Section II:
Sustainable Sector development
The critical role of projects and programmes

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Introduction

Decades of development aid have not always succeeded in strengthening endogenous development processes. Many developing countries have remained highly dependent on external funding for basic social service delivery. But supporting development is not only a matter of increasing aid flows\(^8\) and development resources, it is also a matter of increasing effectiveness, of strengthening governance and of improving development performance (Millenium Development Goal 8 2010; Millenium Development Goal 8 2015).

In September 2000, at the threshold of the new millennium, the international community solemnly reaffirmed its commitment to eradicate poverty and to make ‘the right to development’ a reality through the adoption of the so-called United Nations Millennium Declaration by the General Assembly of the United Nations (United Nations Millenium Declaration 2000). In 2005 donors and developing countries decided on far reaching reforms of the way development aid was to be delivered and managed, and adopted the ‘Paris Declaration on Aid Effectiveness’ (The Paris Declaration 2008). The Declaration was based on five fundamental principles that should guide all interventions: ownership, alignment, harmonisation, managing for results and mutual accountability (Box 12).

\(^8\) in 2010 only five donor countries had reached – or exceeded – the UN target of allocating 0.7% of its combined national income to development aid;
Box 12. Major principles of the 2005 Paris Declaration (The Paris Declaration 2008)

**Ownership:** Partner countries exercise effective leadership over their development policies, strategies and co-ordinate development actions. Donors commit to respect the partner country leadership and to strengthen their capacity to exercise this leadership.

**Alignment:** Donors base their overall support – country strategies, policy dialogue and development cooperation programmes – on partner countries’ national development strategies, institutions and procedures. Partner countries commit to undertake the necessary reforms based on periodic diagnostic reviews in order to ensure effective, accountable and transparent systems, institutions and procedures.

**Harmonisation:** Donors’ actions are more harmonised, transparent and collectively effective. They commit to implement common arrangements and to simplify procedures as well as to increase complementarity through a more effective division of labour. Partner countries commit to provide clear views on donors’ comparative advantage(s) and on how to achieve donor complementarity at country or sector level.

**Managing for results:** Aid is managed and implemented in a way that focuses on desired results and uses information to improve decision making. Partner countries commit to establish result-oriented reporting and performance assessment frameworks that monitor progress in national and sector development strategies. Donors harmonise their reporting and monitoring requirements and rely, as far as possible, on partner countries’ monitoring frameworks.

**Mutual accountability:** Donors and partners are accountable for development results and commit to enhanced transparency in the use of development resources.

All donor countries and their agencies endorsed the Paris Declaration, conceived as a policy option for the multi- or bilateral relations with the receiving partner countries. The donor community is increasingly guided by the concern to respect national ownership, to align with partner countries and to better harmonise with other donors. However, which aspects of the Paris Declaration are implemented and how, largely depends on the specific context, the intervention and the donor. Principles are not sufficient, though. The question is not so much whether the principles of the Paris Declaration are correct (or even new), but rather how they can be translated...
into new strategic approaches.

Given the complexity of development processes, efforts aimed at increasing aid effectiveness cannot be limited to the predictability of the disbursement of funds or the development of appropriate financial accountability mechanisms. Development is not a mechanically linear cause-effect chain but a process of continuous change in a complex environment with uncertainties and unpredictability. It is not only country specific but also sector specific. As most donors aim to strengthen government institutions and improve public service delivery, effective development aid should enable the different stakeholders in the development process to better understand, support and orientate the changes that are taking – or not (yet) taking – place. The “how” has become more important than the “why”-question, in the sense that there is a broad consensus for the latter already.

The Paris Declaration was the occasion to criticise the traditional development project approach. It provided arguments to radically replace the project approach by Sector Wide Approaches (SWAps) and especially budget support initiatives. However Paris did not address the fundamental reasons why development aid was not effective nor efficient. The linear logic of traditional projects (many local and temporary achievements will result in development) was replaced by another linear logic (i.e. that increasing budgets and supporting overall policies through a policy dialogue at central level, will automatically result in development). Paris denied, just as other good intentions, the complexity of societal development as described in Section I. The risk is that the Paris Declaration results in another fashion-hopping without significantly affecting the fundamentals.

In this section we endorse the principles of systems thinking and complexity, and apply them to development aid and its interventions. We plead to redefine traditional concepts of development projects and programmes in this light. We reflect on how the Paris Declaration principles should be put into practice by exploring the practical implications and the development potential for interventions within a given sector. We have the ambition to demonstrate that systems thinking and complexity are not just high-brow philosophy, but that they can be translated in practical applications for a more effective development aid.
Lessons learned

From Traditional Project Aid...

In the traditional approach to development, aid is provided through self-contained projects, reflecting donor priorities rather than priorities of a partner country (WHO, s.d.). Projects are an attempt to respond to visible, preferably specific problems for which concrete solutions are sought, such as the building and equipment of schools and hospitals, the deployment of teachers and medical staff, or the organisation of farmers in cooperatives. Traditional aid is based on the assumption that the creation of multiple good practices in various sectors throughout the country will eventually lead to general development of the entire country. Surprisingly, the opposite appears to happen. The main criticisms of the traditional project approach are that it is basically donor-driven, that it leads to fragmentation and duplication of efforts, that transaction costs are (too) high, that it creates parallel systems that are not well aligned with domestic policies, that it poses unrealistic demands on developing countries’ limited economic and human resources and that it is even undermining government legitimacy (McNee 2012). Reliance on traditional project aid makes it difficult for governments to prepare coherent policies and budgets that reflect their own national priorities (Cassels et al. 1998). It does not strengthen government systems but is instead consuming precious but restricted government time and resources. The traditional approach of multiple stand-alone projects is - at least partially - the consequence of weak governance, which leads to a never-ending spiral of poor policies. The traditional approach results in weakening of already poor government systems. This vicious circle is shown in Figure 10.

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A particular type of projects within the traditional approach are the so-called ‘pilot projects’. These are meant to create good practices that can be replicated in the rest of the country. Many externally funded pilot initiatives work well, but their impact remains limited because they are operating on a small scale and create islands of excellence that do not necessarily contribute to the strengthening of the overall system. Pilot projects also appear to suffer from serious conceptual weaknesses. They show a tendency to disregard priorities and strategies set forward in prevailing national policies. Funding agencies are tempted to put their own approach into place without meaningful consultation or involvement of the national institutions. Piloting was often practiced as a pretext for not having to align with national policies and for behaving independently from higher partner authorities (Cassels et al. 1998). Due to these experiences, piloting received a bad connotation.

Both the traditional project approach and the pilot project approach are based on the erroneous assumption that governments will automatically be inspired by the good practices that have been created and will readily invest in consolidation and scaling-up of good practices and lessons learned. From experience, the opposite appears to be true. Lack of government involvement – i.e. government ownership – throughout the project cycle is only one of the reasons explaining this phenomenon. Even when governments are involved, public authorities and service providers often lack the competences and
resources to scale up promising initiatives or to integrate lessons learned and good practices into their policies. Section I gave ample attention to the complex problem of sustainability of intervention results and highlighted the shared responsibility of donors and national authorities. Assuming that sustaining results is an automatic process should be classified as unrealistic. In terms of systems thinking, one can say that self-contained projects are contradictory to the complexity of the system in which one intervenes. The implicit hypothesis that projects will simply (linearly) lead to development is naïve.

...to a Sector-Wide Approach

As a result of generalised discontent among both donors and receiving countries about the limited – and even disruptive – impact of traditional project-based development aid, development partners started looking for a new approach that would meet the need for a longer time horizon and for supporting a process which explicitly addressed policy, budgetary and institutional issues. In the mid-1990s the concept of Sector-Wide Approach (SWAp) was introduced. The terms 'sector approach', 'sector support', 'sector-wide programmes', 'sector investment programmes', 'programme based approach at the sector level', 'sector policy support programme', 'sector development programme' and 'SWAp' are frequently used interchangeably (8;9). A commonly accepted definition of SWAp is the one formulated by WHO (Cassels et al. 1998):

"An approach that involves all significant funding for the sector supporting 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" (McNee 2012; IFAD 2011).

