

Working Paper 142

THE STATUS OF SECTOR WIDE APPROACHES

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Acronyms

ADEA	Association for the Development of Education in Africa
APL	Adaptable Programme Loans
ASIP	Agricultural Sector Investment Programme
AWP	Annual Work Plan
BESSIP	Basic Education Sub-Sector Investment Programme (Zambia)
BoT	Bank of Tanzania
CAPE	Centre for Aid and Public Expenditure
CWIQ	Core Welfare Indicators Questionnaire
DAC	Development Assistance Committee
EC	European Commission
EU	European Union
ESAF	Enhanced Structural Adjustment Facility
GoT	Government of Tanzania
HIPC	Heavily Indebted Poor Countries
HIV	Human Immunodeficiency Virus
HPSP	Health and Population Sector Programme (Bangladesh)
IMF	International Monetary Fund
IWGE	International Working on Education
MINED	Ministry of Education (Mozambique)
MFPED	Ministry of Finance, Planning and Economic Development (Uganda)
MOES	Ministry of Education and Sports (Uganda)
MoH	Ministry of Health
MTBF	Medium Term Budgetary Framework
MTEF	Medium Term Expenditure Framework
MPF	Ministry of Planning and Finance (Mozambique)
MRLAG	Ministry of Regional and Local Government (Tanzania)
NGO	Non Governmental Organisation
OAG	Office of the Auditor General (Uganda)
ODI	Overseas Development Institute
PAF	Poverty Action Fund (Uganda)
PEAP	Poverty Eradication Action Plan
PROAGRI	Agricultural Programme (Mozambique)
SAP	Social Action Programme (Pakistan)
SIP	Sector Investment Programme
SPA	Special Programme of Assistance for Africa
SFSC	School Finance Sub-committee (Uganda)
SWAP	Sector Wide Approach
TA	Technical Assistance
TC	Technical Co-operation
ToR	Terms of Reference
UPE	Universal Primary Education (Uganda)
UPPAP	Uganda Participatory Poverty Assessment Project
WHO	World Health Organisation

1. Introduction

1.1 Objective

The objective of this paper is to summarise experiences with sector programmes and the Sector Wide Approach to date.

1.2 Definition

Various definitions have been proposed for the broad sector approach, though the criteria defined have often gone far beyond the actual achievement so far in those operations usually defined as taking a Sector Wide Approach.¹

For the purpose of this paper, the defining characteristics of a SWAP are that all significant funding for the sector supports a single sector policy and expenditure programme, under Government leadership, adopting common approaches across the sector, and progressing towards relying on Government procedures to disburse and account for all funds. However, a key message from the experience so far is that the SWAP is, as the name implies, an approach rather than a blueprint. Most programmes, even quite well established ones, are in the midst of a process for moving over time towards broadening support to all sources of funding, making the coverage of the sector more comprehensive, bringing ongoing projects into line with the SWAP, and developing common procedures and increased reliance on Government. The working definition thus focuses on the intended direction of change rather than just the current attainment.

1.3 Sources

The paper draws upon a survey of published and grey literature on sector wide approaches, and also on discussions held at the Dublin meeting. Selected material from a range of fora on SWAPs is also used; these are listed and the work programmes summarised in Annex 1.

¹ For example, Harrold and Associates (1995) define six criteria: sector-wide in scope, a coherent policy framework, local stakeholders in driving seat, all donors sign on, common implementation arrangements, and minimal long-term technical assistance.

2. Ownership

The process involved in getting to a sector wide approach can be characterised as one in which sector strategy is formulated and costed, matched to available finance through an iterative process, converted to a work-plan, and formalised in agreements between the implementing agency and the sources of finance. Some of these processes proceed in parallel, or may not be fully completed, but it is conceptually helpful to distinguish them. All countries reviewed have a history of sector strategies and plans, of varying quality and varying commitment, and efforts to move towards a Government donor agreement on policies, priorities, and goals do not start from a blank sheet. The long history makes it difficult to judge where the initiative came from.

Ex ante evidence of ownership may be based on assessment of who initiates the process, who takes the lead in securing agreement and finance for it, and who takes responsibility for implementing it. Where the lead is taken by actors outside Government, an assessment can still be made of the degree of Government ownership by looking at how actively they contribute to the process and ensure that it corresponds to their own policy objectives, and can be implemented with the available human and financial resources. Ex post evidence of ownership is more empirical: did the Government implement the programme.

Government Ownership is widely referred to in donor discussion, but less commonly defined. In trying to give operational meaning to the concept, we need to be clear on what it is that is being owned. The expression 'SWAP' itself is a donor term, which is rarely used by governments. The Ugandan Government talks about their UPE policy, not the Education SWAP. It is important to ensure that ownership is stronger than a general and non-threatening adoption of some general principles: it is the extent to which priorities are backed by budget allocation and by confronting difficult policy and programme choices which will determine whether the programme can be implemented. Ownership is rarely universal within Governments or donors, and may change over time.

2.1 Ownership and the Content of Sector Strategy

The content of sector strategies tends to show a remarkable degree of consistency between countries, which again makes it hard to detect whether strategies being endorsed are 'owned' by Government, or are echoes of known donor policy positions. Education SWAPs place the main emphasis on achieving universal primary enrolment, though the analysis of the constraints to be overcome differs between countries. Health sector programmes focus on delivery of an essential services package. Road programmes tend to be linked to rehabilitation to maintainable standard, with road funds or similar hypothecation of revenues to secure future maintenance. Agriculture shows more variation, but has consequently become more bogged down in controversy than have attempted SWAPs in other sectors. The lack of a clear policy position on what exactly Government is meant to do in the agriculture sector is a problem for Government and donors alike, and makes 'ownership of what' the vital prior question.

2.2 Models of Ownership

It has not been possible within the research time available to undertake a comprehensive classification of all SWAPs, but a review of a selected number suggests a way to classify the experience to date.

Strong Government Leadership

- **Uganda education** is the clearest example. The process was initiated by strong leadership from the Head of State's commitment to Universal Primary Education, for which he had an electoral mandate. There had been a broadly participatory process in developing policy, including some consultation with civil society groups and, at a later stage, the poor. The high level political commitment was reflected in budget allocations to the sector, which were increased and protected as part of the poverty action fund within the budget (see Box 1). The strong Government motivation was to obtain donor support for their own initiative, something which donors (who share the priority given to primary education) were happy to support. Political and poverty objectives coincided.²
- **Ethiopian sector programmes in health, education and roads** also reflect strong leadership from Government where the sector wide approach is seen as part of a long term strategy to achieve sustainability based on government ownership and management of sector programmes.³ The Government motivation has been to obtain increased donor support for major investments to improve the coverage of basic services and of the road network. Government has been concerned to contain donor efforts to influence policy or increase their presence through technical co-operation. Ownership is clear: Government for example made sterling efforts to increase domestic funding for the health SWAP when the war affected donor contributions.

Government Change Agents Allied to Donors

- There are a number of cases where individuals, Ministers or senior officials, have strongly promoted reforms within the sector, using the prospect of increased donor support to help in persuading colleagues and ensuring their ideas can be implemented. The donor role needs to be sensitively handled: donors can undermine reforms if they press too hard, and leave the sponsors of the programme vulnerable to charges of being in the pocket of the donors. Where the Government ownership is quite narrowly based, the sector programme can be quite vulnerable to changes in personnel.
- **Zambia health** was strongly associated with a specific Minister, committed to shifting personnel and resources to district based health services while restraining the budget of the tertiary hospitals. The Ministry was involved jointly with donors in determining conditionality and used the conditions to protect key reforms and health expenditures against domestic opposition. However, participation in the preparation of the programme was weak. Other Ministries, NGOs, private health providers, some Ministry of Health staff and local communities were left out of the consultations.⁴ As a consequence local ownership was not broad enough to prevent reversals in policies. When the sector wide approach appeared to fail to deliver, the change in spending priorities was substantially reversed.⁵

² DFID, Government of Uganda (1998).

³ Gould *et al* (1998), and Brown (forthcoming:).

⁴ See Jones (1997b).

⁵ See Jones (1999) and Johanson (1999).

- **Ghana health** was strongly led by senior officials within the Health Ministry, very committed to a decentralised Ghana health service model, with an increased share of funding for district services, and a focus on overcoming quality and access problems at that level. Their allies were regional and district level staff, frustrated by inflexible planning from the centre: a key event was a 1991 seminar in which the frustrations of district level staff were strongly expressed.⁶ Although ownership started from a narrow group, major efforts have been sustained to embed the ideas throughout the health sector, with participation of regional and district officials in meetings, significant capacity building efforts, and focus on strengthening district level planning and budgeting. The relationship with donors has been co-operative at the level of the health ministry officials, but has experienced serious political problems due to pressure to build new regional hospitals for electoral reasons. The donor role has sought in part to defend the reformers from outside pressures (see further discussion under Section 3).
- Parliamentary endorsement can provide reassurance that the sector strategy commands support beyond a narrow group in the line ministry, as in Uganda health⁷ and Bangladesh health and population. Signing a formal aide memoire between Government and donors is also seen as one way to ensure that donors have some basis for negotiation if Government ownership appears to wane: the inconsistency of the regional hospital programme in Ghana with the aide memoire was an important factor enabling donors to confront Government over the consequences of the decisions which they had taken.⁸

Donor Leadership: Develop the Strategy then sell it to Government

- There are a number of cases where donors have attempted to take the lead, motivated by frustration at perceived weaknesses of sector policy. Many of these attempts resulted in failure, or in long drawn out policy debates.
- In **Vietnam health**, donors provided consultants for a health sector review, frustrated at the lack of content in the Government's own strategy document. The resulting document challenges a number of Government positions, and is perceived as owned by the donors rather than by Government. It has yet to be accepted.⁹
- In **Ghana education**, World Bank sought to develop a basic education sector programme based around the project implementation unit set up for their own programme. This resulted in some fragmentation in the approach to the sector and the loss of some sector wide characteristics.¹⁰
- **Tanzania education** illustrates some of the difficulties in assessing 'ownership'; it is only with hindsight that the fragility of support becomes evident. A four year process was strongly led by expatriate technical assistants, working with local counterparts, although the then Secretary in the Ministry also appeared to be supportive. During 1996 and 1997 Government and donors drew up and adopted a common work programme. This was followed by a pre appraisal in early 1998, and by donors signing up to the SWAP. However, from the time hard decisions had to be made the SWAP started to disintegrate. There was intermittent commitment from government and limited engagement from donors. Vested interest in

⁶ LaFond (1994); Asamoah-Baah and Smithson (1999).

⁷ See Brown, Conway and Foster (1999).

⁸ Republic of Ghana and Co-operating Partners (1998 and 1999).

⁹ See Brown, Conway and Foster (1999).

¹⁰ Sibbons and Seal (2000).

government recognised the impact of reform, and gained the upper hand over reformers. Maybe most crucially hard budget decisions on teaching service rationalisation, secondary education financing and standard setting and regulations were avoided (Ratcliffe, 1999:41). In any case the design of the ESDP did not facilitate allocation decisions. It only covered the development budget, partly as a result of it being run by local consultants from outside the main Ministry of Education, who emphasised capital over recurrent expenditures.¹¹The ambitious programme was clearly inconsistent with the MTEF, and was rejected by donors and criticised in parliament. There is still no sector programme in place, nor much progress towards one.

- In **Zambia agriculture** the programme was developed specifically to increase government ownership of agricultural sector programmes. However the World Bank took a strong role in programme development (Gould *et al* suggest this was due to a desire to use it as a test case for expanding the applicability of its sectoral investment programme model in the sector¹²) and along with UNDP provided major support to MAFF to produce a programme document that could be processed according to the Bank's normal lending procedures. Gould *et al* argue that this contributed to disagreement with the donors, and to failure to fully address the roles of non-Government stakeholders.
- A variant on this model involves strong incentives for Government to implement reformed policies in a situation where Government ownership is acknowledged to be weak. The Pakistan Social Action Programme (SAP) follows this approach. It has so far confirmed the findings of research on conditionality, that conditions do not bring about policy change in the absence of ownership: Government has not met its obligations to increase funding for the social sectors, leaving the donors with a dilemma on how to react (a dilemma resolved in part by the military coup).¹³

2.2 Simultaneous Development of SWAP and Strategy

There have been a number of cases where the process to develop a SWAP went ahead in parallel with the development of the sector policies and strategy, without a clear vision at the outset. The experience has been at best mixed, often resulting in extended preparatory phases, leading in some cases to programmes which still lack a clear focus, and which may be over ambitious in relation to the available budget and implementation capacity.

The attempt to produce a detailed and comprehensive plan for the sector can become a distraction from addressing the few critically important issues which need to be addressed. Tanzania and Uganda health officials both felt that donors became too enmeshed in points of detail. The Bangladesh approach, with detailed plans produced on every aspect of health and population policy, may lead to unmanageability and lack of focus on the essential, even though the motivation for the programme started with a clear concept (integrate health and family planning to provide an essential services package at lower cost). In Uganda health political pressure on Government to expand services to populations without access have proved difficult to reconcile with donor views that service delivery needs to be strengthened in existing facilities. The resulting programme attempts to meet both demands, but some donors question whether it is sufficiently prioritised to be feasible and sustainable.¹⁴

¹¹ Chijoriga *et al* (1999).

¹² Gould *et al* (1998).

¹³ See World Bank (1999a).

¹⁴ See Brown, Conway and Foster (1999)

These problems of over-ambition and lack of focus have been especially characteristic of agricultural sector programmes, where the lack of a clear international consensus on the role which Government should play in the sector has been a serious constraint on agreeing prioritised programmes. The agriculture sector programme in Zambia, for example, suffered from a lack of consensus on the role of the state in the sector, for example in the provision of agricultural extension.¹⁵

It may partly be a characteristic of some sectors that the policy and expenditure package will be complex, and some key issues can not be brought to resolution without an extended period of policy analysis, pilot studies, and consensus building. For example, the Government role in the health sector needs to confront stark choices when even an essential health services package costs far more per capita than Government can plausibly finance: in six low income case study countries, combined Government and donor spending is little more than half the \$12 per head which World Bank estimated in 1993 would be needed to deliver an essential services package.¹⁶

2.4 Ownership and the Policy Process

The models described may be of some use in describing the way in which different SWAPs have been developed, but it is important to recognise that policy and programmes continue to develop and evolve. Policy change happens through consultation, persuasion, alliance formulation over extended time periods. It is to be hoped that policy analysis informs this process, though it is rarely the strongest influence.

SWAP processes have not always reflected and respected the need to mesh in with local decision-making. For example, discussions on the health SWAPs in Ethiopia and Tanzania revealed a perception by Government that donors are often in too much of a hurry to press Government to agree policy positions consistent with their own views and priorities, allowing too little time for the necessary political process of reflection and consensus building. Donor time scales tended to be shorter than those of Government, for a variety of reasons. The need for agency staff to achieve results during a three year posting, to achieve lending and disbursement targets, and to sign agreed aide memoires at mission end also place pressure on Government to 'sign up' to policy positions. In the health sector, both Ethiopia and Tanzania resisted these donor pressures, wanting to be sure that the policies were right, and commanded sufficient support. As one of the Tanzanian officials commented, 'better to spend 6 hours sharpening your knife than 3 days trying to skin the animal with a blunt knife'.¹⁷

There are examples from other countries which illustrate the perils of excessive haste: for example, in Bangladesh health and population, implementation of proposals to bring family planning staff onto the revenue budget were delayed because the issue had not been sufficiently resolved inter-departmentally.¹⁸

¹⁵ See Jones (1997a).

¹⁶ See Brown, Conway and Foster (1999)

¹⁷ *ibid.*

¹⁸ Health Sector examples from Brown, Conway and Foster (1999). See also Smithson (1994).

