

Evaluation and capitalization series

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## Sector Program Support in Practice: Lessons and Perspectives for AFD

Reflexions on Case Studies

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## Synopsis

1. One goal of France's action plan to improve aid effectiveness and implement the Declaration of Paris is to put more emphasis on sector program support, as part of public development aid. The French Development Agency (AFD) has also made this a priority in its Strategic Orientation Plan for 2007-2011 and integrated it into its main sector operations strategies.

2. The international community has high expectations for this new approach to public development aid. Expected benefits include better ownership of aid by recipient countries; improved coordination and harmonization across donor procedures; better alignment between donor activities and strategies and recipient country procedures; more dialogue about policies and results; and lastly, lower transaction costs.

3. This document provides an overview of AFD's experience with sector program support, discusses what lessons can be learned, and identifies ways of improving this support in practice. With this in mind, a cross-analysis was performed of four case studies (education in Mauritania, health and education in Niger, and education in Burkina Faso). This analysis will center on the following key topics: sector-wide policy; partnership frameworks; funding instruments; and AFD operations, in particular.

### *Definitions and typology*

4. In general terms, the sector-wide approach can be defined as a framework for structuring relations between national authorities and donors. The approach has the following characteristics:

- A coherent, realistic, and comprehensive sector-wide policy;
  - A sector-wide budget with mid-term financial programming that covers all the financial resources available for a given sector;
  - The comprehensive and coherent planning of activities and investments;
  - Clear, measurable, and realistic indicators and targets for assessing the progress of sector-wide policy implementation;
  - A sector-wide monitoring and evaluation system;
  - An institutional framework to coordinate and harmonize approaches and activities within a sector, involving all local and national stakeholders.
5. Sector program support is one way of funding the sector-wide approach, which in general terms can be understood as funding that:
- Promotes structured and budgeted activities designed through political/strategic sector dialogue, striving for global and sustainable results in one sector or theme;
  - Is aligned with the recipient country's budget and accounting procedures and is harmonized with other donors.

Given these characteristics, sector program support is well adapted to the sector-wide approach. There are two principal ways of funding sector program support: (i) targeted or non-targeted sector budget support; and (ii) non-budgetary common funds. For its part, project aid is part of a sector-wide approach but is not a type of sector program support.

**Main findings**

6. Some important findings from the field highlight the ambitious nature of this approach, especially in terms of defining and implementing sector-wide policies. While some of these findings might seem negative, they primarily reflect gaps between the high (sometimes overly high) expectations generated by these new approaches, which are based on idealized implementation measures, and the realities reflected in the case studies. In a sense, these findings show that this approach is complex and that learning about this new form of partnership must be done gradually. These findings are also relative, since our sample is limited to Francophone African countries and to social sectors.

7. *The most important findings regarding sector-wide policies are as follows:*

- The 10-year strategies—designed by national authorities and structured around multi-year programs centered on the Millennium Development Goals—serve as good reference frameworks that can incorporate the interventions of all stakeholders.
- The implementation of sector-wide policies is often difficult to analyze because the logical sequence for the different phases of strategic analysis, political decision-making and operational implementation is often broken, leading in most of the cases studied to confusion regarding the objectives, targets and the degree of reliability of the hypotheses underlying the policies. Moreover, in most cases, these policies are not fully integrated into the relevant sector-wide strategies and the overall context.
- Up to this point, interim goals are rarely reached. Quantitative indicators show progress, even as qualitative indicators indicate no real improvement.
- Institutional management capacities remain weak. Management and follow-up tools are too complicated, not yet streamlined, and sometimes out of touch with the objectives, which should be subject to results-based management.

- Public policy assessments remain embryonic and are generally inadequate.

8. *Findings regarding partnerships show the following:*

- Coordination has gradually been tightened by: (i) the setting up of a formal framework for sector-wide dialogue, whose participants include national authorities, donors, NGOs, and representatives of civil society, and through which periodic reviews of sector-wide policy implementation are carried out; (ii) appointing a sector leader from among the technical and financial partners; and (iii) harmonizing the funding instruments of the national authorities and specific partners.
- However, the division of labor and the pooling of knowledge have been problematic. This is due to differences among the donors in terms of organization and intervention modalities, and to financing programs that vary from one donor to the next.

9. *Regarding funding instruments, key findings include the following:*

- Although increased harmonization is normally expected from sector program support, it remains limited in practice. Sector-wide support is funded in a variety of ways, with project-aid still playing a predominant role.
- Progress has been uneven with respect to alignment, especially concerning the budget cycle and national reporting tools.
- In the sector program supports examined here, donors prefer tracking mechanisms that allow them to follow how resources are used.
- Donors have systematically set up a capacity building component to strengthen sector program support. Their current reasoning is that partners in the South do not yet have the capacities needed to design and implement sector-wide programs. In practice, these efforts are often limited to mass training and equipment, implemented too late, and poorly coordinated.

- There is little coordination between sector program support and general budget support, with each being managed independently.

10. As regards AFD operations, in particular, the findings include the following:

- AFD tries to harmonize its activities with those of other donors and, in some cases, to align them with national procedures. It adopts a flexible approach, and it strives to adapt its tools and modalities to different contexts and existing partnership frameworks.
- A smooth working dynamic between AFD's various instruments (sector program support, general budget support, project aid, capacity building) has not yet been achieved.
- On average, management costs are higher for sector program support than for other types of support. This is because there are many dimensions to account for when conducting a dialogue over public policy or ways to coordinate partners, especially when AFD is the sector leader.
- Sector program support carries more risks, and these risks are harder to manage than those of traditional project aid.

### Early lessons

11. This overview shows that a sector-wide approach is taking shape. Early efforts have involved:

- Designing structured and inclusive coordination frameworks (reaching formal partnership agreements, developing joint follow-up instruments, appointing sector leaders, getting new actors involved, etc.); and
- Developing a holistic view of sectors, fostering government ownership and using instruments to design strategies, pilot activities and manage public policy.

12. This trend marks a significant shift from how aid has traditionally been delivered. Sector program support clearly eliminates some major obstacles that often held back project aid in the past. Improvements include: (i) recipient countries

playing larger roles in defining and piloting sector-wide policies; (ii) better coordination between partners and a gradual trend toward harmonization and alignment; (iii) creation of dialogue mechanisms managed by countries from the South, bringing together many different stakeholders; and (iv) a stronger focus on the overall institutional environment of recipient countries and its influence over the sector (public finance management, decentralization, public services, etc.).

