



RT8



Round Table 8

Accra 3rd High Level
Forum on Aid Effectiveness.

Enhancing Results
by Applying the Paris
Declaration at
Sector Level.

Round Table 8

– Outcome Document



República de Honduras



Sida

Proposed Approaches to Enhance Sector Development Effectiveness

1. Donors and their aid are not the centre of the development universe – partner country actors are. 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 a focus on financing mechanisms and conditionality to mutual accountability for development 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 the development of human and institutional capacity at the core of sector programmes and strategies. Ensure technical cooperation is needs-based and aligned with the objectives of the sector programme.
6. Prioritise alignment of aid over harmonisation of donor procedures. Global partnerships and initiatives must also adhere to the alignment agenda.
7. Don’t turn SWAps into SNAps – Sector Narrow Approaches. Sector development results also depend on other actors and sectors.
8. Promote pragmatic mechanisms for democratic ownership and stakeholder involvement at sector level.
9. Match country-level sector reform with “development partner reform”. Focus on relevant knowledge and incentives for all key stakeholders.
10. Address the “real” problems in the sector, even if they are related to sensitive issues such as power relations or incentives. Improving aid and development effectiveness at sector level is often more than merely a technical matter.

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Round Table 8– outcome document

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Printed by : Edita 2009

Art.no.: SIDA52124en

This publication can be downloaded/ordered from www.Sida.se/publications

Round Table 8

– Enhancing results by applying the Paris Declaration principles at sector level

In the context of the 3rd High Level Forum on Aid Effectiveness in Accra in September 2008, one of the nine round tables arranged – Round Table 8 – discussed how to enhance development results by applying the Paris Declaration at sector level in the health, education, agriculture and infrastructure sectors.

Round Table 8 was co-chaired by Mr Ricardo Arias, Vice Minister of the Presidency, Honduras; and Mr Anders Nordström, Director General of Sida, Sweden.

This Outcome Document is the final product of the Round Table 8 process. It includes the conclusions and lessons learned from the extensive consultations pre-Accra, as well as the wealth of knowledge and experience shared by the panellists and other participants during the Round Table 8 session in Accra on 3 September 2008. The document also makes some specific recommendations regarding actions and approaches to be taken to enhance aid and development effectiveness at sector level in the future.



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1. Introduction

1.1 Purpose

As part of the Third High Level Forum (HLF III) in Accra, Round Table 8 discussed the experiences of applying the Paris Declaration principles at sector level. It drew lessons from the health, education, agriculture and infrastructure sectors.

The purpose of this document is to:

- Summarise the main lessons learned from more than a decade of initiatives to increase aid effectiveness at sector level – including three-and-a-half years of implementing the Paris declaration.
- Outline key recommendations for furthering aid and development effectiveness at sector level.

This document aims to address the following questions:

1. How far have the Paris Declaration principles been applied in the respective sectors, and what are the key reasons for success as well as the main bottlenecks and challenges?
2. What are the similarities and differences between the different sectors in terms of progress and challenges, and what can they learn from each other?
3. What additional steps and measures are needed to enhance aid and development effectiveness at sector level?

The document is not a comprehensive analysis of aid and development effectiveness endeavours in these sectors; rather it aims to highlight a selected number of core issues. To date, the ‘programme-based approach’ (PBA)¹ 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. Since the Paris Declaration and previous aid effectiveness initiatives have focused primarily on bilateral or multilateral development cooperation, this is necessarily the main focus of this document. The roles of non-governmental stakeholders are not overlooked however.

This document is the result of consultations prior to the HLF III between April and August 2008, complemented by the conclusions drawn from the Round Table 8 session in Accra. The process has been

¹ | The OECD/DAC defines the Programme Based Approach as follows: 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:

- Leadership by the host country or organisation.
- A single comprehensive programme and budget framework.
- A formalised process for donor co-ordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement.
- Efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation.

informed by: OECD/DAC work streams focusing on the sectors included in this document; OECD/DAC^{II} networks dealing with cross-cutting issues such as gender equality; experiences shared at pre-Accra consultation meetings; and inputs from partner and donor country representatives, research institutions and other development 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.

1.2 Definitions

Round Table 8 defines “applying the Paris Declaration at sector level” as the application of the declaration’s five principles – ownership, alignment, harmonisation, managing for development results and mutual accountability – jointly and coherently in a specific sector. The principle objective is to improve overall aid and development effectiveness across the sector, thereby enhancing development results.

A “sector” can be defined in several ways. It can be based on a socio-economic area that produces specific goods 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^{III}. This is the case for most of the sector examples referred to in this document.

The characteristics of a sector can vary substantially depending on:

- 1) Whether the state is the principal funder or service provider in the sector; or whether the state’s role is principally to regulate or facilitate activities in the sector;
- 2) The institutional set-up of the sector, including how far it is decentralised, and the extent to which development results also depend on the actions of other government institutions outside the main coordinating ministry or agency;
- 3) The number and diversity of actors involved in the sector;
- 4) The importance of context-specific activities and 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.

II The Organisation for Economic Co-operation and Development (OECD) comprises 30 member countries committed to democratic government and the market economy and provides a forum where governments can compare and exchange policy experiences, identify good practices and promote decisions and recommendations. The Development Assistance Committee (DAC, www.oecd.org/dac) is the principal body through which the OECD deals with issues related to co-operation with developing countries.

III The EC guidelines on sector programme support propose to follow the institutional definition of a sector at country level. http://ec.europa.eu/development/icenter/repository/Support-to--Sector-Programmes_short_27072007_en.pdf

2. The Paris Declaration at Sector Level

– what has been achieved so far?

This section attempts to summarise the progress achieved to date in applying the Paris Declaration at sector level. It examines some intermediate results and – to the extent possible – concrete development results. It is important to keep in mind, however, the difficulties that exist in directly attributing pro-poor development results to the implementation of aid effectiveness initiatives at sector level.

*In the education sector*¹ advances include greater country ownership and commitment to development objectives, and improved donor coordination. Donors have aligned their strategies more closely to those of partner countries and have made progress in harmonizing their policies and procedures. Formal mutual accountability (MA) arrangements have been developed in the form of Memoranda of Understanding (MOUs). Joint work has increased, especially the appraisal and monitoring of sector plans. With the exception of the private sector, Sector Wide Approaches (SWAs) have led to consultation of relevant stakeholders, and specific mechanisms have been established for this purpose. SWAs have also provided opportunities for integrating cross-cutting issues such as gender equality and human rights in sector strategies. Further advances are necessary in this area, however, in order to ensure real impact. SWAs 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.

In the education sector there are some indications that aid effectiveness initiatives have contributed to enhanced 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.

It is unclear how far SWAs in the education sector have encouraged donors to make their different interventions more complementary. Work is still needed to enhance mutual accountability agreements, increase the predictability of financing, and make further use of country systems. Furthermore, the quality of donor-partner dialogue and coordination has not necessarily improved. Donor staff, consultants and sector partners often lack training and incentives to deal with the complexity and scope of multi-donor operations.

In the health sector^{2, 3, 4, 5} donors have started to coordinate and harmonize their work more effectively – conducting joint sector reviews for example, and sharing information and research. There have been improvements in the quality of government health policies and strategic planning, and resource allocation has become more transparent. Sector

strategies are increasingly being linked to national budgets and aid flows reported on-budget. SWAp have enabled a focus on the strengthening of human resources, procurement and public financial management systems. Joint monitoring and evaluation (M&E) systems have been introduced.

Progress in use of country systems has also been evident until recently. Over the last few years, however, sector coordination advances in many countries have come under pressure – partly due to the increase in global health initiatives. Aid for health still needs to be much more closely aligned to partner government priorities; there is, for instance, a large funding gap as relates to holistic development of health systems. Other challenges to further alignment include vague, unrealistic or poorly costed plans, and insufficient links to macroeconomic frameworks and other sectors relevant to achieve desired health outcomes. Aid volatility and unpredictability are also major concerns. Mutual Accountability instruments are not always specific enough to hold respective partners to account. Several countries have progressed in relation to MDG health indicators, yet despite recent increases in ODA for health, this progress is not fast enough. There are various factors at work – strained relations between global health initiatives and existing sector structures, chronic underfunding of the sector as such, and a widespread shortage of skills. Hence it is hard to know to what extent each of these factors has affected progress towards desired health sector objectives.

