

**Workshop on the Sector Wide Approach
SDC, Eastern & South Africa Division**

Maputo

October 23 – 25, 2000

INTRODUCTION

This report of the workshop summarises the main conclusions from each of the three stages:

1. Presentations and subsequent discussions, on the sector wide approach (SWAP).
2. Field visits to review progress of the Mozambique sector wide programmes in agriculture and health, and related activities in the Ministry of Planning and Finance. Summaries of the analyses done by participants are at Annex 1.
3. Identification of the main opportunities and risks presented to SDC by SWAPs, and suggestions for how these can be addressed.

1 PRESENTATIONS ON SWAPS

6 key presentations were made and discussed in the course of the workshop:

(a) **SWAPs: International debate - promise and dilemmas (Martin Fässler, desk officer, SDC Berne)**

This paper and the ensuing discussion covered a broad range of current thinking and experiences, and identified a number of emerging concerns:

- Few countries or sectors in Africa have the right preconditions for an effective SWAP, and where they do exist they are likely to be fragile. The challenge is to nurture capacity, and encourage change without forcing the pace unreasonably.

However ...

- Donor expectations may be unrealistic and may not sufficiently take into account limited government capacity born out of extreme aid dependence, or lessons from programme experience. Moreover because donors are under pressure to keep the flows of funds moving, they may push SWAP development too fast.
- SWAPs tend to be technocratic and centrally driven. Focussing on partnerships with central government oriented towards top down service delivery exacerbates this problems and precludes the views of local stakeholders

The presentation and discussion concluded with some key lessons and issues:

- SWAPs should be considered as a long term goal. Therefore the initial expectation of the donor community - that there would be a rapid move to a full sector programme model - must be modified.
- This movement towards a SWAP requires the broad strengthening of management and policy capacity within government, wider policy dialogue and a process of consensus building. There also needs to be a focus on the issue of financial sustainability in terms of the level and effectiveness of public expenditure as a whole.
- Donors are being challenged by the implications of the loss of direct control over aid interventions which require more trust based relationships with partners. There is also a need to improve understanding of how institutional change relates to outcomes at ground level.
- An understanding of household institutional processes, stakeholder interests in social policy and social exclusion dynamics is becoming more important to support effective consultation, and making services more responsive.

(b) Experiences of the Tanzania Health SWAP (Olivier Bürki, deputy co-ordinator, COOF Tanzania, with comments by Adrienne Brown, ODI)

The Tanzania health SWAP has been proceeding relatively well, with a sector strategy and annual action plans in place, and disbursements through a 'basket fund'. The main conclusions from the experience are that:

- In order to reduce fungibility external funding needs to be more predictable. At the same time support needs to be more flexible and selective. In the context of a sector programme this calls for a long term commitment and consistency by donors – when in the form of budget support this increases donor influence on policy.
- Harmonising procedures tends to split the donor community into potentially contradictory blocks depending on whether they are able to participate or not.
- Addressing systemic issues is a pre-requisite for a sector wide approach and can only be done gradually and incrementally.
- Devolution of service delivery can undermine supervision of staff and services, and reduce staff mobilisation capacity.
- Although a SWAP means the contribution of individual donors is less visible, the overall effectiveness of the programme can still be a valuable marketing tool at home.
- The role of the Ministry of Finance, and public expenditure reforms have been crucial, because they have helped to make budgetary constraints more 'real', and given support to developing adequate financial management mechanisms.
- Budget support calls for an output oriented approach in order to ensure better impact and accountability.

(c) Experiences of the Mozambique Health SWAP (Thomas Greminger, Co-ordinator, COOF Maputo, with comments by Adrienne Brown, ODI)

The Mozambique health SWAP has been more problematic than the Tanzania one, with a heavy investment in bottom up planning approaches by SDC, but little substantive change at overall sector level in terms of priority setting, planning or improved capacity. Other donors are now heavily focussed on developing a sector strategy. The main conclusions of these presentations, and the resultant discussion were that:

- An incremental rather than 'drawing board' approach to achieving a SWAP is appropriate where government capacity is low. This should include consolidating existing instruments, as well as developing appropriate strategy.
- Local capacity can be stimulated by sensible SWAP processes. However it can also be jeopardised by insensitive and unrealistic ones because too much and too diverse pressure from donors disables government functioning.
- Consistent leadership by government is essential in order to ensure that rationalisation and integration efforts take precedence over individual interests. This must be supported by consensus for reform within the line ministry. At the same time a long term institutional memory among donors is needed to prevent reforms from being too subject to passing aid fashions.
- Agreement around a main principle without binding commitment from donors is unlikely to generate progress, and can be disruptive.
- Direct partnerships are inherently controversial. Interfaces are inefficient but defuse tensions.

