Sector-wide Approaches
Concept, Applications & Implications

For Water Week 2004

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February 24, 2004
“Sector-wide Approaches”
Genesis & Evolution (1)

- The term created & adopted in January 1997 at Inter-Agency Group meeting for health development → Articulated in Cassels (1997)
- Crystalized earlier concepts/practice, e.g., early experiences in Zambia (1994) & Mozambique (1995); ‘Sector Investment Program (SIPs)’ (Harrold 1995)
- Other related concepts:
  - Concepts behind the creation of SIMs in 1970s/80s
  - Program-based Approaches (PBAs) – Learning Network on PBAs (LENPA) created in December 2001 to extend coverage from SWAps to more general “PBAs” (19 development agencies)
“Sector-wide Approaches”
Genesis & Evolution (2)

- 30+ Bank operations supported ‘SWAp’ in 17 countries over the past decade
- Evolved in LICs in AFR/SAR, recently some elements from SWAp principles being adapted to MICs in LAC/ECA
- Mostly in social sectors (3/4), but some in transport, water & agriculture
- Predominantly IL instruments (SIL, APL, SIM) used, but some AL (PRSC, SECAL), to support SWAp
- Among IL, mostly traditional disbursement, but increasing use of pooled financing over last 3-4 years
What is a SWAp?

“Back to the Basics”

A “sector-wide approach” is an *approach* to support a country-led program for a coherent sector in a comprehensive and coordinated manner.

**N.B.** A SWAp is NOT a lending instrument nor a particular financing modality

**N.B.2** Other terminologies are used by some organizations: e.g., Sector Approach; Sector Programs; Sector Support
Key Elements of SWAps

Intent & Directions, not ‘Pre-requisites’

- Government Ownership & Leadership
- Partnerships with Development Partners
- Agreed Sector Policy Framework/Strategies based on Shared Vision & Priorities
- Common Sector Program/Expenditure Framework
- Coordination/alignment of (all) resources
- Harmonized Implementation Mechanisms & Use of Local Systems/Procedures

Gradual and phased process

To varying degree as a SWAp evolves & matures in each case
Aligning Strategy, Aligning ‘Plumbing’

Let strategy drive ‘plumbing’

<table>
<thead>
<tr>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>■ Vision &amp; priorities</td>
</tr>
<tr>
<td>■ Sector policies &amp; strategies</td>
</tr>
<tr>
<td>■ Key principles (e.g., transparency, good governance, equity, gender sensitivity, envir. sustainability)</td>
</tr>
<tr>
<td>■ Resource allocation &amp; use, coherent to objectives/priorities</td>
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<table>
<thead>
<tr>
<th>‘Plumbing’</th>
</tr>
</thead>
<tbody>
<tr>
<td>■ Program management</td>
</tr>
<tr>
<td>■ Flow of funds</td>
</tr>
<tr>
<td>■ Accounting, FM &amp; auditing</td>
</tr>
<tr>
<td>■ Procurement</td>
</tr>
<tr>
<td>■ Reporting</td>
</tr>
<tr>
<td>■ Monitoring &amp; Evaluation</td>
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</table>

Drive.. Serve..
Expected Benefits

Enhanced *development impact* through:

- **Stronger country ownership & leadership**
- **Coordinated & open policy dialogue** for the entire ‘program’ (beyond a ring-fenced ‘project’) – Genuine partnerships
- **Scaling-up benefits** by focusing on the entire program and applying common fiduciary/safeguard standards
- More rational & efficient **resource allocation**
- Strengthening of **country’s capacity, systems & institutions** at a feasible pace and phasing
- **Reduced duplicative reporting & transactions**
- **Greater focus on results** (rather than on inputs or transaction controls)
Common Myths

A SWAp is....
- one of the Bank’s lending instruments
- equal to ‘pooled financing’
- possible to apply as a component of a project
- a way to avoid fiduciary/safeguard ‘hassles’
- a results-based disbursement (in IL)
- equal to ‘budget support’ (in IL)
- will reduce preparation/supervision costs
Three Big Questions…

- What should be the **scope of a Bank operation** to support a SWAp (or ‘SWAp-like’), given the country/sector context & strategic considerations?
- Which **lending instrument** to use?
- How do you **design & structure** a Bank (IL) operation?
# Applications of SWAp Principles

IL to support SWAps or Programs

## Whole sector or Major sub-sector

<table>
<thead>
<tr>
<th>Program or Thematic area</th>
<th>Program(s) within a sector</th>
<th>Multi-sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tanzania Public Sector Reform Program (1999 &amp; 2005/6)</td>
<td>Malawi Multi-sectoral HIV/AIDS Program (2003)</td>
<td>Program-Based Approaches (PBAs) using SWAp principles</td>
</tr>
</tbody>
</table>

## Multi-donor parallel financing

<table>
<thead>
<tr>
<th>Brazil Family Health (2001)</th>
<th>Poland Road M&amp;R (2004 pipeline)</th>
</tr>
</thead>
</table>

## Multi-donor Pooling (may have other parallel funds)

<table>
<thead>
<tr>
<th>Mexico Decentralized Infrastructure (2004 pipeline)</th>
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</thead>
</table>

## Bank-Govt Pooling (may have other parallel funds)

<table>
<thead>
<tr>
<th>Zambia Primary Education (1995)</th>
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<tr>
<td>Benin Transport (1996)</td>
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</tbody>
</table>
## Applications of SWAp Principles