In the agriculture sector^{6,7} partner governments have taken greater leadership and improved their negotiation skills. Donors have made progress towards better coordination and harmonization, including promoting information sharing and debate through sector working groups. Performance Assessment Frameworks and Joint Assistance Strategies increasingly include agriculture sector objectives; mutual accountability commitments are commonly agreed in a Memorandum of Understanding (MoU) or a Code of Conduct (CoC). Alignment of aid with national policy and management systems, including aligned common funds, has improved.

Inclusive country ownership is more of a challenge, however. Relevant stakeholders have so far often been left out of key processes and there has been too much focus on centralised, government-led interventions. Coordination needs to be improved between agriculture and other relevant sectors, avoiding a ‘Sector Narrow Approach’. Planning and policy frameworks need to better match policy priorities, strategies and spending. Monitoring and evaluation is a concern, particularly the availability of data.

Sector-wide programmes in agriculture struggle with continued high transaction costs due to the resources devoted to harmonisation and alignment initiatives (“the process architecture”). This is partly due to an excessive focus on joint financing mechanisms. Sector funders find it difficult to reconcile sector PBAs with the need to pilot 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.

In the infrastructure sector^{8,9} achievements include the linking of sector programmes or projects to sector or national policies and strategies, and increased reflection of infrastructure spending in national budgets (although links to MTEFs still remain a challenge). Despite the “project nature” of the sector, everything from project funding to budget support has been used for channelling funds to infrastructure investments. Other positive achievements include the development of joint sector working groups, joint operational manuals and a step by step approach to increasing the use of national procurement systems, starting with smaller-scale procurement. In the water sector, progress also includes greater 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 – a ‘broader’ sense of community-level ownership, albeit usually only at project level.

Weak government capacity – in the face of the complexity of large-scale infrastructure projects – presents a sustainability challenge and has made the establishment of parallel project implementation units (PIUs) a common phenomenon in the sector. In a recent study¹⁰ on Aid Effectiveness in the infrastructure sector reports cases of PIU staff being paid much higher salaries than regular staff – making it difficult for officials to exercise authority over PIU staff. The study highlights that the size and complexity of some of these projects make it more likely that a PIU that is relatively detached from the regular Government structure will manage the project. In such instances, PIU staff sometimes had closer relationships with donors than with the department to which they reported. Furthermore, the complexity of large-scale infrastructure projects (e.g. in terms of environmental and social safeguards) as well as their high profile often result in more than usual donor involvement in areas such as planning and procurement: It concludes that “implementing the Paris Declaration in large-scale infrastructure includes devoting significant resources to strengthening country capacity to manage large investments with significant social and environmental effects”. Government ownership of such projects can often be more ‘de jure’ than ‘de facto’.

With some exceptions, alignment has been particularly difficult to achieve in relation to national procurement systems, especially in cases of large-scale infrastructure projects which involve competitive bidding. A key hindrance is that national audit institutions often lack the capacity to audit projects of this nature. In such instances it is still common to adopt the system of one of the donors instead. Broadening government ownership beyond the lead government agency, and receiving policy support from other key government institutions is another challenge in relation to the sustainability of these projects. The study referred to above¹¹, also concludes that increased harmonisation among donors may come at the cost of diminished ownership on behalf of the partner government, whilst too much emphasis on harmonisation can cause delays to complex projects.

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

PARIS DECLARATION PRINCIPLES	AREAS OF POSITIVE PROGRESS	AREAS OF LIMITED OR MIXED PROGRESS
Ownership	- Enhanced leadership and coordination by partner country governments. - Sector strategies and plans increasingly linked to national policies, strategies and performance assessment frameworks (PAFs)	- Ownership focused on central government and does not always include non-government or sub-national level stakeholders. - Quality of plans varies. They are not always operational.
Alignment & harmonisation	- ODA increasingly on-budget, and overall in line with country priorities. - Increased use of Public Finance Management (PFM) and procurement systems. - Increased harmonised procedures, i.e. joint analysis, M&E, shared reports. - Advances in lead-donor mechanisms and delegated cooperation.	- No evidence of increased predictability of ODA to sectors. - Alignment – especially with national/sector systems and procedures – has advanced less than harmonisation among donors - Technical assistance (TA) lags behind other areas in relation to ownership, alignment and harmonisation. - Less progress on division of labour and “sector concentration” within and between sectors.
Managing for development. results & mutual accountability	- Many sectors have some sort of Performance Assessment Framework and mutual accountability (MA) mechanism. - Results follow-up increasingly focused on the overall (sub) sector. - Fora created for policy dialogue, including so-called cross-cutting issues, related to broader sector policy/planning, including joint reviews and sector working groups.	- More modest progress as relates to monitoring and evaluation capacity and systems, and evidence-based decision making (including statistics) and dialogue. - The quality and focus of sector dialogue and joint annual reviews is often perceived as unsatisfactory.

There is a mixed track record in terms of reducing transaction costs at sector level. A moderate to non-appreciable reduction has been reported from many education and some health sector programmes. Transaction costs seem to have increased in some agriculture programmes. In all sectors substantial up-front investments are required to change modus operandi. The 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. ^{12, 13, 14, 15, 16, 17}

3. Stakeholder Involvement and Democratic Ownership

Ownership issues within sector programmes have, to date, focused mainly on central government. Other key stakeholders – parliaments, civil society, sub-national government levels 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 relevant 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). It operates in selected communities and aims to extend service utilization among socially disadvantaged groups, through “voice-capturing” exercises to record the views of women from excluded castes, ethnic and regional groups on issues of maternal health and service provision. The information gathered has helped to support government decisions to spend more of the infrastructure budget on building peripheral facilities. It has also contributed to the national policy debate and the decision to abolish user fees at lower level health services¹⁸.

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

In 2005, the farmers of Mali demanded the right to participate 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, 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 at the heart of solving complex agricultural problems. Twenty-five local workshops were held involving local farmers; 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 law now provides policy orientation for The Growth and Poverty Reduction Paper (CSCR, 2007–2011), the second generation of the Poverty Reduction Strategy Paper (PRSP) 2002–2006¹⁹.

Civic participation is an essential aspect of development and poverty reduction. Where mechanisms are employed that allow citizens’ voices to be heard and included in policy decisions, (sector) development initiatives tend to be more relevant and effective in fulfilling 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.* Consequently, dialogue forums and accountability mechanisms

have tended to be designed to serve this relationship between partner country government and donor/lending institution. Even effective ownership and leadership within the lead ministry in question has been a challenge, as has involving other relevant central government ministries and agencies, sub-national government levels and elected assemblies such as parliaments.

There is growing consensus on 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 and sustainable pro-poor development results. Challenges to this broader ownership of sector programmes include the lack of inclusive mechanisms, the limited capacity of governments to conduct effective participation exercises, and 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”: CSOs and other actors are invited to the table but lack any real possibility of influencing events. Local and 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 programme-based approaches at sector level, this can lead to participation mechanisms at sector level being dominated by well-financed, international or bigger national NGOs in the capital city, to the detriment of balanced national and local multi-stakeholder participation and accountability.^{20, 21, 22, 23, 24}

Vietnam forestry sector “Pining for private participation”²⁵

The Forest Sector Support Partnership (FSSP) is a means by which stakeholders engaged in Vietnam’s forestry sector work together. It primarily includes government agencies, international organisations, and non-governmental organisations. Over the past couple of years, the FSSP has increasingly sought to address forestry investment issues of interest to domestic and foreign private sector enterprises. Although the Partnership had previously explored options for moving towards applying SWAp-like modalities, it is now recognised that an adapted approach is needed. This is due to the changing nature of the forestry sector in Vietnam where private sector investments are becoming much more important – and the fact that Vietnam may achieve medium-income status by 2010 and would therefore no longer be eligible for many types of ODA. Regardless of the change of approach, partners remain committed to the ideas of promoting coordination and improved overall management of the sector. Hence key elements of the FSSP are improved mechanisms for information sharing, increased policy dialogue, and maximising effective use and mobilisation of resources. The FSSP 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 focusing 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 who also play important roles in achieving development results.*^{26, 27}

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, women 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 once implementation is under way.^{28, 29}

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 – citizens, elected assemblies, national and sub-national government bodies, CSOs, research institutions, and the private sector – 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.

