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Are sector-wide approaches effective?

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PHOTOS: IRMELI MUSTALAHTI

Beekeeping activities in Village Land Forest Reserve in Tanga Region, Tanzania.

Are Sector-Wide Approaches Effective?

Observations from the forestry sector in Tanzania, Mozambique and Vietnam

The Paris Declaration, endorsed in 2005, passed an international agreement on aid effectiveness to which donor and recipient countries and organisations committed to continue to increase efforts in harmonisation, alignment and managing aid for results with a set of monitored actions and indicators. In theory, the harmonised partnerships between the government and development agencies aim to improve the effectiveness of development policies and broaden government ownership over public sector policy

and allocation of resources in order to reach the United Nation's Millennium Development Goals (MDGs). Sector-wide approach programmes (SWAPs) and direct budget support (DBS – targeted and general) were considered to be two aid modalities that might achieve more coordinated and effective support for national development frameworks and MDGs than earlier modalities of aid (Gould *et al.* 1998; EC 2003). While SWAPs gather donors and the partner government together to plan and manage sec-



Policy Conclusions

- SWAps might not be the most effective way to deliver aid because of the dependence on the quality of institutional capacity in the recipient countries and donor agencies
- Project-based aid will remain an important instrument to implement sector strategies and national development frameworks: the complexity of the forestry sector and rural development in general means that many forms of support are needed, at national and sub-national governance levels, as well as work with civil society.
- SWAps might be a less successful method to influence forest sector development than in other sectors. Political and economic interests in forestry favour commercial exploitation, and there are few possibilities to support law enforcement and the implementation of good governance principles in the sector via governmental organisations alone.
- Long-term donor commitment is needed to assist civil society and national policy coalitions to enforce the implementation of good governance principles in the forestry sector.

tor funding, DBS directly supports the recipient government's budget and national development strategies.

This Development Policy Brief reports on a study of development towards SWAps in the forestry sector in Tanzania, Mozambique and Vietnam (Mustalahti and White 2007). The main research question of the study was: does the sector-wide approach promote effective delivery of aid?

Critical factors in effective implementation of SWAps in the forestry sector

One key intention of SWAps is to develop effective financial management within a sector. In the short term, however, the transaction costs rise, due to the need to set up new systems and agreements between different partners. In theory, all major expenditures and activities in the sector should be programmed in a unified way, with resource allocation decisions based upon one policy and expenditure framework. In practice, the three cases from Tanzania, Mozambique and Vietnam show that it is difficult and slow to implement expenditure management, government-donor coordination and integration, particularly in the forestry sector.

The cases indicate that SWAps are complicated political, as well as technical, processes. Most critical, perhaps, is developing political support. In the case of the education and health sectors, there is usually common agreement on the need for support to these »public goods«, which are mainly implemented via government actors. In the case of the forestry and rural development sectors, however, there is less clarity. A range of stakeholders are involved and there are widely diversified interests (for instance, those who favour conservation, others supporting commercial logging, and those who take a laissez faire approach).

The implementation of SWAps in the forestry sector is highly dependent on the quality of institutional capacity of national and sub-national administration in the recipient country. In

addition, representatives of the donor community and embassy advisers need to have technical skills and good analytical capacity to understand the political and socio-economic development nuances in the recipient country. SWAps might not be the most effective way to deliver aid because of the dependence on the quality of institutional capacity in the recipient countries, as well as in donor agencies. Because of the capacity constraints, SWAps may take several years to begin producing concrete results in rural development and poverty reduction.

For example in Tanzania, the outcome of SWAps is mixed, with doubts about service quality and poverty reduction impacts. In 2001, a baseline study on the feasibility of a sector-wide approach in the forestry sector was carried out and the sector has made some progress towards developing a unified programme that aims to treat major expenditures in a unified way. However, development partners are still not fully committed in practice to the SWAp and institutional changes to implement the SWAp are yet to yield results. One problem is that financial information is scattered among different government institutions, donor agencies, private companies and NGOs, and there is no comprehensive picture on what funding exists, where it is located, and how recent, or up-to-date the sector funding information is. Also, recent financial scandals have also eroded donor confidence. The government- and externally-funded programmes should ideally be based upon the same budgetary calendar, and in order to permit unified planning, information of potential private sector funding through, for example, revenue collection and investments in the sector, is necessary. The main problem resulting from insufficient information flows is the substantial revenue lost at national and sub-national level due to under-collection and reporting of revenues in the forestry sector.