- Many tensions remain at country level between SDC and other development agencies, in particular World Bank and WHO. SDC should promote internal communications and devise strategies for influencing these organisations through headquarters, as well as locally.
- SWAPs present a problem for donor exit strategies where services have become dependent on budget support. An exit strategy would have to be as incremental as entry.

(d) An overview of PROAGRI (Mr S Chitira, consultant)

PROAGRI is regarded as one of the more complete and fully functioning sector programmes in agriculture. However an analysis of progress and implementation issues to date suggests that it has fallen short of some of the main features and intentions of the sector wide approach.

- Whilst the programme was intended to be a SWAP in fact it is closer to a sector investment programme, given that it only focuses on some aspects of public sector service delivery, rather than the sector as a whole.
- Although the programme was designed using participatory methodologies which allowed consultation with stakeholders at different levels, some groups were not included, or their perceptions and needs were not taken into account. There is growing recognition that consultation needs to be an ongoing process throughout programme design and implementation.
- Weak management systems present a major threat to successful programme implementation, resulting in PROAGRI being a very fragile mechanism. Long term support is needed from GoM and donors to overcome this problem.
- Project activities are integrated into the framework of the programme as long as they are in line with policies. However the continuation of separate management units has meant that transaction costs remain high. Projects remain because the Ministry has still not produced financial management systems that are acceptable to the donors.
- Although there is broad agreement on what should be included and excluded from the programme there is still significant debate on some issues. Major omissions include the Ministry of Fisheries. It is not yet clear how rural development will be integrated.
- Although equity of service delivery is being considered little has been done in practice.
- Staff incentives, especially at middle level in the Ministry of Agriculture remain a problem. A recent proposal to MFP to anticipate increased earning has been rejected.

(e) A comparison between experiences in agricultural and social sector SWAPs (Adrienne Brown, ODI)

Whilst social sector SWAPs have been making positive progress, agricultural SWAPs have been much more problematic. The reasons for this are that:

- Government is a minor player in the agriculture sector; moreover much of what ministries of agriculture are currently doing may be better done by the private sector. However SWAPs focus primarily on the government functions, therefore excluding much of the rest of the sector.
- The most important government roles in supporting agriculture are not about public expenditure. However SWAP create expectations of higher public expenditure which sets up tensions between government and donors trying to

reduce the role of the state. Reducing government expenditure is unpopular with ministries of agriculture, and therefore political support for reform is often missing.

- The role of the state is very difficult to agree between donors and governments, nor has it been easy to identify public goods. Therefore fundamental policy issues have not been agreed at the start of the programme - this adversely affects subsequent implementation.
- The most important public expenditures for supporting agriculture may not be in the agricultural sector. However SWAPs do not deal well with inter-ministerial co-ordination.
- There is no single technology which can be applied across the sector with only a little adaptation. SWAPs do not deal well with a multitude of technical solutions, nor a need for a bottom up design process.

It may therefore be more appropriate to try to resolve fundamental policy issues at higher government level outside the confines of a sector level SWAP, and once these have been put in place only then address issues of donor co-ordination at sub-sector level.