SWAp has a dual purpose. Firstly, its aim is to ensure that policies, budgets and institutional arrangements lead to improvement in sector performance and consequently improvements in the quality of services and in the sector outcomes. Secondly, SWAp is meant to create the conditions for a different form of interaction between governments and donors (Cassels 1997). This interaction is not only about more efficient aid management, the reduction of transaction costs and the pooling of funds for the development of a specific sector. There is also a strong link with the need for engaging in a constructive dialogue about the setting of sector priorities and about the
mechanisms for technical support, capacity building, monitoring and evaluation (Cassels 1997).

A SWAp is by definition about change and change is a process that takes time. The alignment to a sector-wide approach implies a longer-term commitment of both donor and receiving countries to a direction of change, rather than the comprehensive attainment of all its elements from the start (Hutton et al. 2004). The SWAp is meant to unite governments, donors and other sector stakeholders in a unified and endogenous, national development process aimed at bringing about the necessary changes whereby sector programmes are continually refined, rolled forward and improved (EuropeAid 2007; WHO, s.d.). Donors are assumed to play a supportive, catalysing role and are not supposed to be involved in the detail of the change process itself. As illustrated in Figure 11, donor support should contribute to enhanced government leadership and government legitimacy, national sector policy and institutional development, strengthened government systems, and sound and improved performance of information systems. The ultimate purpose of a SWAp is to contribute to improved service delivery and sector results (McNee 2012).

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The adoption of the Millennium Development Goals (MDG) created an important momentum for the promotion of a SWAp in order to increase aid effectiveness and to ensure the achievement of the MDG goals and targets by 2015. In 2000 the Member States of the European Union formally adopted SWAp as a basic policy for its development cooperation (EuropeAid, 2007; op.cit.). In response to the Paris Declaration the OECD DAC recommended donors to focus on the development of partnerships at the sector level; i.e. ‘sector partnerships’, with the aim to

- Broaden partner countries’ ownership of decisions about sector policy, strategy and spending;
• Increase the coherence between sector policies, spending and results through a wider dialogue and a comprehensive view of the sector;
• Strengthen national capacity at all stages of sector planning and management;
• Reduce transaction costs (OECD 2006).

Since the introduction of SWAp, donor coordination and awareness of the potentially negative impact of donor driven aid practices have substantially increased. It has facilitated a real change in the relationships between donors and receiving partner countries. In some countries even a significant increase in public spending for social service delivery has been observed (Hill 2002). Nevertheless, reviews of the Dutch cooperation showed that the experiences with SWAps varied widely across countries and between sectors. The overall assessment of SWAps showed poor results in terms of structural changes in a sector and a rather poor policy dialogue between the national partner and the donor community. The dialogue was specifically criticised for not being based on local realities and for not involving local stakeholders (van Reesch 2007; van Reesch 2009). In reality most SWAp processes were still donor-driven, with a strong focus on the financial components of how to provide aid and how to streamline budget flows. The ability to deal with political and power issues was low and the crucial role of change and learning processes, which are inherent to any development dynamics, was easily neglected. Instead of supporting the development of an endogenous policy dialogue, donors tended to prioritise the (external) policy dialogue with the central government without investing in the building of necessary competencies and capacities of all stakeholders at all levels (McNee 2012; Vaillancourt 2009; van Reesch 2009). SWAps made the conceptual mistake of assuming that policy dialogue between national partners and the donor community is the most important motor for development. The different aspects of policy dialogue are discussed in detail in Section III.

The strong focus of this (new) aid ‘paradigm’ on improving the state-to-state partnership has resulted in a widening gap between donors and partner governments on the one hand and civil servants and civil society on the other. Donors tend to assume that supporting central government institutions and structures will automatically contribute to the strengthening of decentralised levels of governance or that support to central public authorities will automatically ‘trickle down’ and strengthen civil service organisations, civil society and the private sector. However, experience has shown that more specific incentives are needed to strengthen the
complementarity between different key stakeholders involved in the development process.

Another major criticism of SWAp is its poor focus on poverty reduction. SWAp indicators are mainly related to institutional strengthening at central level, but do not allow for identifying real changes at the outcome level. Reliable data on who exactly is benefiting from improved services - and whether marginalised populations and regions are also reached - are difficult to come by. The reason is that performance assessment frameworks primarily frame the dialogue between government and donors. Based on general aggregated data and achieved results, donors should then be able to disburse (McNee 2012; van Reesch 2009).

Similar to projects, in practice SWAps deny the dynamics of the complexity of development and development aid by reducing de facto the approach to a simple linear relation between on the one hand a single plan, a pooled budget and a sector dialogue between donor community and national government, and on the other hand the development of the country. This approach ignores the complexity of the landscape with different stakeholders at different societal organisation levels, the multiple choices and trade-offs that can and have to be made and the complex and ambiguous relation between central government stakeholders and development.

**Budget Support: The Magic Wand?**

In search for a more effective aid modality, the donor community started promoting Budget Support to support governments of partner countries. Budget support aims at filling gaps in national budgets that are needed for the implementation of national policies. The advantage of – general or sector – budget support as compared with traditional project aid is that it is less likely to lead to distortions in national policies and priorities. Budget support also ensures relatively large injections of funds, which are more rapidly disbursed and are – or should be – more predictable.

By now the limitations of budget support are known. Donor commitment often is assessed on the basis of the amount of money disbursed, rather than on how these budgets are used and what impact the money has on the development process. Some even describe budget support as a “bureaucracy’s nirvana” (Collier 2012). It is often related to macro-economic reforms and offers few opportunities for ensuring that the support leads to improvements in sector performance or to the creation of more equitable systems (Cassels

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As an example, an evaluation of the Belgian budget support initiatives pointed out the low effectiveness of this aid modality due to the strong centralisation of the decision making processes, the lack of vision on the complementarity of budget aid with other interventions of the Belgian cooperation and the poor quality of the policy dialogue with the partner government on issues such as sector policies and decentralisation processes. These weaknesses were partly attributed to the absence of synergies with other interventions supporting these aspects (ADE-HERA 2007).\(^{11}\)

Governance issues appear to be a major obstacle for budget support. Because of the fungibility of funds, fiduciary risks are high and often observed at a large scale. The policy dialogue, as in the case of SWAps, has been highly criticised for not focusing on real performance, for not addressing equity (and not being able to) and for not attaining the necessary technical quality level.

As for other aid modalities, budget support has been assuming a straightforward, linear relation between filling budgetary gaps plus a policy dialogue between governments and donor communities on the one hand, and other sector development initiatives on the other. Where classical projects often deny the importance of central government and public finance management aspects in development, SWAps and budget support initiatives tend to forget the unique position of peripheral dynamics for development and the obligation to learn continuously from local development outcomes (see Section I) when intervening in complex environments. In other words, they all seem to rather radically deny complexity.

Understanding development dynamics

If development aid did not perform up to expectations so far (is the international donor community not simply too impatient?), and if the linear assumption of most aid modalities with single bullet initiatives did not score significant success, it might be useful to return to the basic and fundamental questions of “What is development and what hampers it? How can development aid stimulate development?”. With this analysis we intend to provide answers to these questions.

A Societal Process Involving Multiple Stakeholders

Experience from the past has shown that development is not the result of a linear process where “input equals output” or where the outcome of an intervention can be confidently predicted. Development is determined by a complex interaction between multiple stakeholders with different – and sometimes even opposing – agendas. It is not a static but a dynamic process, ideally underpinned by a continuous learning cycle which enables to continuously adapt the approach to development to ever changing contexts and newly gained insights (see Section I).