Box 1 Linking Poverty Strategy, Participation, Accountability and Monitoring Systems to Macro and Sector Budgets in Uganda¹⁹

There is strong Government commitment to transparency and participation, and to collecting and using diagnostic and feedback information to improve policy. At national level, the Poverty Eradication Action Plan (PEAP) came from a broadly participatory process. Medium term budget priorities are formulated by line ministries, consistent with ceilings established in the Medium Term Budget Framework. Sectoral working groups comprising the Finance Ministry, line ministries and technical advisors help develop sectoral priorities within the expenditure limits. Expenditure programmes important for poverty are identified within the MTBF, and protected from cuts by including them in the Poverty Action Fund (PAF). This is not a separate fund, but is fully integrated within the budgets of line ministries. Donors and NGOs participate in monitoring PAF implementation, and in meetings to review the medium term budget framework.

Poverty policy, and analytical support for it, is powerfully located within the Ministry of Finance, Planning and Economic Development (MFPED). Poverty Monitoring Unit integrates annual household surveys, conducted by the statistics bureau, with other data sources (e.g. participatory analysis, sector surveys, line ministry data sources) to track progress, and ensure that policy is continually influenced by poverty data and perceptions of the poor. A poverty working group has been established with Government, civil society, and donor representatives. At district level, the MFPED's Participatory Poverty Assessment Project (UPPAP) is working with 10 districts on participatory approaches to planning for poverty reduction.

These various policy channels are fed with a range of data and analysis, facilitated by 5% of PAF funds allocated to monitoring. Uganda has a track record of acting on findings. A Tracking Study of Government funds revealed significant diversion to unintended uses. Government reacted by imposing conditions on the use of block grants to districts, and increasing transparency to ensure they are used as intended: advertisements in press and displayed at facility level show sums disbursed to districts, schools, clinics, and enable population to challenge how they are used. Follow up found 90% compliance with the requirement to display school budgets and staff lists. Issues of corruption and financial probity have received further attention: 1998 integrity study looked at incidence of staff seeking bribes by sector, participatory poverty assessment district reports have raised local corruption issues.

Participatory poverty assessment directly consulted poor communities on their priorities, needs and perceptions of quality of service delivery, and fed directly into the budget process in MFPED, and informed the poverty working group. Findings have increased priority given to clean water, raised the importance of security issues for the poor, have led to recognition that the conditional grants to districts need more flexibility to reflect local conditions, and emphasised the need for equalisation grants to reduce inter-district inequality.

Monitoring of implementation of expenditure programmes also takes place at multiple levels: sector level against agreed targets and indicators as part of joint reviews with donors, at the level of the PAF quarterly meetings, and in discussion and rolling forward of the MTBF, in which donors are involved and media invited to report. To monitor access issues over time, and supplementing the PPA, the Expenditure Management Reform Programme in MFPED will support regular Service Delivery Surveys, to check population access to services, views on problems and constraints in accessing them, and of overall quality.

Financial Management, Accounting and Audit

See Annex 2 on sector programme financial management: accounts and audit reports timely; independent audit and pre-audit checks accepted; capacity building proposals to identify weaknesses identified.

¹⁹ Foster and Fozzard (2000).

The need for time to prepare and agree policies, and to adapt and modify them over time, argues for creating strong policy analysis capacity within Government, linked to effective processes for linking analysis to decision-making and to execution. One off planning exercises, even where sensitively carried out by quality professionals, are no substitute. The section on donor leadership has a number of examples where donor driven efforts to support strategy development came to grief through lack of Government commitment, though there are some more encouraging examples, of which the early stages of Tanzania health development may be one. Nevertheless, permanent planning capacity within Government would seem to be a preferred route. There are a number of interesting examples:

- Bangladesh health has benefited from a strong health economics unit, now evolving into a policy research unit, able to ensure that policy advice was continually fed in at appropriate points in the planning and budget cycle. However, this has been financed as a donor project, and largely expatriate staffed.²⁰
- Ghana health sector developed long term relationships with external resource centres, in order to supplement local capacity without displacing it.²¹
- Tanzania has a high level policy team working on health reform and overseeing policy implications as they arise. For example, the legislation on private practise is being modified, and the team is preparing to review other legislation to ensure it facilitates health reforms.²²
- Uganda has established a high level Poverty Working Group within Finance and Planning. It is linked to the poverty monitoring unit, and draws on expertise from within and outside Government. It should be able to both challenge and support the policies and programmes developed at sector level. (See Box 1).

It is important to reconcile two potentially conflicting concerns. The SWAP process needs to be managed to ensure that a clear and costed strategy, and the finance to implement it, are in place within a reasonable time-scale (two years is probably the minimum). Planning paralysis, with endless negotiation while the sector deteriorates, must be avoided. On the other hand, it is not realistic to expect solutions to be identified to all issues, nor all policy disputes resolved, over such a time-scale. Two conclusions can be drawn from this discussion:

- It is important to plan the SWAP preparation process around an agreed timetable, but with Government donor discussions informed by high quality analysis which focuses on identifying the most important issues on which immediate decisions can be taken, while setting in train the process by which issues needing further work will be addressed. Ghana health featured a clear, time limited process for joint appraisal of the Government proposals by a professional team, followed by donor review and then negotiation of individual financing agreements based on an aide memoire signed by all parties. Ethiopia similarly sought to keep the preparation process on a timetabled future track. Even in these cases, a further period of a year or more was required in order to put in place individual financing agreements consistent with the overall sector programme.²³
- Because the policy development process is continuous, Government needs to develop good in house policy capacity, to take forward those issues requiring further work, and to monitor and propose adjustments as needed.

²⁰ See Foster (1999a).

²¹ See Asamoah-Baah and Smithson (1999:19).

²² See Brown, Conway and Foster (1999).

²³ *Ibid.*

2.5 Owning the Implementation Programme

The work in turning sector strategy into a funded budget and related work-plan inevitably requires close working between Government and donor partners. It may also involve local officials in drafting local level plans, with varying degrees of autonomy (from virtually none in Bangladesh, to high levels of decentralisation in Ghana and Uganda). There are few examples of civil society being involved in the planning process, though they are strongly involved in Uganda education at every level from the school to the Poverty Working Group in finance. (See Box 1 and Annex 2).

The monitoring, review and adjustment process also mainly involves officials and donors, though Ministers may chair some meetings, and Parliament may have some role in scrutiny of accounts and (less usually) review of performance. For example the Public Accounts Committee in Uganda has been encouraged to develop this role. Uganda provides useful examples of civil society involvement in monitoring, partly dictated by a desire to use transparency to raise integrity standards in the public sector (Box 1 and Annex 2). The degree of local official and council involvement in monitoring varies, but peer comparisons can be useful in motivating staff.

Where a programme is approved which is beyond implementation capacity, de facto prioritisation will take place in the form of selective implementation. The risk is that Government will tend to implement those parts of the programme which are perceived as having high benefits and low costs to those responsible for managing the programme. Which parts are owned will become evident after the event. Donors may unwittingly contribute to this process if their own inputs lack clear focus on the essential, and expand the agenda of issues to be addressed.²⁴

The programme will tend to respond to pressures from the political level, and to personal as well as professional incentives. For example, training programmes which enable staff to collect per diems are likely to be implemented, actions to address politically difficult measures such as cleaning up the staff payroll may get deferred. Actions which donors press hard on may receive a response of some sort, though possibly only to show some action has taken place, and timed shortly before the review mission. It is important for donors to focus their own interventions on a limited agenda if they are not to facilitate a process in which the important becomes buried in the detail of complex work plans (Bangladesh health and population).²⁵

2.6 Factors Helpful to Ownership

Table 1 characterises different stages in the SWAP development process, and the actors who took the lead in that process in different country examples. Although it is difficult to generalise from this heterogeneous experience, a few comments on factors helpful to Government ownership can be made based on these examples.

A clear overall ‘vision’ for the direction in which the country is going, the role of the state overall and within the sector, endorsed by the Head of State following national consultation can be helpful. This works best where the sector strategy reflects a limited number of key priorities: universal primary education, for example, in the case of Uganda. It can be especially powerful if there is a broad based participatory process of consultation leading up to and or accompanying the process. More complex messages for more complex sectors, such as agriculture, have been more difficult to convert to such a clear vision not least because different stakeholders have markedly different

²⁴ *Ibid.*

²⁵ *Ibid.*

interests. Statements of general intent not costed and budgeted may not give a good indication of actual priorities.

It is helpful to have the sectoral strategy endorsed by Cabinet and the Legislature. Where leadership is strongly identified simply with the Line Minister, there can be problems when personalities change (Zambian and Tanzanian examples)²⁶. If ownership remains confined to a few individuals, however senior, then the process is not sustainable. This is what happened in the health sector in Zambia. In contrast, in Ghana health the partnership shifted over time from a reliance on personal contacts towards making use of developing institutional channels.²⁷

Ownership is strongest where Government feels itself to be in command of the process. Donors attempting to lead too strongly frequently get nowhere. There needs to be at least a core of influential officials who share relevant donor perspectives, while understanding the political and administrative steps needed to secure effective commitment.

The budget process is central. The Ministry of Finance can support the development of coherent sector strategies in which the spending programmes are realistically matched to the budget available, especially where there is a medium term budget framework. The discipline of an MTEF can be very helpful in ensuring realistic proposals.

Key indicators of meaningful ownership are facing up to difficult choices; insisting on going through the necessary processes to secure real commitment; and arguing back when donor positions conflict with Government views. A robust debate, as has been characteristic of the development of sector programmes in Ethiopia, is stronger evidence of serious intention to implement what has been agreed than is supine acceptance of unchanged donor documents.

From the donor viewpoint, the positive incentives will be strongest for donors who feel in a strong position to influence the policy dialogue, who are able to provide support through flexible budget support, and where policy recognises the sustainability problems of project support. Donors with strong commercial interests, commitment to project approaches incompatible with the sector programme, dominance of staff with a project background and outlook, incompatible and inflexible disbursement procedures, and modest finance unlikely to yield much influence, are less likely to be positive.

²⁶ For Zambian example see Jones (1999) & Johanson (1999), for Tanzanian examples see Ratcliffe Macrae Associates (1999) & Chijoriga *et al* (1999).

²⁷ See Annan (1999).

Table 1 Who is Involved Developing a SWAP?

	SWAP nested in Overall Vision of where the State is heading	Vision/Policy for the Sector	From Vision to Workplan and Budget	Monitoring, Evaluation Feedback
Head of State	e.g. Uganda PEAP Ghana Vision 2000	Uganda UPE		
Legislature		e.g. Uganda Health Bangladesh Health	Approves annual budget. May approve MTEF e.g. Uganda, Tanzania, Ghana.	Uganda MTEF tries to involve them in finance monitoring (PAC)
Cabinet	e.g. Uganda, Tanzania, Ghana MTEF	e.g. Uganda Health Bangladesh Health	Approves budget in most countries	
Ministry of Finance	e.g. Uganda, Tanzania, Mozambique, Ghana MTEF	e.g. budget guidelines hearings, Ghana, Uganda, Tanzania	Budget, everywhere. Uganda, Ghana, Mozambique, Tanzania, MTEF	Review of Budget Execution e.g. in Uganda. Tanzania
Other Ministries		Consulted in Zambia agriculture Zambia Health Ethiopia Health		Usually represented on SWAP monitoring committees
Central Line Ministry Officials		e.g. Ghana Health Bangladesh HPSP	Virtually all SWAPs	Virtually all SWAPs
Decentralised Units of Line Ministry		e.g. Ghana Health	E.g. Ghana health, education	Ghana health, education
Local Government	Tanzania health SWAP integrated in district level plans.		E.g. Tanzania Health, Uganda UPE, Mozambique agriculture and education, Ethiopian health	E.g. districts prepare monitoring reports, consolidated higher up
Civil Society	Ghana, Uganda consultation on poverty and policy	Most SWAPs have some stakeholder consultation	Uganda PEAP, Uganda Education	Uganda PEAP, Uganda PAF (health, education)
Donors	Consulted in CG/Round Tables	Vietnam health, Tanzania, Ghana Education (both rejected by Govt) but Tanzania health, more positive.	Donors involved everywhere to some degree	Donors involved everywhere to some degree

3. Partnership and Conditionality

3.1 Principles and Progress

Sector programmes essentially boil down to an agreement between Government, donors and other stakeholders, setting out what Government and funding partners hope to achieve in the sector, what action will be taken in order to achieve it, what resources each will provide in order to make those actions possible, who will be responsible for implementation, how decisions will be made, how results will be monitored, and how any disputes will be resolved. It has been found helpful in most cases to set much of this out in some form of document²⁸, a generic version based on some common features is in Box 2, together with some comments on the extent to which the good principles are adhered to.

Summarising the status of the partnership principles, there has been substantial progress, especially in several African countries, in putting in place all of the main elements of a SWAP. However, that experience is very recent, not all donors are able to participate, and the transactions cost savings expected have yet to emerge.

The partnership principles do not mention poverty or participation.

Where the breadth and depth of ownership of the sector strategy is uncertain, formal aide memoires are sometimes used as a way of getting governments to be explicit about what is in the SWAP and how the government will adhere to it, as in the case of the Mozambique health SWAP.²⁹ Partnership agreements are also used as a way of getting donor commitment on board, something which can cause friction between those donors able to provide budget support and those who prefer to continue with project approaches: strong pressure by some Mozambique donors to persuade others to sign up to the principle of budget support was resented by CIDA³⁰, who face procedural constraints, but also felt that capacity problems had not been addressed.

3.2 Unequal partners?

The memorandum of understanding can inevitably appear a little one sided. The Ethiopian Government were quick to recognise that the proposed memorandum of understanding for the health sector would not commit the donors to the level, timing, or channels by which they would commit funds. They indicated they were not interested in signing such a document. The initiative for these documents has normally come from the donors. In the case of Uganda health DFID and WB provided a first draft of the MoU, which the Government presented for comments without alterations.

²⁸ See for example Walt *et al* (1999) concluding that the laying down of formal ground rules (e.g. Statements of Intent, Work Programmes, Memoranda of Understanding, Codes of practice as well as more specific roles of, for instance, the consortia members in Bangladesh) is very important for the management of external resources.

²⁹ Brown (2000) & Personal Communication.

³⁰ Oral comments by CIDA staff at presentation by CAPE staff in Ottawa, 21-22 October, 1999.

Box 2 'Best Practice' Codes of Conduct, and current Status

All activities will be under one common sector-wide programme, fully costed, and integrated into a medium term budget framework.

- **Status:** most programmes attempt to cost the programme and integrate donor and Government finance. In some cases, only the development programme is fully integrated (e.g. Ethiopia programmes, Bangladesh health and population.) Some projects may be outside, though reporting is generally improving in Africa. Medium term budget frameworks increasingly important in rolling SWAPs forward: Ghana, Uganda, Tanzania, Mozambique.

Government takes responsibility and accountability for the performance of the sector as a whole, with all projects and components consistent with and contributing to agreed sectoral goals. Partners have responsibility to support planning and financing the sector programme.

- **Status:** Weak integration with private sector spending, though Government often minority of sector. Goals not always well linked to outputs and inputs. Donor financing still unreliable on timing and amount.

All partners aim to synchronise their own processes to joint cycles and systems for appraisal, programming, review, monitoring and evaluation. Procedures and mechanisms for joint missions and appraisals are defined.

- **Status:** Generally good, though some avoidable inefficiencies, e.g. large missions wasting time information gathering; donor trust depends on rigorous and open review process.

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Reporting will be harmonised towards one common report system for all activities in the sector.

- **Status:** In place, but need to develop content.

Technical assistance should be demand driven, with preference to short term and local TA.

- **Status:** Examples of pooled TA under Government control, e.g. Ethiopia, Bangladesh.

Resources will be channelled increasingly through government systems and consolidated into joint accounts, with a view towards overall budgetary support. Common disbursement, accounting, reporting, auditing and procurement system are defined.