13. However, high expectations generated by these new intervention modalities have led some to idealize this approach and to underestimate its operational demands.

14. After a number of years of practice, as could be expected, the main actors have met with many challenges inherent in the complexity of this approach and the need for them to deepen their understanding of this new type of partnership. The main findings are the following:

- Dialogue is primarily focused on the means available to the programs, and how they are managed and regulated. However, dialogue pays little attention to policies and outcomes. This stems from several factors:
  - The tendency for donors to put too much emphasis on implementation (planning, follow-up, oversight, etc.) and program-management systems;
  - National actors lacking the capacities needed to manage complex systems modeled on the sector-wide approach;
  - Operational modalities that privilege targeting and monitoring, and thus limit dialogue over issues of resource utilization;
  - Lack of a system for providing short- or mid-term responses to situations in which outcomes have not met initial objectives;
  - Lack of interest in performing independent and periodic retrospective evaluations.

- The complex operational framework elaborated *ex-ante* on the basis of planning and follow-up procedures sometimes falls victim to technocratic drift. This destabilizes the sector-wide approach instead of strengthening it. Some activities suffer from excessive planning, encounter major roadblocks during implementation, and generate few externalities for national systems.
- The transaction costs of formalizing the operational and institutional framework (documents on strategy, operations, budgets, and partnerships), in order to build the foundations of the sector-wide approach, have been high. Moreover, defining processes for dividing labor and pooling knowledge among donors has been complex, and these processes are still evolving and are sometimes chaotic.
- The recurrent trade-off between funders' legitimate demands for oversight and for results, versus their desire to transfer responsibility to recipients and to align themselves with national management systems, most often leads to the setting of funding targets. This often results in management that focuses too narrowly on aid delivery operations and procedures and not enough on policy issues.

### Recommendations and outlook for AFD

- 15.** This report confirms how important it is for AFD to continue discussions from the Second Strategic Orientation Plan (POS II) about ways to (i) take an active role in implementing the commitment of the Declaration of Paris to improve aid effectiveness; (ii) become more involved in sector-wide approaches; and (iii) improve funding instruments that can support public policy in partner countries.
- 16.** AFD should adopt an attitude, principles, and methods that promote a specific sector program support design (See Para. 18) among stakeholders. It should also encourage the reforms needed and give stakeholders

more latitude, while continuing to implement the safeguards and selectiveness required by each context.

- 17.** This report envisions several directions that AFD can take. These directions are of two types: (i) designing guidelines for coordinating sector-wide activities; and (ii) adapting working methods to the demands of sector program support.

#### *Designing guidelines for a sector-wide approach*

- 18.** To improve sector-wide approaches in practice, and to give sector program support greater momentum, AFD should adhere to the following principles:

- Promoting realistic public policies and regulatory tools;
- Promoting the systematic analysis of policies and outcomes;
- Championing evaluation;
- Favoring alignment, while restricting *a priori* oversight and targeting, as much as possible.

This type of approach requires a strong commitment from actors and an internal structure that streamlines coordination between services at headquarters, as well as between headquarters and branches, sectors and countries.

#### *Adapting AFD's working methods to the demands of sector program support*

- 19.** For AFD to play a larger role in public policy through sector program support, the following two-pronged approach should be adopted: (i) determining the funding to be mobilized along with the intervention modalities and areas; and (ii) mobilizing the resources needed for strengthening internal capacities, improving follow-up and assessment mechanisms, and lowering transaction costs.



20. In operational terms, this report recommends that AFD:

- Adapt its intervention strategies to focus more on a funding continuum (timelines, country strategy, resource planning, etc.); align its activities with a more systemic logic that looks at entire sectors (political, technical, and institutional aspects, capacity building, etc.); and update its methods (training methods, follow-up indicators, retrospective assessments, etc.). AFD should move away from one-time project aid (discrete time) and give priority to the broader question of shaping public policy over time (continuous time);
- Seek a better working dynamic and improved coordination among funding instruments (project support, sector program support, budget support, etc.);
- Strengthen internal capacities by reviewing procedures and organizational structures to encourage teamwork, writing guidelines for sector program support, and offering comprehensive training to personnel;
- Better define the role of sector leaders (purpose of the role, the value-added for AFD, risk analysis, resources to be mobilized, ways of sharing work among donors, assigning specific tasks to third parties, roadmap design, etc.);
- Exert more control over the management costs of sector program support by more effectively aligning assigned roles (sector-wide leadership, management mandate, silent partnerships, etc.) with the scope and dimensions of each specific operation (amount, duration, etc.); and
- Consolidate risk analysis and follow-up by adopting a matrix specifically designed for a sector-wide approach and sector program support; and by requiring bilateral reviews of AFD's contribution and its value-added to the sector-wide approach, for a given country.



## Introduction

One of the goals of France's action plan for improving aid effectiveness and implementing the Declaration of Paris (December 2006) is to put more emphasis on sector program support, as part of Official Development Assistance (ODA). The French Development Agency (AFD) has also made this a priority in its Strategic Orientation Plan for 2007/2011 and has integrated it into its strategies for main sector operations.

The international community, including both donors and beneficiary countries, has high expectations for this new approach to official development assistance. Expected benefits include: better ownership of aid by recipient countries; improved coordination and harmonization among donors; better alignment between donor activities and strategies and recipient country procedures; predictability of financing; effectiveness in the allocation of public spending; more dialogue on policies and results; and lower transaction costs.

For AFD, sector program support represents a considerable change from project-based support, affecting the process of putting projects out to tender, the conditions for implementation, the nature of the support to be given, the type of dialogue to be established with recipient countries, agreements with other donors to be made or improved upon, administrative approaches, financial and operational implementation, and the monitoring and assessment of expenditures.

Since 2003, approximately two thirds of AFD's commitments have followed a program-based approach, and a fifth of its assistance has been implemented as sector program support.

In particular, AFD contributes to sector program support

mainly in four sectors: (i) Education (Burkina Faso, Senegal, Mali, Niger, Cameroon, Burundi, Morocco, etc.); (ii) Health (Mozambique, Niger, Morocco, Cambodia, etc.); (iii) Water (Benin); and (iv) the Environment (Cameroon, Ghana, Indonesia, etc.).

Within this context, AFD's Strategy Department<sup>1</sup> has conducted a retrospective study based on four case studies (education in Mauritania, health as well as education in Niger, and education in Burkina Faso), with the reports available on AFD's website (on the evaluation portal).