More active efforts to facilitate the participation of relevant stakeholders, e.g. the key drivers of change outside government. This means provision of resources, capacity development support and giving access to relevant information – the latter especially on the part of 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 of 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 could be “scaled 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, north or south. All actors need to unite behind realistic operational sector plans and coordination frameworks – and accept that waiting for a ‘perfect plan’ is not feasible. Effective joint monitoring of their implementation is the way to improve these plans; comprehensive mutual accountability mechanisms should help ensure that all parties 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. These include: (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) lack of continuity across government mandates. Several of these *difficulties are also present in many development partners’ own countries.*^{30, 31}

Countries like Uganda, Tanzania and Mozambique have been able to *develop coherent sector plans, budgets, results frameworks and coordination mechanisms* in education, health and water. *The existence of macro-frameworks* such as poverty reduction strategies (PRS), linked performance assessment frameworks (PAF), and medium-term expenditure frameworks (MTEF) has aided this process. In reciprocal fashion, Programme Based Approaches at sector level have drawn attention to the sustainability of results by strengthening links between sector expenditure programmes and national budgets, and by increasingly linking plans and budgets³². National level “poverty or MDG^{IV} monitoring groups” involving government and key development partners have also positively influenced sector development in several cases. This is especially true where these groups include sectors like health, education or agriculture as “tracer sectors” for overall government policy. The risk that partner countries or donors apply incompatible policies within or between sectors can thereby be reduced.^V

There are, however, clear *challenges in achieving a fruitful macro-level – sector relationship*. The relationships between the sector ministry and the ministries of finance and planning are of particular importance for the success of sector programmes. Lack of commitment or support from

IV Millennium Development Goals.

V Common denominations are General Budget Support groups, Program Aid Partners (Mozambique), Joint Assistance Strategy Groups (Zambia) or Poverty Reduction Strategy -PRS- monitoring groups. Health sector annex, p 5.

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 moves from earmarked support for specific projects or a sub-sector to full (sector) budget support. Such shifts mean that sector ministries have to increasingly negotiate their budget allocations with the MoF, rather than with development partners^{VI}. Furthermore, sector ministry needs, especially at sub-national levels, are sometimes not sufficiently reflected – for example, in MoF-led public financial management 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”.³³

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” or “Sector Narrow Approach”. Agriculture SWAps, for example, have found it difficult to establish effective stakeholder coordination mechanisms at sector level that reach beyond 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. Such institutions have so far been insufficiently involved in supporting and monitoring sector-level application of policies relating to these issues.^{34, 35}

A further related cross-sector coordination challenge is the *articulation between “vertical” sector programmes and “horizontal” area or geographically focused programmes*. This has been addressed in some cases, such as in the Ethiopia health programme (see case study on p. 18), and the Nicaraguan PRORURAL SWAp, which initiated a pilot process of programme decentralisation to departmental level in 2007³⁶. Sector planning is sometimes further complicated in sectors such as agriculture by a lack of consensus on the role of the state in the sector^{37, 38}. Several lessons can be learned from the multi-sector response to the threat of HIV/AIDS, both in relation to the causes and the consequences of the pandemic. These lessons include the importance of strong political leadership when adopting such a multi-sector approach, e.g. giving HIV/AIDS coordinating bodies a strong cross-sector mandate. Furthermore, inclusive mechanisms for coordination, information-sharing and joint action have been vital at both national and sub-national levels.

VI This is not necessarily an argument for earmarking funds to the sector, however, 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

Gender Equality in the Honduran Labour Market

Some countries have managed to incorporate so-called Cross Cutting Issues (CCIs) within sector policies, plans and results frameworks. In Honduras, for example, 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 within national planning of gender equity related indicators and goals. They are accompanied by guides to their incorporation in specific interventions, and allocation of funds to gender equality related actions. These indicators are now included within the National Plan for Dignified Employment 2006–2010 which covers – amongst others – the agriculture sector. They are monitored by the National Labour Market Observatory³⁹, along with the impact of the implementation of the plan on the employment levels of women.

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 (KESSP) 2005–10. The programme fits within the framework of national policy set out in the Economic Recovery Strategy and has been developed through a Sector Wide Approach to Planning. A strategic environment assessment was undertaken at an early stage, before the investment programme had been fully designed. This 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.⁴⁰

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 were little more than lists of existing donor-led projects in the sector. However, in sectors and countries where ODA constitutes a substantial part of the budget, *sector plans have often focused more on attracting external funding* – through identification of "funding gaps" – than on producing a realistic, operational management instrument for the government. In the education sector, for instance, plans and results frameworks seem to have advanced more for primary education than for other education sub-sectors that have historically attracted less donor attention.⁴¹

Development partners have often struggled to find the right level of involvement in the planning, budgeting and approval process of sector plans. Some development partners find it difficult to resist the temptation to pursue their own policy agendas. A review of health sector programmes in Africa⁴² points to the *challenge of avoiding donor micro-management*, even in mature sector programmes. Partner country governments are not given enough room to take responsibility, control and ownership of programme decisions. Donors tend to focus on the quality of policy

content in the short term, rather than on the strengthening of longer term policy processes. These can include the adequate involvement of parliament and CSOs, or the transition from one government to another. A recent study on aid effectiveness and the application of 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 choose to be relatively active in drafting strategies and plans”⁴³.

The *lack of agreed criteria – to the extent that this is possible – on what can be considered a “good enough” plan*, may have contributed to behaviour by development partners and their consultants which undermines ownership. In view of this, the education Fast Track Initiative has reached global agreement on an endorsement and appraisal process between governments and donors for agreeing on when an education sector plan is “good enough”. This agreement then forms the basis for future support to the sector⁴⁴. However, this is not merely a matter for partner governments and development partners.. There is a need to progressively widen the circle of partners who endorse existing plans in order to ensure inclusive development results.

Across various sectors, there is broad agreement that – due to some of the issues listed above – sector programmes have been excessively “frontloaded”, in other words, they have placed too much focus on planning, to the detriment of implementation 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: (1) they are genuinely adopted by the government as operational instruments to guide sector actors; (2) enough major development partners in the relevant sector align effectively behind them; and (3) the planning and monitoring process involves key stakeholders. Examples of such progress include the Uganda Water and Sanitation SWAp⁴⁵, the Mozambique Strategic Health Sector Plan⁴⁶ and the Nicaraguan agriculture SWAp⁴⁷.

4.3 Working on the basis of a common results framework

Performance-based dialogue in the Water and Sanitation sector in Uganda⁴⁸

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 donor representatives. During the review, an increasingly sophisticated and comprehensive review of the performance of the sector is carried out, shortcomings are discussed, and undertakings for addressing priority issues agreed upon for the following year. 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, ten “golden indicators” have been identified. Among these are indicators for equity in water access, gender equality and community participation. In Uganda, joint sector reviews are bolstered by the fact that they are part of the central budget review process, and general budget support (GBS) follow-up. 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 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. They are usually linked to a national PAF, where this exists, and include a system of joint annual reviews. Sector PAFs have contributed to an increased focus on overall sector development results, in both 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 the development of M&E systems at sector and cross-government levels in order to demonstrate pro-poor results.

Transparent and reliable information, released to key stakeholders in a timely manner – 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, for instance, *there is still a long way to go before adequate follow-up is a reality*⁴⁹. A principle reason is that the process of *attaining reliable information is complex and expensive; it requires capacity* development of both partner country actors and development partners. 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-making⁵⁰. There has also been a tendency to include too many results indicators within frameworks. Donors have been keen 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 the quality, efficiency and effectiveness of public service delivery.^{51, 52, 53}

There have been advances in tackling the shortcomings mentioned above. 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 results⁵⁴. 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 SWAs^{VII} mentioned above, some indicators relating to gender equality can also be found. Nonetheless, it cannot be said that a gender equality 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.