(f) A 'food for thought' paper - 'Swamped in a SWAP?' (Enrico Parvignani, SDC consultant)

This presentation, and ensuing discussion made the following points:

- The trend away from projects and towards SWAPs is a swinging pendulum - whereas the project approach had been too narrow, the sector wide approach may now be too wide with overly high expectations.
- Real life SWAPs tend to be negotiated where no robust policies or strategies are in place, so that policies may have to evolve together with management instruments around concrete policy dilemmas. In order for this to be realistic, institutional memory of participating organisations is essential.
- SWAPs are being implemented in countries where basic systems are barely functioning. It is therefore important to be realistic and incremental in setting SWAPs goals.
- SWAPs can be seen as the central planners 'ultimate dream' - this is only now being recognised. The challenge is to reconcile bottom up and top down approaches.
- Incentives for managers to implement a SWAP are limited in comparison to those provided by projects. Although there are proposed solutions to addressing this problem through the governance agenda, in practice there has been little experience to date.
- Donors are still trying to use old style approaches and instruments to develop and manage SWAPs such as logframes, technical assistance and Special Implementation Units. This is because donors are still trying to preserve their autonomy and ministries are reluctant to accept donors as 'insider' partners.
- The problems with SWAPs come not from a fundamental flaw in the concept, but rather from the adoption of unrealistic, prescriptive top down models, the avoidance of addressing uncomfortable issues in the policy discourse, and the persistence of old working habits in both government and donor practice.

2 ANALYSIS OF CASE STUDIES

Workshop participants visited representatives of:

- Ministry of Agriculture and Rural Development, and of donor agencies supporting PROAGRI
- Ministry of Health, and donor agencies supporting the health SWAP.
- Ministry of Planning and Finance, to discuss support to the sector programmes.

Analyses of each sector programme were carried out using the SWOT approach: identifying Strengths, Weaknesses (internal to the programme) and Opportunities and Threats (presented by the external environment or internal developments). The detailed SWOT analyses are presented in Annex 1. The main conclusions, applicable to SWAPs generally, were as follows.

- The role of the Ministry of Planning and Finance is central to the success of sector wide programmes. The Ministry needs to undertake an overall leadership function, in the context of wider public expenditure reform. This can help to ensure that the Ministry is proactive in programme development, rather than passively reacting to changes which leads to delays and inconsistencies. It also helps to ensure that financing instruments are unified across ministries.
- An overly strong focus on funding mechanisms at the start of sector programmes may lead donors and government to think of a SWAP as primarily a financing mechanism. This can distract from more important policy and content issues, and may mean, as in the case of PROAGRI, that consensus is not built around a shared vision for the sector or programme. The problems of PROAGRI support the conclusion from the social sector and agriculture SWAPs comparison presentation: that policy issues need to be resolved early in the process in order to enable implementation to happen effectively.
- Good relationships between donors are as important as the relationships between donors and government, in both negotiating and implementing programmes. These operate at both the institutional and personal level, so that staff changes can make a major impact on relationships and the success or failure of programmes. Trust between all three parties is essential for developing a SWAP.
- It is important for sector programmes to have the support of all donors. However when they then expect to have an equal voice in deciding policy issues it then becomes very difficult to build consensus on sensitive policy issues.
- Effective monitoring of the output and impact of sector programmes remains problematic. The most crucial issue is whether there is a demand for information as a management tool, existing within ministries delivering the programme, and how to develop this capacity.
- Although it is possible to support a sector wide programme with individual donor financing arrangements, this will not lead to a reduction in transaction costs. In fact overall transaction costs for aid delivery as a whole may increase given the need to work on broader policy issues than those required by projects.
- Even where decentralisation is a major national initiative, sector programmes may work against this if stakeholders and decentralised government functions are not adequately consulted, and programme disbursement is not decentralised.
- Agreeing a code of conduct can be helpful for consensus building, although it may not carry much weight in resolving disputes.

- In a SWAP donors have to move away from supporting the resolution of specific problems because they are more related to their own interests. They need to understand how they are connected and support the government in addressing them as a whole.

3 OPPORTUNITIES AND RISKS FOR SDC

On the basis of the lessons drawn from the SWOT analyses, participants then agreed upon the major opportunities and risks presented by SWAPs, and ranked them in order of importance.

The **major opportunities** presented to SDC by SWAPs are to:

1. Become more involved with wider institutional reform changes.
2. Scale up pilot experiences from a micro to a macro scale.
3. Specialise in performance monitoring and stakeholder participation.
4. Use a more efficient funding mechanism, thereby reducing transaction costs, and achieving a greater impact.
5. Increase leverage and therefore the potential to address SDC's objectives of poverty reduction and equity.
6. Improve donor co-ordination.
7. Become more active in formulation of poverty reduction strategies and indicators.