The main purpose of the above-mentioned study is to assess AFD's experience in sector program support, especially in social sectors, and to identify ways that this type of support can be improved in practice. Beyond the specifics of the social sectors studied, the resulting analysis can be used to enhance discussion regarding other sectors.<sup>2</sup>

This work is also intended to spark thinking on how sector program support can be assessed retrospectively, and toward that end to draw up some guiding methodological principles.

The study is limited by the small sample examined, which includes only French-speaking West Africa, and by its sole focus on social sectors, particularly education (three out of four cases).

<sup>1</sup> Division for Evaluation and Experience Assessment (EVA) and the Division for Leadership and Planning (APR).

<sup>2</sup> This work also relied on the study co-financed by AFD and the Ministry for Foreign Affairs of the Kingdom of the Netherlands, within the framework of the Strategic Partnership for Africa (PSA), and entitled "Financing Sector Policies with Budget Sector Program Support: African Experiences". This study concerned a detailed examination of four case studies (education in Benin, forestry/environment in Cameroon, education in Burkina Faso, and environment in Senegal).

The present report is structured as follows:

- The first section describes the characteristics of the sector-wide approach and presents a typology of the various kinds of financing involved in sector program support. It goes on to discuss the expectations of the international community as regards a sector-wide approach and the good practices proposed by the Development Assistance Committee (DAC).
- The second section presents the most important information gathered in the field, in regard to the following: sector policy / partnership framework / financing instruments / AFD operations.
- The third section focuses on the following:
  - Salient points for analysis, derived by cross-referencing the cases studied in order to identify specific issues that underlie a general analysis of the sector-wide approach and its financing.
  - The initial lessons for AFD in regard to improving the structure and practice of sector program support.

## 1. Sector-wide approach and sector program support in theory: defining and formalizing good practices

To clarify the terminology used in this document, this section will start by proposing definitions for the concepts of: program-based approach; sector-wide approach; and sector program support. The definitions are based on guidelines proposed by the DAC.<sup>3</sup>

This section then describes a typology of sector program support by distinguishing among three types: (i) non-targeted budget sector support; (ii) targeted budget sector support;

and (iii) non-budget common funds.

Lastly, it describes the international community's main expectations for enhancing the role of sector program support within Official Development Assistance, and the good practices required by the DAC to improve the effectiveness of this kind of aid and to strengthen the control of recipient countries over public policy.

### 1.1 Definitions and typology

#### 1.1.1. - Definitions

The program-based approach (PBA) was defined by the Learning Network on Program-Based Approaches (LENPA) as “a way of cooperating based on the principle of coordinated support for a locally-owned development program such as a national poverty reduction strategy, a sector program, a thematic program, or a program of specific organization.” This definition has been adopted by the DAC.<sup>4</sup>

A program-based approach is therefore linked to a framework that establishes relationships between donors and recipients based on the following four guiding principles:

- Management carried out by the recipient organization or country;
- A distinctive and detailed budget and program framework;
- A formal process for coordination among donors and the harmonization of donor procedures for notification, budget, financial management and procurement;
- Attempts to develop the use of local systems in creating and implementing programs, financial management, monitoring and assessment.

A Sector-Wide Approach (SWAp) is a program-based approach that is focused on one sector. It aims to formulate, plan, implement and monitor a sector development plan that includes all aspects of the sector and all its sources of financing.

Donors sometimes use specific terminology for their own support instruments within sector-wide approaches. The European Commission, for example, refers to “sector program support”. However, it is important to stress that the sector-wide approach is a working method and a framework for defining the relationship between stakeholders; it is not a financing modality.

<sup>3</sup> DAC guidelines and reference work – Harmonizing aid to strengthen its effectiveness – Volume 2, 2006.

<sup>4</sup> DCD/DAC(2007)39/FINAL/CORR2 of 10/15/2008 – This document complements this definition based on the following eligibility criteria:

1. The recipient country or organization oversees the program financed by the donors.
2. A distinctive integrated budget and program framework.
3. A formal procedure has been established to insure coordination and harmonization of donor procedures for at least two of the following elements: (i) reports; (ii) budgets; (iii) financial management; and (iv) procurement.
4. Within the support framework, donors use local systems for at least two of the following elements: (i) conception; (ii) implementation; (iii) financial management; and (iv) monitoring and assessment.

**Table 1 - What distinguishes a sector-wide approach from a conventional project approach?**

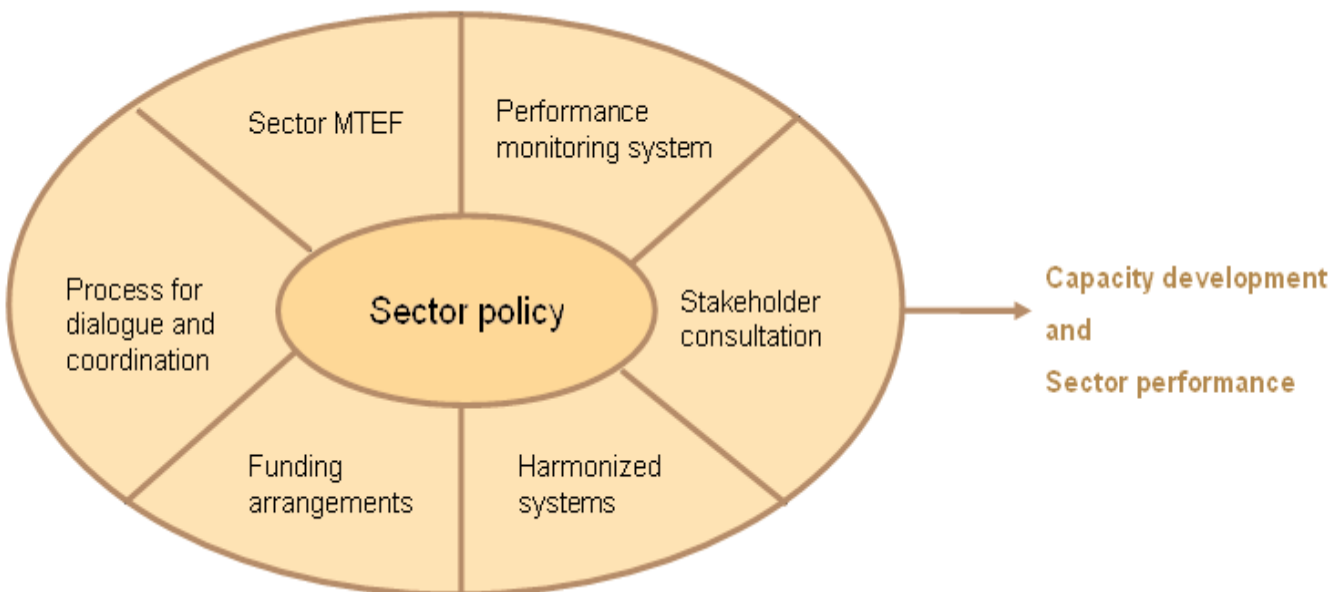
Sector-wide approach	Conventional project approach
• Country holistic view on entire sector	• Focus on projects with narrowly defined objectives
• Partnerships based on mutual trust and shared accountability	• Recipient accountable to donor
• Coordination among external partners	• Bilateral negotiations and agreements
• Increased use of local procedures	• Parallel implementation arrangements
• Long-term capacity/system development in sector	• Short-term disbursement and success of projects
• Process-oriented approach through learning by doing	• Blueprint approach