These challenges related to results frameworks also raise an important question: who are the frameworks for? There has been a tendency to primarily use PAFs and indicators as top-down tools, not least for donor control of sector programmes. The mere existence of a PAF, however, will not in itself make a difference. In fact, sectors develop most successfully when citizens – parents, patients, and other relevant groups – demand better services. Education in Nepal is an example of such “bottom-up monitoring”. Here, parents have pressed for results and delivery, apparently maintaining education standards despite civil war and state collapse. Indicators and statistics at national level are important, but they are unlikely to lead to improvements unless domestic forces press for such change^{VIII}.

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 – structural adjustment, for example – which infringed 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*⁵⁵ and that “using aid to buy reforms from an unwilling government does not work”.⁵⁶

Few recent analyses exist regarding the application of conditionality at sector level. Nor do donors talk about it much. However, development assistance is normally accompanied by conditions of some sort, which can be linked to sector policy, inputs, process or outcomes. In other words, donors and partner countries agree on, or are subjected to, conditions in order to receive continued support and disbursements. *The transparency and predictability of conditions for further support or disbursement is still an issue in some sectors.*⁵⁷ In Tanzania, for instance, 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 is different from the undertakings agreed at the Joint Annual Review.⁵⁸

VII The 11 frameworks can be accessed at www.honduaaccra.gov.hk/basic_documents/health.

VIII Information supplied by Nils Boesen following facilitation of a ‘Joint Learning Event on Sector Wide Approaches in the Education Sector’ in Nepal in November 2007.

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. This is known as outcome-based conditionality. In reality, there are several challenges holding back a strong shift to outcome-based conditionality. These are: unreliability of data and M&E systems, problems of attributing outcomes – other factors can influence final results – and disagreement among donors on relevant performance indicators. 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. *Conditionality must be transparent, predictable and realistic in relation to performance targets, and relate to results to be achieved.* Any rules or conditions should therefore be drawn up on the basis of domestic plans and objectives rather than donor-defined programme or project frameworks.

4.5 Ways forward

Sector development efforts should revolve around firm commitments to support sector institutions in partner countries to develop effective plans, results frameworks, coordination mechanisms and budgets. Where possible, these should be linked to macro frameworks and enhance national transparency and accountability mechanisms. More specifically this implies that:

- Development partners need to accept that supporting national plans and policies can contribute to their improvement through implementation and joint evaluation – even when they are far from perfect, or insufficiently embedded in national frameworks. *Some of the planning energy should instead be invested in implementation and joint monitoring mechanisms.*
- *Mutual accountability agreements must be put in place. They should be based on results,* and include specific commitments for all relevant actors, including all donors in the sector regardless of the aid modality utilised. These could take the form of a compact, a code of conduct or similar, which should be *monitored on a regular basis, preferably by an independent entity.*
- Partner countries need to continue to strengthen capacity and incentive systems for effective public management, and to *improve coordination mechanisms within and between sectors – avoiding a “sector narrow approach”.*
- There is a need for more evaluation work in order to ensure that both sector management decisions and development partner decisions related to aid effectiveness at sector level are based on solid evidence.

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 Uganda⁵⁹

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 much smaller operational role than previously (although they retain some visibility as supporters of the subsector). 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 or donor-managed projects and project implementation units (PIUs) continue to rule sector development to a great extent. Yet there are many misconceptions related to projects and project support which often oversimplify 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-governmental) projects or programmes. Another is that all PIUs and projects – as a way of working – are negative and should be eradicated. In fact, all governments and sector administrations use a project-style modus operandi for parts of their operations – i.e. they set up specific task forces and and/or special units for specific purposes. There are several legitimate *raison d’être* for projects, such as the need for innovation, flexible piloting of new approaches and reforms. It is also generally accepted that project-type set-ups are viable options for large-scale infrastructure initiatives. The main issue is who owns and manages these projects and PIUs – donors or partner country actors – rather than whether projects and PIUs should exist as such.

Rather than suppressing all projects, the solution may be to put project implementation arrangements through a Paris Declaration “litmus test”. This would check: a) whether they promote ownership and alignment to partner country policy, plans, budgets and working cycles; and b) whether they are integrated in regular implementation and accountability structures – so-called ‘integrated PIUs’. It is also essential to analyse the roles of the government and different non-government actors in the sector, and to provide support to the most relevant 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

Development partners’ inclination to align to partner country priorities, systems and procedures can be seen as the ultimate test of whether they intend to “walk the Paris walk” and respect partner country ownership and leadership in practice. Without alignment, it is hard to achieve real partner country ownership.

Numerous examples exist to support the case for prioritising alignment over harmonisation efforts. These include the first phase of the Uganda Health SWAp⁶⁰, and the same country’s Water and Sanitation SWAp, wherein sector budget support was promoted as the principle financing modality⁶¹. Similarly, experiences in Tanzania (Education SWAp) and Mozambique (Health SWAp) have demonstrated that the most aligned aid modalities are those that best contribute to a “virtuous circle” that strengthens partner country capacities and ownership. These “virtuous” modalities⁶² are part of the national budget (process), use national procedures, and do not earmark (i.e. General Budget Support) or only notionally earmark to a specific sector (Sector Budget Support).

Further enhancement of this virtuous circle can be achieved through the inclusion of joint monitoring mechanisms that track alignment and harmonisation as part of mutual accountability frameworks – Codes of Conduct and Alignment & Harmonisation plans etc. In several of the countries referred to above, so called “smart safeguards” have been employed. These include joint monitoring mechanisms, pub-

lic expenditure tracking surveys, expenditure reviews, fiduciary assessments and audits. They have been introduced as means to reduce fiduciary and developmental risks when using more aligned financing modalities⁶³.

Despite the advantages of this virtuous circle, practice to date shows that *development partners have advanced more in harmonising procedures amongst themselves* than in alignment in relation to national priorities and country systems.^{64, 65} In many cases, joint financing and implementation arrangements continue to be defined by donors, side-stepping regular sector structures and procedures. It should also be stressed that *alignment is not a simple, one-off decision. It requires persistence and ongoing resolve*. The Ugandan Health SWAp has shown that even after the successful introduction and employment of a budget support modality, use of donor-controlled projects can start to creep back in, with inevitable reductions in alignment with the sector strategic plan⁶⁶.

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 delivered through “new aid modalities”⁶⁷. In the review of reports and evaluations carried out whilst producing this outcome document, not a single approach to implementing the Paris Declaration at sector level has been found where all ODA is completely aligned with national procedures. The Paris Declaration principles can be applied to projects, which, as stated above, are suitable in some instances. Yet substantial use of the donor-controlled project form for delivering ODA frequently creates sustainability problems, since little local capacity is left behind once a project has concluded^{IX}.^{68, 69, 70}

Joint financing arrangements such as common funds^X are frequently used in sector programmes. Common funds vary substantially with regards to who makes the decisions, whose procedures are being used, and whether the common fund arrangement is used for financing the entire sector plan or merely parts of it. In order to improve aid effectiveness through the application of the Paris Declaration principles, a common fund should at least fulfil three minimum criteria: it should be “on plan” (financed activities should be included in the programme plan), “on budget” (form part of the programme budget and budget process), and “on accounts” (use the programme’s financial accountability mechanisms).

Common funds based on harmonised procedures have occasionally been stepping stones towards more aligned aid modalities. They have had positive effects on dialogue and national systems and results orientation – in cases of joint approaches to M&E, for example. There are specific instances of partner countries that have found it useful to employ the procedures of one of the donors while developing their own system, provided they get a say in which system is used⁷¹.

IX This does not mean, however, that projects which are aligned to a great extent with the overall sector programme and priorities do not exist.

X Often also known as pooled funds or basket funds.