The **major risks** of SWAPs which SDC will have to address, are that

1. They can overestimate government institutional capacities.
2. They encourage centralisation, and low participation of decentralised stakeholders.
3. Stakeholders may hold too high and diverse ambitions for the programme.
4. Corruption may be a problem where there is budget support and government managed procurement procedures.
5. They concentrate risks and make donor exit difficult.
6. Government may become more accountable to donors than their domestic constituency.
7. SDC may suffer from a loss of field experience (including partner direct contact), making it more difficult to understand implementation issues.

Maximising Opportunities, Minimising Risks

Geographical groups then considered how they would deal with these opportunities and risks.

HQ agreed that it will:

- Create a 'subgroup' in Sectoral-Services to support the further development of SWAPs by gathering and sharing information, and backstopping the field offices.
- Develop specific management and monitoring instruments for SWAPs to be used by partners and SDC, and share the results of monitoring with the field.

- Develop synergies with SECO, and consider inviting representation onto the 'sub-group'.
- Check if SDC's financial management instruments are sufficient to mitigate the risks of budget support and other new funding mechanisms.
- Influence SWAPs discussion within multilaterals and international institutions

Those working on the **Mozambique** programme agreed they will

- Increase their participation in SWAPs which hold greater potential for promoting reform. They will focus on performance monitoring, stakeholder participation, decentralisation, capacity building and bringing in SDC's field experiences to the wider debate.
- Continue with an incremental approach to developing the health SWAP.
- Work with the Ministry of Planning and Finance (MPF) as the weak link in the SWAPs, by supporting integration of planning and pooling mechanisms. SDC will also consider a 'mini SWAP' with other donors to address capacity building in MPF.
- Try to apply their experiences of SWAPs in the health programme to other sectors, specifically water.
- Not embark directly on supporting the whole of PROAGRI, but rather consider how they could support some sub-sectoral components (e.g. extension).
- Complement support to the SWAPs by addressing key cross cutting governance problems including civil service reform and issues at municipality level.

The **Tanzania** group agreed they will maximise opportunities presented by the health sector SWAP by:

- Specialising in performance monitoring and performance budgeting.
- Maintaining pilot activities to help address policy dilemmas, within the overall policy framework of the SWAP. These will be continue to be funded as projects, as no more than 40% of SDC's Tanzania health budget.
- Continuing to support institutional reform, in particular by making sure that it is better understood by lower levels of MoH in order to mitigate senior staff changes.

The group will try to minimise risks by:

- Addressing problems of decentralisation by improving fund availability and financial management at local level. SDC will therefore support cost sharing and performance monitoring at this level.
- Defining minimum needs at different levels of the system, and work with them to improve them. This will enable SDC to take more measured risks.

Another group looked at the possibilities for SWAPs in **South Africa, Kenya, Rwanda** and **Madagascar**

In **South Africa** SDC is minor player amongst 70 donors, so it has little chance to be visible and make a significant difference on its own. However the Government would probably be resistant to the idea of a SWAP as it has low aid dependence and a

strong sense of sovereignty. One possibility might be to advocate a SWAP if SDC's involvement in the regional Eastern Cape Education Programme is scaled up.

In **Madagascar** there is a lack of political will in government to facilitate donors talking with it, or with each other. Although SDC is probably going to end its programme there, a SWAP may be a way of considering support in the future. In the shorter term the pilot rural development programme could perhaps be scaled up through a SWAP, and SDC will also explore whether the EC provides opportunities for more sector wide dialogue and co-ordination.

SDC no longer has a programme in **Kenya**, but it does have a good historical perspective on the country from its previous work in institutional building

In **Rwanda** a sector wide approach would reinforce the totalitarian government, and would be undermined by the war economy and high fungibility of aid. Future discussion of a SWAP would have to be based on much higher levels of confidence between SDC and the government, and day to day business with Government would have to have become much easier. Areas in which SDC may one day be interested in a SWAP would be supporting decentralisation, and addressing problems in the health sector which is highly fragmented.

The conclusion of this group was that sector wide approaches were not yet appropriate in these countries, and if they were to be considered would have to be preceded by a great deal of political analysis.

