



Programme Based Approaches in  
Agriculture and Rural Development  
*The Specific Challenges of Productive Sectors*



## Preliminary Findings

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15 November 2006

This year's Africa Forum was held in Windhoek, Namibia, from 30 October to 3 November. A total of 204 people attended, from 25 countries, 18 of which are in Africa.

The forum had set itself two main tasks. The first was to explore the potential tension of applying new aid modalities like the Programme Based Approach (PBA) to the area of agriculture and rural development. The second task was to link up to the Comprehensive Africa Agriculture Development Programme and to the forthcoming World Development Report 2008 on Agriculture. The forum output was therefore captured under two main questions: *What needs to be done to bring agriculture and rural*

*development forward?* and **How** best to support agriculture and rural development?

Within this wide spectrum of the 'what' and the 'how', the forum opted to focus on three main sub-themes, chosen because they represent classical areas of tension in the application of the concept of the Programme-based Approach to the sector (the *how?*) and because they represent important areas in need of action (the *what?*). Sub-themes were:

- The importance of the private sector
- Institutions and capacities
- Performance and impact monitoring

**The importance of the private sector:** Unlike the 'classical' Sector-wide Approach (SWAP) sectors like health and education, most of the necessary investment and initiative in agriculture and rural development comes not from public but from private sources. The role of the government in these sectors is more about creating an enabling environment for private sector growth. But what does an enabling environment look like and how can private actors be supported without creating unfair competition?

**Institutions and capacities:** In productive sectors like agriculture and rural development, the role of the line ministry is less strong (compared to social sectors) whilst decentralisation and inter-sector coordination is crucial. How can inter- and intra-sectoral coordination be managed and what kind of capacity is needed?

**Performance and impact monitoring:** The importance of impact monitoring of pro-

grammes in agriculture and rural development was a crucial issue that emerged during the 9<sup>th</sup> Africa Forum held in Burkina Faso in 2005. The questions raised at the end of the Burkina Faso forum were: To what extent is the notion that programmes in productive sectors are less successful than those in social sectors really true? Did we look at the right indicators? And if an impact is more difficult to realise in these sectors, does our monitoring data provide enough basis for learning-as-we-go?

Prior to addressing these three 'bottleneck areas', a foundation for the forum discussions was laid out by an introduction to the concept of the Programme-Based Approach and by a review of past and present policy regarding agriculture and rural development.

These *Preliminary Findings* present the main issues under each of these programme components mentioned before.

## The Programme-Based Approach and what's different in agriculture and rural development?

There continues to be some misunderstanding regarding the terms Programme-based Approach (PBA) and Sector Wide Approach (SWAP) with many people assuming that the PBA replaced the SWAP. However, in fact, a SWAP is a kind of PBA. The **PBA is a collective term that includes SWAPs and 'SWAP-like' interventions** such as Poverty Reduction Strategies. The PBA concept is more flexible than that of the SWAP and includes different kinds of programme support, as long as these adhere to certain principles<sup>1</sup>.

<sup>1</sup> The PBA is 'a way of engaging in development cooperation based on coordinated support for a locally owned programme of development, with four main

A PBA can be sector wide (as in the SWAP) but doesn't have to; it can be at national level (as a Poverty Reduction Strategy, PRS) but can also be based at sub-national level. It can focus on the government (as most SWAPs and PRS do) but it can also be in support of an NGO or other private sector actor.

Of the three main PBA funding modalities (budget support; basket funding and project support) the project modality raises most

principles: (i) leadership by the host country or organisation; (ii) a single programme and budget framework; (iii) donor coordination & harmonisation of procedures and (iv) increased use of local procedures over time

questions. Project support is a perfectly legitimate way of supporting a PBA, but there are important differences between this kind of support and the classical stand-alone project. **Project support as part of a PBA** is coordinated under a national (or sub-national) programme that is implemented under leadership of the host country or organisation. Project support as part of such a wider programme is often used to provide targeted (and sometimes temporary) support to capacity and systems development. It has proven useful as a pilot for potential interventions under a programme prior to these being institutionalised or up-scaled. Project support is also used when supporting non-state actors in the context of a national strategy. Essentially, project support as part of a PBA means support that is 'non-pooled', i.e. provided not through a basket or through the treasury but as a separate fund flow.