Source: Adapted from World Bank (2004), "SWAps in Latin America: A World Bank Perspective", Tegucigalpa, 8-10 November.

By analogy with the program-based approach, a sector-wide approach is generally defined as a framework that establishes relationships between national governments and donors, based in principle on the following characteristics:

- A coherent, realistic and exhaustive sector policy;
- A sector budget based on medium-term financial planning that includes all financial resources available for the sector;
- The exhaustive and coherent planning of activities and investments;
- Clear, measurable, and realistic indicators and targets to assess the progress of the sector policy implementation;
- A monitoring and assessment system that includes all sector activities;
- An institutional mechanism for coordinating and harmonizing approaches and activities within the sector, for which national governments are responsible and in which all stakeholders participate.

**Table 2 - Elements of a sector-wide approach**



Source: DAC.

Furthermore, sector program support is a type of financing for a sector-wide approach, defined generically as a form of financing that:

- Supports a structured and quantified totality of actions designed to reach general and sustainable results at the sector (or topic) level and that is part of a political/strategic dialogue about the sector.
- Is aligned with the budget and accounting procedures of the recipient country and is harmonized with other donors.

Taking account of these characteristics, sector program support is therefore (by definition) part of a sector-wide approach. According to the same definition, project-based support that is integrated into a sector-wide approach is different from sector program support.

### 1.1.2. - Typology of sector program support

Sector program support covers two main types of financing: budget sector support, which can be targeted or non-targeted; and non-budget common funds.

These two types of sector program support can be characterized as follows:

- Sector Budget Support (SBS) is intended to finance expenditure from the national budget resulting from sector policy implementation. It uses the budget channel and national public finance procedures (allocation of resources, public procurement, chain of expenditure, accounting and monitoring). It addresses the concern for aligning local government procedures in order to foster ownership, reduce transaction costs and strengthen the administration. In contrast to General Budget Support (GBS),<sup>5</sup> SBS relies on preexisting dialogue and coordination frameworks at the sector level, as opposed

<sup>5</sup> The objective of GBS is to support the national strategy for poverty reduction, stabilizing the macroeconomic framework, and improving the quality of public finance management by giving overall support to the public policies of the recipient country. GBS can be targeted or non-targeted and annual or multi-annual.

to frameworks for monitoring general budget support stemming from strategic frameworks for poverty reduction.

SBS can take two distinct forms: Non-Targeted Sector Budget Support (NT-SBS) and Targeted Sector Budget Support (T-SBS).

NT-SBS is paid directly into the public Treasury's current account. The resources allocated to the sector in question are completely fungible with other budget resources. Monitoring of this kind of support is carried out by looking at the implementation of the national budget and development results, not by auditing its contribution to specific budget items. NT-SBS represents the ultimate form of harmonized financing for a sector policy, since it is perfectly aligned with national procedures.

T-SBS is directly targeted at financing sector expenditure. Targeting ensures the allocation of resources to the sector in question and the traceability of the use of the resources by the technical and financial partner. It uses the budget channel and public finance national procedures (allocation of resources, public procurement, chain of expenditure, accounting, and monitoring).

There are two ways to give a "targeted" character to sector budget support:

- By financing a line-item expenditure that appears in the Finance Bill dealing with the sector in question;
- By contributing to an earmarked Treasury account dedicated to the sector's financing. In this case, donor resources can be pooled. Expenditure remains targeted on the sector itself, even if resources from the various donors remain fungible.

Having recourse to targeted funds can be justified especially if: the implementation of the national budget in the sector in question is poor because it lacks absorption capacity or experiences general treasury difficulties; there is limited confidence in monitoring mechanisms; and/or there is a need

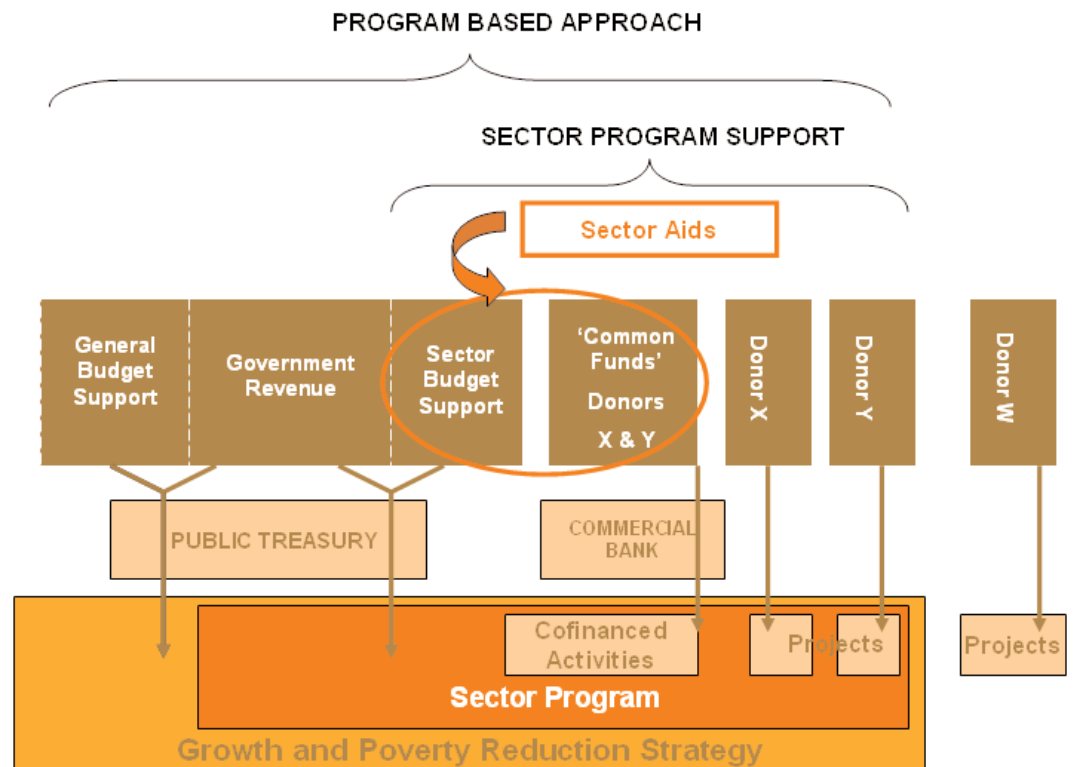
to monitor the allocation of resources for specific goals.