A range of support modalities needed

Development co-operation in forestry used to be based on project support. Well-known common problems of the



Illegal logs damaged by forest fire in Zambezia Province, Mozambique

project approach are a lack of host country ownership, insufficient sustainability, and »fungibility«, where donor money is either used for purposes other than those intended, or it replaces government funding in that sector, rather than adding to it (Mustalahti 2007). SWAps and DBS are acknowledged to be important in developing national ownership.

However, the main challenges for SWAps and DBS are to implement the policies and action plans in the remote areas, to ensure fund flows to the rural development activities at different governance levels and geographical areas, and to ensure that resources are distributed to benefit the poor and support sound development. For example, in Mozambique, this has not been easy because the government reform programme is at an early stage and administration structures and human capacity under the local governments are undeveloped. The development of the agriculture investment programme called PROAGRI and the National Plan of Agriculture has been slow. The first phase of PROAGRI had serious problems with poor financial management of allocated resources. During the field work of this study, PROAGRI finances were criticised in interviews with donor representatives, as external auditors found serious deficiencies in the accounts of 2000.

Another issue pointed out by interviewees, for example German, Finnish and Danish advisers, was that although there are high transaction costs in projects, in the form of international and national technical advisor expenses, these costs are public. By contrast, the publicly seen transaction costs of SWAps and DBS are low, but the hidden costs in the form of corruption, or what is euphemistically referred to as leakage, may be very high. Although this seems to be a common and well-known phenomenon in the case of SWAps and DBS, the interviewees from donor community reported that sub-national administration staff has been reluctant to complain to donor representatives in front of central ministry staff. Interviewees from local levels noted that an advantage of project modalities is that funds are available as needed for approved

plans, or if not, it is easier to contact the bilateral donor and complain about the problems with the fund flows.

In all likelihood, project-based aid in the forestry sector will remain an important instrument for implementing sector strategies and national development frameworks. A range of support modalities are needed in order to fit existing conditions in the recipient countries. The process of shifting from fragmented donor support for projects towards SWAps and DBS, and mobilisation of domestic revenue from the forestry sector, needs time and is related to other reforms and policy changes. These processes are expected to influence development in general, and the process to develop SWAps is a long-term commitment of learning together with different partners. Effective development assistance requires establishing management structures that provide donors with the assurance that development funds are not only disbursed, but are also used for the agreed purposes. Under current circumstances, transparent and effective management and monitoring structures are not in place in the three case study countries and corruption is a risk.

Dominance of market forces in forestry

Based on observations and literature review, law enforcement and good governance capacity are still rare in the forestry sector in all three case study countries. The political and economic interests are favouring commercial exploitation rather than effective law enforcement and local community and civil society involvement in forestry sector development (Mustalahti 2007).

There seems to be few possibilities to work efficiently through SWAps and support sustainable forest management and forest governance. For example in Vietnam, working through the governmental organisations and structures does not always ensure the best possible outcome because many basic concepts of grassroots democracy, as defined in many Western societies, such as good governance, participation



Local farm
forest owner in
Bac Kan Province,
Vietnam

and civil society development, are still sensitive issues and need time to be stabilised. The majority of the population is likely to remain uninformed about the reforms and policy decisions related to forestry, and are unable to express opinions or exercise influence on development. In Vietnam, the central ministry has difficulties to carry out effective forest law enforcement because strong decision-making powers rest at provincial level and are driven by market forces. Sub-national authorities and party members at the provincial level may have more power than the central ministries, and decision-makers under the party cells might not always agree with the roles and regulations in forestry.

In general, SWAps in forestry might be less successful because of dominance of market forces and hidden interests in under-reporting revenue collection at sub-national and

national level. It seems that the aims of SWAps to facilitate the sustainable forest management and implementation of forest laws are conflicting with hidden agendas for utilisation of forest resources. In practice, this means that the national governments and the forest administration are unable or reluctant to stop illegal logging driven by the strong demand for logs from China's booming economy, and growing demand in Japan, USA and Europe for low-cost wood products manufactured in China. Tacconi (2007) uses a term »collusive corruption« – in which government officials and private actors work together to steal state timber resources. In current circumstances, the forestry sector requires strong government and long-term donor commitment to assist local people and their local organisations in building civil society and national policy coalitions that can assert local people's rights over resources use and good governance principles to be implemented.

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