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Annex 1 SWOT analysis of field visits

Ministry of Planning and Finance (MPF)

Strengths

The MPF believes that sector SWAPs will stop the 'brain drain' from the ministries to PMUs. It also believes that projects have built institutional capacity. (However SDC doubted this point.)

MPF is taking steps to improve financial planning and auditing.

A future strength expected to be brought about by budgetary reforms should be a new focus on outputs and outcomes.

Weaknesses

There are no clear strategies for supporting SWAPs, nor the authority to do so. MPF was therefore unprepared for the challenges presented by PROAGRI.

SWAPs are not seen as an opportunity for negotiating with donors.

SWAPs are perceived as a financial management tool rather than a planning one.

A large number (at least 40%) of projects are off budget.

MPH is not involved in sector planning.

SDC assessed a general lack of ownership of financial management, and limited planning functions. The team identified MPH as being reactive and unassertive with regard to SWAPs, and reliant on guidance from line ministries.

There are major delays in budgeting and accounting, therefore the conditions for the sector programmes are poor.

Opportunities

The MTEF currently under preparation, provides an opportunity for medium and longer term planning.

The PRSP process provides an opportunity for harmonisation between the sector programmes.

SDC recommended that MPH should use the sector wide approach in support of developing new financial management and capacity building strategies.

Threats (risks)

There is no clear linkage between operational and financial plans.

There is a lack of coherence between strategies and instruments. There are no unified financial instruments.

SDC assessed that MPH sees decentralisation as a 'non issue', and therefore it was not a concern for capacity building.

PROAGRI (report from Ministry of Agriculture – MADER – and donors)

Strengths

The Ministry has in place a national policy and strategy approved by the Council of Ministers. The aim is to increase productivity, promote the sustainable management of natural resources, and carry out institutional reform and capacity building - the beneficiaries are intended to be rural smallholders.

There is strong donor support for the sector, despite this being a painful and difficult process, and MADER is willing to accommodate a range of funding mechanisms.

The approach is incremental to a full SWAP, with new funding arrangements being developed, but meanwhile allowing all donors to participate, and projects to continue.

There is a planning instrument in place.

There is an enabling framework in place outside the Ministry, of ongoing tri-annual public investment planning

Weaknesses

There was a lack of policy agreement at the start of the process with too much focus on funding mechanisms, so many policy issues remain unresolved - there is still no shared vision for the sector or programme. There is no agreement on what constitutes a public good in agriculture (i.e. what should be in the programme)

There is a continued lack of dynamic for institutional development. There has been breakdown of discussions in MADER on the scope and direction of institutional change especially regarding the former institutes of rural development, so the intention that PROAGRI should influence institutional design has not occurred.

Capacity in the Ministry is low. Incentives for Ministry staff remain a problem, and a recent scheme to address this has been rejected by MPF.

The role of MADER lacks definition, especially with regard to the new Ministry of Rural Development. Inter-ministerial co-ordination is still weak.

New personnel (political and bureaucratic) at MPF are less committed to the programme, and of lower capacity than before.

The flexibility of donor support may be a weakness in the longer term, because transaction costs remain higher than under a project arrangement, and there is heavy reliance on TA both centrally and regionally.

Disbursement is very unequal - up to 70% centrally, nearly 30% at provinces, and virtually nothing at district.

There is a lack of district level participation throughout the process. Stakeholder consultation is low especially at local levels

There is no evidence of any impact at province level

PROAGRI (report on Ministry of Agriculture – MADER – and donors)

Opportunities

There is a strong link to GoM's 5 year poverty reduction strategy.

PROAGRI has promoted some limited institutional change.

There is a recognition of the need to increase participation at province and district level, and decentralisation of procurement is planned.

There is increasing concentration on core functions, leading to outsourcing of peripheral functions e.g. extension (planned).

MADER is piloting financial software development. (This has implications for MPF.)

There are plans for developing policy analysis based on a system of performance management and development of key performance indicators.

There has been joint learning among donors. Monthly meetings have evolved into part of an annual planning process, and donors know each other well.

Almost all donors supporting the sector are part of PROAGRI (18 participate).

PROAGRI theoretically provides an opportunity for donors to work against corruption by controlling money flows better.

The variety of financial mechanisms allow donors visibility.

