

## Sector-based approaches in agriculture

### From expensive experiment to genuine impact

**R**esearch on sector-based approaches in agriculture suggests that, while they have contributed to improvements in process and dialogue, they remain expensive experiments. A heavy emphasis on systems and institutional capacity building initiatives has made service delivery a secondary concern. It seems that such approaches have become too focused on the means, rather than on their intended ends. Even so, they continue to be relevant to the pursuit of developmental objectives in agriculture, and the time may be right to reinvigorate the whole approach.

#### Background

Sector-based approaches have been used in the agriculture sector since the late 1990s. Initially called sector-wide approaches (SWAs), they aimed to address problems in the management of aid (including high fragmentation, duplication and transaction costs) and put developing country governments back in the development driving seat. SWAs aimed to bring all sector stakeholders together under one government-led comprehensive (or sector-wide) policy framework. Donors adopted common planning and management procedures and aligned their funding progressively with government financial management systems.

This paper examines the performance of sector-based approaches in agriculture by reviewing past experience, identifying current opportunities and challenges, and discussing future options. It draws on the work of ODI, particularly a study funded by the Swedish International Development Cooperation Agency (SIDA).

In the early days, there was a strong focus on the way aid was channelled to support the SWAp via common funding arrangements or basket funds. But the concept and its practice



Fledgling farmers in Ethiopia

have evolved. Today, SWAs are supported financially by a range of aid instruments and there is wider scope, with multi-sectoral, sectoral and sub-sectoral SWAs operating in agriculture. The general label of programme-based approaches (PBAs) reflects these changes in approach. PBAs allow for variation in scope and institutional set up, as they can be used by NGOs or the private sector, as well as governments. However, the same basic principles of the SWAp apply, including: domestic ownership and leadership; stakeholder coordination; use of local systems and donor harmonisation; and division of labour. The 2005 Paris Declaration committed signatories to channel 66% of aid through PBAs by 2010.

#### Early experience

SWAs were first introduced in health and education. Early achievements included: harmonisation of donor procedures and progressive alignment with public financial systems; better dialogue between government and donors; and stronger government leadership of the policy process and aid management. Despite some progress, there were early challenges. Five, in particular, still cast a shadow over SWAp practice. First, the adoption of 'blueprint' SWAs,

#### Key points

- The performance of sector-based approaches in agriculture is, at best, mixed
- Even so, the fundamentals of sector-based approaches remain valid to the agricultural sectors of developing countries
- Lessons from 10 years of experience need to be taken on board and the underlying causes of underperformance need to be addressed

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**Table 1: Examples of SWApS in agriculture**

Country	Sector policy framework	Scope	Year of launch	Current stage	Implementing agency
Bolivia	National Rural Development Strategy/Agriculture Technology System	Sub-sectoral (research and extension)	2000/02	Implementation	Ministry of Agriculture
Cambodia	Land Administrative Management and Distribution Programme	Sub-sectoral (land management)	2002	Implementation	Ministry of Land Management, Urban Planning and Construction
Ghana	Food and Agriculture Sector Development Policy	Sectoral	2006	Implementation	Ministry of Food and Agriculture
Honduras	Strategic Plan for the Agricultural Sector	4 sub-sectoral areas	2006	Design or early implementation?	Department of Agriculture
Mozambique	National Programme of Agrarian Development	Sectoral	1998 (phase I) 2007 (phase II)	Implementation – second phase (2007-10)	Ministry of Agriculture
Nicaragua	Rural Productive Sector Programme	Sectoral	2006	Implementation	Ministry of Agriculture, Livestock and Forests
Tanzania	Agriculture Sector Development Strategy	Sectoral (but with cross-cutting issues covered)	2006/07	Implementation until 2012/13	Ministry of Agriculture, Food Security and Cooperatives
Uganda	Plan for the Modernisation of Agriculture/ Agriculture Sector Programme Support	Multi-sectoral	1998 (phase I) 2004 (phase II)	Implementation – second phase (2005-09)	Initially led by Ministry of Finance; currently various agriculture departments leading different PMA components, coordinated by Programme Coordinating Unit
Vietnam	Vietnam Forestry Development Strategy	Sub-sectoral (forestry)	2006/07	Implementation	Ministry of Agriculture and Rural Development

Source: Cabral (2009).

irrespective of context. Second, an excessive focus on systems and procedures, rather than policy objectives and impact. Third, SWApS created expectations of higher funding, leading to a public spending bias in beneficiary sectors – much of the process was about creating ambitious programmes to absorb resources. Fourth, SWApS were dominated by central government agencies, doing little to stimulate linkages across government or involve local government and non-state actors. And fifth, there was little evidence that SWApS were reducing transaction costs. Evidence suggests that heavy management structures were created to support their design, implementation and monitoring.