Development happens within a society, whose members should not only benefit from it but should also be involved as main stakeholders in directing and supporting the process. One possible way of describing society is to view it as a complex human organisation with three main constituents: i) the government with its political structures, administration and institutions, ii) civil society, or organised citizenry and iii) the private sector (in the economic sense). They can be regarded as the three major power entities that interact with each other, resulting in some form of dynamic balance (Figure 12).
The interactions between these three constituents can be understood as resulting in “governance”, which is ideally based on a democratic decision making process (Ridell 2007). Democratic decision making should not be reduced to a matter of majority-minority, but is built on respect for a separation of powers and the protection of human rights and dignity as well as fundamental freedoms, such as the freedom of speech and the freedom of assembly, free from coercion whatever the source – state, church or society – as an expression of so-called ‘constitutional liberalism’. Constitutional liberalism is not about decision making procedures but about the process and the goals that need to be achieved through these procedures (Zakaria 2004).

12 The concept of governance is subject to different views and definitions. E.g., DFID proposes to see it as “How the institutions, rules and system of the State – the executive, legislature, judiciary and military operate at central and local level, and how the state relates to individual citizens, civil society and the private sector” (cited in R. Ridell (2007) Does Foreign Aid really work? Oxford University Press).
Figure 13 shows that in a democratic decision making process each constituent has a specific role to play. National governments have a regulating and normative mandate. They are responsible for assuring access to basic public services such as health and education, either through organising the services directly or through regulating the market of public goods. A well-functioning private sector provides wealth to society and contributes to innovation. Feedback from civil society to the government is crucial to ensure accountability and to propose necessary changes to policies.

Figure 13. Interactions between the three main constituents of society
The quality of interaction and the balance of power between these three main constituents define how any society, rich or poor, deals with its problems and tries to propose solutions. Too much of central government leads to dictatorship, too much of civil society would lead to anarchy – like in Somalia where civil factions seem to try only to ensure their personal security and wealth. Lastly, a completely un-regulated private sector would lead to an extremely individualistic society, in which there is no place for public goods and social protection. Although there is much discussion between different current world philosophies on the right proportion, hence the right equilibrium between the three constituents, there is hardly any doubt that the three must interact in a dynamic equilibrium.

In many developing countries, not only does the right equilibrium not exist (e.g. a largely illiterate civil society often lacks capacity and is weakly organised to interact adequately with the other constituents), but also the dynamics to gradually correct such situations are often absent. Before development partners intervene in a society, it is crucial they first examine how power is used and shared between these three constituents and how the interaction between them is organised. Gaining insight into these processes can help to better understand development problems and lead to identify new possibilities for change (Ramalingam et al. 2008; Haffield 2013).

A Continuous Cycle of Trickle-Down and Capitalisation

Changing environments require a continuous adjustment of policies in order to respond properly to newly arising challenges. In an ideal world national policies are ‘tested’ at the operational level where people and institutions have to put these policies into practice according to the rules and regulations that were decided upon at the government level. For the sake of simplicity, we will lump together civil society, civil servants, the population and the private sector and call them ‘the operational level’, or those who are supposed to follow a government’s policy decisions. Testing policies implies that policy shortcomings can be identified. Mechanisms for continuous feedback between the operational level and the policy level should allow governments to understand the gaps and problems that prevent them from meeting their goals and objectives and to adjust their policies where needed. The testing and adapting of policies is a continuous, cyclic process. It determines whether, how and to what extent development can be achieved. It is based on a constructive but critical dialogue between the government, civil society and the private sector. It describes the continuous learning of
society based on the practical experience of applying (real) policies (Mintzberg 2007) (see Section I).

Each step in this process requires specific capacities as illustrated in Figure 14. Governments need to develop an attitude of being an 'active listener' in the dialogue with other stakeholders and develop the capacity to formulate and adapt policies, rules and norms aimed at meeting the needs and rights of the population (see also Section III on the endogenous policy dialogue). Stakeholders at the operational level need the capacity to understand and interpret government policies, rules and norms and to put them into practice. In order to stimulate development they need to feel motivated to take up their responsibility and to develop the capacity to identify and critically analyse shortcomings as well as to formulate proposals for alternatives.

Figure 14. Tasks and responsibilities in the decision making process from a development perspective
Ideally the endogenous decision making process does not only include the stakeholders involved in policy development and policy implementation, but also those making use of the services and those entitled to use them but who are without or little access. The quality of the interaction between the different stakeholders and their role in the decision making process are determined by the way they interact within a context of checks and balances, which is country and context specific. In developing countries, the endogenous development process is often hampered by so many obstacles that one is easily tempted to focus on the isolated and independent development of one specific societal constituent, neglecting the feedback and accountability mechanisms that are essential for any development process. Government functioning may be hampered by limited technical capacity, lack of financial resources, hidden or open corruption, internal instability or poor credibility to implement its policies. Often the attitude of listening and willingness to learn from ‘the periphery’ seems to be lacking and is hampered by an authoritarian attitude.

The role of civil society in the development process may be hindered by weak organisational structures, poor consultative competences or political manipulation. In developing countries, civil society is often dominated by government (government officials organising or being owners of NGOs), which leads to an obvious conflict of interest. Lack of capacity at the community level to organise itself is an important cause. The private sector may not be interested in assuming its role and responsibility in supporting the development process because of limited technical capacity to promote innovation, the absence of a sound economic environment or the pursuit of short-term profits only. In many developing countries, the private sector has the tendency to speculate on poverty and poor institutions, rather than to invest in long-term benefits. Government and private enterprises are also frequently entangled with conflicts of interest.
Governments are expected to provide the financial resources required for the implementation of policies according to the rules and regulations that they have stipulated. But the impact of these policies will largely depend on the outcome of the processes generated by a continuous cycle of policy formulation – policy testing – policy feedback – policy adaptation, which can be described as a continuous cycle of “trickle down” and “capitalisation” as illustrated in Figure 15.

As development and change are highly dependent on the strength and quality of this cycle, development aid should therefore focus on supporting the endogenous policy dialogue, which is at the heart of any development process. Effective development aid actively invests in articulating both the trickle-down and capitalisation process. The creation of the trickle-down\textsuperscript{13}

\textsuperscript{13} ‘Trickle down’ has had several, and usually negative connotations in the development aid literature. We preferred Trickle down over top-down, because the process is much more than

Figure 15. The continuous process of trickle down and capitalisation as a societal learning loop
effect does not occur spontaneously, nor does the capitalisation process whereby experiences of the policy implementation are translated in constructive feedback. The cycle of trickle-down of resources and policies and the capitalisation of experiences need to be continuously triggered in both directions. Change and development require an active, informed and competent participation of all stakeholders involved. However, they also build on the development of an open and critical attitude that allows a constructive analysis and debate about policy results, its successes and failures. These attitude aspects play a role both at central and at the operational level and are part of the capacity of a society at large.

The focus on supporting the endogenous policy dialogue, which is fundamentally country-owned, implies a shift in the donor-recipient dialogue. The latter should essentially be inspired by the progress made in support of the endogenous policy dialogue and the role that development partners play in underpinning this process. The endogenous development process is determined by the quality of governance, independently from the technical (sector) stakes (see Section IV). This is true for any developed or developing country, but weak institutions and organisations in the latter often play a major role in preventing them to develop properly.

**Sectors as Subsystems**

The interaction between the three main constituents of society is not only country-specific, but also sector-specific. A clear-cut, universally accepted definition of a sector does not exist. The sector concept is used in different ways with different meanings. According to OECD DAC the definition of a sector should be ‘pragmatic’ (OECD 2006). For example the education sector can be described as the whole of the education system of teaching policies and provision, management of teachers, teaching infrastructure etc., but restricting the sector to the primary education sub-sector or a policy/thematic area can be equally valid, depending on the goals and the objectives of the intervention. In order to make the sector concept more operational the Danish development cooperation agency, DANIDA, proposed the following definition:

*‘A national policy area benefiting from support. It could also cover a subsector or a planning. It is actually a laborious process of planning, communication, capacity development, providing financial and other means, etc. We claim that top-down processes are as much needed as bottom-up dynamics but that there is need for a just equilibrium, which is noticeably absent in many developing countries.*
thematic area. It is often, but not necessarily, clearly delimited in terms of national institutions involved and expense items on the national budget.” (DANIDA 2009). 14

Such definitions are far from unequivocal. Systems, sub-systems, national strategies, national plans, intervention areas or thematic areas are all different but overlapping concepts. With such definitions, it is impossible for countries to define ‘their’ sectors and to negotiate a rational division of labour between donors.

