied and un-earmarked, contracting/cooperation processes should be open and transparent, and opportunities should be sought for south-south or triangular cooperation.
- Partner countries should **resist pressure to move too quickly with public sector reform initiatives**, and concentrate on careful sequencing that is realistic given their capacity levels.

# 7. Enhancing Development Effectiveness at Sector Level

## – conclusions and commitments

### 7.1 Conclusions

Many achievements and improvements have been seen thanks to aid effectiveness initiatives at sector level, including implementation of the Paris Declaration. However, the road from Paris to Accra and beyond is bumpy and obstacle-strewn, with many bridges and fords to be crossed. The way forward must be cleared of contradictory incentives, lack of knowledge/understanding of the bigger picture, and a sometimes over-optimistic reform agenda.

Progress in aid and development effectiveness at sector level has varied substantially in pace and focus in different contexts. Yet there is a growing awareness of the importance of coherently applying the Paris Declaration at sector level, while keeping in mind the local context, its actors and avoiding a one-size-fits-all approach. Opportunities should not be missed, however, to share good practice across sectors and between countries.

This document highlights many lessons aimed to guide aid effectiveness initiatives at sector level in the future<sup>VI</sup>. One such lesson is the importance of broadening the perspective from aid effectiveness to a broader focus on development effectiveness. The Paris Declaration needs to be seen as a means to enhance the effectiveness not only of aid, but of development initiatives in general, at sector and country level. By taking this perspective, it may be easier to avoid letting the aid effectiveness agenda at sector level take on “a life of its own” without a sufficient link to development results. The importance of context should also be born in mind when considering these proposed principles/commitments. The Paris Declaration principles are valid in any context, but the strategies for implementing them will need to be defined jointly by actors in each sector and country. This does not mean, however, that development actors should pick and choose the principles that they adhere to. Nor should difficult environments be used as an excuse for not taking the necessary measures to enhance aid and development effectiveness at sector level.

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<sup>VI</sup> For more sector specific lessons learned, please read the respective reviews and analyses of each sector that have been carried out for Round Table 8 from the education, health, agriculture and infrastructure sectors, which can be found on : [www.honduaaccra.gob.hn](http://www.honduaaccra.gob.hn).

## 7.2 Approaches and commitments necessary for enhancing sector development effectiveness:

1. **Donors and their aid are not the centre of the development universe.** Country actors are. All actors involved at sector level must work collectively, accountably and transparently towards development outcomes, and commit to changing their approach “from an aid delivery to a sector development perspective”<sup>88</sup> in order to achieve sustainable results.
2. **The Paris Declaration principles apply equally to all sectors – but one size does not fit all.** The approach to applying the Paris Declaration will vary across sectors and between country contexts. Sector actors – donors as well as sector ministries – must improve their understanding of their specific sector context, but not use this context as an excuse not to change their incentives and behaviour. There are many interesting regional and international harmonisation initiatives, as well as good practice at country level, that can be shared across different sectors, whilst avoiding using them as blueprints.
3. **Move from focus on inputs and conditionality to mutual accountability for results.** Instead of applying policy, input or process conditionality, sector actors should agree on a set of results to be achieved, their specific roles and responsibilities in delivering what is necessary to achieve these results (including financing), and hold each other to account on this basis. Codes of Conduct, Compacts or equivalent mutual accountability arrangements at sector level should be specific, inclusive and balanced in terms of demands placed on different parties. Results frameworks and M&E mechanisms should include central development issues such as gender equality, environmental sustainability and human rights. Mutually agreed performance indicators provide better incentives than imposed conditionality or donor micro-management.
4. **Be practical about planning. If consensus on a ‘perfect plan’ is proving elusive, be prepared to start implementing, measure results and improve plans through use.** Sector governments and development partners should encourage realistic operational plans linked to budgets and national development plans (as applicable). However, perfect plans can be illusory. Therefore, instead of delaying implementation, sector actors should focus on results to be achieved, take calculated risks and monitor results closely through a learning-by-doing approach.
5. **Place capacity and institutional development at the core of sector programmes and strategies. But avoid treating technical assistance as the single solution.** Capacity development with a focus on sustainable institutions should be a natural part of a sector programme and its results framework. Mechanisms for demand/needs-based capacity development support, with technical assistance/cooperation as just one element, should be implemented. The capacity development needs of other key stakeholders besides the central government need to be addressed in order to enhance broad ownership and results.

6. **Prioritise alignment over harmonisation (of procedures) between donors.** Only by using the pipes can you detect and fix the leaks. Donors should focus on increased alignment with partner country priorities, systems, legislation and implementation mechanisms rather than merely harmonising procedures amongst themselves (e.g. parallel common funds). This implies addressing the causes of the limited alignment progress to date, including incentives, regulations and competence gaps, and promoting evidence-based decision making related to effectiveness of ODA delivery mechanisms. Partner countries should put additional efforts into reforming systems that are vital for results achievement, and politely say “thank you but no thank you” to donors who, by refusing to align to their priorities and systems, undermine effectiveness. The continued use of parallel financing mechanisms – be they projects or common funds – should be carefully monitored through MA frameworks.
7. **Don’t turn SWAps into SNAps (Sector Narrow Approaches).** Sector development results also depend on outside actors and sectors. In particular, sector programmes need to be linked to the national budget and the activities and policies of other sectors. Sector programme coordination and M&E mechanisms should gradually be broadened to include key actors outside the sector, which are important for achieving development results.
8. **Promote pragmatic mechanisms for democratic ownership and stakeholder involvement at sector level.** Broad government ownership and leadership of sector development is vital but not sufficient. Sector policies should include mechanisms for broad stakeholder involvement, not least at local level. Mechanisms for involving citizens/beneficiaries (rural and urban), their organisations, democratically elected assemblies, service providers and other sector stakeholders should include policy negotiation, planning and M&E. Partner country governments need to be transparent in terms of information sharing, recognise the importance of stakeholder contributions, and engage stakeholders in real, results-based sector dialogue.
9. **Match sector reform with “development partner reform”. Focus on relevant knowledge and incentives for all actors.** Development partners must reform their way of doing business, ensure that their staff is qualified and informed, and that they have the time and incentives to engage in results-based dialogue and support to capacity development at sector level. The same knowledge and incentives issues need to be addressed within partner country governments, in addition to other specific technical reforms (PFM etc). The organisation of joint learning and training events can aid actors in understanding each other and the complexity of sector development, and provide a joint platform for dialogue. Competence development initiatives highlighting gender equality, human rights and environmental sustainability issues should be instigated for all sector actors, and include the government institutions that play a role in furthering development in these areas.

10. **Address incentives and the political economy of sector development – don't shy away from the real problems.** Recognize existing incentives and work with them. Address the reform areas needed for successful sector performance – even if they are not currently highlighted in the Paris Declaration – e.g. civil service reform. Focus on programming reforms in a realistic manner, since over-optimism has often proved counterproductive. To address the political economy of sector reforms, social analysis should, from the design stage of the program, identify the winners and the losers, anticipate resistance, provide for mitigating measures as well as means of strengthening the hand of the drivers of pro-poor change.

## Notes

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