### How ‘swapable’ is agriculture?

The SWAp framework was imported by other sectors, including agriculture, before these problems were resolved. Agriculture poses particular challenges to the approach, however. It is a ‘productive sector’ with a variety of players and interests. The state has a different and smaller role than in other sectors. Government and donors often disagree on the role of the state, which hampers convergence around a common policy framework. Institutional relations may be difficult to manage, with several government agencies providing services to the sector that should be coordinated under the common policy framework. This is why agricultural SWApS have encountered problems in implementation. These challenges reinforce, however, the importance of the principles of SWApS in agriculture where stakeholder coordination is critical for sector development.

### Have agricultural SWApS been effective?

Agricultural SWApS are widespread. While there is no current estimate on the total number of active SWApS, there is evidence of SWApS or SWAp-like approaches in the sector across most developing regions. Table 1 offers examples.

Our assessment of their effectiveness draws on an evaluation framework used in recent assessments of general and sector budget support, consisting of a causal model establishing the links between inputs, outputs, outcomes and impact. More details can be found in Cabral 2009. Analysis along this causal chain suggests that the performance of agriculture SWApS has been, at best, mixed. There have been achievements in donor harmonisation and financial management capacity. The creation of common funding mechanisms and sector working groups have helped strengthen dialogue and improve coordination between participant donors. Investments in financial management systems have contributed to improved planning, procurement, reporting and audit processes. But narrow ownership and the failure to coordinate all relevant sector players and interventions have compromised progress on the quality of sector policies and on decision-making processes.

Excessive emphasis on systems, processes and institutional capacity building initiatives has made service delivery a secondary concern while turning SWApS into expensive experiments. SWApS have tended to get trapped on the means, and have lost sight of the ends they were pursuing. Performance assessment mechanisms are insufficient to assess the impact of SWApS in governance and sector perform-

ance or make governments and donors accountable to sector beneficiaries (Box 1).

## Factors behind poor performance

There are three factors that explain poor SWAp performance: political factors related to actors' views and incentives; institutional factors around the structures supporting the SWAp; and operational factors related to implementation choices.

### Political factors

SWAps have, from the outset, been dominated by aid management concerns. As mentioned, they aimed to address the problems of aid fragmentation and donor harmonisation around a common fund. But disproportionate focus on donor-centred processes has compromised the mobilisation of domestic support – a constraint to the much needed sector-wide coordination. Despite the focus on donor harmonisation, SWAps have not brought together all main sources of aid to agriculture. This has limited their impact on budget planning, transaction costs, and policy. Important channels for resource allocation and policy influence exist in parallel to the SWAp. Ideological differences on policy priorities and the scope and roles of the state explain, in part, the difficulties in mobilising all sector players around a common policy framework.

### Institutional factors

Agriculture SWAps tend to be hosted by Ministries of Agriculture. Most country experiences suggest, however, that this line ministry has been unable to mobilise other key actors in the sector, compromising sector-wide scope and stakeholder coordination. Country experiences also reveal a tendency in Ministry of Agriculture-led SWAps to adopt an interventionist approach to policy (focused on public expenditure and public service delivery) and difficulties in implementing institutional reforms (implying streamlining the ministry). The typical institutional set up to govern agricultural SWAp has, therefore, proved inadequate, and there are examples of alternative institutional arrangements. In Uganda, the Ministry of Finance spearheaded the agricultural SWAp-like approach in its early days, playing a major role in mobilising players and pushing for reforms in the agricultural governance framework, including private sector provision of goods and services. But the SWAp was absorbed into the Ministry of Agriculture, which resisted reform through any other vehicles.

### Operational factors

SWAps have emphasised processes and systems at the expense of local realities. This has meant disproportionate investment in systems development and institutional capacity building, with little effect on service delivery at field level in the short to medium term. Such disproportionate emphasis on systems

## Box 1: Gaps in assessing performance

To serve its purposes, a performance assessment framework for the agriculture sector should provide at least four sets of indicators, on:

- Outputs (e.g. activities carried out, including public investments and institutional reforms),
- Outcomes (e.g. volume and quality service delivery, quality of policies and policy processes, transaction costs of managing public resources),
- Sector results (e.g. agriculture production, productivity, food security),
- External factors affecting sector performance (e.g. private sector investment, climate conditions).

Monitoring systems in agriculture tend to display two gaps: lack of indicators measuring improvements in service provision (i.e. outcomes), and lack of indicators measuring changes to the external environment.

and capacity may stem from difficulties in advancing into more sensitive areas (e.g. markets, land, subsidies) but is also the result of design oversight. The lack of a suitable M&E framework has been a common drawback in SWAps and may have skewed the balance between a focus on institutional reform and enhancing service delivery.