Sadly, there continues to be a ***mix-up of means and ends*** or *instruments* and *objectives*. The ultimate objective behind the shift from projects to programmes is to make development aid more effective and to improve overall development impact. Intermediate objectives towards this are increased ownership and coherence as well as reduced transaction costs of aid. Budget support and donor harmonisation are *instruments* towards these objectives but they are not an end in themselves. They are important to the extent that they contribute to objectives of ownership, coherence and reduced transaction costs. The Paris Declaration is a declaration on *Aid Effectiveness* and not a declaration on budget support<sup>2</sup> and although budget support would be a quick way to meet some of the indicators, it should not become an objective in its own

right but should be treated (and evaluated) as an instrument of making aid more effective.

Productive sectors like agriculture and rural development pose specific challenges to the programme approach. The role of the public sector is more limited than in social sectors like health and education. The need for decentralisation, inter- and cross-sectoral coordination is greater and private investment is much more important than public investment. Agriculture may still be termed a 'sector' (albeit a very extensive one), but any attempt to capture rural development in a single 'sector-wide' approach would probably result in a programme that is so wide as to become unmanageable. What is needed in these sectors is an innovative use of the PBA concept including the notion of a set of complementary PBAs all working towards the rural development objective, possibly under a single policy or strategy framework. A well judged use of available funding modalities should ensure that support to state and non-state actors is balanced in accordance with strategic objectives.

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<sup>2</sup> In fact, the phrase 'budget support' does not occur in the Paris Declaration document.

## New directions for agriculture and rural development

During recent decennia, funding to the agricultural sector has been in sharp decline. The Prime Minister of Namibia, in his opening speech, reminded participants that annual global financial assistance for African agriculture shrank from of US\$ 6.2 billion to 2.3 billion between 1980 and 2002. Multilateral spending on agricultural development went from 35% in 1980-81 to only 7% of total aid in 2000-2001. Similarly, public funding by governments themselves went down, though aggregate figures are difficult to obtain. The reasons for this downward trend include: (i) Disappointing results from public investment in agriculture and rural development (ii) An emphasis on social spending after the devastating effects of the Structural Adjustment Programmes on education and health services and (iii) the shift to modalities like SWAP and budget support which, in turn, introduced a bias towards 'SWAP-able' sectors such as health and education.

Fortunately, in recent years there are encouraging signs of a **renewed focus on agriculture** in the international development agenda. Three important initiatives were presented at the forum: (i) The Comprehensive African Agriculture Development Programme (CAADP); (ii) The World Development Report 2008 on Agriculture for Development and (iii) the Global Donor Platform for Rural Development (GDPRD).

**The CAADP** provides a pan-African policy framework that seeks alignment with national agricultural strategies (existing and planned). During the Forum there was consensus around the need for regional strategies as a way for national agricultural economies to access regional opportunities, especially in areas like

marketing and trade. However, questions were raised regarding *the way* in which CAADP seeks alignment, worrying that alignment may be imposed from the top, with national strategies having to align to CAADP rather than the other way round. Two key aims of the CAADP policy are (i) to achieve a 6% growth rate for agriculture and (ii) to devote 10% of the public budget to the agricultural sector. It is expected that these objectives will be reflected in national agricultural strategies across Africa.

**The World Development Report (WDR) 2008** on Agriculture for Development is more an analytical than a policy framework. The report examines in what way agriculture can be an instrument for economic development, especially development that favours the poor. Interested individuals can comment on a draft version which will be published on the website ([www.worldbank.org](http://www.worldbank.org)). The Africa Forum will feed into the WDR process via the **Global Donor Platform on Rural Development** which has been asked to provide practical experience on when and how agriculture can help drive poverty reduction. A first occasion for presenting Africa Forum findings will be the upcoming Donor Consultation Workshop on 8th of December in Washington organized by the Global Donor Platform.

The way forward in agriculture and rural development is based on a reflection of experiences from the past. One such review is the *Sector Wide Approaches in Agriculture and Rural Development* commissioned by the GDPRD. This comparative analysis immediately shows the wide variety in scope among such programmes in Africa; from the sub-sectoral (Ghana) via sectoral

(Mozambique) to multi-sectoral programmes (Uganda).

In case of the latter, the Ugandan example, the Plan for the Modernization of Agriculture or PMA, not only has a multi-sectoral rural development orientation; it also appears to be one of the most successful programmes of its kind. A closer look reveals a carefully phased approach with a varying mix of funding modalities using project support to kick-start

PMA pillars, gradually moving to budget support for established components but retaining project support for Public-Private-Partnership components. In contrast to the classical SWAP, the PMA does not have a single budget framework but instead is embedded in different sectoral Medium Term Expenditure Frameworks. A crucial ingredient in the success of the PMA has been the strong leadership by the host country.