Applying the concepts of complexity and systems thinking to society development, a sector can be considered as an identifiable, complex but coherent sub-system within the wider system of society, determined by a number of elements (agents) that are in continuous interaction. This implies that a sector (as any system) cannot be understood as a stand-alone entity, as it builds on the continuous and ever-changing interactions between all stakeholders in society (see Section I). Sectors are social entities the boundaries of which cannot be clearly circumscribed (cf. the notion of ‘open’ systems). Sectors are surely not equal to national programmes and even less so to specific problems or themes. Whether sectors are narrowly or broadly defined does not really matter as long as the initiatives aimed at supporting development in a specific sector also address the interactions between the respective stakeholders in a systemic way. The number and kind of stakeholders – whether public or private, national or international – and the interaction between them vary from sector to sector. For example, in the social sectors such as health or education, the government does not only act as policy maker or regulator and rule setter, but often also acts as main service provider (see Box 13). In the agricultural sector, however, the government’s role is basically regulatory, since the private sector plays a much more substantial role in agricultural production. Replacing development sectors by ‘themes’ of intervention carries the risk of denying the structures and systems and to regard every possible stakeholder as an individual entry point and intervention subject, losing the vision on the whole and the coherence between initiatives.

The systemic definition of sectors allows us to divide a society in a number of sectors and subsectors, which all together constitute society as a whole (see Section I). It allows division of labour between donor organisations. It also clarifies that sectors are not simply confined to one ministry. In the health sector, for instance, the Ministry of Health obviously

is central, but the Ministries of Finance and Public Service are important stakeholders as well. They may or may not be included in the health sector definition depending on the angle through which one wants to address health matters. A development intervention concentrating on the quality of care, might decide to consider Public Service and Ministry of Finance as the environment in which it intervenes, but when concentrating on human resources issues it probably makes sense to incorporate Public Service as an important partner in the sector.

Box 13. A systemic approach for the education sector

| Education is a priority sector for any government and therefore also for development agencies. Using a rather restrictive definition, the education sector can be defined as a system containing schools at primary, secondary and tertiary level (universities and colleges) and the (complex) relationships that exist between them. A broader definition of the education sector might include the ministry of education, traditional education, religious schools, private schools, adult literacy initiatives, teachers' schools, vocational training initiatives for vulnerable children, continuous training, etc... But interventions in the education sector can also focus on a particular sub-sector such as technical and vocational training, as long as the complex interactions within the sector are taken into account. In countries where decentralisation processes are put in place, local governments should also be included as main stakeholders in the interventions. Community involvement is another determinant for the successful implementation of education programmes. Local governments and communities can play an important role in school management (e.g. through parents committees) or in awareness raising activities among the community members to convince them about the importance of education for girls, for example. Schools should be addressed as social systems at the micro level where district education officers, school inspectors, school management, teaching and non-teaching staff, learners and their parents as well as community leaders interact on a continuous basis. The kind of support to the education sector will be determined by the priorities set forward in the education development plan and an analysis of the actual needs and opportunities. Depending on the objectives and the results of such a strategic analysis of the education sector, the entry points for supporting the education sector will be different. |
Sector governance is determined by the interactions between state and non-state stakeholders in the processes of decision making and implementation of these decisions (UNESCAP, s.d.).\(^{15}\) The quality of the interactions between the different stakeholders at the different levels and their competencies to deal with processes of change are equally important. Ownership and adequate governance conditions (e.g. transparent budget processes, the existence of watchdog agencies and inclusive citizenship) are critical for the actual sector performance and for achieving sector results (EuropeAid 2008). For donors to effectively support the development of a specific sector, it is crucial to understand how stakeholders interact in order to identify the most appropriate entry points and strategies in response to the development needs.

Sector development cannot rely on sector specific expertise only. It requires a comprehensive approach that integrates a series of crosscutting disciplines and competencies that are not sector specific but have a much wider scope. For example, effective decentralisation processes, improved public finance management, effective and transparent procurement systems, adequate human resources management, training and capacity building, infrastructural works, etc., are all strong determinants of successes and failures of sector development programmes. These crosscutting disciplines and competencies are recurring priorities in the interventions of any development cooperation. For example, the creation of an enabling material environment through initiatives such as provision of water supply or the construction of roads, hospitals and schools, might be key for rural development, but it will only contribute to development if it has been conceived as an integrated part of an overall sector development strategy and not as a stand-alone initiative.

Development partners increasingly recognise the importance of integrating capacity building strategies in their programmes with the aim to strengthen institutions as well as the capacities and competences of their staff. In practice, capacity building aspects still tend to focus on national institutions at the level of central government. They are often restricted to supporting national policy, planning and financial systems (the 'trickle down' process), and thus fail to invest in the (difficult) 'capitalisation' process. The

\(^{15}\) UNESCAP (s.d.) What is Good Governance. At: http://www.unescap.org/pkd/prs/ProjectActivities/Ongoing/gg/governance.asp. Accessed 22 February 2012.
latter is neglected because it is about favouring the development and consolidation of a critical mass within society, which is still a politically and socially sensitive issue. Therefore, capacity building on technical issues should be complemented with building capacities that enable stakeholders to capitalise on experiences and use scientific literature/sources. This should enable decision makers to develop a listening and learning attitude, indispensable for completing the learning process of capitalisation.
Rethinking development aid

If development is about a continuous learning-and-adjustment cycle between a government and its population, development aid should be concentrating on stimulating this cyclic process. This allows to deduce a number of development intervention principles.

The Critical Alignment Principle

National ownership and donor alignment are two key principles put forward by the Paris Declaration in view of increasing aid effectiveness. However, how does one deal with these principles when national policies, systems, institutions and procedures fail to meet internationally accepted quality standards?

The Paris Declaration started from the ideal setting where development partnerships are based on a common understanding of the kind of development that is pursued and how to achieve it. In practice, the vision and strategy on development differ among stakeholders, including donor agencies, and depend on their respective social, political or economic interests. Whereas donors tend to promote ‘pro-poor development’, national governments in partner countries might be “only reasonably well-aligned with the interests of citizens” (Collier 2012; Mintzberg 2007), because defending the poor may go against other vested interests. Many development agencies tend to approach leaders in developing countries as if they “want to do the right thing, if only they knew how...” but “bad institutions exist because it is in the interests of powerful political forces within the poor country itself to keep things this way.” (Acemoglu et al. 2012). They concentrate on policy dialogue with central government stakeholders who have little affinity with the operational level that implement policies, and even less with the populations that should benefit from them.

‘Passive’ alignment, for the sake of the principle only, is contradictory to a development process. Perfect policies do not exist. They all need to be continuously adjusted in response to the changing environment. These adjustments should be the result of a continuous learning process aimed at strengthening local ownership of the sector development process. Donor agencies can only stimulate this continuous change in a context of ‘critical alignment’ with national sector policies, institutions and procedures of the
Development aid inevitably alters existing power relations as well as the direction that the reforms will take, particularly in a context where partner countries have remained highly dependent on external aid for providing basic social services and achieving their development goals (Manor 2005). Critical alignment requires continuous scrutiny and appropriate monitoring based on a thorough understanding of the development dynamics in a given country or sector and the identification of possible entry points for meaningful and sustainable interventions.