- Non Budgetary Sector Program Support (NB-SPS), through which the partners decide to pool their financing by establishing an *ad hoc* common fund or an intermediary structure, the accounts of which can be placed in a commercial bank. This fund's resources and expenditure can be recorded in the national budget but are spent outside the country's budget procedures and public accounting regulations. Financial and procurement procedures are usually defined specifically for the fund in question. They can be linked to the procedures of one of the partners concerned or to a structure dedicated to the management of pooled resources. They are usually monitored by independent

and specific periodic audits. In comparison with sector budget support, the partners play a greater role in the planning, allocation, and use of resources for sector policies. The reasons why partners use this mechanism are generally due to: a high fiduciary risk; an unrealistic budget, or one lacking coherence between goals and resources; or a recipient's lack of capability in planning, budget programming and/or management.

Sector program support is usually multi-annual (with an average term of three to five years) and can be issued either as grants or loans.

Table 3 - Program-based approach and types of support



Source: AFD and T4DEV presentation.



## 1.2 Orientations and expectations

While several aid organizations have accumulated solid experience in sector-wide approaches since the mid-1990s, it was with special reference to the Declaration of Paris on the effectiveness of aid that “the international community committed itself to delivering more program-based support.” This commitment was renewed in Accra on September 2008, during the latest high-level forum on DAC assistance. The Accra action program stated that “Donors renew and reaffirm their commitment made in the Declaration of Paris to provide 66% of support as program-based approaches until 2010 (Indicator No. 9) and to deliver at least 50% of country-to-country aid through national fiduciary mechanisms.”

On this issue, the OECD DAC stresses that “the context has become more favorable for a sector-wide approach but has also become more complex because of the generalization of poverty reduction strategies and because coordinated measures for remedying systemic problems (especially in the management of public finances and in capabilities) are being taken, as they were in the past, at the national rather than the local level. Sector-wide approaches are also more frequent in areas characterized by poverty reduction strategies such as education, health, transport, and agriculture.”

From the French perspective, several recent strategic pronouncements have made strengthening the role of sector-wide approaches in official development assistance a key goal:

- The Interministerial Committee for International Cooperation and Development (CICID) stated in May 2005 that “the share of general budget support, which is recorded in the budget of the Ministry of Economy and Finance, and sector program support, which is recorded in the budget of the Ministry of Foreign Affairs is to rise in accordance with the objectives of the Declaration of Paris.”
- The French action plan for strengthening aid

effectiveness and for implementing the Declaration of Paris calls for France to increase the role of general budget support and sector program support and to deliver support for the public sector through the financial management systems of partners once conditions have been met.

In its second Strategic Orientation Plan of 2007-2011, AFD committed itself to respecting the objectives of the Declaration of Paris. According to the document, “... In the developing countries of the Priority Solidarity Zone (ZSP), following the reform of the CICID and as in emerging countries, the Agency will strengthen its presence in sector-wide approaches.... The kinds of intervention (project-based support, sector program support, or general budget support and technical assistance) will also be adapted to demand and to the partner's capabilities. In Africa, the Agency will actively contribute to the commitments of the Paris forum on aid effectiveness by promoting ownership, aligning its support with the priorities of partner countries, and working within the framework of sector-wide approaches. It will therefore make use of the whole range of intervention modalities.”

Using a program-based approach is thus one of the key directions of the 2008-2010 program of operations, as well as of several frameworks for sector intervention.

The main expectations currently motivating the international community in promoting sector program support, and the operational changes to be implemented, can be summarized by the following five main points:

- Increasing aid ownership by developing countries by raising the expertise of recipient countries in defining and directing sector policies;
- Favoring donor alignment on the strategies and procedures of recipient countries;
- Strengthening coordination and harmonization in donor interventions and thus reducing transaction costs;

- Improving predictability in financing and thus promoting efficiency in the allocation and planning of public expenditure;
- Promoting management focused on results so as to improve decision-making and the monitoring process, strengthen national capacities, and refocus the dialogue between donors and recipient countries on policies and results rather than on means.

In order to consolidate and develop partnerships focused on sector-wide approaches between recipient countries and donors, the OECD DAC prescribes a certain number of good practices elaborated on the basis of five guiding principles, as follows.

**Box 1 - The five guiding principles of the OECD DAC for developing and consolidating sector-wide approaches**

1) Ownership and the running of operations by the government of the partner country must be promoted. Donors must let the partner country's government take the initiative while remaining flexible in providing support, information and advice. The government-donor partnership must be mutually accountable. Donors must seek out areas where there is general agreement and refrain from micro-managing.

2) Efforts must be made, in collaboration with the government of the recipient country, to strengthen institutional capabilities and accountability. Establishing parallel systems is often harmful to normal administrative mechanisms and tends to confuse responsibilities. Donors and partner governments must think in terms of national capacity, and not only of administrative capacity.

3) The sector program must be put back into context. Donors must concern themselves with the repercussions of a sector-wide approach on the overall coherence of governmental action as well as the effect on the role of the central ministries responsible for coordination, and on relations between central and local government officials.

4) A long-term strategic vision is essential. A development program takes a long time to mature, and the process usually implies institutional change and long-term organizational development. Establishment of this kind of program usually extends over a period of at least 10 years. Donors must adopt a similar time horizon and be ready to commit predictable resources over the long term.

