

Sector wide approach in the water sector

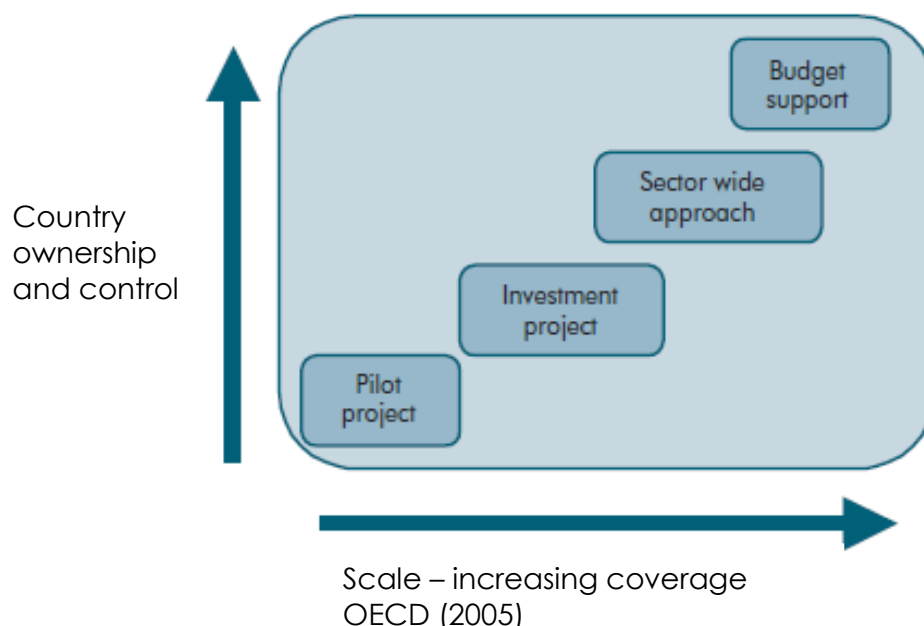


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Sector Wide Approach in the Water Services Sector

Policies for development are changing and now include key concepts such as national ownership, poverty reduction strategy papers (PRSP), good governance, programmatic and sector wide approaches (SWAp), accountability and transparency through medium term expenditure frameworks (MTEF) and sector policies and programmes. Towards achieving these concepts, development partners are increasingly providing assistance at sector and national level to support economic development and alleviate poverty.



Purpose of this briefing note

This briefing note focuses on the sector wide approach, commonly called a SWAp. It highlights the problems a SWAp aims to address, the benefits of a SWAp, key components of the approach and the main factors for success.

What is a Sector Wide Approach (SWAp)?

The sector wide approach is an *approach* which supports a country-led program to build the sector in a coordinated manner. It is a way of working where funding for the sector, both government and donor funding, is pooled to support a single sector policy and a sector expenditure programme.

A **sector wide approach** (or SWAp) is a **process** aimed at broadening government and national ownership over public sector policy and resource allocation decisions within the sector, increasing the coherence between policy, spending and results, and reducing transaction costs. It provides a means whereby government, development partners and other key sector stakeholders can work together towards common objectives.

SWAps have evolved since their introduction in the 1990s. The features of a SWAp will vary depending upon the sector, the country context, institutional capacity and the stakeholders involved.

What problems does the sector wide approach attempt to address?

The sector wide approach comes from the realisation that project-based aid is unsustainable, and often does not result in the intended development impacts.

The SWAp attempts to address these problems associated with the project based approach, including fragmentation, duplication, and lack

of coordination. Within the project based approach different donors support different projects in the sector, depending upon the donors' priorities. This results in donor led development with multiple parallel initiatives, rather than government led development, based on government policies and priorities. Many uncoordinated projects tend to result in islands of success rather than overall development impact.

It is almost impossible for a government and its sector stakeholders to develop an overall national sector programme when funding support is happening on a project by project basis.

In addition, whilst funding may be available for capital projects to build infrastructure, there is often little or no funding for the ongoing service provision costs, rendering projects unsustainable. A further problem with the implementation of numerous projects with different funding partners is the loss of an integrated approach to development.



Projects result in high transaction costs with a range of reporting and financial accountability systems to comply with different donor requirements.

What does a SWAp aim to achieve?