### Low-income vs. Middle-income Countries

<table>
<thead>
<tr>
<th>LICs</th>
<th>MICs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key features</strong></td>
<td></td>
</tr>
<tr>
<td>Less developed strategy</td>
<td>Sound, well-articulated strategy</td>
</tr>
<tr>
<td>Weak capacity &amp; systems</td>
<td>Stronger capacity &amp; systems</td>
</tr>
<tr>
<td>Heavy donor dependency</td>
<td>Domestic financing capacity</td>
</tr>
<tr>
<td>Fragmented multiple projects</td>
<td>Low leverage by donors/IFIs</td>
</tr>
<tr>
<td><strong>Critical issues to address</strong></td>
<td></td>
</tr>
<tr>
<td>Intensive donor coordination</td>
<td>Aligning to country’s programs/systems</td>
</tr>
<tr>
<td>Consensus building around common strategy &amp; program</td>
<td>Leverage/influence over policy</td>
</tr>
<tr>
<td>Alignment of all resources</td>
<td>Country’s incentives to borrow</td>
</tr>
<tr>
<td>Harmonization of processes &amp; procedures</td>
<td>Cost of doing business/‘hassle factors’ for Borrowers</td>
</tr>
<tr>
<td>Need for longer transition</td>
<td>Use/fine-tuning of country systems</td>
</tr>
<tr>
<td><strong>Typical approach could be...</strong></td>
<td></td>
</tr>
<tr>
<td>Sector-wide focus (“SWAp”)</td>
<td>Sub-sector or program focus (“PBA using SWAp principles”)</td>
</tr>
<tr>
<td>Multi-donor pooling w/ inclusion of parallel financiers in process</td>
<td>Government-Bank pooling</td>
</tr>
<tr>
<td>Initial capacity “augmentation”</td>
<td>Faster, streamlined disbursement</td>
</tr>
<tr>
<td>Phased approach &amp; capacity and system development</td>
<td>Minimum Bank-specific process requirements</td>
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Applications of SWAp Principles
Different Challenges by Sector

- Challenges are greater in using country systems or in pooling funds if:
  - Higher the value of contracts (e.g. ICB procurement) involved
  - Greater the potential environmental/social impacts
  - Higher the number of donors (& share of donor financing) in the sector

- Social sectors vs. infrastructure sectors

- Major physical investment (e.g., new road construction) vs. small investment (e.g., rural roads, road maintenance)
Programmatic Approach
IL-AL Convergence

Today’s IL often have:
✓ step-by-step phased reform over time
✓ a (sub)sector-wide focus
✓ significant policy content

BUT...
✓ Finance specific activities, expenditures, or outputs (Direct link w/ specific expenditures)
✓ Focus on long-term investment, inst. development, sectoral/local cap. Bldg.

Today’s AL often have:
✓ step-by-step phased reform over time
✓ a (sub)sector-specific reforms
✓ significant institution-building content

BUT...
✓ Finance program of policy measures to fill BOP/fiscal deficits (No direct link w/ expenditures)
✓ Policy-based financing to those needing structural/sectoral reforms

Traditional IL
- Narrow scope
- Inputs-focus
- Discrete time period
- Strong sector involvement
- Inst./capacity building
- Implementation support
- ‘Ring-fenced’
- ‘Blue print’
- Tight fiduciary control
- Parallel systems
- Supply-driven?

Traditional AL
- Macro-focus
- Policy-based
- Quick disbursement
- BOP/fiscal deficit support
- Short-term ‘adjustment’
- Little capacity building
- Weak implementation support
- Limited sector involvement
- Supply-driven conditionality?
Simplification & Streamlining of ‘Plumbing’ to facilitate IL in SWAps & Non-SWAps

- **Time-slice financing** based on annual planning & monitoring cycle (e.g., single disbursement category)
- **Report-based, faster disbursement** against % of total program expenditures, statement of transfers, outputs (based on unit costs), or cash flow requirements (i.e., deferred reconciliation w/ expenditures)
- **Special Account** not necessarily required
- Greater **government control & oversight** with increased reliance on post reviews
- Bank’s move toward **use of government’s systems & procedures** (‘country/sector certifications’)
- ‘**Dynamic risk’-based capacity assessments** & risk mitigation/capacity development measures
- Total government allocation for the program as counterpart funds
Operational Implications

- Agreement on key thrust of country’s overall (sector) strategy & priorities
- Openness & willingness to discuss everything ‘under the sun’ – Mutual trust & shared accountability
- Continuous dialogue/negotiations → Field presence
- Balance between ‘accountability’ & ‘flexibility’
- Reduction/elimination in unnecessary transactions or ‘hassle factors’
- Pooling donors giving up ‘attribution’ for a voice over overall strategy/resource allocation
- Controlling inputs/transactions to certifying country’s systems/procedures
- Shift from rule-based control to case-by-case judgment
Issues & Challenges

- SWAps NOT a panacea nor ‘one-size-fits-all’
- Weak capacity by itself not a constraint
- Tended to be costlier (time & resources for LEN/SPN for IL) → Could be prepared faster for MICs?
- How to monitor & link with ‘results’ or ‘performance’?
- How to apply in sectors with bigger procurement & safeguard issues? → ‘country/sector certification’?
- What if government does not fulfill agreements? Target/milestone not met? Something ‘goes wrong’? → Upfront agreements on resolution mechanisms, code of conduct, MOU, etc. but require case-by-case judgment
- Are governments, donors & the Bank ready and willing to change behaviors?
Design & ‘plumbing’ of Bank operations to support SWAps or Government Programs will depend on what you want to achieve…

- Consensus-building & resource allocation/alignment around a common country-led strategy?
- Harmonization of Bank/donor procedures?
- Use of country rules and system?
- Reduction of ‘hassle factors’ or unnecessary transaction costs?
- Faster & simpler disbursement?
- Influence and leverage over certain reforms or priority programs?
- Performance-based disbursement?
- Filling financing gap for a sound strategy/program?
- Scaling-up to a larger ‘program’ or whole sector?
Thank You....