5) Be pragmatic and flexible. Processes must be created that do not require the government to devote too much of its competence on management, planning and policy development, but at the same time, they contribute to the strengthening of capacities.

These guiding principles particularly call on donors to:

- Target the development of an appropriate sector policy and strategy, even if these are not perfect. The definition of sector policy is not set in stone. It only states fundamental principles, goals and strategies for the sector. Aspects of specific actions will continue to change. Hence, what needs to be specified in the documentation is a process and a regularly updated timetable, as well as a transparent review process.

- Promote a working system for programming, monitoring and accounting, which is the basis of shared responsibility. To this end, the recommendations include facilitating the link between planning, programming, budgeting and monitoring, avoiding excessive demands, and contributing to the strengthening of national systems.
- Encourage the implementation of sector dialogue and coordination mechanisms under the direction of

governments, and involving all stakeholders. Harmonization among donors and alignment with national strategies are thus fundamental aims of a sector-wide approach.

- Promote types of financing that encourage budgetary discipline and use public expenditure management systems. Donors must be sure to examine the impact

of financing instruments on how resources and the management of public finances are programmed.

For further details, the reader should refer to “DAC Guidelines and Reference – Harmonizing Aid to Strengthen its Effectiveness” – Volume 2, (2006) and to the conclusions of the Accra forum.



## 2. Sector-wide approach and sector program support in practice: main findings from four case studies

The stated determination to use more a sector-wide approach and sector program support represents a real change from past practices in how aid and the dialogue regarding public policy are to be conducted.

As in any process of change, there is considerable resistance and difficulty to be overcome.

This section presents the main findings from the field, focusing on four different aspects: sector policy (2.1); partnership frameworks (2.2); financing tools (2.3); and AFD operations (2.4).

The section examines how the guiding principles behind a sector-wide approach have been implemented in practice.

This detailed presentation highlights the particularly ambitious character of this approach, especially in the

definition and direction of sector-wide policies. The findings reported in this section can appear critical as regards some of these policies. Yet they reflect observed discrepancies between idealistic expectations (indeed, impatience) regarding these new approaches and implementation as observed in the various case studies. The findings also reflect the complexity of this approach and the learning curve implied by this new kind of partnership.

If this analysis framework were to be applied to several Western countries, a comparison with what is demanded of developing countries would be highly instructive.

The analysis framework applied to the four cases using a sector-wide approach, and to which AFD contributed, is shown in the following table:

**Table 4 - Sector-wide approaches in Burkina Faso, Mauritania and Niger**

Burkina Faso	Mauritania	Niger	Niger
Ten-Year Development Plan for Basic Education	National Development Program for the Education Sector	Health Development Plan	Ten-Year Development Plan for Education
2000-2010	2000-2009	2003-2012	2005-2010

Source : AFD.

### 2.1 Sector-wide policy

Sector-wide policy will be addressed under separate headings: (i) Objectives; (ii) Performance; (iii) Institutional direction; and (iv) Management tools (planning, monitoring, and assessment).

#### 2.1.1. Sector-wide strategies focused on the Millennium development goals (MDGS)

The case studies have shown that national governments

adopted 10-year sector-wide strategies. These were formalized in documents that constituted genuine frameworks of reference around which donors and other, less-institutional actors (such as NGOs) grafted their interventions and types of financing.

These strategies were condensed to multi-annual programs (three or four years), articulated around objectives and actions that were prioritized, structured and implemented in successive phases.

Constructed for the most part from an analysis of the challenges and dysfunctions of the sector in question, sector-wide programs define targets and objectives, as well as technical, organizational and institutional reforms to be implemented in order to fulfill the strategic orientations adopted.

Importantly, the goals defined in these documents are clearly set with reference to the Millennium Development Goals (MDGs).

For example, in the education sector, the second MDG is to insure primary education for all. The associated target aims, by 2015, to give all children (both boys and girls) the means to

complete a full cycle of primary education. Three indicators are supposed to monitor progress in terms of: (i) net enrollment rate in primary education; (ii) the proportion of school children fully completing primary education, from the first year through the fifth; and (iii) the literacy rate among 15- to 24-year-olds.

In the health sector in Niger, the Health Development Plan has these specific targets: (i) reducing the prevalence of malnutrition (MDG 1); (ii) reducing infant, child and maternal mortality rates (MDGs 4 & 5); and (iii) stopping the transmission of HIV/AIDS and reversing current trends, as well as reducing the transmission of malaria and tuberculosis (MDG 6).

**Table 5 - Summary of the primary goals pursued in the education strategies of Mauritania, Niger and Burkina Faso**

	Mauritania	Niger	Burkina Faso
Primary goals set out in sector-wide policies	a) Strengthening and developing access to basic and secondary primary education;	a) Expanding the supply of basic education and reducing inequalities of access;	a) Expanding basic education;
	b) Improving the quality and effectiveness of basic and secondary primary education; and	b) Improving the quality and effectiveness of basic education;	b) Improving the quality and relevance of basic education;
	c) Strengthening management and steering capacities.	c) Strengthening the steering and management capacities of central and decentralized government	c) Intensifying and improving the quality of literacy campaigns; and d) Improving planning and management capacities.

Source : AFD.

**2.1.2. Below-par qualitative performance**

Based on evidence from the field, the intermediate goals of the sector-wide programs examined in this study have so far rarely been reached.

The table below illustrates the situation in Mauritania, Niger and Burkina Faso, as regards the development of specific key indicators in terms of access to, and quality of, basic education.

Progress achieved relates mainly to quantitative indicators (gross enrollment rate in primary education, gross admission rate, number of classes, etc.). However, qualitative indicators (achievement rates, number of students in primary and secondary education, number of books per student, etc.) have not improved significantly.

The ability of educational systems to retain children through the end of the primary cycle (rate of achievement) so that

they can be lastingly literate remains relatively weak.

The realization that the absorption rate of students remains extremely low is a matter of concern. In Mauritania, the absorption level went steadily down in 2000-2001 and 2006-2007. A survey of academic skills in Niger revealed that the majority of primary school students were failing. In Burkina Faso, according to recent surveys, less than 60% of students can read fluently at the end of primary education.

Despite the different characteristics and contexts of each country, all the signs suggest that the quantitative goal—access to basic education—is taking priority, in all the sector-wide programs studied, over the qualitative goals of improving the quality and effectiveness of teaching, which is stagnating or even deteriorating. Halfway into the 10-year strategies, these qualitative indicators show disappointing results in regard to the capacity of educational systems to produce services of increasing quality for their users.