In summary, critical alignment with national policies should be a major principle for all development agencies, whereby donors align with national policies – as a starting point for all interventions conform the Paris Declaration – but also invest in the identification of shortcomings and in the development of proposals for adjustments through facilitating the endogenous policy dialogue between the national stakeholders at all levels of the decision making process (see Figure 15). It is the strengthening of the structural relations between the government and the operational level that actually allows for gradual evolutions within an existing policy and for sustainable structural change in society.

The Double Anchorage Principle

The anchorage of a development intervention is the main location or organisational level from where the intervention operates. It is the privileged institutional locus of dialogue for formulation and implementation of the intervention. The identification of the optimal anchorage, from a systems logic, starts from a broad stakeholders or network analysis and results in a proposal of the most strategic partner – or sub-system – in order to reinforce the system under consideration (Ramalingam 2013). Selecting the anchorage of a development intervention can be defined as the strategic positioning of the intervention in a complex system with a multitude of stakeholders with different agendas and power structures. It is assumed that from this selected position, a systemic approach can reinforce the relations or stimulate the interactions between the various stakeholders in what will turn out to be the ‘negotiated’ direction. Such choice sometimes seems obvious or nearly automatic: in bilateral cooperation the lead ministry in the sector seems by definition the obvious partner (though never the only one), although even at that level the choice of where exactly in the Ministry an intervention should be anchored can be a vivid debate. It obviously also has to do with ‘perceived
opportunity'. In a complex reality the choices might be less obvious. Strategic anchor points might be ‘the most powerful’ partner or stakeholder but also exactly the one that has no voice.

Much of development aid aims at strengthening governments and public service delivery in a continuous effort to refine national policies within an overall SWAp framework. The extent to which development aid will have an impact on strengthening the voice of civil servants and civil society, and on the development of the private sector, will depend on how the aid can/will contribute to the strengthening of the continuous and crucial interactions between all these stakeholders at central as well as at decentralised level. These interactions should be sought right from the conception phase of any intervention through regular consultations with State as well as non-State stakeholders, and other donor agencies that play a key role in the development of the sector in question. A first prerequisite for strengthening the complementarity between the three constituents is to foster a culture of open debate, mutual trust and constructive feedback.

Figure 16. Decision makers and implementers of policies in a complex learning situation (based on Eppel et al. 2011)

Figure 16 illustrates the endogenous complex process of policy formulation and implementation, that applies in any society (Eppel et al. 2011). The learning cycle and capitalisation process are universally applicable. The obvious analogy with action research was already noted in Section I.

Development aid ideally enables this process of joint learning between
stakeholders of various origins. It involves both the central policy making level and the multi-stakeholder implementation level in one learning cycle. To enable stakeholders to improve their understanding of the barriers and challenges in a given sector, development agencies are supposed to promote the endogenous policy dialogue and the societal learning process. Problems and challenges in the implementation of nationally agreed policies manifest themselves in different ways and at different levels. Decision makers at one level have only a limited understanding of the dynamics of the situation they seek to optimise. For one ministry or institution to have full control of achieving a certain development objective will require the collaboration of a variety of stakeholders who work together in shaping the knowledge about the problem. Often the knowledge potential at more peripheral decision making units or in organisations that are not formally connected to hierarchical governance structures is not or insufficiently exploited. Sometimes local actors can address complex problems more efficiently as they often have a more thorough understanding of the local dynamics. Delegating rights and responsibilities to the local levels is also more likely to strengthen their ownership of the solutions that are proposed and that need to be worked out. Collaboration and collective action, built on existing but untapped potentials of social capital and mutual trust, are key to achieving sustainable changes (Jones 2011).

The double anchorage principle according to which development partners collaborate both at the (national) policy level and the (intermediary and local) operational level (Figure 17) is a logical consequence of addressing development as a dynamic process of change, the results of which cannot be accurately predicted but are determined by cycles of continuous learning shared by a variety of stakeholders operating at different levels. It provides a framework for nationally owned sector policies to be tested through more focused interventions at the operational level. These ‘projects’ do not stand alone but are designed with the purpose to generate a critical mass of lessons learned and good practices that are needed for adapting existing policies, with the aim to increase their effectiveness and to develop an appropriate response to complex and ever changing realities. Anchoring interventions at both the central policy level and at the operational level not only creates complementarity but is also key for assuring and maintaining the continuous cycle of trickle-down and capitalisation in view of strengthening the endogenous policy dialogue. Both loci of intervention have to invest actively in facilitating the two-way communication between central and operational
levels. The double anchorage principle claims that the complementarity in interventions at central and operational level lies in the facilitation of these communication lines. It implies the creation of various types of discussion fora, but also of action research-type initiatives that have the potential of capitalising on local experience and translating it in constructive proposals for innovation to the central level. This is illustrated in Figure 18.

The double anchorage principle is an inclusive strategy, involving a maximum of stakeholders and uniting different agendas in a single and shared dialogue between stakeholders at policy and operational level.

Figure 17. Supporting the cyclic development process and the complementarity of interventions and stakeholders
The "double anchorage" principle is aimed at ensuring a continuous feeding of a constructive dialogue between different stakeholders at both the normative, regulating level and the operational level (Lehmann et al. 2015). At the normative and the regulating level (i.e. at the level of the central ministry) the interventions are basically aimed at reviewing national policies and standards and strengthening the capacity of national institutions. This level today is supported, in the framework of development aid, through institutional capacity building and sector budget support initiatives, and their policy dialogue between donor community and the national decision makers. At the operational level development interventions are aimed at strengthening the capacity of local institutions, supporting the
implementation of national policies and standards, supporting local decision making processes and capitalising on field experience in view of supporting endogenous policy dialogue. Likewise the development interventions actively invest in the identification of possible synergies between different interventions and stakeholders at both levels and in facilitating the interactions between them (see Figure 18).

The double anchorage principle does not necessarily require each development agency to intervene at each level or to support each and every stakeholder. Also the creation of synergies through effective coordination with other interventions and development partners, the identification of possible complementarities and common development concerns and goals are compatible with the principle.

Support to various stakeholders at different levels in a particular sector requires the use of different aid modalities. At the policy level, development aid is mainly channelled through budget support initiatives (e.g. general budget support, sector budget support and basket funding) as well as through specific interventions enhancing institutional capacity. At the operational level, support to the implementation of the national policies and standards can be provided through projects and programmes. An example is given in Box 14.
### Box 14. Application of the double anchorage principle for the rationalisation of clinical services in the Democratic Republic of the Congo

In the Democratic Republic of the Congo (DRC) a Belgian cooperation programme supported the operational level to rationalise clinical services in a hospital. The intervention was based on the hypothesis that the healthcare providers would never accept any rationalisation as long as the services were commercialised and every act in the treatment cycle needed to be paid for separately by the patient. The proposal was to introduce a system of “payment by disease episode” for different categories of diseases, including all costs for medical acts, drugs and laboratory tests, before attempting to improve quality of care. After three years of negotiation and monitoring of the initiative, sufficient statistical evidence had been generated to demonstrate that a rationalisation of clinical services benefited the hospital, the care providers and the patients, but that this was impossible without first ‘de-commercialising’ care. The hospitals observed a significant increase in the hospitalisation of severely ill patients, the official wages of the care providers increased and non-official “compensations” for their losses were no longer possible because the patients were duly informed about the treatment cost. Simultaneously with this intervention at the local level, the Belgian bilateral cooperation also supported the Department of Research and Health Policy Planning at the central Ministry of Health.