The sector wide approach aims to achieve:

- Government ownership and leadership of development
- A shared vision and priorities for the sector with a single sector policy and programme based on that policy
- All funding is linked to the sector programme and is part of the sector budget (even if it does not directly fund the budget)
- A common approach is adopted across the sector.

Difference between approaches and modalities

There is a difference between (aid) delivery approaches and aid delivery modalities. An approach such as the SWAp, and Programme-based Approaches (PBAs) are usually based on a set of principles which are implemented. An 'aid modality' refers to the type of mechanism through which aid is delivered. Aid modalities include projects, common basket funds, sector budget support and general budget support. When implementing a SWAp or PBA, a range of aid modalities can be utilized, however SWAp and PBAs are not aid modalities themselves.

SWAp in the water sector: a complex challenge

The SWAp was initially implemented in the social sectors such as health and education. SWAp have become common to address sector reforms and sector wide policy planning and implementation. However, in the water sector SWAp are less common until very recently. This is partly because the water sector is not so easy to categorise as either a 'social' or 'productive' sector. The water sector also has special characteristics:

- It deals with a vital and contested resource
- It includes multiple stakeholders at all levels, with different interests
- it combines community, public and private sector investment
- It uses various service provision arrangements including community based organisations, private sector service providers, municipalities, other public utilities, and non-governmental entities
- Institutions in the water sector have overlapping boundaries (administrative and catchment boundaries) and often unclear mandates
- The water services and water resources interface is not well understood particular in terms of local water resource management
- At national or central level, water is relevant across many line ministries, such as water, finance, health, education, agriculture, and energy.
- Water is critical to sustainable growth. It is an input to almost all forms of production such as industry, mining, agriculture, transport and so on.
- Water involves regional and international organisations where often there is competition for a limited resource.

Water is also especially vulnerable to climate change, and food shortages add to the complexity. However, lessons from the water sector show that when a SWAp is approached as a flexible and pragmatic process, it can address some of the complexities of the water sector. The SWAp provides opportunities to strengthen capacity to: negotiate competing interests; coordinate, make policy; plan; improve systems, allocate resources, implement and account.

What are the benefits of a SWAp?

SWApS bring about the following benefits for sector development:

- Facilitate a holistic view of the entire sector
- Provide a consistent development approach with a predictable expenditure framework
- Promote institutional development, capacity development, good governance and participatory processes which strengthen the entire sector towards increased sustainability
- Enable sector dialogue and promote accountability and mutual trust between stakeholders
- Increase co-ordination, harmonisation and alignment
- Strengthen country systems, financial management practices, structures and procedures
- Facilitate a process-oriented approach which promotes sector learning and knowledge sharing



One of the main benefits of SWAp is that it should lead to more efficient use of resources from national budgets, user contributions and development partners. Thus the sector can maximize the overall investment in the sector towards achieving the national water and sanitation MDG targets.

A single sector framework

A SWAp supports a single national sector framework where:

- The sector as a whole develops a comprehensive sector policy and strategy

- An annual sector expenditure programme and medium-term sector expenditure framework are the means through which the sector strategy is implemented
- Government leads donor co-ordination where a common approach to implementation is adopted
- Donor support is provided within the agreed framework
- Donors rely on government systems and procedures to disburse and account for funds

The sector wide approach is not a blue print or end in itself. It is an *approach* which aims to increase the impact of aid by improving performance and the effectiveness of development initiatives.