However, the types of common funds that do not respect the Paris Declaration principles – funds that are poorly aligned to the sector programme plans and/or do not use national systems – can constitute stumbling blocks towards increased alignment. An ODI report^{72, 73} goes as far as suggesting that *common funds that employ substantial parallel implementation units and procedures are nothing but “big projects”*. Common funds with project-like characteristics can create a vicious circle of by-passes, undermining the potential benefits of more aligned aid modalities at work in the same sector.

The efforts required to manage a common fund with substantial parallel mechanisms are often similar to those needed to strengthen the government or other partner organization’s regular systems. In other words, such parallel arrangements often face the same capacity constraints and weaknesses as the systems they attempt to side-step. The resources spent on design and management of such common fund arrangements can crowd out time for policy and results-focused dialogue. This 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^{74, 75}. When creating a common fund the actors involved must carefully analyse its contribution to improved effectiveness of ODA as well as overall sector development. Does the design really contribute to reduced transaction costs and enhanced sector capacity? The “on plan – on budget – on account” principle is a good starting point for this analysis.

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 weakness of country systems. Development partners’ internal rules relating to use of country systems can also vary substantially, and there is incoherence in the use of country systems between, and within, sectors and countries^{76, 77}. Last, but not least, development partners’ incentive systems have traditionally been more geared around designing projects and intervention mechanisms and then implementing them. Progress in alignment, on the other hand, implies a focus on strengthening the leadership and ownership of the partner country⁷⁸.

In the end, the issue boils down to *a classic chicken and egg situation: which comes first – alignment or improved systems?* And will systems ever improve as long as a critical mass of development partners choose not to invest in their use? The recent research and experience presented above suggest the answer is no⁷⁹.

5.2. Global funds and sector programmes

Applying the Paris principles to global initiatives in a federal state – Ethiopia⁸⁰

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 that have stronger institutionalised mandates than in non-federal states. In this system it is constitutionally unfeasible, for instance, for the federal government to make decisions on resource allocation within sectors. Another challenge is matching a radical growth in funding for disease-specific programmes with the need to strengthen overall health systems.

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. A health Code of Conduct is in place, for example, that includes its own review mechanisms, and pooled funding arrangements have also been established. But one of the most impressive examples of harmonisation is how Ethiopia has succeeded 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. Their success demonstrates 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 be successfully applied.

Global programmes and 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. They have also speeded up disbursements and supported innovation. Yet these *global initiatives have also complicated the task of managing health sector programmes*. Parallel procedures have been introduced, resources earmarked for specific programmes or diseases, and professionals attracted away from the public sector^{81, 82}. 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 it has worked, and continues to work in many countries, as a parallel fund.

Nevertheless, there are now some *experiences of integrating global funds into overall sector programmes*. In the cases of Ethiopia and Uganda, parallel structures have been eliminated and national procedures strengthened.^{XI} In Mozambique⁸³, the GFATM (as well as GAVI) is now part of the Health SWAp and disburses through the common fund, aligned with national procedures⁸⁴.

Three key factors appear to have been influential in facilitating such integration in Mozambique: (1) the 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

XI Full vignette available at www.honduaccra.gob.hn

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 tested⁸⁵. To make this possible, the GFATM has accepted using the health sector budget (including government budget and common funds) and financial reports as a marker of whether sufficient resources are being allocated to its three target diseases. It has also accepted use of the national M&E system, recognising that weak national systems need not be an obstacle to 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 – a key to reducing transaction costs

In Zambia, the government has pursued a division of labour initiative – determining which development partners should intervene in which sectors. This 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.⁸⁶

Harmonisation and division of labour have not yet advanced to the point of contributing much to reducing transaction costs⁸⁷. One reason may be that harmonisation too often has been equated with joint financing mechanisms. In the education sector in some countries, the multitude of donors hampers sector dialogue⁸⁸ and the effective management of common funds. The health and agriculture sectors, meanwhile, struggle with continued donor proliferation and/or fragmentation.^{89, 90} These challenges heighten the *need to dedicate greater 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. These include sector concentration – each donor reducing the number of sectors in which they are present – *joint assistance strategies, 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, development partners that coordinate multi-donor work on behalf of the local donor group are likely to spend considerable time and resources on such activities, without these efforts being fully recognized within their institutions.⁹¹

The lack of progress in sector concentration is a result of 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”⁹². 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 possible replacements 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 number of donors, *it is hard to see how reduced transaction costs and increased quality of ODA can be achieved without increased division of labour*. This must include a substantial say for partner governments regarding the comparative advantages of different development partners. For sectors with few donors, however, the opposite scenario holds true. Such sectors may benefit from having additional development partners, both in terms of funding volumes and an increased diversity of development cooperation options for the sector⁹³. It is also essential that sector concentration efforts address the issue of volatility in the levels of support to different sectors, as development themes relating to one sector or another move in and out of fashion.

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 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 practising the Paris Declaration principles, peer pressure can be exerted on more reticent development partners.
- The design and implementation of *global/vertical funds should be compatible with national and sector alignment and harmonization initiatives*. An analysis of the potential pros and cons should be carried out before

6. Capacity Development, Institutional Reform and Technical Assistance

any further global/vertical initiatives are established.

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

Capacity development and technical assistance in the Education sector in Mozambique⁹⁴

Capacity Development is an integral part 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. The adoption of the sector-wide approach (SWAp) has required strengthened management capacity for planning and monitoring of the education sector as a whole at central level. In order to promote transparency and build mutual trust, the SWAp also requires social and cross-cultural capacities – in addition to technical skills – on the part of both ministry staff and development partners.

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 and expansion of the higher education system.

The Ministry of Education has positive experiences with Technical Assistance (TA) related to improved national and regional planning processes, as well as the procurement of TA under the common fund mechanism. The ministry has enhanced its leadership of capacity development initiatives, and has on several occasions refused donor imposed – rather than needs based – TA. The thematic working groups, that include government and donor staff, 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 a pre-requisite for enhancing aid and development effectiveness at sector level. An understanding of the local and sector context is essential, as

well as knowledge about governance issues, including decentralisation. Management skills are also vital – not just related to planning and finance management, but also in M&E, statistics, quality assurance of service delivery, and negotiation and dialogue skills. For sector programmes to be successful, a comprehensive common understanding of the sector needs to be developed and shared by everyone involved – government representatives, development partners and other stakeholders.

The *joint learning programme* (Train-4-Development) training events on SWApS at country/regional level have helped create joint platforms of this type, primarily between governments at sector level and development partners⁹⁵. Through such initiatives, the often confusing (donor) language and architecture related to SWApS and aid effectiveness can be clarified for relevant actors in the sector⁹⁶. Learning and training initiatives to date have only to a limited extent included other actors, such as parliaments, CSOs or the private sector. Yet the need for training and access to information for these groups is important in all four sectors – and especially in the agriculture and smaller scale infrastructure sectors. Participation and involvement of the rural population, farmers associations etc. is essential for sustainability.^{97, 98, 99}

On the development partner side, staff members are often inexperienced, change frequently and consequently 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.* Attention should be paid to recruitment, induction, and country representative rotation procedures. “Donors should ensure that their staff has at least the same training as the partner country representatives in these areas”.^{100, 101}

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 from “reform overload”* where, for example, various reform initiatives are encouraged at the same time as the sector ministry attempts to roll out a comprehensive sector service delivery programme. This has been termed the “Big Bang approach” to reform.^{XII} The Bangladesh health sector experience shows the importance of development partners not pushing too hard for unrealistic reform initiatives. The greater leeway a government is given to sequence its reform initiatives, the greater the chance that they will be realistic and sustainable. In health and other sectors, it is important that both domestic actors and development partners buy into the government reform agenda – and are clear on intended policy and institutional reform objectives. Furthermore, capacity assessment at sec-

XII Remark made by a representative of the Ghanaian Health Sector at the Round Table 8 session during the HLF-3 in Accra.

tor level has often focused on identifying “capacity gaps” – lists of things that don’t work – but failed to fully appreciate existing human and institutional capacity.

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, insufficient analysis of the political economy of the country by donors contributed to a lack of understanding of the incentives of government staff to engage in sector reform.¹⁰²

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 public financial management 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”*¹⁰³. These factors include recruitment and training, salaries, staff retention and brain drain at both national and international levels.