The anchorage of the health support programme with interventions at both the operational and the central level facilitated the communication of the local experience towards the central level. Among other initiatives, a national workshop was held involving stakeholders of all levels and development partners in health to discuss the above experience. Several NGOs provided testimonies of similar experiences. A plea to continue the reflection resulted in an international workshop on the same topic in Lubumbashi. Although the discussions did not result in the adjustment of national policies on fee-paying in health (yet), the example does illustrate how local experiences can be fed back to the central level. It also illustrates that capitalisation processes are complex and resource-intensive, and that, in practice, change can only happen through a nationally owned (endogenous) dialogue in which the donor community can only act as a facilitator.
Rethinking development projects and programmes

Projects: From Local Service Delivery to Overall Impact

REDEFINING DEVELOPMENT PROJECTS

To be coherent with the principles of critical alignment and double anchorage, and with the specificities of complex systems in mind (Section I), development projects should no longer be regarded as well-circumscribed, punctual and strictly local interventions, limited in time and scope and implemented with a strict planning to solve a specific problem, or merely aiming at improving local situations. Instead, they should be re-defined as:

interventions that accompany a nationally-owned development process, addressing important problem(s) in a sector and with the principal objective to strengthen the sector as a whole.

Such a definition implies the following:

- Project approaches should be based on an overall sector analysis and a thorough understanding of the complexity within a sector. They are meant to address important challenges within a sector and explicitly aim at strengthening the overall sector and its development potential. They support processes instead of proposing clear-cut solutions for specific well-defined problems.

- Just like budget support initiatives, development projects enter the development process without the a priori assumption of a beginning and an end.

- Local achievements are subordinate to the general objectives of strengthening the sector capacity and performance.

- Most importantly, the logic behind the solution of specific problems is crucial. Solutions that are ‘effective’ but damage or weaken the system are to be avoided. A typical example is the construction of an emergency shelter, by a donor, next to a district hospital as a response to an acute famine in the region and using its own staff to deliver the services. The intervention will be evaluated positively when only looking at the number of malnourished children treated successfully. However, this action will discredit the nearby hospital staff and the Ministry of Health. No local capacity is built to respond to similar situations in the future and the system as a whole...
(the Ministry of Health) is not urged to adjust its policy and strategic approach to address the famine problem differently. The system as a whole will come out weakened in the eyes of the population.

**CRITICAL ALIGNMENT WITH NATIONAL POLICIES**

Development projects contribute to the national development process by combining the following three aspects:

1) *Improved local service delivery* based on a critical alignment with national policies (i.e. accumulating the necessary operational experience). Improving local situations is important but insufficient for contributing to real development. An exclusive focus on locally improved service delivery does not lead to active and meaningful participation in the endogenous policy dialogue aimed at improving overall sector development. Local experience needs to be combined with local capacity building (see point 2) and capitalisation of lessons learned (see point 3) in situations of both success and failure.

2) Reinforced *capacity building of local stakeholders* aimed at active engagement in the technical policy dialogue. The local level needs to contribute to national policy improvement at the central level through a regular feedback on local experiences.

3) Support of the locally-owned policy dialogue through a *capitalisation process*, requiring proper documentation and capitalisation of local experiences in policy implementation (i.e. accompanying local stakeholders through critical alignment and sustained monitoring – possibly formal Action Research initiatives). This implies a scientific approach with systematic monitoring and interpretation of various indicators. Creativity and flexibility are needed in the interventions to search for the optimal way of achieving results. The capitalisation of project experiences in support of the endogenous policy dialogue is actively pursued through different ways such as the organisation of workshops and technical meetings for national and local stakeholders, joint reviews of working papers and study reports, publications of papers in scientific and other specialised journals and magazines, etc. (Figure 19 B).
From a development perspective these three aspects are fully complementary and combining them enables development projects to support local change processes, to make meaningful and evidence-supported contributions to national policy development, and to significant and sustainable change in society. This is illustrated in Figure 19 A.

Figure 19. A: From local experiences and capacity building to a strengthened endogenous policy dialogue. B: Project opportunities for strengthening the endogenous policy dialogue

Through critical alignment and learning processes, all development projects are in a way piloting experiences. These are different though from the so-called classical pilot projects discussed earlier. They are clearly not independent from the overall system, are not defined independently from national authorities at whatever level, and start from existing policies. The national stakeholders should take the lead in policy dialogue, not the donors. The national level is in principle the initiator of the piloting initiative and an active stakeholder in the pilot from the very start of conception of the intervention.

This type of projects is far less predictable in its outcomes than the traditional projects. Additionally, such projects accompany in a critical way the implementation of national policies and facilitate the necessary capitalisation processes. They can be defined as complex and multi-
dimensional, with broad national development objectives. Therefore they cannot be implemented according to a strict and detailed planning or logical framework using easy-to-measure and predictable indicators. This kind of “planning in uncertainty”, of which the final outcome cannot be accurately predicted, requires flexibility and additional tools. To handle such degree of complexity, hence of unpredictability, programme management tools rather than traditional project management tools (Managing successful programmes 2011) are required.

EMPOWERMENT THROUGH CAPITALISATION

By facilitating critical alignment and change processes at the local level, and by supporting an endogenous policy dialogue, projects can offer more voice to technical staff (implementing civil servants), civil society, local administration or the population at large who are otherwise relatively powerless stakeholders. This empowerment process includes capacity building in policy development, policy analysis and policy dialogue, as well as in the systematising of project and process experiences. The development of a genuine capitalisation process – as one of the project components – requires:

- Clarity about the stakeholders who should be involved;
- An Action Research approach whereby working hypotheses are formulated, tested and adapted;
- A dynamic change approach using a bottom-up strategy;
- The development of appropriate tools and mechanisms of communication and discussion: Technical working groups, seminars, publications, documentation and dissemination of experience, etc.

In order to underpin the continuous process of learning and capitalisation, a set of learning tools have been developed that can be applied at different levels of policy development and implementation in complex environments, such as Action Research, Reflective Action, Realistic Evaluation and Outcome Mapping (see Section I). Capitalisation is a difficult exercise altogether. There is need for strong capacity in interpreting indicators, organising information and analysis. Therefore, such interventions often draw on research institutions to help them with these aspects. In Action Research terms, these actors are called ‘external researchers’ (Grodos et al. 2000). Those who are facilitating and supporting the development process should have the competences needed to decide which tools – or set of tools – should be used at which stage of the
development process. This decision should be based on a good understanding of the prevailing development dynamics of the sector in which they are intervening.

PILOTING REVISITED

Pilot projects, as mentioned earlier, acquired a bad reputation because they were perceived as non-aligned and a pretext for experimenting for the sake of the project. They were often regarded as just producing annoying external criticism.

However, when development dynamics are described as a learning cycle starting from a national policy, actually all development projects are by definition piloting experiences. "Piloting" then means to critically implement national policies in order to learn and to provide a constructive feedback to national or sub-national decision-makers.

The more innovative, read uncertain, a new policy is and the more expensive a proposed reform is, the more reason that piloting is the only option for any authority to introduce change in society. Especially in the early stages of a new policy or innovative initiative, the costs of introduction are high and the risk of failure or non-adapted solutions is important. Piloting at a reasonable scale will reduce the financial risk. It allows to introduce change and to adapt the policy to field realities, before expanding a policy to the whole territory.

This piloting can therefore be defined as trying out the introduction of innovation in a closely monitored environment in order to test the policy or reform at a reduced scale before scaling up. Critical feedback loops are needed to adjust the policy with rational arguments. Indicators and result analysis are crucial. Such piloting will contribute to reveal a realistic outcome of the new initiative, on the condition that the influence of the special pilot context (high level of intense attention, close monitoring, etc.) on the mechanisms leading to the observed results is well understood. It then allows to estimate more precisely the needed investments and recurrent costs and enables to identify the necessary context conditions for successful implementation (or otherwise) of the reform. These learning opportunities will additionally enable important adjustments of the new policy before nation-wide implementation (see Action Research in Section I).

Development agencies can carry the financial risk of piloting new initiatives, where this might be unacceptable for the national authorities.

Piloting is not the only learning moment in development. Even during...
the roll-out phase of a policy, the above learning cycle and critical alignment need to be applied. Learning is continuous at any moment of development. Piloting is the intense learning at the start of high-risk and/or high-cost innovation (both often go together).