Threats (risks)

With 18 different donors it is very difficult to gain agreement on policy issues.

Core government functions are highly donor dependent (+/- 80%). At the same time absorption capacity is very low.

The programme is driven by individuals in government and donors agencies.

Intended outcomes are dependent on effective decentralisation.

There is no work being done on indicators for outcome or impact, and no agreement on how to measure them.

The role of MPF in relation to PROAGRI has not been defined and its low commitment is a problem.

Financial reporting and auditing plans are very ambitious.

Systems used in MADER are not in harmony with, or reconciled with those in MPF.

Donors have not resolved the problem of how to handle change when MADER stands to lose from it.

THE HEALTH SWAP (report on Ministry of Health and donors)

Strengths

A health policy exists and sets out the broad direction of change.

The Ministry is attempting to drive the process, even though this is very difficult.

The Code of Conduct signed earlier this year has been seen as an important expression of commitment to the programme and of common understanding and assumptions.

Preparation for the SWAP has involved a major investment in consensus building.

MoH has identified the key issues it wishes to address through the SWAP, namely improving the medium term fiscal framework and national systems.

Donor co-ordination arrangements have been set up to develop the SWAP.

A timetable has been agreed for the development process.

Weaknesses

There is not yet any overall strategy on how to implement the policy

There has not been any discussion on the role of GoM in the health sector, prior to starting the process.

The SWAP is meant to be complementary to existing projects, but it is seen primarily as a funding mechanism.

The programme addresses only the supply side of health delivery. Demand formulation is very weak.

SWAP has had a centralising effect.

There is not yet any overall strategy for the health sector defining the role and responsibilities of all actors. Therefore service providers other than GoM have not yet found a place.

There is a lack of stakeholder participation at national and local level

MoH feels strong donor pressure in many aspects of programme delivery.

The SWAP gives MFP a more important role, but there are problems with the relationship and information sharing.

MoH capacity is very weak.

MoH as an institution is very fragmented.

Donors are reluctant to see problems as interconnected but continue to believe that they can focus their support on some issues whilst ignoring the rest.

THE HEALTH SWAP (report on Ministry of Health and donors)

Opportunities

Information exists on output performance which could be used to improve sector wide planning, although ownership of the information system and results by MoH is low.

MoH sees the SWAP as much wider than just a financing mechanism, and as an opportunity to support wider health sector reform. MoH and donors recognise the need to agree a common definition of what a sector wide approach means.

Both parties recognise the need to build trust as the basis for programme negotiation and support for implementation.

Some donors are providing technical assistance to support the strategy development process.

Relationships between MoH and donors have improved with staff changes.

Threats (risks)

Intersectoral collaboration has been further reduced by a SWAP (e.g. with the water sector), and may continue.

An over focus on the funding mechanisms may mean that key policy and strategy issues are not sufficiently addressed early in the process.

Programme development in MoH is very reliant on individuals driving the process. It is therefore very vulnerable to staff changes.

Personal relationships have proved to be decisive in programme negotiation between MoH and donor agencies. Changes in donor staff could adversely affect these relationships.

MoH is very reliant on external assistance to develop the SWAP, but has found this to be unpredictable as regards timing.

The process is very vulnerable to external shocks e.g. the floods caused major delays.

Annex 2 Field Visits: List of People Met:

Ministry of Health

Mr Joaquim Durão
Mr Marco Gerritsen

Health Donors

Jim Coates - World Bank
Mark Stlerin - UNICEF
Allison Beattie - DFID

PROAGRI (Ministry of Agriculture and Rural Development)

Mr Songane
Mr Acrlos Mucavele
Mr Arliot Cuco
Mr Higine Marrule
Mrs Rogéria Muianga
Mr Guillaume Barraut

PROAGRI Donors

Mrs Christine De Voest - USAID
Mrs Julis Compton - DFID
Mrs Maria Vita Dengo - World Bank
Mr Yan Hensken - Netherlands Embassy
Mr Paulino Duamba - DANIDA
Mrs Beuk Topsoe-Jensen - DANIDA/MADER

Ministry of Planning and Finance

Ms Abílio Gune - National Directorate of Plan and Budget
Mr Ibrahim - National Directorate of Public Accounts