- **Status:** The SPA pilot survey of 16 Sector programmes³¹ (which had SWAP characteristics) showed that more than 80 percent of aid is given in the form of projects with individual donor procedures, only 17 percent as sectoral budget support. However, common donor disbursements through Government are being used in some difficult policy environments, e.g. Mozambique, Tanzania education (7 donors), Uganda education, Ghana education. No examples in Asia, World Bank procedures constrain their ability to participate, so far limited to adjustment funds.

Partners are committed to openness, transparency, consultation, the sharing of information, and in the case of problems, dialogue before any interruption of support.

- **Status:** Variable. Interruption for Governance reasons unavoidable (Ethiopia, Pakistan.) Ghana health did use dialogue to resolve difficult hospital funding issues, though donors complained at lack of lack of transparency. Uganda PAF and education a model for transparency.

³¹ SPA (1999).

3.4 Conditionality and Resolving Disagreements

Levels and Types of Conditionality

Recent literature, summarised in ‘Assessing Aid’³², argues that conditionality does not work. Donor pressure does not bring about policy change where Government is not committed; donors rarely enforce conditions, finding reasons to continue disbursing anyway. This is especially true of investment lending. The World Bank, for example, finds it extremely difficult to interrupt an investment loan once it has been made. In recognition of this problem, the Bank has developed alternative lending instruments, such as Adaptable Programme Loans (APLs), which provide a series of annual commitments, easier to vary through the annual review process in the light of SWAP performance.³³

The strong version of the ‘conditionality does not work’ argument may need to be nuanced: commitment to policies is only observable after the event, it is rarely universal, and changes in the light of events, being reinforced if change is followed by perceived improvements, and eroded if it does not, even if the causes are external to the programme. Nevertheless, the scepticism on conditionality has deeply influenced the donors, and provides the climate within which sector wide approaches have developed, with their rhetoric of partnership, and selective support to countries and sectors attempting to implement policies in which both Government and donors believe.

Conditionality is applied at all levels, and it is important to set the conditionality of individual sector wide programmes in the broader context.

Conditions can only work if the part of government with whom they have been agreed has an incentive as well as the mandate to make sure they are implemented. The main focus of sector conditions should be on policy measures which are within the authority of the sector managers. Similarly, at the macro level, sectoral conditions are not (directly) enforceable. For example, under general budget support donors can exert influence on the Ministry of Finance, but not directly on a line Ministry.

Aid Allocation and Conditionality

At the widest level, decisions on how to allocate assistance between countries, and on how to allocate HIPC debt relief, are increasingly dependent on assessment of the overall quality of policy, with increasing stress on policies relevant to poverty reduction and the achievement of the DAC targets. The Comprehensive Development Framework³⁴ promoted by the World Bank, and the Poverty Reduction Strategy Papers³⁵ which are a condition for access to HIPC debt relief, are the most recent manifestation of this trend. Though the language of conditionality is not used, countries will be aware that their future access to IDA resources depends on the Bank assessment of their policies, and will also be aware through policy dialogue of the particular aspects of the policy mix which most concern the Bank. Other donors increasingly make similar assessments, though they may be more influenced by factors such as poverty reduction policies and human rights.

The direct relevance to SWAPs is that the total flows to a country determine the resources available to allocate, including those available to finance the SWAPs. The relevance can be still more direct

³² World Bank (1998).

³³ See Foster & Naschold (1999).

³⁴ See Wolfensohn (1999).

³⁵ See Foster & Norton (1999).

in cases where a poverty strategy endorsed by the donors attempts to protect additional spending for key sectors. The Uganda Poverty Action Fund, which channels additional donor and debt relief moneys to key poverty programmes within the budget, is the most obvious example (see Box 1).

Overall structural adjustment programmes, or IMF ESAF programmes, frequently include conditions on the share of Government spending which should go to specific sectors or categories of spending. These provide the budget underpinning which ensures that a SWAP can be planned on the basis of reasonable security as to the size of the resource ‘envelope.’ This form of conditionality may not always be desirable. It reduces budget flexibility, and the percentage shares may not be based on very rigorous analysis. The approach of a rolling medium term budget framework is in principle a better way to address evolving spending priorities over time in a way which is accountable to domestic rather than foreign constituencies.³⁶

Other macro-economic conditionality can also affect the sector programme, because of the impact on the budget if structural adjustment funds are abruptly interrupted. Budget management systems, such as the cash budget management still practised by Tanzania, Zambia, Malawi and Uganda, can lead to unpredictable budget flows poorly matched to the phasing of spending needed for efficient implementation of the programme.

Any programme can also be interrupted by the implicit Governance conditionality which leads donors to suspend aid following events such as war (Ethiopia) or military take-over (Pakistan).³⁷

Sector Level Conditions

Conditionality implies sanctions for non-performance. There is no consensus at sector level of the appropriate role of conditionality within sector wide approaches, even though there is active discussion within the donor community.

Many donors appear to agree that applying both macro-economic and sector conditions in a SWAP would undesirably increase uncertainty and risk disrupting social spending. It is preferable to make sector aid conditional on specific sectoral indicators.³⁸

It is difficult to strike a balance between avoiding stop-go financing, and maintaining a credible threat, especially where the dependence of sectors on donor finance is substantial. The advent of SWAPs has seen some new approaches to enforcing conditionality: reintroducing earmarking, and graduated sanctions by varying future commitment levels.

At sector level, there are still examples of explicit policy conditionality:

- Pakistan social action programme was explicitly conditional on Government committing increased expenditures to the sectors from domestic revenues, a key aim being to leverage the Government to allocate more funds than it otherwise would have done³⁹. The programme was largely unsuccessful in this, and the coup saved donors from the dilemma of how they should react to Government failure to meet conditions. This coercive approach to conditionality in a SWAP appears to be a unique example.

³⁶ Foster, Healey, Martin, White (1999).

³⁷ Potter and Diamond (1999).

³⁸ Foster & Naschold (1999).

³⁹ World Bank (1999a).

- In Uganda education, the World Bank used a sector adjustment credit to support the SWAP. This included explicit conditions for tranche release, covering both budget allocation and education policy issues.⁴⁰

It is more typical, however, for SWAP financing agreements to take a similar form to project agreements, with both partners agreeing to implement the programme set out in the Government strategy document and work-plan, and to abide by the agreed management and decision-making arrangements. Some aspects of the programme may be the subject of specific undertakings, with the World Bank most inclined to include specific policy undertakings in financing agreements. For example, Bangladesh health and population credit is conditional on a range of both policy and implementation conditions, including implementing agreed re-organisation of the Ministry, and implementation of an Action Plan with 22 key measures.⁴¹ Failure to implement many of these policy conditions on time has been intensively discussed in programme reviews, but has not led to an interruption of disbursement.

Bilateral donors most commonly include conditions related to the disbursement and accounting and audit of funds. The extent to which there are formal agreements beyond this varies. However, the absence of formal conditions does not mean an absence of donor conditionality. The aide memoires produced after each review are normally signed by Government and donors, and their recommendations are treated as accepted by Government, even though Government often has had only hours to study the draft.⁴² The next annual review gives the donors the opportunity to assess progress in implementing them, and some donors are able to vary the level and the channel by which their funds for the sector are disbursed from year to year. Donors can easily signal their pleasure or disappointment at progress and commitment by Government.

Sub-sector conditions and Disbursement Arrangements

Conditions are also common at sub-sector level. These most commonly relate to the approval of sub-sector plans and fund release, and are discussed in section 9.

Dealing with Disagreement

Where there have been disputes about actions and behaviour in a SWAP it has generally been better to discuss disagreements informally in private before any official steps are taken and before the letter of the agreement is used. The success of informal discussions often depends on individual personalities. They play a huge role in making donor – Government relationships harmonious and managing conflict when it arrives. The WHO representative in Uganda has acted in a co-ordination role on the health SWAP and both donors and Government groups perceive his contribution as having a major impact on how they work together.⁴³ Similarly the climate and the outcome of the appraisal mission in the Ethiopian Education SWAP greatly benefited from very good mission leadership and a collegial approach.⁴⁴ Experience from Mozambique, Bangladesh, Zambia, Cambodia and South Africa also points towards the importance of balancing formal and informal relationships between development partners. Informal discussions are often crucial for successful implementation of a sector programme⁴⁵.

⁴⁰ World Bank (1998c).

⁴¹ World Bank (1998).

⁴² Observation based on participation in reviews of Ghana health, Bangladesh health and population, and discussion of Pakistan SAP.

⁴³ See Brown, Conway and Foster (1999).

⁴⁴ Martin, Oksanen and Takala (1999).

⁴⁵ Walt *et al* (1999).

In the case of Ghana health, the Aide Memoire signed between Government and the donors was referred to by donors in seeking a resolution of a disagreement over Government funding of regional hospitals at levels not envisaged in the programme. The obligation to consult and the process for evaluating new capital projects had been clearly stated, and the failure to honour the agreement became the justification for donor sanctions (for example, DFID re-imposed earmarking of budget support.) The situation in Ghana was rectified by including an agreement in a new aide memoire for government to produce and share with donors a full costing of the medium term capital programme, for including regional hospitals in the next annual review round, and by the Government's commitment to maintain agreed recurrent budget levels.⁴⁶

The explicit provision in the aide memoire was included in part because of donor worries that political pressures would lead Government to proceed with projects not included in the programme of work. This is consistent with a trend that has been observed in programme aid: the number and specificity of conditions tends to increase where donors fear that ownership is not strong, and wish to bind Governments to aspects of the agreement where they are unsure of the commitment. The track record of success in binding Government in this way is not encouraging. It has also been argued that SWAPs start with great optimism about the strength of partnership, but that this erodes over time as problems are experienced (Dietvorst 2000, presentation to Dublin Workshop): this strengthens the argument for putting 'rules of the game' in place at the out set.⁴⁷

Even in the more aid dependent countries, Governments have shown determination to resist donor pressure where they are unconvinced, as examples we gathered in the course of six health sector case studies illustrate:

- Uganda continues to insist, against donor advice, that the SWAP must respond to political pressure to build new facilities in under-served areas rather than focusing on first improving service delivery from existing facilities.
- Tanzania continues to insist that delivering the strategy requires additional staff recruitment, against the advice of donors who have sought to contain civil service costs.
- Ethiopia successfully resisted donor pressure for technical assistance support to capacity building, except in those areas such as financial management where it recognised the need for help.
- Ethiopian determination to retain control of the policy agenda has extended to editing of review reports, and restricting attendance at review meetings.
- Vietnam refused a \$100m health sector loan from the ADB on the grounds that it did not have the capacity to make effective use of this money.
- Vietnam has also resisted publishing a health sector review financed by donors which challenges a number of Government policy positions

The rights and wrongs of these specific issues are less important than the recognition that there is a degree of ownership of the policies being implemented in these countries, and the SWAP process can certainly not be characterised as a donor imposition on an unwilling or supine Government. Of course compromise has been necessary, but the main donor influence on policy has been through

⁴⁶ Republic of Ghana and Co-operating Partners (1998) & (1999).

⁴⁷ Dietvorst, Desiree (2000), presentation to Like Minded donors, Dublin, February 2000.

support to policy analysis and dialogue, and through the experience of joint working, rather than hard conditions. Positive examples include:

- Uganda tracking studies, which revealed serious problems of diversion of funds from intended uses, provoked serious attention to increased transparency, better monitoring, shorter funding routes. (see Box 1 and Annex 2).
- Funding arrangements to regions in Ethiopia changed to allow for swifter disbursement of money for HIV services in recognition that the epidemic is moving too fast for normal Government systems to apply. There is also now a greater concentration on more appropriate approaches to reproductive health.
- Tanzania has developed decentralised district planning processes, and transferred responsibilities for district hospital management.
- In Bangladesh health, the decision to integrate health and population services was heavily influenced by research showing that facility based family planning services were able to maintain contraceptive prevalence.

Not all of the lessons are one way: the positive experience of funding decentralised schools construction through Government systems in Uganda has led donors to review the need for expensive alternatives.

Sensitive donor co-ordination, and all parties working in a collegiate way, becomes especially important where policy positions among the donors differ. A typical divergence is between the North American tradition of private healthcare markets, and the European tradition of health services funded from general taxation. Aspects of the divergent philosophies are present in disagreements between Sida and the World Bank in Vietnam, and were also present at an early stage in development of the Tanzania reforms, where they were resolved through development of a number of pilot projects to test market based options.

4. Managing the SWAP Process

4.1 Management Structures

There are two main models. Most African SWAPs have, (wisely in our view), built the SWAP on existing Government management structures and responsibilities. There is often an overall steering committee, chaired at Ministerial or Secretary level, and involving representatives from other relevant Ministries, including planning, finance, and local Government, and often local donor representatives. The senior committee will often meet quarterly. An implementation committee at senior official level, also with inter ministerial and donor representation, is likely to meet more frequently, perhaps monthly. This level tends to be responsible for monitoring the overall programme and reporting to the steering committee. Where implementation is well underway, or where there is a labour intensive period of developing and agreeing financial systems for example, donors and senior MoH officials, plus some more junior civil servants then may meet once a week to address operational issues and keep the process moving. Ethiopia and Uganda also have working groups meeting regularly to address specific issues, and Tanzania has set up a special sub-committee to address hospital reforms.

Thus the planning and co-ordination arrangements in recent African SWAPs, depend on the existing management systems of the Ministry to plan and execute the programme: the SWAP is coterminous with the work of the Ministry. Where this has not been the case, and parallel structures have been set up to plan and manage SWAP activities and the flow of funds, issues of ownership and sustainability have loomed large.

The ability to provide support to a sector within a coherent overall budget is the strongest potential benefit of the sector approach, ensuring that recurrent cost implications of investments are fully planned for, and that the balance between new investment and recurrent budget to operate it is appropriate. However, sector programmes have not always capitalised on this advantage, and the role of the donors has not always been helpful.

World Bank led SWAPs, such as Bangladesh health and population and Pakistan social action, have been especially prone to using the project implementation unit model with which the Bank are familiar, and which is consistent with World Bank disbursement procedures which require separate identification of how Bank funds are used, and adherence to Bank procurement and other disbursement guidelines.

In Bangladesh health and population, three separate consultant staffed management and co-ordination units were set up outside the Ministry, a project co-ordination cell, a management change unit, and a donor support unit.⁴⁸ The focus on a separate structure and heavy emphasis on the development budget fits the South Asian budget model where recurrent and development budget are separated.⁴⁹ The Bank also use the same approach in Ghana education and continue to do so despite donor opposition in the Zambia basic education SWAP (see Box 3).

⁴⁸ World Bank (1998b); and Bangladesh Health and Population Sector Program, Aide Memoire, Report of First Annual Programme Review, April19-May2 1999.

⁴⁹ Even in countries where the separation of development and recurrent budgets is less marked, there are problems of integrating them. In Uganda, Ministry of Finance officials remarked that budget preparation in line ministries tends to be dominated by the Accounting Officers who control the overall budget, with too little co-ordination with the planning officers, resulting in the danger of planning without budgets constraints, and budgeting without plans. The SWAP approach can help bring these functions together.

- Where donors are providing direct budget support, there may be an additional committee set up to discuss disbursements into the budget. It is interesting that donors not providing direct budget support felt excluded in Tanzania, and the name of the Steering Committee was changed to Basket Financial Committee, and the terms of reference amended to ensure that issues of wider donor interest continued to be discussed in fora with full donor representation. In Ethiopia, the Government continues to take the view that only those donors providing budget finance should be represented in meetings where budget issues are discussed.

Box 3 SWAPs and the budget: failing to integrate recurrent and capital spending

Under **Zambia BESSIP**, The World Bank designed a sector expenditure programme that was independent of the government's budgetary procedures, and also did not take into account the level of available resources. Donor funds are combined in the BESSIP basket which finances part of a three year capital expenditure programme, which was not linked to the recurrent budget. This dual budget approach causes several problems, including severing the link to macro budget constraints. The Zambian government was given responsibility for managing the funds, but was obliged to use the World Bank's own financial accounting system. Since there is no integration of capital and recurrent budgets, and due to limited capacity, the government is not able to prioritise expenditures. There is, hence, a real danger that donor money will end up financing non priority expenditures, such as construction.