Programmes: From Isolated Projects to an Integrated and Coherent Sector Development Approach

OECD recognises that development aid is provided through a mix of modalities (OECD 2006). In the light of the above discussion, development programmes can be re-defined in a more comprehensive way as follows: Development programmes are conceived as “regrouping” several development interventions (projects – (sector) budget support – pooled funds – basket funds) to constitute a coherent whole, with explicit synergies and one common objective to reinforce a sector or national programme.

Due to the sectors’ complexity, desired change can only be achieved by approaching the system/sector from multiple angles. Therefore, sector development requires the combination of several similar interventions (e.g. several projects combined) or a combination of different aid modalities that are complementary, mutually supportive and coherent. The search for coherence is crucial and forces the different interventions within the programme to coordinate and work together. They are no longer conceived as stand-alone initiatives but as an integrated part of a well-defined strategy designed to accompany the nationally-owned development processes. The identification of the type of interventions and of the modalities to be used is based on a common vision for the overall sector strengthening within the framework of a coherent approach.

From a sector strengthening perspective, no aid modality is superior to another. Sector budget support, basket funding, sector and sub-sector programme support, sector projects, organisational and institutional capacity building, scholarships and micro-interventions for the reinforcement of civil society can be equally important if they become complementary and all tend towards a multi-stakeholder policy dialogue. All interventions within a sector programme are built around their specific strategic entry point into the system. Whereas budget support and institutional capacity building are most likely the appropriate aid modalities for intervening at the central government level, projects as described above are best suited for interventions at the operational or local level.
A coherent sector development approach paves the way for bringing a variety of stakeholders in relationship with one another. It also has a strong potential to increase the overall impact of the programme on a given sector through the creation of - often unexpected - opportunities for generating added value as a result of synergies that can be created between the different interventions. These synergies do not appear spontaneously but are the result of the active – and proactive – use of tools and mechanisms that have been put in place in order to facilitate their identification and their exploitation in the best possible way (Box 15).

Box 15. Evolution from stand-alone projects towards an integrated programme

At the beginning of the millennium, shortly after the end of the civil war, the Belgian support to the health sector of Burundi was channelled through three projects that were administratively, geographically and conceptually completely independent from one another. One project was meant to support a particular directorate at the Ministry of Health at central level; another project was designed to rehabilitate the public paramedical schools; and the third project was meant to support the implementation of the national health policy in one of the provinces.

To create synergies and to broaden the specific problem approach to a more structural systemic approach, the objective of the project for the paramedical schools was broadened to “supporting the human resources policy at the ministry’s level with special emphasis on the rehabilitation of paramedical schools”. Out of a genuine concern to create an added value for the three independent projects, a national (government) and an international coordinator were assigned. During a joint workshop opportunities for creating synergies and possibilities for joint action were identified. At that moment, the budgets were still completely separate. Moreover each project had its own starting and ending date and the planning of each project was undertaken largely independently from the others’.

In the second phase, the support to the health sector was re-conceptualised as a single programme. The different strategic entry points in the system were maintained. Attention was paid to the identification of possible synergies. Channels for exchanges and joint planning were identified. The recruited international experts had complementary fields of expertise. This approach made it possible to combine a diversity of disciplines needed for sector development, including a senior international administrative and financial
manager and an engineer for facilitating the necessary construction/rehabilitation of the health facilities. This variety of expertise would not have been possible if each programme component had been conceived in a separate way. The available expertise and budgets were interchangeable when needed, although the different components remained relatively autonomous in terms of planning and financial implementation (flexibility). They adhered to national policy priorities but also invested in stimulating local initiative, motivating local stakeholders to take up their responsibility and to increase the local ownership of the intervention. An important part of the programme concentrated on the operational level, applying the double anchorage principle and creating the channels for an endogenous policy dialogue.

As a result, new synergies were created and it became relatively easy to integrate new initiatives that arose as a response to newly identified needs (such as, for example, support for the Department of Planning and for the National Health Information System) in the health programme. Evaluations were organised for the whole programme and not for each component separately. The whole team was responsible as a team for the successes or failures of the intervention, instead of each component being responsible for its own results only, which would have made teamwork impossible.

The identification and proper use of possible synergies and complementarities between different programme components require continued and critical reflection, the ability to adapt to changing circumstances (i.e. ‘adaptive capacity’), proactive attitudes, networking competences, consultation skills and the establishment of transparent decision making procedures (Jones 2011). In the constitution of a sector programme it is critical to keep a proper balance between the “centripetal” forces of integration (one single huge intervention with central, hierarchical coordination) and the “centrifugal” forces (intervention units keep a relative independence in order to safeguard their responsiveness). Too much integration kills responsiveness. The programme approach emphasises the whole, through respecting the parts. In practical terms this means that coordination, joint planning, expertise sharing and active search for synergies do not exempt the respective components from their responsibility to remain responsive and responsible for realising their specific objectives and activities (De Wit et al. 2010).

A sector development programme composed of different interventions
requires a variety of technical expertise that can only be provided by a multidisciplinary team and a balanced combination of short term and long term, national and international, technical experts. The diversity and complementarity of expertise available within the team allow for a better understanding of complex sector dynamics and facilitate the identification of entry points for developing a constructive policy dialogue, provided that the overall sector programme actively invests in effective, reflective and dynamic coordination and consultation mechanisms.

The role of the technical expert is basically aimed at facilitating and supporting the process of change and development. Long-term (international) technical experts are no longer simply implementers of a five-year logical framework plan, but become facilitators who accompany the national development process (see Section III).

Long-term experts are expected to support the development of individual skills and competences of local stakeholders in action research, in translating experiences into policies and in engaging in a policy dialogue with the central government. These particular skills are often lacking at local level. At central level the technical experts are basically involved in national institution strengthening and budget support. At both levels they play a key role in supporting and facilitating the endogenous policy dialogue.

The employment of long-term 'international' technical experts is essential in facilitating the endogenous policy dialogue. As international experts they are not 'part' of the system but temporarily 'working within' the system. They can cast a new eye on the actual functioning of these systems. Their (relative) autonomy with regard to the national system of the partner country makes it easier for them, at least potentially, to support a critical dialogue with the national government and other development partners and to facilitate the continuity of the trickle-down and capitalisation cycle at both the central and the operational level. Long-term involvement enables international technical experts to act as “expert facilitators” of change processes rather than as “expert service providers”. They need an overall understanding of the complexity of a given sector, enabling them to stimulate critical reflection, to launch innovative ideas and to identify new leverages for bringing about necessary changes. Compared to their national counterparts, they are in a much more comfortable position to support alternatives, particularly in situations where resistance to change is important as proposed alternatives might threaten longstanding practices and privileges. This will be further elaborated in Section III.
What about Paris now?

**OWNERSHIP**

The proposed approach for sector development aims to ensure full ownership by both central and local stakeholders of the overall sector development process. The identification of the main challenges in the development process, the decision on the approach to be developed and on the kind of interventions needed, are the result of a joint and participatory process to which both donors and national stakeholders contribute as equal partners. Throughout the implementation of a development programme the focus is on supporting the endogenous policy dialogue and strengthening the active participation of all stakeholders in a transparent and inclusive decision making process.

The role of development projects in this process is key for strengthening the role of local stakeholders in the overall decision making process and for making national policies more responsive to actual needs at the local level in an ever changing environment. The decision about the challenges that projects should address and how, is taken jointly in close consultation with the local partners. These are best placed to identify local priorities and to ensure realistic planning and budgeting with the available means. Participatory decision making is crucial for strengthening local partnership and project ownership. Such projects can build partnerships at the local level and make a significant contribution to local capacity building through negotiation, consensus building and policy dialogue.