Table 6 - Development of key indicators in education

	Mauritania	Niger	Burkina Faso
Gross Enrollment Rate (%)	Actual : 88.1 (2001/2002)	Actual : 37.1 (2000/2001)	Actual : 44.4 (2000/2001)
	Target : 91 (2004/2005)	Target : 57 (2005/2006)	Target : 69 (2004/2005)
	Actual : 97.9 (2006/2007)	Actual : 66 (2007/2008)	Actual : 66.6 (2006/2007)
Completion Rate (%)	Actual : 45.1 (2001/2002)	Actual : 23.7 (2000/2001)	Actual : 28.1 (2000/2001)
	Target : 60 (2004/2005)	Target : 53 (2005/2006)	Target : 48 (2004/2005)
	Actual : 43.3 (2005/2006)	Actual : 39.8 (2005/2006)	Actual : 36.4 (2006/2007)
Student/Teacher Ratio	Actual : 39 (2001/2002)	Actual : 41.8 (2000/2001)	Actual : 52.2 (2000/2001)
	Target : 44 (2004/2005)	Target : 43 (2005/2006)	Target : 47 (2004/2005)
	Actual : 47 (2006/2007)	Actual : 39.8 (2006/2007)	Actual : 54.1 (2006/2007)
Student/textbook Ratio	NA	Actual : 0.33 (2000/2001)	Actual : 0.55 (2000/2001)
		Target : 1 (2005/2006)	Target : 1 (2004/2005)
		Actual : 0.41 (2005/2006)	Actual : 0.58 (2006/2007)
Level of Absorption by Students	Students learn between 33% and 50% of anticipated learning in secondary education (Actual, 2006).	The majority of students in primary education are failing (Actual, 2005).	Less than 60% of students can read fluently at the end of primary education (Actual, 2007).

Source : Ministries in charge of Education – Mauritania / Niger / Burkina Faso.

### 2.1.3. Often unclear sector-wide policies

While sector-wide strategies provide a strategic reference framework, sector-wide policies actually implemented are still difficult to decipher.

Although founding sector-wide documents do exist, alongside numerous other policy and strategy documents, their meaning -- and especially their significance -- is not always easy to grasp.

The logical sequence for the different phases of strategic analysis, political decision-making and operational implementation is often broken, leading in most of the cases studied to confusion regarding the objectives, targets as well as the degree of reliability of the hypotheses underlying the policies outlined in the founding strategic documents.

### Box 2 - Education in Burkina Faso: A tangle of strategic aims

The 10-Year Development Plan for Basic Education was initiated in 1999. However, its start was repeatedly delayed particularly because of delays in securing coordinated foreign financing.

Soon after the adoption and effective start of the 10-year plan in 2002, the Government of Burkina Faso submitted a request to the IMOA-EPT (Education for All) initiative in 2003, which was approved that year. The education policy goals stated in that request were more ambitious than those of the 10-year plan and required major structural reforms, especially in the area of salaries and in the unit cost of schools. However, neither the quantitative nor the qualitative goals of the reforms included in the first phase of the 10-year plan were adjusted accordingly.

Assessment of Phase 1 of the 10-year plan (2002-2005) was insufficiently prepared for, and work was carried out late (end of 2005-2006) so that the results were only made available to the government in July 2006, whereas they were supposed to act as input for the formulation of Phase 2 of the plan. The reference document for the second phase of the plan could therefore only be put forward as provisional in April 2007 and was confirmed by the Council of Ministers in October 2007. During that time, the law reforming the educational system redefined the concept of basic education in order to include post-primary education, and this led to adjustments being made on the ground, which were covered by Phase 2 and its operational budget.

In parallel, a sector-wide analysis framed as a RESEN-type government report on national education was begun in 2007. Partial results only became available in the second semester of 2008 and were used to formulate a new request for financing from the IMOA-EPT initiative, which was to be reviewed in September 2008. This should have an impact on some of the operational hypotheses of the second phase of the 10-year plan and could therefore lead to fresh adjustments in 2009.

Further, political decision makers often commit to major reforms that do not appear to be among the priorities of the sector actors. To deal with these, actors on the ground often have to be creative and devise operational strategies not planned for in policy documents, even though these initiatives can have a major impact on the sector in question at an organizational, technical or financial level. Examples include decisions regarding free health care in Niger, and the 2007 law reforming the educational system in Burkina Faso (broadening the concept of basic education to post-primary education and requiring adjustments to sector-wide program strategies and their financing).

The sector-wide policies under study remain partial and are insufficiently integrated into other sector-wide strategies and the general intervention environment.

In a number of cases, sector-wide policies are focused on sub-sectors as, for example, in Burkina Faso and Niger, where sector-wide programs have until now concerned mainly basic education. This has been unhelpful toward the implementation

of an overall and systemic approach to the education sector that would integrate the various education levels (primary, secondary, professional and technical training, and higher education).

Policies involving changes that can have a significant influence on the context within a sector are often initiated and implemented without being consistent with that sector's strategy. For example, in Niger, policies promoting access to drinking water or food security are not linked to the health development plan.

Also, the condition and evolution of the general institutional environment (reforms in the management of public finances, civil service reforms, and de-concentration and decentralization process, etc.) are not adequately considered.

Finally, the economic environment is not adequately considered. In Mauritania and in Niger, school-building programs often seem overambitious given the implementation capacity of the private sector.



#### 2.1.4. Complex and fragmented budgeting and operational plans

To implement these strategies, national governments rely on an increasingly wide range of instruments, especially in medium-term financial planning and for planning specific activities.

Through instruments, such as Medium-Term Expenditure Frameworks (MTEF - CDMT)<sup>6</sup> applied at both general and

sector levels, governments have tried to provide a multi-annual financial framework for general, and sector, expenditure forecasting.

While general CDMTs provide multi-annual budgets for the sector, sector CDMTs also try to cover all the priority topics in the sector-wide policies and to take into account planned allocations from both government and donor financing.

#### Box 3 - The budget preparation process in the education sector in Burkina Faso

The process for setting the government budget (N+1) begins in the first quarter (N) with a macroeconomic scenario of reference and a general MTEF, providing a multi-annual financial framework for forecasting resources as well as general and sector expenditure.