The planning process in **Bangladesh Health and Population Sector Programme** has suffered from a similar problem. The HPSP focuses mainly on the development budget. A significant role in the planning and management is taken by a programme co-ordination cell largely staffed by local consultants and seconded staff, while the recurrent budget continues to be allocated through an incremental process, based on the traditional pattern of spending. The recurrent costs of development spending tend to be included as project costs in the development budget, with little planning for their eventual absorption in the recurrent budget. The move away from the project approach has not fundamentally altered this problem.

4.2 The annual appraisal and planning cycle

Although locally based donors may be represented in management and implementation committees which meet more frequently, there are normally two main annual meetings where HQ staff are likely to be present: a planning meeting followed six months later by a review meeting. The Uganda education cycle (Annex 2) is fairly typical. The Bangladesh HPSP started with only one annual meeting, but subsequently adopted the two meeting cycle. The Tanzania health SWAP supplements the two main meetings with more frequent donor co-ordination meetings.

SWAPs and the Budget Cycle

The annual SWAP cycle needs to be planned to fit in with the annual Government budget cycle. (see **Diagram 1**) In Ghana, Uganda, Tanzania and Mozambique, the medium term budget framework provides the budget envelope within which the SWAP is planned, and there is an iterative relationship between discussions at sector and budget wide level. SWAP meetings in Ghana are timed in principle to permit the rolling forward of the Government and donor funding to proceed in parallel. In Tanzania and Uganda, the local Government/donor health sector working group helps to support Ministry staff in preparing the budget submission for the Medium Term Budget Framework. Line Ministries may sometimes see an advantage in using the SWAP to seek to

evade budget disciplines by appealing to donors over the heads of the finance ministry, though the attempt to do so in Tanzania education ended in failure and criticism in Parliament for failing to present a realistic budget submission.⁵⁰ Where a 3 year MTEF is in place, it makes sense for the SWAP to also plan on the same three year cycle. Although there may be some good reasons for preferring a slightly longer perspective, the use of a five year horizon in Uganda health is arguably causing some confusion and unnecessary duplication of effort at local Government level as well as within the MoH itself. This may be resolved by the MTEF itself moving to a 5 year planning cycle.

Managing SWAP Reviews

If the transactions costs of dealing with donors are to be reduced, the donors need to be convinced that the information they are able to obtain through the annual review process is sufficient and accurate enough to give them confidence that they can rely on it, without needing projects, technical assistance personnel, and bilateral field visits to verify and ‘ground truth’ the information. This suggests a number of principles:

- The monitoring system needs to include provision for independent assessments, based on adequate research to command confidence. Administratively collected data will not be sufficient. It may be biased, and even if not it will need to be supplemented by material on the perceptions of non users (see section 8.)
- It is helpful to separate the information gathering and analysis stage of the annual reviews from the meeting for Government and donors to discuss findings. A limited but independent team, the ToR and composition of which is approved by all partners, should be tasked not only to review progress, but also to highlight key issues and recommend an agenda for the main meeting. This should help to keep the larger meeting focused on the important issues and decisions.
- Timing needs to ensure that papers are available sufficiently in advance of the review meetings for proper consideration.

Current practice falls some way short:

- Some Governments have found the review process overly critical and have sought to keep perceived negative comments out of reports. This can undermine donor confidence, and raise suspicions, reinforcing the tendency to keep project type controls and information sources. Even where Government is willing to accept constructive criticism, the tendency of many reviews is to emphasise that they are joint, rather than emphasising that the review of progress should be independent of either partner and based on verifiable information. This reduces the value of review reports. Reviews often appear in multiple versions: the official, and often somewhat bland, version is supplemented by less tactful notes which each donor seeks to obtain from ‘their’ person on the review team. This is a sign of a somewhat immature partnership. There are however some useful counter examples. The impressive Ugandan track record in allowing reports to discuss difficult problems including corruption, and taking action in response to challenging reports, shows that robust and independent reporting is feasible where trust can be established (see Annex 2.)
- Governments frequently provide data too late to incorporate in review reports, which means that, even when received on time, they are not as informative as they should be. This was a

⁵⁰ See Chijoriga *et al* (1999); and Ratcliffe Macrae Associates (1999:41).

serious problem for the April 1999 Ghana health and May 1999 Bangladesh health and population reviews. Expenditure data is often one of the problems, though not the only one. It is a particular problem where the review relies on Government to provide the analysis without providing additional support to supplement analytical capacity. Providing necessary economic and financial analysis has been a particular problem in a number of reviews (Bangladesh health, Ghana health, Tanzania education despite no less than three consultancy exercises). A major problem is reconciling and undertaking necessary analysis of actual and projected data from district level.

- The problem is exacerbated by selection of members of review teams for reasons other than ensuring that experienced people are available in all needed disciplines. Donors may see the nomination of team members to be an opportunity to have their particular interests represented during the mission.

Missions are often still too large, and attempt to cover too much ground, while insufficient scheduled time for writing up tends to result in exhausted members producing a mission report and aide memoire written in haste by a team which has spent too little time checking facts, co-ordinating positions and reviewing each others work. Government frequently receive documents very late, but are expected to sign the aide memoire based on a quick reading before the closing ceremony. All of these problems are exacerbated when the independent progress review is collapsed into the main Government donor meeting, as has been the case in Bangladesh health (though now proposed to change).

4.3 Are Transaction Costs Falling?

In the health sector, Uganda, Mozambique and Tanzania found the process of developing the basic SWAP documents time consuming and requiring many rounds of comments from donors, not always on what the Government felt were priority issues. Therefore short term workload increased as bilateral arrangements were still in place. Generally governments in the WHO review countries agreed that transaction costs increase with a SWAP until new arrangements fully replace the old. It is not yet clear whether they actually fall once the SWAP is ongoing, though health officials in Mozambique, Uganda and Tanzania seemed confident that they would:⁵¹

- Less time is spent in one to one meetings between Government and donors
- Fewer bilateral missions are taking up government officials' time.
- Meeting with donors as a group has produced better quality policy dialogue, enabling Government to make better use of technical resources, and focussing less on individual donor concerns.

A more sceptical view is possible. It is notable that donor discussions in the Oslo meeting (NORAD, 1999) were concerned about increased donor staffing implications of SWAP approaches, and several donors have retained field staff in country to 'manage' their SWAP support (e.g. DFID has moved towards country programme missions in SWAP countries.) It seems possible that these staff are spending their time seeking as many meetings with the same Government staff to discuss SWAPs as they previously did to discuss projects. In Ghana, Government health officials seem under as much pressure as before, even though they are resisting donor pressure for more 'business meetings' to supplement the large scale semi-annual review meetings involving numerous regional

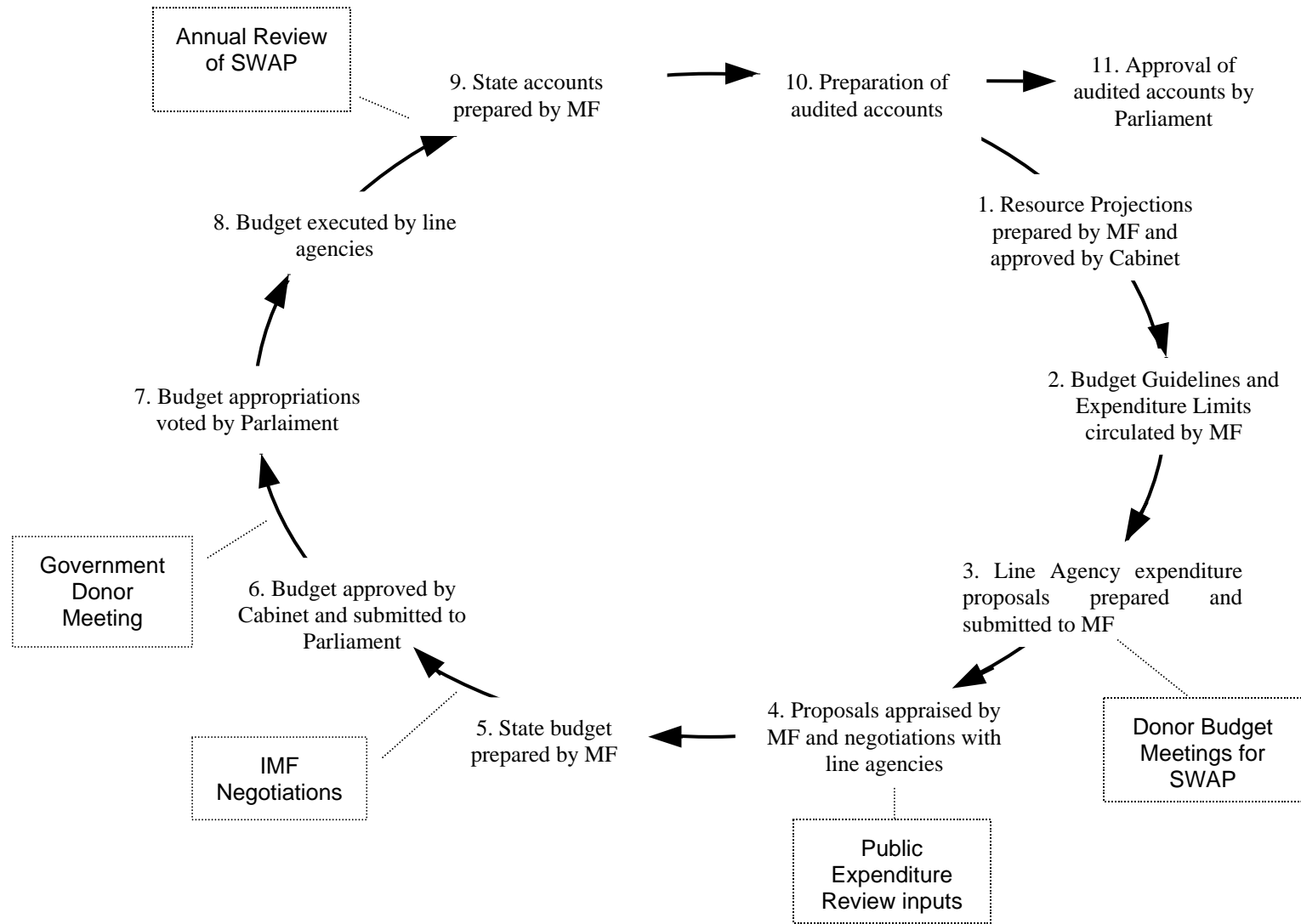
⁵¹ High level African delegates at a DANIDA sponsored Workshop in Harare in October 1998 felt that transaction costs had already fallen (at least for the recipient government). (DANIDA, 1998)

and district staff. Johanson quotes World Bank evidence that supervision costs to the Bank are 50% higher for SWAPs than for projects.⁵²

Even if transactions costs are unchanged, there should be a net benefit in so far as an increased proportion of Government donor contacts are now aimed at supporting the effectiveness of Government systems rather than parallel project ones. This remains true even though one factor which is keeping transactions costs high in most countries is the continuation of project support in parallel to those donors supporting SWAPs with budget support. This requires parallel reporting on at least some projects to continue.

⁵² Johanson (199).

Diagram 1 Budget cycle & SWAPs



5. Dealing with Poverty in SWAPs

As yet there is very little material on the impact of SWAPs on poverty. This section examines the potentials within SWAPs for promoting poverty reduction and assesses the experiences against these potentials so far. **Box 4** proposes criteria for assessing how effectively a SWAP tackles poverty reduction.

Box 4 Assessing the Poverty Content of a SWAP

An effective SWAP process for addressing poverty issues within the sector would be one which:

- Has been informed by good diagnosis of poverty and the actions needed to address it; (indicator – use made of quantitative and qualitative/participatory monitoring mechanisms in developing sector policy and monitoring quality, access, relevance of services for poor people).
- Uses that diagnosis in defining a credible sector strategy which gives priority to benefiting the poor; (indicator – 1. key SWAP documents – e.g. programme of work – include strategic objectives related to poverty reduction, linked to robust implementation mechanisms 2. issues outside of public service delivery been examined from a poverty perspective (i.e. two prong approach: actions in the public service and regulation for the private sector) 3. specific groups excluded from access to quality services identified and measures put in place to address this).
- Is appropriately and reliably resourced, given other priorities.
- Has effective mechanisms for ensuring that intended benefits actually reach the poor.
- Generates information for monitoring and feedback, and ensures that it is acted on.
- Has been developed in a collaborative process based on an analysis of the key stakeholders within the sector. Indicators might include sector wide policy objectives agreed between a wide range of stakeholders and widely disseminated within the country – including communication of what users/potential users of services can expect to see change (indicator – media coverage and widespread dissemination of sector policy – linked to communication of basic policy goals that conveys sense of entitlement – e.g. UPE).

The idea that SWAPs involve an enhanced potential for addressing poverty issues as against sector projects from a donor's perspective derives from the following premise. Individual donor agencies, joining a common programme with key partners in the country concerned, although losing a certain level of direct control over activities they support, gain access to forms of partnership which are potentially more powerful for pursuing the overall objectives of poverty reduction. Specifically, a sector approach offers the possibility of assisting institutions to improve:

- equity in resource allocation (by gender, social group and geographical location)
- the focus of resource allocation on activities which meet the perceived priorities of poor and excluded social groups
- the accessibility and relevance of their services to excluded groups
- the responsiveness of regulatory frameworks to the needs of the poor.

Most SWAPs have placed the primary emphasis on improving coverage and access to effective services. On the assumption that the poor are most likely to be excluded from access to services,

this approach can be regarded as a pro poor policy, especially in very poor countries such as Mozambique where the vast majority of the population are below international definitions of absolute poverty such as the \$1 per day indicator used in the international development targets. Where present coverage is very low and most of those excluded are poor, it may make sense to focus on cost effectively extending coverage rather than seeking to target the poorest, provided ethnic, gender, regional or other biases are not reinforced. In practice there may be a trade-off between two legitimate policy goals: extending coverage of basic services as cost-effectively as possible, and; reducing the marginalisation and exclusion of groups of the population who are outside the mainstream institutional systems and processes of the society. Policy formulation on these issues needs to be transparent about the criteria used – and open to public scrutiny and debate. Arguments of efficiency which are made to reinforce processes of exclusion may be made on the basis of prejudice rather than fact.

Poverty issues in agriculture are especially difficult in countries where Government is retreating from roles in marketing and input provision on which the poor have come to depend, especially in remote areas where the crop system may need to adapt to reflect unwillingness of the private sector to take on these roles. The efficiency benefits of getting Government out of these activities have not been given up in Zambia, but work is underway to explore how farmers can be supported to re-connect with private services which may not reach below the district level, and to adapt to new cropping systems.⁵³

The diagnosis of poverty issues as they affect the sector should ideally be situated within an overall diagnosis and strategy for poverty reduction. The most fully developed attempt to do this of which we are aware is the Uganda poverty eradication action plan. Box 1 sets out how poverty analysis feeds in to expenditure priorities via the medium term budget framework and the poverty action fund. The design of the sector programmes, especially in education, has been directly informed by the poverty analysis from household surveys and participatory poverty assessments.

Poverty analysis should inform the overall prioritisation of expenditures, as well as the design of individual sector programmes. Information which can assist in prioritising resource allocations according to poverty criteria includes the following:

- household survey data showing service utilisation, the distribution of cost burdens within households and communities for accessing services;
- sector specific survey information (e.g. health and nutrition) which indicate levels of inequality in the distribution of benefits within the sector – and systemic factors linked to poverty, gender, social status or the environment which are associated with outcomes within the sector;
- simple community or District level information which indicates basic elements of distribution of relevant facilities and infrastructure;
- incidence analysis which provides a graphic picture of levels of inequality in access to the benefits of public expenditures in a given sector;
- budget tracking exercises which can indicate the extent to which resource allocations intended for different kinds of service facilities actually reach them;
- participatory studies which indicate the criteria by which poor people assess the quality and effectiveness of services, the priorities they attach to different kinds of problems and policy actions, the barriers which they experience in trying to access services, the extent to which services are geared to their needs and realities, and issues related to intra-household distinctions (age, gender) not usually picked up in household surveys.