## Enabling private growth in agriculture

The most significant roles of the state in agriculture are not concerned with public expenditure but with creating the right environment for private actors to invest. Successful agricultural policy must be based on a sustained commitment to an enabling environment and on a clear understanding of what this entails. The policy then has to be translated into legislation whereby the special challenge is the coordination of many pieces of legislation across several sectors into a coherent legal framework. Secure land tenure

systems are of crucial importance to investment as is the legal protection of assets and enforcement of contracts.

***In agriculture, the role of the state may be limited, but is of vital importance.*** Apart from responsibilities in areas of policy, regulation and legislation, there was a strong consensus that market forces alone are not the answer and that market failure needs to be addressed by the state. Especially in the case of remote areas or non-commercially viable services the

state needs to intervene, but in a way that does not undermine (but preferably strengthens) private sector development. Attention should be given to possibilities of 'smart' subsidies and 'smart' rural finance interventions. An example may be the Warehouse Receipt System (WRS) in Uganda whereby certified warehouses throughout the country can issue a receipt of commodity held in storage which can then be used as a collateral against a loan or even as currency in a market transaction.

A first step towards effective support to the private sector is **getting an overview of the many actors and their varied needs**. In phrases like 'the need to consult the private sector' there is often an implicit assumption that the private sector speaks with one voice. However, the wide spectrum of input sellers, producers, manufacturers, buyers, traders and service providers does not talk with one voice, but represents a host of different interests. A constructive way of supporting these actors may be to classify their different needs and interests along a supply chain or a commodity / value-added chain.

A truly ground-breaking programme is Ghana's Private Sector Development Strategy: It concerns a PBA that has stepped away from the traditional sector-boundaries to embrace the cross-cutting issue of private sector development into one comprehensive multi-

sector programme. Also interesting is the fact that this private sector programme is coordinated by the government (Ministry of Private Sector Development). The programme is supported by a mix of three modalities with a large part of funds disbursed via sector budget support or basket funds complemented by project support. A close look at this programme may help answer the question: **Can the private sector be strengthened through budget support to government?** So far, success factors are the close involvement of the private sector and a framework of detailed targets linked to specific indicators. Challenges have included getting all of the private sector on board and not just its big players.

Nearly every programme in a productive sector will be dogged by widespread conflict of interests; be it within the different government departments, between government and the private sector, or within the private sector itself. **Reaching a consensus on sector policy and on the roles of different players** tends to be much more daunting in productive than in social sectors. Technical assistance may be able to play a role as broker in this process by supporting dialogue and by networking among the range of stakeholders involved. Financial assistance can help to provide government with budgets that can be used in the outsourcing of contracts to the private sector in line with the policy.

## Institutions and Capacities

Programmes in agriculture and rural development are often characterised by complex institutional arrangements. Even though agriculture may still be termed a sector, much of what is needed in agriculture is outside the mandate of the Ministry of

Agriculture and requires the cooperation of other line ministries. Similarly, central level policies on exchange rate, interest rates and the control of inflation may often be more important to agricultural growth than any policy under the (sector) ministry's own jurisdiction. In

In addition, experience has shown that the performance of productive sector programmes is directly dependent on the degree and quality of private sector participation. This means that the success of a programme in a productive sector will largely depend on the ability of those in charge to coordinate across sectors and between institutions and stakeholders involved.

To fulfil this function, most programmes in agriculture or rural development have special 'coordinating units' attached to them. These come under different names, but whether they are called 'Secretariat' (Uganda), 'Executive Secretariat' (Burkina Faso, Niger), 'Desk' (Malawi, Ghana), Advisory Group (Zambia) or Coordinating Unit (Kenya) their role is essentially the same: to advise and coordinate programme implementation. Experiences at the forum made it clear that this task is far from easy, but useful lessons have been learned on the way:

***The programme does not need to be as wide as the policy.*** In classic Sector Programmes or SWAPs, there tends to be a policy (where do we go), translated into a strategy (how do we get there), turned into an implementation-programme (what will we do) which is supported by a budget (how much does it cost). However, trying to translate a productive sector policy into a single implementation framework would create a programme of such institutional dimensions that it may become unmanageable. If, because of this, in productive sectors we can't have a 1:1 translation of policy into programme, we need to opt for a complement of programmes that operate in synergy and are coordinated under a single policy framework.