**ALIGNMENT WITH NATIONAL SYSTEMS**

**Planning Systems**

If development projects aim at contributing to the overall strengthening of a sector, they should also use the existing national planning systems. In most countries decentralised governments have a certain degree of autonomy to decide how best to implement national policies at the local level. Strengthening a sector, however, does not only imply the strengthening of the respective government levels, but also the interaction between the different levels through supervision, appropriate use of planning and control mechanisms, development of innovative approaches, enhanced subsidiarity, improved coordination and communication (see Figure 20).

Figure 20. How interventions should respect a nationally-owned planning process

Project alignment with national and operational planning systems implies that projects engage in a critical dialogue throughout the planning process and negotiate the priorities that a project can - and is willing to - finance or co-finance. Cooperation with the national system for programme design avoids the creation of parallel project planning systems. Embedding the project in the local planning and information system will also ensure that all data generated by the project will automatically be integrated into the national monitoring and evaluation system and thus contribute to the reliability of the national indicators. Rather as an exception, nationally defined indicators can be complemented by project specific indicators for monitoring the project performance in the improvement of local change processes and the resulting achievements. The identification of complementary project specific indicators is particularly important when testing national policies and innovative approaches through Reflective Action and Action Research initiatives.
Financial and Procurement Systems

Alignment with the national financial and procurement systems is another recommendation evolving from the Paris Declaration. This obligation is based on the assumption that using country systems increases aid effectiveness in contrast with parallel systems that some donors still tend to create. Using existing systems for budget support initiatives makes it possible for the development partners to identify weaknesses and bottlenecks that can be remedied provided that the intervention succeeds in creating an added value as a result of a policy dialogue on public finance management with the national authorities.

Projects are expected to make use of local financial and procurement mechanisms as far as they do not affect project effectiveness too much or hinder it in achieving its development objectives. For example, the impact of capacity building initiatives for local staff may be nil and wasted if local procurement systems for the purchase of the necessary equipment create unnecessary and unjustifiably long delays. Projects or programmes are not the best opportunities to change procurement systems as the related problems are not of a technical but rather a governance origin. Institutional strengthening of, for example, Ministries of Finance and Planning, reinforcing public finance mechanisms and the fight against corruption are maybe more effectively addressed through budget support initiatives, illustrating the complementary function of such interventions with project or programme initiatives.

Effective project management in the context of the described approach requires a certain degree of flexibility in order to take the most appropriate decision after having weighed the importance of efficiency and effectiveness against the importance of following deficient national procedures. Typically, Action Research type of interventions require particular and flexible budgets in order to respond to emerging opportunities or to react appropriately when intermediary conclusions warrant new or as yet unplanned initiatives.

DONOR HARMONISATION WITHIN THE SAME SECTOR

The identification of the most appropriate entry points for interventions should not only be based on a thorough understanding of the sector dynamics but also on a good insight in the respective roles of other donors and their interventions in the same sector. Donors may work together through the establishment of a “common fund” with the aim to contribute to building coherent sector programmes. Such a fund can only be effective if
the partner country and all donors agree on the final programme content, strategy and goals. Donors of the common fund could delegate the responsibility for the negotiation with the partner to one lead donor.

In a context where donors as well as the partner country engage in a common strategy for sector development, harmonisation is feasible. In practice, however, the establishment of effective coordinating mechanisms and the identification of synergies between the respective donor interventions remains a serious challenge, both at national and at operational level, as donors’ mandates do not always coincide with the priorities and the strategies that are put forward by the partner country. Donor harmonisation is also complicated by the cross-sector requirements that are inherent to many sector development programmes. According to the European Code of Conduct on the Division of Labour, development partners are expected to concentrate on a selected number of sectors to create more coherence in their interventions. In these interventions, though, it often appears that it is also necessary to create partnerships with stakeholders that are actually situated in other sectors but whose involvement is necessary for improving the coherence of the sector approach. Coordinated and joint planning with the different national and international stakeholders at all levels of the programme and its interventions remains paramount.

MANAGING FOR RESULTS AND SUSTAINABILITY

The impact of interventions at central level, such as budget support and strengthening of national institutions, can only be measured indirectly if they are not linked with interventions at the local, operational level. Because of its double focus on both the improvement of service delivery and the improvement of national policies, the project approach within the context of a broader and coherent programme approach is the perfect link between the national and operational level and for measuring the impact of decisions taken at central level. Projects that are an integrated part of a broader sector development programme can also improve the chances for sustainable results because of:

• Increased ownership of the projects at the local level, as the projects are completely integrated in the local management and planning systems and the dialogue between the different stakeholders;

• The capitalisation process of projects fully aligned with national policies, which also increases their “visibility” to all stakeholders
• The contribution of such projects to the strengthening of institutions that are responsible for maintaining results and eventually scaling-up of good practices and approaches.

**MUTUAL ACCOUNTABILITY**

Mutual accountability, whereby development partners commit to enhanced transparency in the use of development resources and to the pursuit of jointly agreed development goals, is one of the foundations on which genuine development partnerships can be built. Critical, strong and well-structured partnerships are essential for long-term aid effectiveness. For a partnership to be meaningful, the dialogue between both partners should not be restricted to administrative and financial implementation modalities. Partners need to be able to engage in a mutually critical but constructive dialogue on the achievements and challenges in supporting a sustainable development process and thus contribute to the endogenous policy dialogue. True partnership dialogue starts with the technical and policy dialogue at the operational level. This partner dialogue at the operational level is supported and facilitated through project interventions providing evidence-based data that are needed for policy improvement and adaptation. In the absence of a strong dialogue at the operational level, the partner dialogue at the central level runs the risk of becoming sterile and theoretical. Long-term international experts engaged in development projects or programmes have a crucial role to play in shaping the partnership relation between donor and recipient countries. They are directly accountable to the donor (community), but indirectly as well to the local and the national stakeholders whom they support and with whom they work in close collaboration with the aim to reach common objectives (see Section III). Such local accountability, in order to be real and effective, requires serious thinking about appropriate mechanisms and procedures.
Conclusion

Sector development is a complex and dynamic process of continuous change, the outcome of which is determined by the interactions between a variety of stakeholders who intervene at different levels, in different areas and at different phases. Not seldom, these stakeholders also have different – if not conflicting – development agendas. The quality of this process is highly dependent on the coherence between the different interventions as well as on the stakeholders’ competence to engage in a critical but constructive dialogue aimed at improving policies and making them more responsive to existing needs. Strengthening stakeholders’ interaction as well as improving their competences to actively participate in this process, is one of the main challenges in increasing the effectiveness as well as the impact of development aid.

Sound aid development is driven by the principles of critical alignment with national policies and of double anchorage whereby the complementarity of interventions at both the national and the operational level is actively triggered by a continuum of trickle-down and capitalisation processes. This continuum is aimed at facilitating endogenous policy dialogue whereby national policies are continuously developed, tested and adapted. Development aid is meant to support this process (instead of steering it) as it is fully owned by the national central and local stakeholders.

The international donor community can play a key role in supporting this process through investing in a better understanding of the development dynamics and the development of coherent sector programmes whereby the choice of interventions is determined by their complementarity and their potential for creating synergies at both the national and the operational sector level. For the interventions at the operational level, projects remain the preferred modality provided that they are an integrated part of a broader sector development programme and thus coherent with national sector development policies and priorities. Projects successes are not merely determined by improvements in local service delivery or capacity building of local stakeholders. Their main goal is to create opportunities for generating experience learning and capitalisation processes that are relevant for overall sector development.

Well-conceived projects have the potential to feed the policy dialogue with concrete experiences of implementing policies. They also create
opportunities for developing and testing innovative and challenging approaches, the results of which can also be fed back into policy dialogue. Such projects have a considerable added value as (and if) they are fully complementary with the other interventions of the programme (such as budget support and institutional strengthening initiatives) but, above all, as they contribute to increased local ownership (through involving public and non-public stakeholders) and to increased participation of local stakeholders in the national system, by strengthening the bottom-up dialogue between the local level and the central national policy making level and through local capacity building initiatives in all aspects related to the development dynamic.
References


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