⁵³ Desiree Dietvorst: Presentation to Seminar on Sector Wide Approaches: Negotiating Partnership at various levels. Dublin, 8-10 February, 2000. See also Bialluch *et al* (1999).

In practice informed policy making requires a grasp of realities at all levels – including information on the demand side (poor people’s priorities and problems) and the supply side (resources and capabilities at all levels from the community through to the central government budget). The following are examples from practice:

- Tanzania education is one of a number of examples where the priorities of the administrators favoured improved physical facilities, while the poor were concerned by high charges for schools with inadequate teachers and health facilities lacking drugs.⁵⁴
- In Uganda, the participatory poverty assessment and the service delivery surveys confirmed the importance of security issues and road access.⁵⁵
- In a number of countries, studies have revealed the importance to the poor of first level curative care, resulting in SWAPs being designed to include general hospitals as part of the essential service package.
- Other examples include understanding the importance of high and uncertain charges as a major constraint on access to services by the poor: Bangladesh health⁵⁶, Zambia health and education⁵⁷, Tanzania education and health, and Uganda, where a range of measures has been taken to address illegal charges.⁵⁸

The sector programmes need to address systemically the financing of services – looking at contributions from individuals and households, both formal and informal, and analyse how these relate to promoting improved access/quality for poor people. This means that policies on cost recovery and financing of services need to be reviewed from a poverty angle, and policies developed to improve access/quality for poor people, with monitoring mechanisms to assess whether they are working.

Data on access by the poor is certainly improving. The health sector accounts produced in Bangladesh in 1998 are a best practice example, but a range of other studies have collected similar information, including household surveys, service delivery surveys in Uganda, Tanzania and Bangladesh⁵⁹, and the CWIQ survey in Ghana. As better information becomes available, the realisation that Government is a minority player even in the social sectors is gaining ground, though it has yet to influence the design of programmes significantly.

The sector programmes have in general not made as much use as one might wish of poverty analysis in designing strategies. In the health sector, essential service packages are unaffordable, and exemption schemes for charges crude and ineffective, virtually without exception. For example, in Ghana there is marked variation between regions in the extent to which funds for exemptions are drawn on, with some of the poorest regions making least use.

Staff and resources in all sectors tend to cluster near to district headquarters, with marked intra regional inequality.⁶⁰ Although equalisation grants to provide extra resources to poorer districts are discussed, we are aware of no examples where they have a significantly equalising effect. They were tried in Ghana in the very beginning of the SWAP, and have been tried in Uganda (to

⁵⁴ Chijoriga *et al* (1999).

⁵⁵ Ministry of Finance Planning and Economic Development Uganda (1999).

⁵⁶ See Health Economics Unit, Bangladesh Ministry of Health and Family Welfare (1997).

⁵⁷ Booth (1998)

⁵⁸ See Box 1 and Box 6.

⁵⁹ See Health Economics Unit, Bangladesh Ministry of Health and Family Welfare (1997) and Health Economics Unit, Bangladesh Ministry of Health and Family Welfare (1996).

⁶⁰ Price Waterhouse Coopers (1999).

prioritise infrastructure to poor regions). Relating education grants to pupil enrolment in Uganda does, however, appear to have had a significantly equalising impact.⁶¹

At least in Africa, there has been a movement towards higher resources for the social sectors and, within that, for primary services most used by the poor.⁶² Examples from Uganda and Ghana, seem to show this trend in sector programmes, though the experience in Pakistan is less encouraging. The poverty reduction strategies required to be prepared for access to HIPC II funding (and for the IMF poverty reduction and growth facility) should reinforce the positive trend.

It is important to establish sector-wide frameworks for monitoring both equity in outcomes (and proxies for outcome) and access (service issues) for poor and specific social groups linked into policy change. Process indicators might be:

- Information is used by the policy community to develop pro-poor policy change;
- Benchmarks related to improving sector performance for poor people are established, agreed and a broad range of stakeholders involved in monitoring them.

Monitoring is discussed in detail in section 8.

The Uganda case provides a partial model of good practice for organising the budget process to address poverty issues effectively. Key features include the central location of capacity for poverty monitoring and analysis within the powerful finance ministry; involvement of civil society, donors and parliament in both policy decisions and the monitoring of implementation; strong focus on transparency to enable users of the service to hold the providers to account; multiple sources of information and channels for pressure for improvement. There is also an attempt to directly empower communities through representation on school committees, including some financial responsibility. The link to a transparent overall medium term budget framework, in which poverty related expenditures are specifically identified and have been consistently protected from cuts is also important. Uganda is also a model for having *taken action* to address issues revealed by monitoring, notably the problems of resources not getting to schools but being absorbed by the districts. This led to the decision to make conditional grants to schools on a standard per pupil basis, using transparency, publicity, and enhanced monitoring to ensure that they were received and properly used. See also Box 1.

It is difficult to make an unambiguous judgement on the extent to which programmes are moving towards an improved focus on poverty. The general resource shift seems positive, the opportunity for sector wide dialogue and the increasingly direct feed in of poverty analysis are all favourable factors. There is also encouraging evidence that sector approaches can be made consistent with increased delegation of responsibility and power closer to local level. This needs to be balanced against some risks.

- Some donors are concerned that they may lose touch with ground-level realities of poverty and service provision. This reinforces the importance of objective and high quality performance monitoring, as previously discussed.
- There are concerns that there may be less innovation if projects are phased out, a serious concern given how little we understand about how best to tackle poverty. An appropriate response would be to include pilot projects within the SWAP itself, as many of them do (for example, Tanzania health, and Bangladesh health and population are piloting social health

⁶¹ Babihuga (1999)

⁶² Johanson (1999).

insurance approaches.) Pilots integrated within the programme may actually be more owned, better known, and therefore more influential.

- Within the health sector, there are concerns that replacing vertical programmes with monolithic district based approaches risks diminishing the effectiveness and coverage of interventions such as immunisation, which have arguably delivered major health benefits to the poor. This need not be a risk: the SWAP should respond to evidence on what works and can be afforded, and adjust strategies accordingly.

6. Participation and Political Accountability

6.1 Participation

To date there has been very little research on participation in SWAPs. Based largely on anecdotal information, our impression is that SWAP processes have tended to be top-down in character with little participation. There are few examples of SWAPs which emerged after a broader national debate.⁶³ The emerging approach in Uganda does begin to amount to a broadly participatory approach, including participatory planning at every level from school, through pilot districts, up to civil society involvement in the monitoring of the poverty action plan (Box 1).

Box 5 proposes criteria for assessing participation in the SWAP process. Participation is especially important in the involvement of communities at facility, and district level; in ensuring that perceptions and views from communities are collected and fed in to the monitoring process at all levels, and national policy debate. At a minimum this should happen through the indirect mechanism of participatory survey work, but preferably also through more direct involvement of community based organisations in national decision-making; and by ensuring transparent, open debate with diverse participation. In most SWAPs these issues have not been adequately addressed.

Box 5 Criteria to assess participation in the SWAP process

- Extent of civil society involvement in the formulation of the key planning documents of the SWAP (programme of work etc.)
- How representative was the consultation process outside government – in terms of forms of organisation (media, religious, developmental etc.), regions, social groups (gender, ethnicity, age, social status etc.), efforts to establish legitimacy/credibility of partners
- Quality of the consultation process in terms of partnership (advance provision of information, de-briefing on the process, arrangements for follow up partnerships)
- Timing of consultation process so results could feed into policy process
- Influence of the consultation process in terms of : involvement of civil society partners in setting indicators and benchmarks; influence of non-government actors on the content of SWAP process
- Did the information base for planning include any efforts to consult with poor communities on the effectiveness of different forms of public policy and action?
- Effectiveness of the process of dissemination of sector frameworks– is information available in local languages, summary form? Do commitments in the strategy form a basis for enhancing the accountability of service providers and other government institutions to poor people (for example through indicating performance standards for services)?

Civil society partners engaged in monitoring achievement of benchmarks/indicators

⁶³ See International Development Department (1999).

There has been very little participation in the SWAP process within Government below senior level. In Mozambique, Uganda, Tanzania, Ethiopia and other countries even dissemination of information about SWAPs to lower levels is very poor. Similarly in Bangladesh there was little local involvement in the sector strategy outside the Central Ministries, and the concept of the SWAP was poorly understood in the field, although significant efforts were made to take the message out, and part of the problem may be that it was both complex and not fully believed. It remains to be seen whether and how this will affect implementation. Ghana health is an example of broad participation of health sector staff (see Box 6) though not of civil society or communities.

Box 6 An example of participation of health sector staff

In the preparation of the Ghana health sector strategy there was wide participation through regional, district and local level regular consultations involving stakeholders from all levels of the central Ministry and the district level, as well as with key representatives from the central government agencies. The considerable effort devoted to two-way communication with staff at all levels has been sustained, and is a major strength of the programme. The May 1999 Annual Review involved a wide cross-section of staff, and field visits confirmed strong understanding and commitment down to district level and below. Indeed local participation was so intense that some donors felt marginalised. In order to keep the process manageable, large six monthly meetings with strong involvement by local stakeholders had to be supplemented with smaller 'business meetings' at which concerns of Government and donor partners could be raised openly, and addressed in greater detail.⁶⁴

Outside of Government there has been even less participation. The best example of where it exists with relatively constructive success is Uganda, mainly in relation to the poverty eradication action plan - the process emerging is beginning to amount to a broadly participatory approach, including participatory planning at every level from school, through pilot districts, up to civil society involvement in the monitoring of the poverty action plan. The Zambia ASIP attempted early participation by non governmental stakeholders at the start of the planning process in 1992 when consultations were held with commercial and emergent farmers, traders and other middlemen, and NGOs, in addition to donors and Ministry of Agriculture staff. However the process did not lead to agreement on a unified policy framework, and as it continued over three years, non governmental participants lost patience with the lack of operational output, and dropped out.

This level of participation is the exception rather than the rule. Even where organisations are crucially involved in providing health services, e.g. health sector NGOs in Uganda, consultation for programme design and implementation is minimal, and done only once the sector plan is worked out and the Government needs a partner to implement it. This may be partly due to the uneasy relationship that some governments (e.g. Mozambique, Ethiopia) have with NGOs, but it is also due to lack of government capacity to conduct such participation. NGOs that are involved often seem ineffectual at bringing forward experiences from participation in their programmes – either because they do not see that as their role (some international NGOs in Ethiopia), or lack national policy skills, or because unreceptive Governments have not conceded a role for them in the dialogue (Mozambique and Ethiopia health⁶⁵). Similarly, even where the private sector is a key provider of services, there is little participation in programme design and implementation arrangements.

In many countries there is no broader participation of other representatives of civil society, e.g. universities or the press, other than as channels for information dissemination.⁶⁶

⁶⁴ Observation based on participation in 1999 Health SIP Review.

⁶⁵ See van Diesen (1999).

⁶⁶ See Brown, Conway and Foster (1999).

6.1 Political processes and accountability

There are varying degrees of interface between technocrats and politicians and the SWAP process.

In some countries, e.g. Uganda/Bangladesh health, approval of the SWAP by Parliament/Cabinet was a condition for approval by the donor group. In Ethiopia, there was consultation with political authorities at regional level.

In Uganda the strategic plan for the Health SWAP is being developed centrally (as was the health policy), but districts are largely responsible for implementing it. So far the roles and relationships between centre and districts are not clear. What has to be worked out is the scope districts have for adapting plans and policies to fit local needs. The districts' criticism of the health planning process to date has been that it does not fit in with the local planning cycle where integrated multi sectoral planning is meant to operate, nor do priorities necessarily reflect those identified locally. However, it is questionable how local priorities were decided and to what extent they reflect local needs. The tracking study, which revealed very high levels of diversion of funds from first level facilities towards district expenses, justifies some caution.⁶⁷

In some countries, the concept of community 'participation' (as in Ethiopia, Tanzania and Mozambique health) is more about community contribution, through e.g. labour and materials, than participation in decision making and ownership. This is assumed to be taken care of through local government channels so that direct participatory links with local initiatives/services/projects are not seen as particularly necessary.

Donor planning missions need to understand the domestic political situation and legal framework: Some donor suggestions for the HPSP in Bangladesh, for example, were unconstitutional (retention of user fees at facility level.) The electoral cycle is a major influence on performance. In Mozambique the health SWAP is being delayed until after the election. In Ghana, the problems over regional hospitals were related to the election, elsewhere misuse of vehicles and diversion of resources to election expenses have been problematic.

In Ghana, plans for devolution of health services to local Government proceeded in parallel with entirely inconsistent health ministry plans to establish an independent Ghana health service, leading to lack of progress on either proposal. In Zambia agriculture, key legislation to enable veterinary staff to provide services on a commercial basis was not approved.⁶⁸

The key lesson is simply the need to invest time in understanding the political constraints and decision making processes, and to work within them.

⁶⁷ See Economic Policy Research Centre and Management Systems and Economic Consultants Ltd (1996).

⁶⁸ Desiree Dietvorst: Presentation to Seminar on Sector Wide Approaches: Negotiating Partnership at various levels. Dublin, 8-10 February, 2000

7. Capacity Building

There are concerns in all countries that capacity to implement the sector plans as designed may be inadequate. In Ethiopia, only a fraction of the health SWAP budget could be disbursed in the first year, and implementation progress and achievement was slow.

There is general recognition that the capacity problem is partly the result of system-wide problems, reflecting the problems of a bureaucracy which absorbs staff time unproductively; inefficient and unmanageable flows of funds and other resources; and problems of low pay and motivation. Ministry staff and Sector specialists in donors may see much of this as beyond their power to influence. One positive aspect of recent sector programmes in Africa (but not in South Asia!) is that they are at least working to set up sustainable capacity within Government. The sector programmes are working through Government planning and implementation structures, and building the capacity of Government staff rather than setting up parallel implementation units unsustainably staffed by donor funded consultants.

The donor response to a capacity problem is often to offer technical assistance to help overcome it. Ethiopia initially resisted this, and only after a year of slow implementation was the need for capacity building better acknowledged. There may have been a high cost of Government 'ownership', but the technical assistance which may now be asked for may stand an increased chance of being effective.

Capacity building efforts are underway in Uganda, Mozambique, and Tanzania, at both central and local levels, and there have been attempts to link these to a review of the functions of the Ministries. Ghana has similar links to the civil service and financial management reform programmes. However, it needs to be acknowledged that the problems are multi-dimensional, and will not be quickly overcome. The Government response meanwhile is often to call for additional staff, as Tanzania Ministry of Health has done to solve its immediate implementation problems, rather than only relying on solutions to the fundamental constraints on the effectiveness of the organisation and its staff. Generally, the link has not been properly made to managing performance through appropriate roles, responsibilities, authority, and incentives⁶⁹.

Links to overall civil service reforms and sector management reviews have not been as fully developed as they might have been. Uganda and Tanzania are both in the process of extensive civil service reform which whilst trying to address some of the fundamental problems in staffing and organisation has created an environment where health sector reform is made more difficult. The senior levels of the Ministry of Health in Uganda has had three reorganisations within one year with the result that some key posts have been cut, and others are occupied by staff who are too junior. The Zambia agriculture SIP was launched at the same time as a major review of the staffing and functions of the Ministry, which contributed to the very long delays in the planning process.⁷⁰

Part of the capacity problem may be a reflection of over ambitious planning. There can be a cultural dimension to this. In Tanzania, a culture of decision by consensus makes deciding not to do some things difficult, and tends to encourage over-ambition. It also makes it difficult to undertake new tasks by dropping old ones, part of the explanation for why the Ministry of Health is insistent on the need for new staff rather than re-allocation. The donor pressures discussed earlier may also

⁶⁹ See Brown, Conway & Foster (1999).