***Need to balance flexibility and control.*** With agriculture and rural development being as wide as they are, it is probably impossible to capture all that is needed and all that is being done in these sectors in a single programme or budget framework. Maybe this is not even necessary; but what *is* needed is that different efforts, whether by government, donors or NGOs, do not undermine each other. Thus, in Uganda the PMA set out a series of principles and guidelines that any intervention in rural development was asked to abide by; only those that were PMA 'compliant' were allowed. After the Africa Forum of 2005, Kenya decided to do likewise and now checks interventions in agriculture and rural development against their Strategy for the Revitalisation of Agriculture to establish if these are 'SRA compliant'. In this way, control is exercised where it is needed, whilst flexibility to adapt interventions to local circumstances is maintained.

***Capacity should be developed in and outside the public sector.*** Strengthening the capacity of stakeholders outside the government has to be part of a productive sector strategy. Interventions at farmer level can be general (such as literacy training) or specific such as extension that reflects the fact that producers now operate in a commercial environment and have to adjust production to the market. Widespread popular and media campaigns have shown to be effective in helping farmers transform from subsistence to commercial production systems. Also, often lacking but dearly needed, representatives in stakeholder-platforms at national and sub-national levels have to be supported to become active partners to the government in programme design, implementation and monitoring.

## Performance Monitoring

The need for a closer look at the performance of programmes in agriculture and rural development was an issue that kept coming up in the Burkina Faso Forum of 2005. During the preparation of the present forum it became clear how difficult it is to get information on performance or performance monitoring. It has to be assumed that monitoring and evaluation (M&E) continues to be a weak area: a view corroborated by presentations to this forum:

Mozambique ProAgri-I never translated its policy into indicators and targets. Zambia has been implementing SWAPs in its agricultural sector for a decade and is still struggling with the development of an MIS / M&E system. In Uganda the PMA Secretariat set about the task of designing an M&E system for the programme with optimism, only to find that in the entire PMA document there is only one clear target and hardly any mention of M&E<sup>3</sup>. Despite these rather worrying findings, the presentations and discussions also yielded encouraging lessons:

***M&E and associated information systems are first and foremost a management tool:***

Especially as a consequence of the shift to budget support, the use of indicators is increasingly associated with donor fund disbursements. This has led to damaging consequences where data collection has been biased to satisfy donor needs or worse, where data is being tampered with. Both these effects undermine the usefulness of M&E information, a trend that has to be reversed. Doing so requires that governments reclaim their M&E as a *management* tool rather than viewing it a donor's control instrument.

<sup>3</sup> The only clear target mentioned in the PMA is the need to reduce poverty by a certain percentage.

***Policy has to be translated into indicators and targets:*** To know whether a policy is implemented and to know whether it is right, it has to be linked to measurable indicators and clear targets. However, as implementation is a step-by-step process, indicators have to reflect that: Too great a focus on impact indicators (poverty reduced by x%, food security increased by y%) will not be useful in yielding management information. Process indicators are needed especially in cases of institutional reform. Output and outcome indicators will allow a step-by-step measurement towards programme objectives.

***Avoid getting into an 'Indicator Frenzy':*** It seems that when government and donors get around the table to discuss indicators, there soon develops a kind of indicator-frenzy. Or how else can one explain that so many performance assessment frameworks are groaning under the weight of 100-plus indicators? To avoid wasting resources, monitoring systems should be designed with fewer, well spaced indicators that are statistically conclusive<sup>4</sup>. In as much as possible, monitoring frameworks should be harmonised between the sector level (PBA), the national level (PRS) and the international level (Millennium Development Goals or MDGs). Donors should 'buy into' common indicator frameworks rather than tacking-on their own 'indicator sub-sets'.

***Donors should first help strengthen domestic data collection and analysis systems*** before embarking on any other

<sup>4</sup> Well spaced indicators are those that don't overlap and thereby effectively measure the same thing; statistically conclusive means that the margin of error is not as great as to make the indicator meaningless. When data are poor or difficult to obtain the margin of error can be greater than the difference the indicator attempts to measure (e.g. poverty to be reduced by 1% per year).

parallel interventions. Under the new programme approach huge amounts of money have been devoted to public finance management systems, but so far very little to support institutions such as central offices of statistics. Rather than waiting for this long-haul

process of strengthening domestic capacity, donors have engaged in ad-hoc data collections which results in an accumulation of successive data-sets that can neither be compiled nor projected against a baseline over time.