In the education sector in Mozambique, *the impact of capacity development initiatives has been curtailed at all levels by the lack of incentives built into the existing structure of salary levels and career paths*¹⁰⁴. 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 Plan¹⁰⁵. 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. 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. Similar schemes have been introduced in health sector programmes in other countries.

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 will be 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 space for other initiatives with equal or higher relevance for the sector in question – *the results have not always been impressive*. A lack of contextual knowledge on the part of international TA personnel has often been a hindrance to effective support to institutional reform.

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. it is controlled by the funding agencies, with their staff identifying capacity development needs, designing and managing interventions, identifying consultants etc. Yet the relevance and effectiveness of this type of assistance are questionable when other conditions necessary for sustainable institutional development – such as government leadership and adequate staff incentives – are not in place. Persistence in pushing TA in such situations can weaken government ownership, distort accountability mechanisms and lead to unsatisfactory results.^{106, 107, 108}

There are many reasons for the supply-driven nature of technical assistance.

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 gain access to privileged information relating to the sector programme¹⁰⁹.

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 those companies that benefit from TA contracts, individual professionals who earn high salaries and have power and high status in PIU posts, and donors and creditors that are rewarded based on their disbursement levels and are interested in delivering quick results at activity and 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^{110, 111, 112}. *There are several good examples of capacity development, reform or TA/TC plans^{XIII} based on the needs identified in sector programme planning processes.* Mechanisms for coordination and harmonisation of this TA/TC have then been installed as a part of these programmes.

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. The Fast Track Initiative has developed guidelines on best practice in capacity development¹¹³. They describe 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 of successful south-south and triangular cooperation, including institutional exchanges. South-south cooperation has several advantages – context, culture and systems are often similar between countries in the same region, and a peer learning environment is often developed, which is more conducive to promoting ownership.

6.4 Ways forward

Developing the capacity of key sector actors needs to be placed at the core of sector programmes. Incentives must be provided in order to make this happen. The Paris Declaration principles should be applied to

XIII TA/TC = technical assistance/technical cooperation.

capacity development and related technical assistance in the same way 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.* It should include, where relevant, “the thorny issue of civil service reform”. Capacity development support should not be limited to central government, but include stakeholders at sub-national level and in rural areas as well as other previously neglected actors.
- Just as partner country governments and other actors need to develop their capacity and reform their institutions – so do development partners. *The competence and skills of development partner representatives must be relevant to programme objectives.* Equally, their incentive structures should adequately support partner country-led sector development. Initiatives such as the Joint Learning Programme on SWAps could play an important role in developing a common understanding between all relevant stakeholders in any given sector or country.
- Development partners and partner countries should *include emerging good practice¹¹⁴ on capacity development and technical assistance in their plans, results frameworks and mutual accountability 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, and other relevant options are made available. Good practice related to TA includes clearly defining the roles and accountability mechanisms of technical assistance personnel in relation to regular staff. Furthermore, TA-related ODA needs to be untied and un-earmarked; contracting and cooperation processes should be open and transparent; and opportunities should be sought for south-south or triangular cooperation, including networks and communities of practice.
- Partner countries should *resist pressure to move too quickly with public sector reform initiatives* – the “Big Bang” approach to reform – and concentrate on careful sequencing of reform that is realistic given their capacity and context.

7. Enhancing Development Effectiveness at Sector Level

– conclusions and commitments

7.1 Conclusions

Many improvements have been achieved 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 and 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 applying the Paris Declaration at sector level in a coherent way, while keeping in mind the local context, 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 learned which should serve to guide future aid effectiveness initiatives at sector level.^{XIV} One such lesson is the importance of expanding 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, the risk of the aid effectiveness agenda taking on “a life of its own” without sufficient link to development results should decrease. The importance of context should also be born in mind when considering these proposed principles and 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 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.

XIV 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.honduaccra.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 – partner 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”¹¹⁵ 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, without serving as blueprints.
3. *Move from a focus on financing mechanisms and conditionality to mutual accountability for development results.* The basis for cooperation should be an agreement among relevant actors on a set of results to be achieved. The actors involved need to be clear about 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, in a pragmatic way. 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 officials and development partners should encourage realistic operational plans, linked to budgets and national development plans where 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 the development of human and institutional capacity at the core of sector programmes and strategies. Ensure technical cooperation is needs-based and aligned with the sector programme.* Capacity development with a focus on sustainable institutions should be a natural part of a sector programme and its results framework. Cooperation mechanisms need to promote demand/needs-based support to capacity development,

where the partner country or organisation defines its needs, and technical assistance/cooperation is seen as just one means among many to this end. The capacity development needs of other key stakeholders besides the central government should be addressed in order to enhance broad ownership and results. Allow leeway for sector ministries (and other organisations) to programme their reforms in a realistic manner, since over-optimism or “big bang” approaches have often proven counterproductive.

6. *Prioritise alignment of aid over harmonisation of donor procedures. Global partnerships and initiatives must also adhere to the alignment agenda.* Working on the basis that ‘only by using the pipes can you detect and fix the leaks’, development partners 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 staff incentives, regulations and competence gaps. The promotion of evidence-based decision making relating to the effectiveness of different ODA delivery mechanisms is essential. 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 and global initiatives 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 mutual accountability frameworks.
7. *Don’t turn SWAps into SNAps (Sector Narrow Approaches).* Sector development results also depend on other actors and sectors. Sector programmes need to be linked, in particular, to the national budget and relevant activities and policies in other sectors. Sector programme coordination and M&E mechanisms should gradually be broadened to include key actors outside the sector who have an influence on the achievement of 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. Policy negotiation, planning, and monitoring and evaluation mechanisms should involve relevant stakeholders such as citizens, beneficiaries and their organisations – both urban and rural – democratically elected assemblies and service providers. Partner country governments need to share information transparently, 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 key stakeholders.* Development partners must reform their ways of doing business. They must ensure that their staff members are qualified and informed, and have the time and incentives to engage in results-based dialogue and capacity development support. 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 help actors to understand each other and the complexity of sector development. They also provide a joint platform for dialogue. Competence development initiatives highlighting gender equality, human rights and environmental sustainability should be instigated for all sector actors. They should include the government institutions that play a role in furthering development in these areas.
10. *Address the “real” problems in the sector, even if they are related to sensitive issues such as power relations or incentives.* Improving aid and development effectiveness at sector level is often more than merely a technical matter. Recognize existing incentives and work with them. Address the reform areas needed for successful sector performance – even if they are tricky and not highlighted in the Paris Declaration. To address the political economy of sector reforms, social (and other relevant) analysis should, from the design stage of the programme, identify the winners and the losers, anticipate resistance and provide for mitigating measures as well as ways of strengthening the drivers of pro-poor change.

RT8 Outcome Document

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Acronyms and Abbreviations

CAADP	Comprehensive Africa Agriculture Development Program
CCI	Cross Cutting Issue
CoC	Code of Conduct
CSO	Civil Society Organisation
DAC	Development Assistance Committee
EAP	Equity and Access Programme
EFA	Education For All
FSSP	Forest Sector Support Partnership
FTI	Fast Track Initiative
GAVI	Global Alliance for Vaccines and Immunizations
GBS	General Budget Support
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
HEP	Health Extension Programme
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HLF III	Third High Level Forum
HMIS	Health Management Information System
JAS	Joint Assistance Strategy
LAO	Law of Agricultural Orientation
M&E	Monitoring and Evaluation
MA	Mutual Accountability
MDG	Millennium Development Goal
MoF	Ministry of Finance
MoHSW	Ministry of Health and Social Welfare
MOU	Memorandum of Understanding
MTEF	Medium-Term Expenditure Framework
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PAF	Performance Assessment Frameworks
PBA	Programme-Based Approach
PFM	Public Finance Management

PIU	Project Implementation Unit
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
SBS	Sector Budget Support
SEA	Strategic Environment Assessment
SNAp	Sector Narrow Approach
SWAp	Sector Wide Approach
TA	Technical Assistance
TA/TC	Technical Assistance/Technical Cooperation

Annex A

– Brief report from the Round Table 8 session in Accra

Round Table 8 – Enhancing results by applying the Paris Declaration at sector level

Background

Round Table 8 was co-chaired by the Department of the Presidency of Honduras and the Swedish International Development Cooperation Agency (Sida/Asdi). It fulfils the purpose of drilling down from the macro level to analyse and summarise how the Paris Declaration has been applied in order to enhance results in the health, education, agriculture and infrastructure sectors. As such its remit covers all of the Paris Declaration principles – ownership, alignment, harmonisation, managing for development results and mutual accountability - and the extent to which they have been practiced jointly and coherently in specific sectors to date.