⁷⁰ Gould *et al* (1998).

militate against prioritisation: each donor has particular interests, which it presses to see included in the work plan.

7.1 Devolved Financial Management and Building Capacity

In a number of African cases, devolution of financial management is seen by both donors and Government as a way to develop capacity: district managers can achieve more if they have access to resources, and the authority to use them. The weaknesses of financial management in all case study countries are acknowledged, but some donors take the view that the only way to strengthen financial management systems is by taking the risk of disbursing money through them. This does not mean irresponsibly disbursing money without strengthening the planning and financial control environment. The Tanzanian health financial and planning arrangements for donor funds calls for districts to meet certain criteria before they can manage funds, and there are provisions for support to help them to do so (see Annex 2). District plans have to be prepared and approved centrally, and accounting information on previous funds used has to be submitted in order to release each quarter's funding. This provides a framework for both giving districts an incentive to raise their capacity, while also making available support for them to do so, and resources to put that capacity to effect in improving services. It would be naïve not to expect early district plans to be very weak, and there will be problems in financial accounting, but the basic approach seems positive. A similar approach of defining readiness criteria was used in Ghana health, and the district planning approach was also used in Zambia, though the required plans were widely criticised for being over elaborate and absorbing capacity in an unrealistic paper exercise. Section 8 has further discussion of common disbursement and financial management arrangements.

7.2 Staff Motivation

A key capacity problem has been low salaries linked to low motivation and high survival corruption.

In Mozambique health, capacity building efforts by Switzerland were accompanied by top ups to salaries. This was successful in the short term to ensure staff remained in key posts, but has led to longer term unresolved problems because of the selection of who was paid. The very strong donor role in identifying the posts needed and the purpose of jobs, and the long term close relationship the donor ended up having with the groups of recipients, has left an unresolved legacy of problems. Moreover the selection of who was and was not paid has led to a legacy of ill feeling and not helped the relationship between the donor and some parts of the Ministry. The flexibility to move staff, the distorted incentives, problems of jealousy, and difficulty of finding an eventual exit route are all problematic. The discussion of capacity building needs to be taken outside the health ministry, if the fundamental issues of incentives are to be tackled.

Uganda has implemented a long term programme to achieve living salaries, by a combination of higher revenue and reduced civil service numbers to finance a programme of medium term salary enhancement. Simply focusing on training and on bonding staff to Government service, as much existing discussion does, will not work. However, the simple payment of higher salaries will also prove ineffectual, given the scale of corrupt earnings, unless linked to effective performance management and sanctions for misbehaviour. This will probably require strong penalties, including dismissal and prosecution of those who are caught. Uganda has also experimented with increased transparency and community involvement as one route to controlling staff behaviour (see Annex 2). This has gone furthest in the education sector: it remains to be seen how effective it will prove in reducing very high levels of health service corruption.

8. Target Setting and Monitoring

There is consensus between donors and governments that SWAPs need appropriate targets and indicators and systems to monitor progress against them. Typically donors' SWAP guidelines contain something like the following statements on indicators:⁷¹

- Indicators agreed by all partners, and related to long term strategic goals.
- Targets on indicators should be SMART (specific, measurable, achievable, regularly measured and timebound).
- Partners should decide on choice of indicators and a system for management and monitoring before the start of the programme, including responsibility for content and frequency of monitoring.

It is useful to characterise different types of indicator:

- **Process indicators:** measuring whether actions set out in the work programme have been completed on time and possibly whether completed within budget where relevant. These are relatively straightforward to collect from internal management sources, and are usually the strongest element of the reporting system.
- **Input indicators:** measuring whether financial commitments and disbursements have reached the budget levels against specific categories of spending, for example the non-salary recurrent budget for district level services is sometimes targeted as being thought to be related to service quality. The distribution of expenditure per capita between regions, and percentage distribution between levels of the system are also generally though not universally collected (Bangladesh health provides no geographical breakdowns). The usefulness of financial data alone can be limited by poor categorisation of the budget, making it difficult to distinguish between different types of spending below district level (e.g. between district hospital expenditure and primary clinic spending). It also includes data on physical input indicators: for example in the health sector, stock outs of key drugs at facilities of different types can be an important indicator, indicators of the presence and operational state of medical equipment at facilities can also be useful. Staffing indicators also come under this general heading, with breakdowns by type of facility and location. For education, teacher : pupil and book : pupil ratios are useful.
- **Output indicators.** Most programmes collect a range of these from administrative sources, supplemented by census and demographic and health surveys to permit ratios to population to be calculated: immunisation coverage, outpatients contacts per capita and per type of facility, bed occupancy and duration, births attended by medical staff. For the education sector, enrolments, attendance, attainment in standard tests of numeracy or literacy in examinations.
- **Service access and quality indicators:** Uganda, Tanzania and Bangladesh have collected systematic data on the experience of those attempting to use services. Information can be collected on access and use made by different groups of poor and non-poor of both public and private services; overall opinions on the quality of service offered; specific information on whether facilities are open at appointed times; whether bribes are sought and at what level;

⁷¹ These points are based on Sida's SWAP guidelines.

what user fees are charged; whether drugs were available; whether they were treated fairly and with respect, what could be done to make the service more responsive to their needs.

- **Cost effectiveness indicators:** composite indicators relating outputs achieved to the cost of achieving them can be helpful in defining the essential healthcare package, as well as permitting comparisons between good and weak performance, in order to help focus improvement efforts. At the most basic level, data on unit costs per outpatient visit or per bed night, or patient contacts per staff member can be useful. More sophisticated research into facility efficiency can be helpful in refining the service package, and setting achievable goals for efficiency improvement. The facility efficiency survey in Bangladesh came up with surprising initial conclusions, that poor quality and hence poor utilisation of primary level facilities made their unit costs per patient extremely high, and actually higher than the general hospitals. In the education sector, combining cost data with drop out and enrolment data enables a useful composite indicator to be calculated showing the cost per completer attaining a given standard.
- **Outcome indicators** and proxies for them: health targets normally exist for a range of vital indicators such as infant and child mortality, contraceptive prevalence, and possibly specific indicators related to individual diseases which are the subject of specific targeting. Maternal mortality may be targeted, but is a low frequency event, making it difficult to observe trends. These outcome indicators are all likely to respond only slowly to health sector improvement, and may be more powerfully influenced by non-health factors in the short term (e.g. drought or famine), and are infrequently measured. The main reliance therefore needs to be placed on service quality and output indicators as proxies for whether the overall quality of health service delivery is improving. In the education sector, attainment tests are the key indicator, especially if value added can be tracked by following cohorts over time. Where that is not feasible, attendance and drop out data can provide a good proxy indicator of whether something useful is being delivered. Studies of the effect of education on productivity and the returns to education can provide useful evaluative material, though they do not need regular repetition and are not part of the monitoring framework.

From such information as we have been able to obtain on the indicator sets actually used and the data available from them, the general conclusion is that data on expenditure related in a meaningful way to output remains weak, making it difficult to derive efficiency data with any confidence. Output indicators are also patchy in coverage, and frequently doubtful as to their quality. Most programmes are awaiting the installation of management information systems which should eventually improve statistics availability, though data will only be as good as the systems for ensuring staff compliance and for analysis in meaningful ways. Given problems over administratively collected data, and the importance of addressing service access and quality issues, the approach of using data from service delivery surveys and tracking studies to check on trends is extremely important, and needs to be continued and to be systematic.

Too much of the data flow is one way, and too little use is made at present of the potential to motivate staff through peer comparisons and emulation. Ghana health and education are beginning to address this as district planning is strengthened. Uganda has gone furthest in increasing reporting and accountability to the users and to civil society, and many of the approaches used would be worth copying, as one powerful way to place demand pressure on the system for improvements.

9. Financial Accountability and Common Procedures

The move towards Common Procedures for financial accountability in SWAPs has a number of key objectives:

- Government plans can be based on prioritising all funding sources;
- Financial management capacity built to operate Government system, not parallel ones;
- Easier financial reconciliation, fewer accounts to operate.

However, in practice, adopting common procedures has run into a number of constraints:

- Some donors are prohibited from merging funds
- Recipients lack financial management capacity
- Entrenched corruption in some countries
- Donors are risk averse
- The link from budgets to activities is poor, making it hard to show the benefits from the budget support

This has led some to the conclusion that using “common procedures is the greatest challenge to implementing SWAPs”.⁷²

Data from the SPA pilot survey⁷³ of 16 SWAP like sector programmes suggests limited use so far of common procedures. Of the disbursements covered by these replies, 80% use donor project disbursement procedures, compared to only 17% using direct budget support. But it is early days, earliest commitments were made only in 1996/97. Moreover, 40 percent of donor replies reported that they provide direct budget support using Government procedures for at least part of their support to sector programmes. Pooling arrangements have been used across all sectors:- e.g. Mozambique agriculture, Cote d’Ivoire transport, Uganda education, Zambia health. Donors expressed considerable confidence in these mechanisms: Nearly three quarters felt that measures had been taken to ensure adequate financial management including procurement. Half of these cases report that measures have been taken to move from pooled to Government procedures.

Where there is agreement to move towards common procedures, it is not universal. Governments and donors have been eager not to exclude donors who have procedural difficulties, urging them to co-ordinate their support closely and plan it as part of the same policy and financial framework as the other partners are implementing.

Some donors have problems of principle, which do not allow them to support common procedures and pooled funds. The World Bank’s procurement and disbursement regulations for investment support⁷⁴ prevent the mixing of World Bank and other donor and government funds. They have not broken the link between their finance and what it pays for, except for Uganda education, where they used adjustment finance to support the sector programme. In all other cases the World Bank provides investment loans, and has a tendency to interpret the idea of common procedures either as everyone using theirs (e.g. Bangladesh HPSP, Pakistan SAP), or a system designed primarily to suit their needs (e.g. Ethiopia Education Sector Development Programme. Some of the largest

⁷² Peters and Chao (1998), quoted in Walt *et al* (1999).

⁷³ SPA (1999).

⁷⁴ Support from the World Bank is in the form of investment loans (SIPs), rather than adjustment loans which allow more flexibility in procedures.

bilateral donors to Sector Programmes, Japan and Germany, cannot or have not provided budget support.

In other countries an unwillingness to integrate support has been indicative of concerns about the sustainability of the programme. In the case of the Zambia Agricultural Sector Investment Programme some donors were unwilling to move from bilateral project funding to programme mechanisms because of doubts about government ownership, as well as policy reservations concerning the role of the state in the market, a concern over financial accountability.⁷⁵

There are nevertheless an increasing number of examples where donors are now providing substantial sums via pooled arrangements using Government procedures. Annex 2 describes the arrangements in use in Uganda education, Tanzania health, Mozambique agriculture and education (a system also proposed for use in other Mozambique programmes).

In Uganda, the reimbursement route minimises risk of misuse of money. Donors can do pre audit checks before releasing the money to Government. The reimbursement mechanism may not be feasible if Government has a liquidity problem. Releases in Uganda are linked to work plans and indicators which are embedded in a medium term budget framework. Moves to further strengthen the link from budgets to outputs are expected. Uganda produces timely audited final Government accounts. Donor confidence in the government system is also boosted by annual independent audit, and multiple other routes to ensure good financial management, including transparency to parents representatives, national integrity and service delivery surveys. Actions are taken to build capacity, and to address identified weaknesses, for example through a consultancy to look at weaknesses in payroll control.

The financial system in the Mozambique SWAPs also uses Government financial accounts. In contrast to Uganda, donors provide pre-funding, with each quarterly release dependent on financial reconciliation and progress reporting on the quarter before last. The Government auditor commissions private firms to carry out audits. As in Uganda there is a strong emphasis on linking Work Plans to the budgets needed in order to implement them. However, the system has been slow to get off the ground because of an inability to produce meaningful work plans; as at October 1999, no disbursements from the account had been made. The agricultural Sector Programme is supported by a capacity building project in financial management. The education sector has not yet agreed on capacity building support, but capacity to implement the system seems lacking. Consultants have prepared plans for an overall strengthening of the budget systems and capacity, but these are still at an early stage.

The Tanzania health SWAP also uses the Government's own accounting system. The main novel features are:

- Some sector programme funds go via local Government to fund district health plans. (See Annex 2)
- The SWAP partners established readiness criteria for access to funds (including acceptable plan, financial management, reporting).
- Donors have a role in approval of quarterly fund release against district plans.

Like Mozambique, the system is not yet tested and teething troubles are likely. A proposed mobile support team has been established, to react to and help address financial management problems.⁷⁶ It

⁷⁵ Gould *et al* (1998).

⁷⁶ Again there is a Ghana precedent in support to districts failing readiness criteria.

is not clear yet what happens to districts who fail the test. There are questions as to whether direct donor involvement in approval of district plans is appropriate (there are over 100 of them).

Respondents to the SPA survey felt that budget management capacity was most improved at sectoral and national levels, but weak and least improved at the decentralised level. This perception is picked up in the design of common disbursements.

The common disbursement arrangements for Mozambique agriculture and education, and for Tanzania health require the approval of district plans, and a submission of accounting data to back fund releases. Zambia health and Ghana health have similar arrangements, though not channelled via the Government Consolidated Fund. In Ghana health, the assessment of district plans is a line ministry responsibility without direct donor involvement, other than in reviewing how effectively the process operates as part of the annual review of the programme. A second difference is that the Ghana health approach has been careful to avoid biasing the allocation of funds away from poor districts, who may face particular difficulty in meeting the criteria for receiving funds. Ghana ensured that failure to meet criteria would mean that the funds would be managed at the next highest level (regional rather than district), but would not be lost.

The appropriate degree of donor involvement in review and approval of local level plans is an issue which donors may wish to discuss, given these contrasting approaches.

In Ethiopia donors had been disbursing aid using government systems, but the war has brought donor support to the Sector Programmes to something of a stop. Even if disbursement to the education, health and roads sectors were to double from now on, there would still be a considerable shortfall at the end of the SWAPs' initial five year periods.⁷⁷

The disbursement conditions for common budget support appear very demanding in some cases, perhaps unrealistically so. For example, Mozambique's system calls for submission of quarterly accounts 15 days from the close of the quarter (see Annex 2). It remains to be seen how effective these disbursement conditions prove. If systems are unable to generate adequate accounting data donors may be tempted to re-impose controls or explore alternative routes of disbursement, though it might be preferable to provide support to help develop the capacity of the system.

⁷⁷ See World Bank (1999b).

10. Summary and Conclusions

10.1 Ownership, Partnership, and Conditionality

The SWAP approach is probably not appropriate everywhere: Annex 3 proposes a framework for assessing the circumstances when programmatic aid forms such as SWAPs are (or are not) likely to be relevant⁷⁸.

The conclusion of successive SWAP reviews is that governments need a broad and high level commitment to a strategy to which donors can broadly agree; this remains true. To be meaningful, this needs to be linked to hard choices. Linkage to a credible medium term budget process and civil service reform process in some countries (Uganda, Tanzania, Mozambique, Ethiopia, and Ghana) helps ensure this vision has some basis in costed reality.

Policy change happens through consultation, persuasion, and alliance formulation over extended time. A SWAP needs to reflect this and respect that it implies not all things can be addressed up front. Donor attempts to lead the policy process with short term TC often fail. To develop dialogue and capacity among partners to address policy issues, there is a need for a permanent analytical capacity to support government, an effective policy process, a focused annual review process with good concentration on the important problems and the immediately feasible solutions, plus a process for how important but not immediately feasible solutions will be addressed in future.

The SWAP approach has provided an increased opportunity to address sector wide problems at macro and sector level. This is not always being taken but the forum exists, as does the mandate for donors to participate. There are encouraging signs that the process is one that will develop.