Collaboration

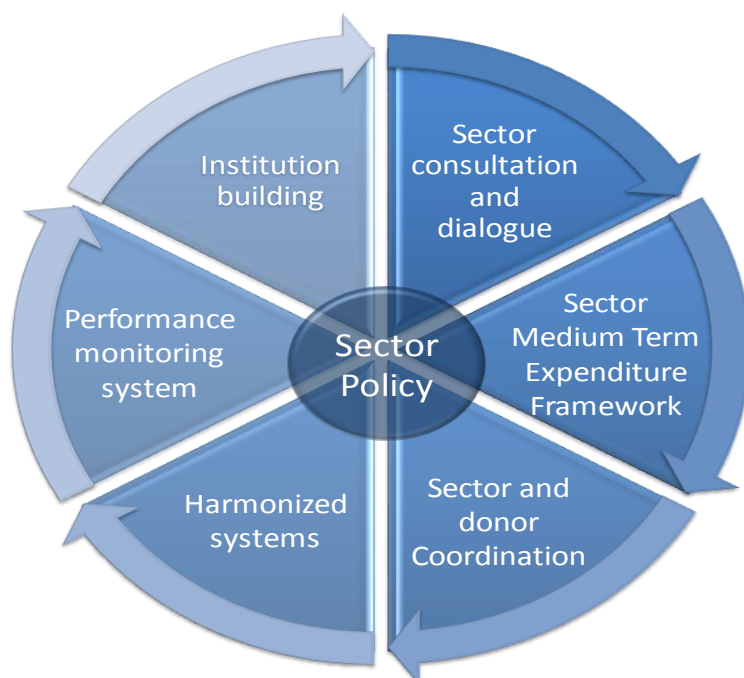
The approach emphasises collaboration, building partnerships between the recipient country and donors and the recipient country taking ownership of the process. Cooperation between donors and predictable funding commitments are also a key part of the approach.

The approach is *sector wide* in that it involves many actors, stakeholders and different interests across the sector with the aim of building and strengthening the sector. In this regard institutional development, good governance and capacity building are a key part of the approach.

The essential components of a SWAp

Although there is no blue print to planning and implementing a SWAp, there are some essential components that are part of the approach. These are:

- An approved **sectoral policy** located within an overall strategic development framework
- **Sector consultation** and dialogue
- A **sectoral medium term expenditure framework**
- A **performance monitoring system**
- A formalized **government led co-ordination process** including donor coordination
- **Harmonisation** of reporting, budgeting, financial management and procurement systems
- A **performance monitoring system**
- **Institutional building**



What is meant by the different components?

The **sector policy and strategy**, specify what government aims to achieve in the sector and how. These should address roles and responsibilities, separation of government's regulatory role from its service provision role, outlining any necessary institutional reforms, setting targets and providing guidance for sector priorities in annual action plans.

Sector consultation and dialogue includes the necessary structures and mechanisms for consultation across the entire sector, as well as ongoing dialogue between the key stakeholders.

The **sector budget** and its **medium term expenditure framework** should increasingly reflect sector priorities and strategies. The sector approach works towards:

- policy based budgeting
- including all resources for the sector with realistic medium-term sector expenditure plans
- budgeting which is part of a coherent national approach to medium-term expenditure planning.

A **sector coordination framework**, under the government's leadership comprising:

- coordination of all national stakeholders including governmental (appropriate ministries and government departments and other, central agencies) and non-governmental actors, including civil society
- coordination with and among donors.

Harmonised systems is an agreed process towards harmonised systems for reporting, budgeting, financial management and procurement that are utilized by the entire sector including donor partners.

A **performance monitoring system** with a focus on results and feedback into management and policy is another component of a SWAp. This system should include a sectoral performance assessment framework which addresses input, output, outcome and impact indicators. The framework measures progress towards achievement of the sector's policy and strategic objectives.

The **institutional building** deals with key institutions within the sector and addressing their capacity. Capacity development is a driving force within a SWAp. Sector programmes are influenced by the broader institutional environment, and therefore a proactive strategy for capacity development needs to be addressed. Good governance is also a key part of a successful SWAp where governance is more than government systems and capacity, but also addresses the social contract between government and its citizens towards more effective and sustainable services.

A coherent sector policy is at the heart of any successful SWAp. It needs to focus government, development partners and other sector stakeholders on achieving collective results. It should be consistent with government's overall strategic objectives, including the poverty reduction strategy.

SWApS are not...

- A SWAp is not a funding mechanism or a financing modality for donor support. SWApS are also not simply a technical or budget related exercise. A country can adopt and implement the SWAp even if it is not seeking the support of donor funding. SWApS also do not necessarily lead to Budget Support or Pooled Funds. Over time donors may provide budget support depending upon the particular conditions in the country.
- Implementing a SWAp does not mean the end of donor funded projects and programmes. Inevitably such projects and programmes will continue for some time. It has also been argued that projects have an important role to pilot different approaches, ensure innovation and provide options to policy making.