Round Table 8 approached this task through an extensive consultation and information gathering exercise drawing on: OECD/DAC work streams relating to relevant sectors; working groups dealing with cross-cutting issues; experiences and cases shared at the HLF-3 preparatory consultation meetings; and other studies, research and experiences shared by partner country representatives, development partners, research institutions and other practitioners. The key questions that Round Table 8 sought to answer throughout this process were as follows:

- *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?*
- *What are the similarities and differences between the different sectors in terms of progress and challenges, and what can sectors learn from each other?*
- *What additional steps and measures are needed to enhance aid and development effectiveness at sector level?*

In order to document advances in these findings and disseminate and build consensus on possible ways forward, Round Table 8 developed an “Outcome Document” and accompanying consultation process designed to draw out key specific issues within the round table theme that evoked disparate views and that should be further discussed at the Round Table 8 session at the Accra HLF-3. This process led to the identification of the following major themes and their specific application at sector level (each receives a chapter in the Round Table 8 Outcome Document):

1. *Stakeholder involvement and democratic ownership.* Ownership issues within sector programmes beyond central government and the involvement of other key stakeholders – such as parliaments, civil society and the private sector - in planning, implementation and monitoring and evaluation (M&E).
2. *Realistic plans, results frameworks and mutual accountability.* The complex nature of sector planning, budgeting and monitoring processes and the joint efforts 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.
3. *Alignment and harmonisation.* Contrast between advances in harmonisation between donors and shortcomings in alignment with partner country (sector) strategies and systems. Only through adoption and use will these partner country strategies and systems be strengthened.
4. *Capacity development, institutional reform and technical assistance.* The need for a common understanding of sector context and its modus operandi in order for sector development results to be achieved. Necessity of needs-based capacity development and institutional reform plans within sector programmes and space for sequencing of reform initiatives. Attention to potentially sensitive areas such as incentives, civil service reform and other issues relating to sector “political economies”.

In preparation for the Round Table 8 session, the final draft of the Round Table 8 Outcome Document and the annexes prepared by OECD/DAC work streams for the corresponding sectors were widely disseminated prior to the event. Furthermore, the Outcome Document was further revised following HLF-3 in order to incorporate interventions made during the session.

Short presentation of how Round Table 8 was carried out

The Round Table 8 session took place in Accra on the morning of Wednesday 3rd September and was chaired by Mr Ricardo Arias, Vice Minister of the Presidency of Honduras, and Mr Anders Nordström, Director General of Sida/Asdi, Sweden.

Furthering developing the key themes treated in the Outcome Document, the objective of the RT8 session was to highlight specific pertinent issues, illustrate good practice and attempt to provoke a lively debate on issues where further progress is clearly necessary.

The session was divided into two parts. Part One focussed on analysing the most important factors necessary to successfully achieve results when applying the Paris Declaration at sector level, as well as key bottlenecks and ways of overcoming them, and was divided into four debates. Part Two was oriented towards highlighting specific issues and further developing concrete proposals and commitments to take the agenda forward, and was divided into three debates. The titles and panellists relevant to each debate are listed below:

Part One: Most important factors necessary to successfully achieve results and key bottlenecks and ways of overcoming them.

1. Agreeing on priorities: Placing poor people at the centre of sector plans and frameworks for results
 - *Mr. Pierre Jacquet - Chief Economist at the French Development Agency (Afd) and Chairman of Povnet.*
 - *Hon. Ms. Géraldine N. Bitamazire - Minister of Education and Sports, Uganda*
 - *Ms. Sarojeni V. Rengam - Executive Director, Pesticide Action Network (PAN-AP)*
2. National systems and sector programmes – mutual benefits and the importance of inter-institutional relationships. How to avoid SNAPs (Sector Narrow Approaches)?
 - *Ms. Joy Phumaphi - Vice President of Human Development at the World Bank*
 - *Dr. Andrew Cassels - Director a.i. Health Systems Governance and Service Delivery, WHO*
3. Placing capacity at the core of sector development: How do we ensure an integrated and demand-driven approach to capacity development at sector level?
 - *Mr. Nicholas Burnett - Assistant Director-General for Education, UNESCO*
 - *Mr. Francis Bougaire - General Manager of Water Resources, Ministry of Agriculture, Hydraulics and Fisheries, Burkina Faso*
 - *Dr. Edward Addai - Director for Policy, Planning and Evaluation, Ministry of Health, Ghana*
4. Getting serious about using country systems and prioritising alignment over harmonisation: Do we need a non-proliferation treaty on donor involvement and aid modalities?
 - *Hon. Mr. Marlon Brevé - Minister of Education, Honduras*
 - *Prof. Richard Mkandawire - NEPAD Agriculture Adviser and CAADP representative*
 - *Ms. Valentine Sendanyoye Rugwabiza - WTO, Geneva*

Part Two. Three debates looking forward and developing commitments and proposals for 2010 and beyond

1. Broadening ownership beyond sector ministries. Are partner country actors prepared for an inclusive and transparent sector dialogue based on results?
2. Moving focus from conditionalities to mutual accountability for results.
3. Matching sector reform with development partner reform - addressing incentive flaws and knowledge gaps.

Part One of the RT8 session included prepared interventions by each of the panellists wherein their differing insights into the corresponding issue were set before the floor. Further interventions and replies from relevant panellists were then invited after debates 2 and 4 and the floor were also invited to give comment and propose questions to the panel after debate 4.

Part Two took a more open format wherein all session participants, including panellists, had the same right to intervene on the topics pertaining to each of the three debates.

Selected interventions made in each debate are included in the outputs relating to each of the Round Table 8 Outcome Document major themes and are detailed below.

Core issues and cross cutting issues

The core issues put forward by partner countries in the build up to Accra were taken into account at all points of the Round Table 8 process and in all chapters of the RT8 Outcome Document. They constituted the core of the debate at the RT8 session in Accra. The conclusions of the final draft of the RT8 Outcome Document (as circulated prior to the Accra HLF-3) and the session itself, are generally in line with partner country perspectives on these core issues.

Throughout the RT8 process, attention has been drawn to the necessity of including the environment, human rights and gender equality in an operative manner at all stages of sector programmes - from planning through to monitoring and evaluation. The RT8 Outcome Document details examples of how CSOs and other non-state actors have played vital roles in furthering democratic governance, accountability, innovation, the quality of results and issues linked to gender equality, human rights, and the environment at sector level.

Outputs for each of the main areas of focus

Further information with regard to the references, examples and studies referred to below is available in the RT8 Outcome Document. Please note that two of the major themes identified by Round Table 8: ‘2. Realistic plans, results frameworks and mutual accountability’ and ‘3. Alignment and harmonisation’ have been merged in this section for the sake of brevity and as they are intimately linked.

The ways forward listed under each theme are a result of the extensive consultation process and information gathering conducted by Round Table 8. Discussion at the round table session in Accra demonstrated that these ways forward can be considered reasonable points of departure for the road forward to 2010 and HLF-4.

1. Stakeholder involvement and democratic ownership

Specific background at sector level

- 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). 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.

- The relationships between the sector ministry and the ministries of finance and planning are of particular importance for the success 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).
- 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. 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.