SWAP conditions are often implicit, and related to Government taking the action specified in the agreed SWAP documents, refraining from action inconsistent with them. Formal aide memoires can be helpful where problems arise. 'Stop / go' conditions have tended to be Governance related. A more graduated approach has been used elsewhere: earmarking, adjusted timing or levels of future commitments, plus the nagging of annual reviews are the main sanctions.

Governments are unable to hold donors to their side of the bargain, making budget dependence on donors a significant risk to the programme.

10.2 Managing the SWAP

In SWAPs there is a clearer potential link between policy and implementation than was evident in the project world where Government strategies were dependent on fragmented donor projects to implement them.

Donors are not always standing back from detail enough, partly because they do not trust the review process to provide rigorous ground-truthing of the programme.

The review process needs to be better organised, and the information and analysis needs to be rigorous, verifiable, and independent of influence/editorial control by government. The timetable and process for reviews and preparation activities need to be clearly specified and adhered to.

⁷⁸ Foster and Fozzard (2000).

There are positive opportunities for the review processes to gather content and momentum. It may be possible to build links to PRSP and MTEF processes. Uganda (but not in health) shows what might be done. There are similar discussions in Mozambique and Tanzania.

Donors as a group need to focus on delivering coherent and consistent messages, giving priority to essentials.

Action plans need to recognise capacity limitations by prioritising action lists especially where much needs to be done by an overloaded government.

Pressure for immediate results must be counteracted by realism to avoid disappointment and damage to programmes.

Transactions costs which increase in the negotiation stage should reduce in future but will only do so if donors place increased reliance on the formally agreed procedures for review.

10.3 Poverty and Participation

Civil society participation in strategy and policy formulation are generally low.

Uganda is a 'good practice' example of linking diagnosis to strategy and budget, with strong involvement of civil society in monitoring (Box 1).

Direct involvement of communities is rare, although there are some pilots: e.g. participatory planning in Uganda.

The quality of poverty diagnosis is low at programme design stage in most cases. The review process is providing an opportunity to inject better analysis and feedback, e.g. from participatory poverty assessments and service delivery surveys.

The general approach to shifting resources towards primary level services should a priori benefit more poor people, though the link from stated aims to the resources provided is weak in some cases (especially in health), and de facto rationing and high formal and informal user fees may exclude the poor.

It is not fully recognised that Government is a minority financier in most sectors: its regulation role deserves more emphasis.

10.4 Capacity

Overloaded Line Ministries have to achieve and maintain high levels of momentum and productivity, especially when transaction costs have increased as a result of initial SWAP negotiation. There is danger of burn out.

More positively, the move away from project implementation units means that capacity is being built within central governments to plan and implement sector programmes; this is an improvement.

The capacity issue cannot be solved only at sector level; it may need supportive action to reform civil service procedures and pay, modify the responsibilities of line ministries to focus on the

essential, and delegate more budget responsibility to those charged to deliver the programme. Links to civil service and local government reforms and budget reform are still too weak.

Donors can support making the links, but may require different skills, fewer sector specialists, and more staff skilled in budget and public service issues.

Decentralisation to district level supports capacity development in financial and service management (Ghana, Tanzania, Uganda, and Ethiopia).

There is better understanding in some countries of the links between capacity and corruption and incentives problems (Uganda, Tanzania, and Mozambique). Uganda is trying to address these through increased transparency and community pressure linked to a living wage. However effective sanctions for those caught in corrupt activities are needed, but not in place anywhere.

10.5 Targets and Monitoring

Monitoring and information systems are still underdeveloped. Sector wide information, though weak, is improving.

Information for monitoring is stronger on actions than outputs and patchy on inputs.

Useful information is becoming available on diagnosis of problems of service delivery and perceptions and access by the poor (Uganda, Bangladesh Tanzania, Zambia), but more is needed for peer comparisons.

10.6 Common Financial Procedures

Though 80% of disbursement to SWAP type operations is using donor project procedures, increasing disbursement is taking place through government systems with joint reporting to government and donors, including major flows in difficult environments such as Tanzania, Mozambique and Uganda. The common procedures are typically linked to capacity building at central and local level, in a mutually reinforcing way which builds incentives for better performance.

Common procedures should be common across sectors and use the Government financial accounting system: Mozambique, and the Uganda poverty action fund are developing examples.

Confidence in financial accountability can be improved by greater transparency, opportunities for community involvement and channels for feedback and complaint, and independent survey and tracking involving civil society (see Box 1 for Uganda examples.)

The inability of World Bank to provide direct budget support is a major problem. Donors should encourage lobbying for change in World Bank procedures to accommodate budget support.

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Annex 1 Fora on SWAPs

Overview

To date SWAPs have been discussed in a number of fora. These are summarised in the table below.

Forum	Sector	Region	Focus	Membership	Future work on SWAPs	Operating since
ADEA Working Group on Education Sector Analysis (WGESA)	Education	Africa	Partnership and fostering ownership; as well as building local capacity for education sector analysis	African Ministers of Education, donors, research institutes and experts	Yes	1989, on SWAPs since 1997
Interagency Group on Sector Wide Approaches and Development (WHO Secretariat)	Health	Africa and South East Asia	Donor government co-ordination, link between domestic policies and SWAPs; practical guidance for health SWAPs	Bi and multilateral health donors	Yes	1999 (two meetings so far)
SPA	All (Transport/roads, education, health, agriculture, energy)	Africa	'Second generation reform issues', e.g.: Monitoring and indicators, poverty orientation, Tracking of donor support, common procedures, donor co-ordination; building financial capacity, stakeholder participation; coherence of sector support with the macro-economic frameworks	Bi and multilateral donors to Africa plus Economic Commission for Africa	Yes	Discussions on SWAPs since 1997; Tracking SWAP support since 1998
DAC Informal Network on Institutional and Capacity Development (I/CD)	All		(institutional) capacity building	DAC members (OECD donors)	Possibly, depends on Chair	SWAPs have been discussed since December 1996
Like minded donor working group	All		Procedures and accountability, link between macroeconomic issues and sector strategies	Like minded donors	Yes	Copenhagen meeting; 1997. Three meetings so far

Forum	Sector	Region	Focus	Membership	Future work on SWAPs	Operating since
Horizon 2000	Education		(Poverty) indicators and SWAPs; government donor co-ordination	EU member countries' donor agencies, plus invited institutions and multilateral donors	Yes	Reincarnation of the Horizon 2000 with a meeting in November 1999
EU Member States' Health Experts (HAP Poverty group)	Health		Indicators, poverty monitoring	EC and donor agencies from EU member countries	Will not initiate additional SWAP working group	
International Working Group on Education (IWGE)	Education			Bi and multilateral education donors		Biennial meetings since 1982
EC Task Force on Sectoral Programmes	All		adapting donor procedures; civil society participation expenditure priorities and the poor	Internal EC working group, Development Directorate and SCR	Yes	

Note: Blank 'Region' field to denote *No regional focus*.

More details on the SWAP fora

Since September 1997 Economic Management Working Group of the **Special Programme of Assistance for Africa (SPA)** has had an expressed mandate to examine changes and adaptations of aid modalities in support of economic reform programmes.⁷⁹ It has held a number of discussions of the sector wide approach, and has set out criteria for assessing the quality of a SWAP and donor support to it. The SPA has embarked on the formal tracking of donor support to SWAPs, both qualitatively and quantitatively.

In addition the SPA has identified a number of 'focal sector wide approaches', where it will make special efforts to promote and develop common disbursement procedures and to strengthen donor collaboration overall. The SPA has established a SWAP website, though this has not been very active recently⁸⁰.

At the last meeting in Paris in late 1999 SPA members decided to continue to monitor donor support for SWAPs, analyse results, and distil good practice as it emerges. Future work will focus on:

- improving the coherence of sector support with the macro-economic frameworks;
- developing 'objective' outcome indicators for SWAPs;

⁷⁹ See SPA Working Group on Economic Management Issues 'Terms of Reference for SPA 4 Period'. <http://www.worldbank.org/html/afr/groups.htm>

⁸⁰ The address is <http://www.worldbank.org/afrsp>.

- improving capacity and accountability of financial and outcome accounting in partner countries;
- strengthening poverty orientation of SWAPs; and
- supporting stakeholder participation for improved programme design and implementation.

A workshop will be held in the Netherlands in mid-2000 to explore some of the overarching constraints to SWAPs.

The **Like-minded donor working group** has held several meetings, starting with the Copenhagen meeting on procedures and accountability, followed by a meeting in Sweden⁸¹. The most recent meeting in Oslo was concerned with linking macroeconomic concerns with Sector Strategies.⁸² The next meeting in Dublin in February will discuss this draft report.

Under the '**Horizon 2000**' initiative donors from EU member countries had two meetings in 1997/8 to exchange information on SWAPs in the education sector. They also produced an EU strategy paper for supporting education sector SWAPs⁸³, as well as a very good Code of Conduct. After a year and a half gap the Initiative was revitalised with a meeting in November 1999. SWAPs was one of the main issues on the agenda. A survey among the Horizon 2000 members determined two areas on which the Initiative will focus its SWAP discussions in future: indicators, especially for poverty, and government donor co-ordination. Horizon 2000 is in the process of establishing working groups that will produce issues papers on Education SWAPs. The work of the initiative will have subject rather than a regional focus.

A **Group of EC Member States' health experts** met in Autumn 1999 to discuss Health, HIV/AIDS and Population (HAP) issues, including SWAPs⁸⁴. Since there are already a number of international fora on SWAPs, the Member States' Experts decided not to initiate another working group. However, the EC will participate in existing groups and use these to disseminate its experiences with SWAPs.

The existing HAP and Poverty-Working Group is working on SWAP related issues, focusing on indicators and monitoring of sector performance and its impact on poverty. Coordinated by the European Commission it seeks to identify key groups and distill the most useful ongoing work in the area. It brings together EC member states, the WHO, and the DAC group on indicators to exchange information. The group's work focuses not only on the static DAC poverty indicators but includes more detailed dynamic indicators linked to processes through which people move in and out of poverty.

DAC Informal Network on Institutional and Capacity Development started to discuss SWAPs as part of a meeting in December 1996 in Paris. The Network then chose SWAPs as the major research theme for 1998/99, and made them the main topic at their May 1999 annual meeting in Ottawa. A further meeting will take place in Dublin in April.⁸⁵

Discussions on SWAPs have focused on capacity and institutional development issues, and how these affect operational aspects between government and donors. As a donor forum, the DAC informal network aims to identify implications and recommendations for best practice among aid donors.

⁸¹ SIDA (1998).

⁸² See NORAD (1999)

⁸³ European Union (1997).

⁸⁴ Member States Experts Meeting on Health, HIV/AIDS and Population- Brussels 5-6th October 1999.

⁸⁵ DAC Informal Network (1999).

The agenda of the Network is influenced by the agency holding the chair, and hence future discussions on SWAPs will depend on the policy priorities of the Chair.

The **Interagency group on Sector Wide Approaches and Development's** (WHO Secretariat) work revolved around the analysis of current practice in co-operation between donors and government. To date the group has held two meetings on SWAPs. It has commissioned six case studies on health SWAPs in Africa and South East Asia. The synthesis report from those studies⁸⁶ was discussed at the last meeting January 2000. Other outputs include a guide to Sector Wide Approaches; analyses of the relationship between priority programmes and SWAPs; and guidance to countries preparing SWAPs. The set up of the Interagency group has not yet been finalised, but participants have found discussions useful, and hence the group is likely to continue dealing with SWAPs in future.

International Working Group on Education (IWGE) is an informal forum of the major bilateral and multilateral funding agencies in the field of education. Senior agency officials meet every two years discussing latest issues in education sector development.

The **Association for the Development of Education in Africa** (ADEA) is a network of African Ministers of Education and external partners providing financial and professional support to education in Africa. One of its 11 working groups is the UNESCO-led **Working Group on Education Sector Analysis** (WGESA). Membership of the Group includes representatives from African ministries of education, international agencies, research institutions and universities, and NGOs. The group has been meeting since 1989 starting with analyses of education sector policies in Africa. It started to analyse Sector Programmes after the ADEA biennial meeting in Dakar in 1997.

Its two main areas of work are related to SWAPs. The first is to improve donor agency practices in terms of content and process, including their increased use of domestic capacities and reliance on national leadership in the education sector. The second is to support capacity and institution building for education sector agencies in Africa.

Recently, WGESA was commissioned by ADEA to carry out a study on Partnerships between Ministries of Education and International Funding and Technical Assistance Agencies in Burkina Faso, Ghana and Mozambique. A synthesis report has been presented to ADEA in December 1999.⁸⁷ In addition, WGESA has conducted and commissioned a total of six country reports on education sector strategies, including SWAPs. The Working Group expects to continue to advise ADEA on developments related to SWAPs in the education sector in Africa.

The internal **EC Task Force on Sectoral Programmes** has representatives from the social sectors as well as agriculture and water. One of its areas of work is to identify best practice on how to enter a dialogue on sector-wide approach with Governments, while ensuring civil society participation in the countries. In particular this relates to how to include stakeholder concerns in defining expenditure priorities.

In conjunction with the SCR the Task Force is currently co-ordinating an exchange of experiences of constraints to SWAP implementation (administrative, procedural and capacity constraints). As part of this exercise Member States will attempt to identify their constraints and assess how current trends and development with SWAPs impact on their procedures. The Commission will look at its

⁸⁶ Brown A, Conway T, Foster M (1999).

⁸⁷ Buchert (1999).

own administrative and procedural constraints, and its capacity to engage in SWAP partnerships both at central and in-country level. A Draft Working paper on this is being prepared by the EC and will be circulated to the Member States in February.

Finally, there are a number of **internal fora on SWAPs** with working groups in the WHO, World Bank, DFID, and Sida.

Annex 2 Common Disbursement Arrangements

1 Uganda Education⁸⁸

Financial Management Environment: General

Treasury Office of Accounts has produced final accounts within 4 months of year close in 1996 and 1997, and an OAG audit has been produced within the statutory 9 months. Internal auditors within Ministry carry out a pre-audit of all payments to check they are authorised and within the vote. There are also OAG staff within Ministries, continuous ex-post audit of transactions throughout the year, and queries to the Secretary of the Ministry. The centralised payment system prevents accounting Officers exceeding vote allocation and provides accurate and timely data on level of payments. In education, the Payroll Monitoring Unit has to authorise any changes to the payroll (e.g. recruitment, promotion and change of grade).

Financial Management in the social sectors

OAG provides audit reports on all education expenditures to donors by March of each year. Additional assurance is obtained through annual independent evaluation to determine the degree to which recurrent and development expenditures are disbursed and used as intended. Ministries operate manual accounting systems, provide hard copies to Treasury.

In Education, Conditional Grants are paid by Ministry of Finance to Districts, who are required to pass the full amount on to schools at a standard rate per pupil enrolled, with 9 monthly releases. Guidelines to schools advise how the grant should be spent. The District provides a return recording the releases made. Each school provides termly accounts of amounts received and expenditures made to sub-county and district. Each school has a School Management Committee and School Finance Sub Committee, with teachers and non-teachers. SFSC approves the school budget, signs the school accounts. One non-teaching member of SFSC is a signatory on the school bank account.

For transparency and accountability to parents, there is a requirement to publish and display to the public details of all fund releases and how they are spent at all levels down to the school. A June 98 sample survey found that over 90% of schools and districts do display this information. Government also publishes details of releases, the schools they are intended for, and the use to be made of them, in national and local media.

Problems include:

- Delays in receipt of funds. It can take 2-4 months for funds to get from MOFPED to schools. Funds are received late in the term (or after it finishes), due to bureaucracy, banking inefficiency and district delays.
- Independent DFID audit revealed some problems of funds retained at local government level when intended for Conditional Grants to schools (6%), and problems of poor monitoring of fund use, but these were not as serious as might have been expected (given the results of earlier fund tracking studies).
- Audit said up to 9% of payroll data was of doubtful accuracy. Further system strengthening, and independent audits, were planned under economic management project.