## New challenges and opportunities

Agricultural SWAps face two additional challenges today. One is the general sense of fatigue in partner countries in relation to SWAps, given their failure to produce visible results on the ground. The other is changes in aid architecture driven by the emergence of non-traditional sources of development finance (e.g. China and Brazil), and the proliferation of vertical funds for global and regional initiatives to support agriculture led by multilateral donors and large private foundations (e.g. Gates Foundation). These changes offer new funding opportunities for agriculture but could also undermine the core SWAp principles of harmonisation, coordination and an integrated sector policy framework.

Even so, the current climate may favour sector-based approaches in agriculture, and agriculture SWAps and SWAp-like approaches continue to be developed worldwide. Agriculture is back on the international development agenda and the implementation of this agenda is being shaped by a consensus on aid effectiveness that encourages programme or sector-based approaches. This consensus is articulated in the Paris Declaration and the Accra Agenda for Action.

It is not clear, however, whether the aid effectiveness consensus can restrain the proliferation of donor initiatives and mechanisms to support the agriculture sector. Important sources of development assistance to the sector have remained on the margins of the aid effectiveness debate, including new donors from large emerging economies. Is the consensus strong enough to persuade partner countries that, despite their poor record, SWAps remain relevant to developmental objectives in agriculture? The repackaging of SWAps into sector budget sup-

port frameworks has helped to break some SWAp malpractices and improved their reputation, and has reinforced some key elements, such as domestic ownership, donor alignment and a results focus.

## Policy next steps

Despite their mixed record and the challenges faced, the SWAp fundamentals remain valid. Stakeholder coordination and policy coherence are crucial for agricultural investment, aid harmonisation is vital to improve efficiency and effectiveness in the use of public resources, and government leadership is essential in a sector where market failures still abound. But malpractices must be corrected if sector-based approaches are to create a domestically-owned integrated policy vision that is shared by stakeholders and allows better coordination of policies, investments and service delivery.

Lessons from past experience need to be learned and the causes of underperformance addressed explicitly, bearing in mind the following issues:

- **Take the field as the starting point.** Agricultural producers, traders and labourers are the main actors in agriculture. Any policy framework should take them as its starting point, not only its target. This means helping these actors to be more than passive recipients of services and investments and become active sources of demand for good quality policies, relevant institutional reforms and adequate public services and investments.
- **Support locally-owned frameworks for service delivery that clarify roles.** There is compelling evidence that donors are relatively ineffective in enforcing reforms and policy change – domestic political commitment is what really counts. Locally-owned policy frameworks in agriculture should be a precondition for a sector-based approach. To be effective, service delivery should be at their core, spelling out what should be done and by whom.
- **Redress the balance in favour of results, rather than systems.** Service delivery and development results at sector level should be central to the design and implementation of sector-based approaches, though strengthening systems and institutional capacity are important, as they contribute to improved service delivery and, therefore, results.
- **How wide is 'sector-wide'?** Agriculture is a complex sector with many actors and interests at play. SWAps have shown how hard it is to develop a common policy framework and mobilise numerous

actors around that framework. A broad scope is desirable at policy level, to build coherent policies, but may not be feasible at the implementation level where it may amplify coordination difficulties.

- **Suitability of the institutional set up governing the approach.** Finding a suitable institutional set up for the SWAp depends on its scope. The narrower the scope, the simpler the set up. But success depends on getting the incentives right. The set up should be adequate to mobilise all interests and to pursue the necessary reforms.
- **Aid modality mix.** The synergies between different aid modalities should be explored. This argument should not be used by donors to justify using the modalities that best suit their interests. The selection of the modality mix should draw on best practice principles and be carried out with the recipient partner on the basis of the specific context and the assessment of opportunities and risks associated with each modality.
- **New aid architecture in agriculture.** The new non-DAC donors and large private foundations that play a growing role in the agriculture sector may not wish to join the debate on the most effective aid modality mix and best practice principles. But as they become major sources of finance for agriculture in developing countries they cannot be left out of any meaningful policy framework for agricultural development.
- **Bridging gaps in agricultural performance assessment.** Agriculture sector programmes are usually assessed in terms of outputs (e.g. public expenditure) and sector results (e.g. agriculture production). Although the focus on sector results gives governments a sense of direction, it may be misleading if the effects of government action on the quality and coverage of service provision and the impact of external factors are not recognised.

## Conclusion

The fundamentals of the SWAp concept remain valid to the management of development assistance and to developing countries' agricultures and the current context is favourable to sector-based approaches. Now is the time to address the political, institutional and operational factors that have hampered their progress, to create sector-based approaches that are truly effective.

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