SWApS are not vehicles for donor-driven reforms or priorities. Reforms such as privatization, separating regulatory and provider roles, corporatization, outsourcing and decentralization can only be successful if they are part of national processes to strengthen institutional capacity. They cannot be imposed by donors. SWApS provide a framework for addressing reforms from a consultative and collaborative perspective.

Strengthening implementation capacity

An important criticism of SWApS is that they engage stakeholders and utilize financial resources at the central level yet allow implementation capacity at the local level to remain weak. Real impact for poverty reduction depends on implementation capacity on the ground. SWApS need to address the challenge of weak institutional capacity and support reform processes.



Success factors

Experience indicates that there are three critical success factors for a water SWAp: vision, collaboration and ownership.

An integrated broad vision is needed, but with realistic implementation

Integrated Water Resources Management (IWRM) promotes a holistic view on resources, uses, actors and rules of the game. IWRM and SWAps recognise that it takes time to develop effective policy processes and to efficiently implement these policies on the ground.

Whilst the vision of a SWAp can be broad, operationalising the approach needs to start with realistic objectives. For example a SWAp may start in the water services sector and then extend to water resources. It may not be feasible to implement a SWAp simultaneously across the entire country and thus it may be more realistic to start off with some pilot areas (provinces, sub-national areas) and gradually extend to the entire country.

Focus on collaboration and governance:

SWAp case studies illustrate that collaboration and good governance are key factors for success. Collaboration needs to happen from the commencement of a SWAp where all stakeholders are brought into the process. Collaboration in SWAps involves many different actors at different levels. It needs to ensure a common vision and common priorities.

Good governance refers to the managing of power and authority whereby the necessary institutions, mechanisms, processes, and relationships allow citizens to articulate their interests and exercise their rights and

obligations. Good governance in the water sector reflects the multi-dimensional nature of the sector where effective relationships, institutional arrangements, networks and partnerships are developed to coordinate the activities of all stakeholders (government, private sector, civil society) towards common development and other objectives. SWAps facilitate good governance in terms of the strong emphasis on stakeholder consultation, participation and dialogue as well as establishing mechanisms for coordination and communication.



Country ownership and capacity development

Country ownership and capacity development are essential for a successful SWAp. Governments and the sector stakeholders must own the policy and strategy development

process and drive implementation. Donors should no longer be playing an implementation role. SWAPs need champions to ensure commitment, coordination, and ongoing sector collaboration.

In conclusion

A SWAp in the water sector is not the panacea for dealing with the complexities of water management, neither at local, national, regional or global level. It does, however, fit well with current thinking about IWRM and with the principles embodied in the Paris Declaration.

SWAPs also offer potential advantages over stand-alone projects, including:

- greater government ownership and leadership;
- greater opportunities to link sector support to national policies and poverty reduction plans;
- greater focus on sector-wide issues affecting performance;
- enhanced transparency and predictability of aid flows;
- greater alignment of donor activities with government sector policies and budgets,
- enhanced donor harmonisation and reduced transaction costs;
- and greater opportunities for civil society engagement in sector policy and planning.

SWAPs take time, resources and commitment, but they offer an approach towards realizing the MDGs and building the water sector.

This note draws from a range of references on the sector wide approach in the water sector as well as from country experiences.



Useful Resources

Accra Agenda for Action

<http://www.oecd.org/dataoecd/58/16/41202012.pdf>

Boesen, Nils, de la Harpe, Jean, Uyterwaal, Erma (2008) *Joint Learning Programme on Sector Programmes: Water SWAPs in Motion*, Brussels

EuropeAid (2003) *Guidelines for European Commission Support to Sector Programmes* European Commission, Brussels

HLF (2005) Paris Declaration on Aid Effectiveness. Ownership, Harmonisation, Alignment, Managing for Results and Mutual Accountability. High Level Forum, Paris, 28 February – 2 March 2005.

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OECD-DAC (2005). *'Harmonising donor practices for effective aid delivery'*. Volume 2: Good practices in budget support, sector-wide approaches and capacity building in public financial management. 2005.

DCD/DAC/EFF(2005)2/REV1.

Uyterwaal, E. and Dietvorst, C. (2007). Inventory of available information on SWAPs in the water sector : Literature overview for DGIS. Delft, The Netherlands. IRC International Water and Sanitation Centre

<http://www.irc.nl/page/36775>