⁸⁸ DFIDEA and Ministry of Education and Sports Uganda (1998).

- 1998 National Integrity Survey: said 10% of parents were still paying school fees for education which should be free. However, the education service has the lowest level and incidence of bribes.
- Overall monitoring of compliance with financial management and accounting requirements was judged to be weak.

Measures to Strengthen Financial Management

Overall expenditure management reform programme includes:

- Enhanced Budget Framework Paper process, integrating recurrent and development planning, sectoral and local
- Action Plan and skills development for introducing outcome oriented budgeting
- Mechanism for decentralised funding of development activities by local governments
- Staff development plan in financial management at centre and local level, including non-salary measures to improve motivation and recruitment.
- Computerisation of local accounts.
- Improved audit and audit follow up, including supporting accountability to Parliament, supporting Parliamentary Accounts Committee.
- Performance Monitoring support for statistics, economic and poverty data systems (within MoFEP), support to Delivery Surveys.
- Specifically within education, there is a programme to clarify roles, develop financial management capacity, and raise compliance with formal accounting requirements.

Annual cycle for the management of donor funds

- *April*: review progress; MoES rolls forward sector Work Plan in detail for following FY, indicative actions to end of strategic plan in 2003.
- *End April*: Government and donors agree targets/indicators derived from WP, sign individual financing agreements
- *December*: Joint review of mid-year progress feeding in to annual PER.
- *March*: collection and analysis of data for progress review.
- *April*: Joint mission, review progress, and release of funds for following year.

2 Mozambique⁸⁹

Financial Management Committees have been established for education and agriculture sector programmes, involving senior Ministry of Planning and Finance (MPF) and Line Ministry staff, responsible for approving fund release and international procurement. Arrangements are identical for both: education is described below.

Key Features

⁸⁹ Grayson (1999); Government of Mozambique and Partners (1999a); and Government of Mozambique and Partners (1999b).

- Approval of annual work programs by Government and donors, including costings and disbursement plan
- Transfer of Q1 donor funds to common forex account for the Sector Programme 60 days in advance
- Funds are released 30 days in advance for: a) International procurement to approved procurement plan, and procedures; b) Via Central Treasury to Ministry Central to meet their costs with respect to the SP, releases subject to assessment of satisfactory implementation in Q-2; c) via Central and Provincial Treasuries to Provincial departments of the sector ministry, subject to implementation in Q-2.
- 30 days in advance, the Ministry also requests MPF release of Government contribution, merged with donor funds from the forex a/c at Central Treasury, channelled to central and provincial education departments as above.
- Target times have been established for completion of onward transmission of funds between each level.

Control Mechanisms

- Signatories of forex account are determined by MPF and MINED
- All transactions must be authorised by MINED
- All transactions on forex and Treasury accounts must be supported by documentation, made available to MINED and MPF 'as appropriate.'
- Monthly reconciliation to bank accounts
- Monthly status of funds report
- Provincial MPF maintains specific account records for SP funds, distinguishing those from centre from those received direct. All transactions must be supported by documentation giving authority.
- MINED/Department of Accounts and Finance centrally will monitor all Provincial transactions related to the SP, and reconcile these on a monthly basis with records from the Provinces.
- Provincial data is included in monthly and quarterly Statement of Funds and Project Monitoring Report.

Provincial Accounting

- Separate bank account requiring dual signatures in department of provincial education.
- Cash Book, Vote Book (showing state of commitments against each approved budget line item), Debtors Register.
- Vote book, Cash book, bank statement reconciled monthly in writing.
- Monthly financial statements within 10 days of month end, these to be verified by provincial MFP and stamped within 21 days, signed by the accountant preparing them and provincial director of education
- Original payment vouchers and supporting documents filed at provincial education department
- Funds advanced for activities to be accounted for within 48 hours of completion of the activity, unused advances returned to bank or petty cash book
- Government auditor to commission independent audit, by a private company due to capacity constraints, to do annual audit, plus quarterly limited reviews, to check expenditures in line with AWP's and donor financing agreements.
- Line Ministries also undertake to ensure donor projects are in line with AWP's.

Comments

- Uses Government financial and accounting systems, but with some additional safeguards. Not yet tested: some payments into the PROAGRI account, with no disbursements yet (September 1999).
- Capacity to prepare Annual Work Plans linked to costs is weak in education, partly capacity but also problems of budget classification and budget process not linked to activities.
- It is not clear what happens if reports are not prepared on time, or major problems are experienced in accounting.
- Potential for large cash balances to build up: is quarterly deposit too large? Liquidity and cash-flow problems throughout the system, with temptation for Government staff to move funds to meet needs outside the SP.
- There is clearly a need to build capacity in financial management, which will take time. Proposals exist for overall capacity development linked to the medium term budget process, but not yet under implementation. Agriculture has a substantial EU project proposed to strengthen financial management, no proposal yet for education.
- The temptation is for donors to continue with project approach or to set up parallel arrangements, e.g. one idea envisages planning, procurement, finance and HRD teams, consultant managed, at provincial level. This would by-pass Government systems, and would not build sustainable capacity.

3 Tanzania Health⁹⁰

Seven donors are pooling funds from October 1999, initially for support to 35 health districts in the first wave of decentralisation.

The MoH requests the Basket Financing Committee (a joint government and donor body) to approve the release of funds for activities costed in the agreed Plan of Action. If approved, this is passed to the Ministry of Finance who request forex transfer from donors. Donor funds are merged in a joint Holding Account in the Bank of Tanzania (BoT), converted by BoT into Shillings, and placed in the Consolidated Fund, where they are merged with Government of Tanzania (GoT) funds. The Accountant General warrants funds to the Permanent Secretary for Health (who is the accountable officer).

Some funds go via local government District Health Plans: this follows the same procedure but the Ministry of Regional Administration makes the request, and funds go to Regional Sub-Treasuries, who issue cheques to district accounts against their approved sectoral budget. The Permanent Secretary Ministry for Regional Administration and Local Government (MRALG) is the accountable officer. Issuance of cheques is centralised, which allows the Platinum system to track spending by source of funds and activity code. Block Grants to districts are deposited in health account 6, where recurrent non-salary funding is merged with Government funding for the same purpose.

District health plans are agreed at council level, scrutinised at regional level against guidelines and ceilings, consolidated and forwarded to MRALG. Proposed minimum standards to be reached at district level are to be reconciled with the essential service package. Steering Committee receives district plans and approves release of funds on quarterly basis against approved district plans and budgets. Readiness Criteria have to be met before districts can receive and manage funds: these include approved district health plan and budget, positive assessment by the MRALG of technical and financial

⁹⁰ DFIDEA (1999).

management capacity according to benchmarking criteria, satisfactory and timely reports, and the Government budget contribution deposited.

Under the accounting system, the first request for funds will cover 2 quarters. At end of Q2, request for Q3 funds will be accompanied by a statement of accounts for Q1, to be prepared within 30 days of close. A steering committee decision is to be made within 15 days of receipt. An annual independent audit is carried out, and a management letter produced assessing controls and systems. Joint audit with OCAG and independent firm. Potential problems arise in reconciliation of accounts produced by Platinum with those produced by the manual system at district level, and in consolidation at regional level.

Annex 3 Framework for Choosing Between Aid Instruments

Country Circumstances And The Choice Between Sector Programme and Project Aid

The matrix at Table 2 classifies country situations according to the quality of macro-economic and budget management, degree of aid dependence, quality of sector level policies (importantly including whether they are realistic given available resources) , and quality of sector level management. This yields a 4x4 matrix with 16 possibilities.

Working across the rows from the top left, an aid dependent country with good policies and good sector management (Box1) should be supported with general programme aid, the main purpose of which would be to finance a higher level of expenditure on priority programmes than could otherwise be achieved. If both policy and management are sound, there are strong grounds for favouring programme support, which enables Government to prioritise the use of all of the resources available to it. This is the situation in which the World Bank proposed Public Expenditure Reform Credit would seem to be most appropriate, with the aid relationship simplified to a single annual transaction to support the overall budget. It is also the direction in which SIDA would wish to evolve. Donor earmarking does not distort the Government budget priorities, and the transaction costs of dealing with donors are minimised. However, it is difficult to think of states which meet all of these criteria.

A more common situation in aid dependent countries is one in which macro management and sector policy are relatively good, but civil service management capacity is weak (Box 2). Most of the sector programmes in Africa are operating in an environment similar to this. The case for a programme approach, at macro or sector level, does not rest on the need for policy dialogue and conditionality. The case for a programme approach rests instead on the need to improve planning and management by minimising the problems caused by uncertain donor support using multiple donor projects with different approaches and procedures. However, in an environment of weak capacity, donors may be concerned about the loss of direct control which a movement away from projects implies. The country needs financial transfers, but also needs capacity building support to enable effective services to be delivered and resources properly accounted for. The suggested approach is to provide programme support at sector level, but with extra support for capacity building, additional safeguards on accountability, and close attention to monitoring and evaluation. The transition to using Government procedures to disburse the aid may be gradual, as capacity and confidence are built, though there are advantages to early commitment to disburse some funds in this way. The Ghana health case, where districts had to meet specific criteria before they could manage donor funding, provides an example where access to donor funds gave staff an incentive to improve financial management. Most sector programmes are at present still hybrids: some donor money flows using common procedures, especially support to local level services, often with additional financial checks, while some flows, especially technical assistance and off-shore procurement, may continue for the present to rely on donor procedures.

Where sector policies are weak but macro-economic and sector management is stronger (Box 3) there is a case for donor technical support and policy dialogue, working with Ministry of Finance and sector officials to facilitate sector policy development. Where a medium-term budget framework approach is used, this can be helpful in clarifying the need to make policy choices in order to bring aspirations in line with available resources. There may be a case for project support to develop pilot projects to demonstrate the potential of reformed approaches to service delivery.

Programme support could follow the development of a supportable policy package, but would depend on a judgement as to whether the pro-reform forces within the sector are strong enough to implement improved policies. The Pakistan social action programme, supported by a consortium of donors including World Bank and DFID, arguably represents an example. The development of the programme was partly an attempt by donors to encourage the development of improved Government policies, with the donor funds conditional on additional Government spending, thereby avoiding the risk of fungibility of donor support. The judgement on whether to support a sector programme can be difficult in situations where previous poor policies reflect political pressures or the influence of corruption.

If both sector policy and sector management capacity is weak (Box 4), significant sector finance of any kind, whether programme or project, is unlikely to yield sustainable benefits, even where the macro framework is sound. Limited development assistance, mainly as TC, might be used to facilitate policy and capacity development.

Where policy and management are good but aid dependency is low (Box 5), Government may nevertheless welcome general programme aid linked to an agreed policy programme, because, in addition to the direct value of the finance provided, the endorsement of the Bank and Fund may help to restore the confidence of private sector investors following a financial crisis. This is in part the explanation for the massive increase in programme lending to countries affected by the Asian financial crisis.

Other than in crisis conditions, countries with low aid dependence are likely to prefer project aid to policy conditional programme aid. Arguments for programme aid based on the distorting effect of project support are less likely to be significant where aid is low relative to the size of the budget, while Government is more readily able to resist unwelcome donor influence on policy. China is a good example of a country which makes excellent use of project aid, to pilot new activities which are then taken up with local finance. If aid dependence is low but sector policy or management is weak (Boxes 6-8), project support and TC are still likely to be the most appropriate instruments to facilitate policy development and pilot new approaches, possibly working with overall civil service and budget reform processes where they exist.

Where the overall macro-economic and budget management framework is weak, the most useful donor intervention may well be to support the overall macro-economic reform process with general programme aid, possibly including reaching agreement with Finance on the share of budget resources to be spent on specific sectors. In practice, good sector performance (Box 8) is unlikely to be sustained in a weak macro environment (Box 9 and Box 10). Policy is unlikely to be effective where fund releases are unpredictable, while capacity will be eroded by falling real salaries and personnel policies which do not reward effort. The sustainability of sector programmes will depend on the budget resources which Government is able to commit. In situations where the macro-economic policy environment is weak, it will be especially important for sector programmes to take a conservative view of the future growth of budget resources. Over-optimism on the Government contribution was one of the problems which affected sector programmes in Zambia, one of the early leaders in developing the approach.

If support is to be provided to the sector despite the weak macro context, the sector programme will need to make optimal use of limited resources, which argues for the flexibility of programme support, preferably in the form of longer term commitments. It may also argue for support to developing approaches to increasing the budget autonomy of the sector, by supporting clarity on the role which the public sector should play, and supporting increased cost recovery where it can be done without excluding access by the poor.

If both the macro and the sector level policies and management are weak (Boxes 12 and 16), no support is likely to yield sustainable benefits, in whatever form it is given, and the donor role should be limited to policy dialogue and analysis.

Table 2 Framework for Choosing Between Aid Instruments

		Good Sector Policies, Linked to Resource		Weak Sector Policies, Not Linked to Resources	
		High Sector Management Capacity	Low Sector Management Capacity	High sector Management Capacity	Low Sector Management Capacity
Good Overall Macro-economic and budget management	High Aid Dependence	1. Government owned SWAP, using Govt procedures, aid role mainly finance. No examples.	2. SWAP with extra safeguards on accountability, support for capacity building, close attention to monitoring and evaluation, transition to using Govt procedures. E.g. Uganda, Ghana.	3. Work with Ministry of Finance and Sector officials to facilitate policy development, possibly linked to MTEF, to force policy choices. Finance SWAP if enough change agents are present for realistic prospect of success.	4. Sector-wide thinking:- support Ministry of Finance, MTEF, explore interests in debate on direction, support donor co-ordination around the budget, use aid to facilitate policy and capacity development. Defer major sector finance, whether SWAP or Project.
	Low Aid Dependence	5. General program aid to restore private sector confidence by endorsing policies, e.g. E Asia crisis. In non-crisis situations, aid provides project support, managed by Government using its own procedures, possible aid role in underwriting innovation, promoting stronger poverty focus. E.g. China.	6. Potential aid role for T.C. support to build capacity, within a framework set by Ministry policy-makers.	7. No case for SWAP but possibly T.C. to facilitate national consultation on policy, project support to demonstrate new approaches and support drivers of change within the sector. Support reform processes led by Ministry of Finance.	8. Absence of sector leadership or capacity suggest support for central economic ministry reform processes is the best option:- build sector policy and capacity via T.C. support to MTEF and Civil Service Reform processes.
Weak Overall Macro-economic and budget management	High Aid Dependence	9. Sustainability of SWAP requires policy dialogue on macro frameworks and budget shares, conservative view of SWAP resources available, general programme aid a likely instrument. Long term donor commitments, possible support to cost-recovery from non-poor to preserve good sector performance despite weak macro framework.	10. Capacity constraints not likely to be solved without macro level reform to ensure predictable budgets, staff incentives. SWAP requires both macro and sector reform process to be in place. Cost recovery from non-poor is an option if quality of services is high enough.	11. Weak Sector Policies, despite high sector capacity may be caused by a macro framework which does not provide secure budgets or impose priorities. No SWAP unless commitment to a credible programme can be built, including Ministry of Finance ability and willingness to finance it. Support macro reform process, facilitate policy development at macro and sector level, possibly support increased sector autonomy via cost recovery	12. No sector support is likely to yield sustainable benefits, in whatever form it is given, T.C., project. or SWAP, Donor role limited to policy dialogue and analysis.
	Low Aid Dependence	13. Most useful donor role will be for T.C support to overall reform process, not sector level. Possible T.C. role to support cost-recovery, reduce dependence on macro policies	14. Weak capacity at sector level is probably a symptom of overall budget and macro policies, not possible to achieve much with sector level T.C, unless linked to increased autonomy including financial resources and personal policies. Macro-level T.C. the priority	15. Possible case for modest T.C. to facilitate policy development at macro and sector level. Support increased autonomy at sector level.	16. No case for aid at any level, other than policy dialogue.