Main inputs of the discussion on this issue at Round Table 8

- There seemed to be agreement on the proposal to design and apply a “map” of the political economy of the sector from the start of any sector programme. Said map should include relevant ministries other than the sector ministry (eg. finance and planning), parliament, and non-governmental actors. It should take into account the specific characteristics of the sector and not overlook the fact that many of the very poor live in isolated rural areas and that their voice should be heard and their rights respected.
- More generally, the need to broaden ownership and accountability mechanisms to include key stakeholders, and ensure that stakeholder participation moves beyond window-dressing was acknowledged by all.
- The need for the global ministries (e.g. finance and planning) in partner countries to better understand the process of changes in aid delivery that the Paris Declaration represents was highlighted. Support by these global ministries to sector ministries is necessary in order to strengthen wider national systems that are not generally within the remit of the latter.

Ways forward

Given the state of play following the Round Table discussion it can be deemed the following ways forward should receive further attention:

- a) Institutionalisation of mechanisms for effective involvement of key stakeholders.
- b) Participation of relevant stakeholders should be facilitated 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.

2. Realistic plans, results frameworks and mutual accountability, and

3. Alignment and harmonisation

Specific background at sector level

- 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.
- Development of coherent sector plans, budgets, results frameworks and coordination mechanisms has been facilitated on occasion 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.
- Cross-sector linkage has 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.
- A further related cross-sector coordination challenge is the articulation between (vertical) sector programmes and (horizontal) area/geographically focused programmes. Examples exist wherein this has been addressed. 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. 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.
- 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.

- 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.
- Joint results and indicators framework have been developed which can assist in selecting relevant indicators and help different actors take part in the monitoring of results. Planning and budgeting tools have been developed to facilitate a more poverty-focused and rights-based analysis of results.
- The establishment of mutual accountability agreements based on results has been especially useful, 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.
- Numerous examples exist to support the case for prioritising alignment over harmonisation efforts 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. Despite the advantages of this virtuous circle, practice to date shows that development partners have advanced more in harmonising amongst themselves. Project support remains the dominant ODA delivery mechanism, outweighing the share of total aid of “new aid modalities”.
- 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. In such cases, the role of common funds as stepping stones towards increased alignment is questionable.
- Global programmes/initiatives 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. Nevertheless, some experiences of integrating global funds into overall sector programmes and aligning with national procedures do now exist.

Main inputs of the discussion on this issue at Round Table 8

- It was highlighted that the purpose of planning is not to create the perfect plan but to create confidence in the plan and to widen the circle of partners involved in the process of preparing and imple-

menting the plan. This needs clarity on inputs from different donors and the results to be achieved, balance between having an ambitious plan and being realistic and confidence that the inputs will get desired results.

- The need for better and more coherent incorporation of the cornerstones of development: gender equality, the environment and human rights into planning and results frameworks – moving beyond tools and specific projects – was highlighted.
- Taking into account the complexity of the achievement of results (eg. inter-sector and territorial issues), the need to avoid a “sector-narrow approach” (SNAp) was acknowledged. Effective operation at sector level requires looking at a sector as a whole, including relationships between central government and all levels within the system, as well as covering the full range of services and programmes covered by a particular sector. This also requires extension beyond the sector itself to other sectors (an example being HIV/AIDS multi-sectoral strategies), and to look at linkages of the sector to the broader macroeconomic framework.
- Prioritising alignment over harmonisation among donors was stressed, and the need to commence implementation using national systems, as implementation combined with evaluation is the best way of subsequently improving planning processes.
- It was suggested that, when a financing modality is being chosen, partner countries and their development partners should jointly pose the questions: Which modality will contribute most effectively to achieving lasting results? Which will strengthen ownership, institutions and national systems to the greatest degree? How will accountability to citizens and between the partner country and development partners be improved? And, which will reduce transaction costs the most?

Ways forward

Given the state of play following the Round Table discussion it can be deemed the following ways forward should receive further attention:

- a) 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.
- b) When a financial mechanism is being selected, a modality using national procedures should be the first option considered.
- c) Partner countries should take a forceful lead in promoting use of national procedures.
- d) 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.
- e) Global/vertical funds should be designed in such a way that they can be part of national and sector alignment and harmonization ini-

tiatives. An analysis of the potential pros and cons should be carried out before any further vertical initiatives are put into practice.

4. Capacity development, institutional reform and technical assistance

Specific background at sector level

- Knowledge and skills development among the actors involved in sector programmes is vital for the enhancement of aid and development effectiveness at sector level. 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.
- Training events on SWApS at country/regional level do exist and have contributed substantially to the creation of joint platforms of this type, primarily between governments at sector level and development partners. Learning and training initiatives have not so far included other actors, such as parliaments, CSOs or the private sector, however.
- On the development partner side, staff members are often inexperienced, change frequently and subsequently lack understanding of the sector context. As one partner country representative points out: “Donors should ensure that their staff has at least the same training as the partner country representatives in these areas”.
- Sector ministries often suffer “reform overload”. It has been demonstrated that development partners should not push too hard for unrealistic reform initiatives, but rather allow governments the leeway to sequence reform initiatives, thus making them more realistic and sustainable.
- 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.
- There is 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.
- 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.
- There are several good examples of the elaboration of capacity development, reform or (TA/TC) 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. There are also several experiences at sector level with successful south-south and triangular cooperation (including institutional exchanges).

Main inputs of the discussion on this issue at Round Table 8

- It was emphasised that plans should be implemented using the capacity that exists and the strengthening of this capacity should be put at the centre of the sector programme. “One-size-fits-all” prescriptions and “big bang” style reforms are to be avoided – as it is demonstrated that they don’t work – and change applied progressively, taking advantage of national experiences and those of similar countries.
- The need for an integrated demand driven approach to capacity development at sector level was stressed. Ownership should be with the country and not with the donor TA programme. TC should not be attached to project support.
- The lack of evidence to support decision-making on how to enhance aid and development effectiveness at sector level was raised. Research and evaluations have important roles to play in developing further evidence of this type. .
- Acknowledgement was made of the vested interests surrounding TA in donor countries.
- It was signalled that the most important aspect of CD for a sector is capacity for policy and programme development and for implementation, rather than the Paris Declaration’s focus on financial management, procurement, etc. (although these are also important).
- Capacity development should be provided to all stakeholders, including governments, parliaments, civil society, private sector as well as donors and development partners. A move to budget support led to a decline in technical strengths. A response could be a division of labour among partners.
- It was pointed out that existing capacity is often not utilized. TC can help if there are capacity gaps but not in the case of capacity restraints. In the latter case, a wider public sector reform in institutional change management is needed. The link to the public sector reform is especially important in sectors such as health and education that are the largest parts of the non-military public sector.
- Various instruments/mechanisms are important to discuss CD issues, including technical working groups, joint reviews and joint learning programmes. They assist in strengthening the dialogue between partners. In order to improve review processes we must think about: the role of partner countries’ capacities; a frank discussion of TA is important; more attention to processes as well as results is needed; and PD monitoring could be wider (include sectoral indicators).
- Development partner reform processes must accelerate, orientating their structures and incentives towards the achievement of development results and consequent increased aid effectiveness. Donors should focus less on conditionality and inputs, and more on mutual responsibility and accountability for results. Incentive systems should be based on the Paris Declaration pillars rather than any other parameter.

Ways forward

Given the state of play following the Round Table discussion it can be deemed the following ways forward should receive further attention:

- a) Sustainable institutional capacity development should be an integral part of sector assessments.
- b) Development partners must make sure their competence matches that demanded of partner countries.
- c) Development partners and partner countries should include the emerging good practice related to capacity development and technical assistance in MA frameworks at sector level.
- d) Partner countries should resist pressure to move too quickly with public sector reform initiatives, and concentrate on careful sequen





Round Table 8 – Outcome Document

This Outcome Document is the final product of the Round Table 8 at Accra HLF III on Aid Effectiveness in 2008. Round Table 8 discussed how to enhance development results by applying the Paris Declaration at sector level. It is based on experiences from the health, education, agriculture and infrastructure sectors. Round Table 8 was co-chaired by Mr Ricardo Arias, Vice Minister of the Presidency, Honduras; and Mr Anders Nordström, Director General of Sida, Sweden.



República de Honduras