### What does an ideal PBA for a Productive Sector look like?

During the forum agriculture and rural development have not been addressed separately. In theory, this is not right, as they are two different things. Agriculture can still be called a sector, has a clearer institutional context linked to the Ministry of Agriculture and can be addressed through a more 'vertical' set-up of a classical sector programme. Rural development, by contrast, is not a sector, but a cross-sectoral concern. Its institutional base is more likely to be with local authorities than a line Ministry of Agriculture. In practice, however, it appears difficult to distinguish between programmes in agriculture and programmes in rural development, as many of them operate on the interface between agriculture and rural development. Therefore, in returning to the main question of the forum (*What does an ideal PBA for a Productive Sector look like?*), agriculture and rural development programmes will not be treated separately.

The **scope of the programme** must be the outcome of a careful balance between coherence and manageability. It is useful to bundle components that have a lot of synergy between them and that need to be implemented in tandem. However, trying to capture all into a single programme framework may lead to institutional log jam. A more practical way forward may be to work with a set of complementary programmes, programme-components or programme-pillars that have enough autonomy to be

implemented independently of each other and that have enough coherence within themselves to generate momentum and synergy. Coordination between these different programmes could still come from a single policy framework.

Programmes in productive sectors can only move forward if the **policy and legislative frameworks are clear and consistent** about the roles of the different stakeholders. Often the policy refers to an important private sector role, but the legislation has not been adjusted and continues to make it difficult for private actors to actually assume their foreseen role.

The heterogeneous nature of productive sectors requires that policy needs to be flexible enough to allow for local tailor made solutions and thus should aim to offer **policy principles or guides** rather than trying to be exhaustive in terms of activities and interventions. Policy guides can then also be used to allow an assessment on whether interventions are policy compliant.

Classical sector programmes are based on a single sector policy linked to a single budget framework. Whereas something as wide as rural development may conceivably be coordinated by a single policy framework (provided it is flexible enough), a single budget framework is often not feasible as activities are spread out over different government (and often also private) institutions. What may be more feasible is to **anchor funding for the**

**programme(s) in existing budget frameworks** in such a way that it still allows for a comprehensive overview of (government and donor) funds and thus provides a needed PBA planning tool in linking policy objectives to available resources.

A critical component of a productive sector PBA is the coordination between actors. Line or sector ministries that are made responsible for the coordination of such programmes have to be given **a clear coordinating mandate that can be enforced**. Where central ministries (Finance, Planning) are strong enough, (some of) the coordination mandate may better be placed at their level.

Well-written policies and lots of funding have often failed to translate in improved service provision, increased growth or reduced poverty. A crucial bottleneck is capacity. Capacity development in the context of programme approaches has often been biased towards (i) government (ii) national levels and (iii) public finance management. In productive sectors this bias is especially undesired as sub-national levels and non-state actors are of crucial importance to the programme's success. Productive sector PBAs therefore have **to support capacity development among state and non-state actors**.

Productive sector PBAs should make **judicious use of available funding modalities**: Budget support may be appropriate where it concerns government core functions but experience has shown that it is not an ideal way to channel support to stakeholders outside the government. Pools or baskets may be useful to reduce transaction costs by harmonising donor procedures. Their use will depend on local circumstances but can

include capacity development, contracts to the private sector for outsourced tasks, support to public-private partnerships etc. Project support may be useful where non-state actors are concerned, for capacity development or to pilot certain interventions.

Important to programme implementation is the extent to which **fund flows are predictable**. On the government side this means a transparent public finance management system and limited in-year budget changes. On the donor side this means that **donor fund flows have to be aligned to the budget cycle**. Ideally, budget support is meant to do exactly that, but there are too many programmes that have suffered because budget support was either not pledged or disbursed on time for it to be integrated in the budget cycle. Therefore, possibly more important than the funding modality, is the extent to which donor procedures for disbursement can be adapted to the annual budget cycle.

In conclusion, for sectors like agriculture and rural development an insistence on the classical model of the sector programme or a dogmatic pursuit of budget support as if these are ends in themselves is counter-productive. The PBA concept and its founding principles of ownership, coherence, coordination and the use of local structures and actors provide a helpful guide to supporting these sectors. Yet, at the same time, the PBA principles leave enough flexibility to adapt that support to local circumstances. Governments and donors will have to dare 'thinking out of the box' and come up with coordinated programmes of support that make optimum use of the available instruments by being tailored to specific country and sector needs.