Preparing the budget begins officially in May (N) every year with the President of Burkina Faso signing the budget circular. This is addressed to all ministries, institutions and public organizations and provides directives on budget preparation, relying on the general MTEF (especially the available financial budget, budget structure, unit prices, the preparation timetable, etc.) All sector budgets must be submitted to the Ministry of Economy and Finance by mid-July (N). A Finance Bill is drafted after discussion by the Budget Committee between mid-July and early August (N). It is then examined by the Council of Ministers, which after arbitration issues directives for the drafting of the Finance Bill, which must be put before the National Assembly by the last Wednesday in September (N). Finally, the Finance Bill (N+1) goes to a vote before the end of the year (N). Preparation of the CAST/FSDEB<sup>7</sup> budget, an appendix to the government budget, follows the same timetable.

Since 2005, the Ministry for Basic Education has used a sector-wide MTEF over a three-year period (sliding plan) for its financial planning, which is consistent with the general MTEF produced by the Ministry of Economy and Finance. However, this sector-wide MTEF is often produced several months late and therefore does not fully fulfill its role as a multi-annual allocation for the intra-sector budget, in advance of budget preparation.

The budget for the Ministry of Education and Basic Literacy (MEBA) is set according to the schedule in force (the allocation of expenditure for services and the provisions and investment, depending on administrative structures). However, it is also presented as a three-year budget-program (goals/program).

At the very least, these processes have enabled the programs to start operating, and they have made possible an ex ante financial framework. This framework relies on both budgeting and prioritizing the activities resulting from these pro-

grams, as well as on analysis that presents several scenarios, based on changes in economic growth, the share of internal resources allocated to the sector in question, and the level of foreign resources to be mobilized.

<sup>6</sup> A MTEF is a multi-annual sliding program of expenditure, prepared every year, which allows an inter-sector allocation of resources (budgets for resources by sector or ministry, i.e., a general MTEF), or an intra-sector allocation (expenditure ceilings by program, within a sector, i.e., a sector MTEF).

<sup>7</sup> CAST/FSDEB: Special Treasury Allocation Account/Support Fund for Basic Education Development. This consists of harmonized budget financing by several donors in support of a PDDEB.

The case studies have shown that despite having required a sizable investment in time and human resources, these instruments are not regularly updated to take into account the changes observed while the program is being implemented (absorption capacity, budget execution, effective mobilization of foreign financing, performance, unit costs observed, etc.). On the whole, they do not integrate the technical, financial and institutional implications of some unanticipated political decisions made within the initial sector program (certain health care being free of charge in Niger, for example, or expansion of the concept of basic education in Burkina Faso).

In the majority of cases, expenditure frameworks at sector level are produced thusly:

- Without a clear link to the expenditure framework at the general level and with a financing gap (they do not take account of general financing constraints);
- Late and without formal process, or not effectively linked with annual sector budget preparation.

In addition to work on medium-term budget planning, sector administration relies on an annual planning process for the activities of the program in question.

This planning process can sometimes be relatively detailed, as in the education sector in Burkina Faso and the health sector in Niger. Consequently, in the health sector of Niger, 42 Annual Action Plans have been identified at the central level, 8 at the regional level, and 42 at the local district level.

**Table 7 - Characteristics of sector MTEF**

Country	Mauritania	Niger	Niger	Burkina Faso
Sector	Education	Health	Education	Education
With general MTEF	Yes	Yes	Yes	Yes
With sector MTEF	Yes, since 2007	Yes, since 2005	Yes, since 2005	Yes, since 2006
Regular and timely production of sector MTEF	Anticipated in 2009	No	No	No
Sector MTEF with financing gap	Yes	Yes	Yes	Yes

Source: AFD.

#### Box 4 - The planning process in the health sector in Niger

From the start of the Health Development Plan in 2005, the Health Ministry implemented a mechanism for the annual bottom-up planning of activities with the aim of reducing the Five-Year Work Plan on the basis of the needs identified by the implementation structures at the central, regional (8 regions) and district (42 districts) levels, as well as a financial framework taking into consideration the government's allocation programs and the pledged financing of the financial and technical partners.

Each entity works out its own Annual Action Plan in compliance with the structure and orientations of the Five-Year Plan (goals, strategies, activities, costs, indicators, etc.). Thus, about 42 Annual Action Plans have been identified at the central level (central directorates, national programs, hospitals, agencies, etc.); 8 at the regional level; and 42 at the district level. The Action Plan functions as a tool for the annual programming of activities and their financing. Developed by each district, these plans are then consolidated and completed at the regional and central levels. The totality of planned activities is listed and organized by program (goal) and sub-program (result) in a summary table. For each of these activities, the amount and origin of their financing is listed.

This planning process covers an increasing variety of activities and financing sources (government budget, partners in the common fund, project-based support, vertical funds, etc.) and therefore becomes increasingly exhaustive. Thus 7,275 activities were programmed in 2007.

In Burkina Faso, the annual aggregate action plan follows a specific functional schedule that is articulated around four structural levels: the three components of the 10-year plan (strategic goal); 18 sub-components (a program linked to observable results); 40 activities (program actions); and 403 sub-activities (tasks within an activity). Each component is structured as follows:

- Component 1 - Improving Access to Basic Education: 5 sub-components, 10 activities, and 75 sub-activities;
- Component 2 - Improving Quality: 9 sub-components, 20 activities, and 99 sub-activities; and
- Component 3 - Improving Management, Direction and the Strengthening of Capacity: 4 sub-components, 30 activities, and 229 sub-activities.

The planning process often meets with considerable difficulty and numerous delays because of the ambitious nature of the operation (reducing the number of decentralized action plans in Niger in the health sector, and the introduction of more centralized ones in Burkina Faso and Mauritania), but also because of the complexity of the process.

The action plans generally prove to be very detailed, and they combine a functional schedule with a schedule based on the type of expenditure. They go beyond the notion of a “budget versus own resources” because they can integrate all sources of financing. These programs are established under a financial approach, and they focus on activities with a direct cost. The cost of human resources, a key element especially in the education sector, is not shown, let alone itemized by program or activity.

The production and validation of action plans can experience delays lasting several months, which limits their use.

Finally, the planning process for the activities, and the preparation of the budget, remain disjointed because of scheduling conflicts that are hard to reconcile, and because responsibility for these activities is fragmented among various departments. Schematically, the Action Plan process is usually run by the planning departments, whereas the preparation of the budget at the sector level is done by the administrative and financial departments.

### 2.1.5. Monitoring tools poorly adapted to results-based management

The monitoring of sector programs is mostly based on a matrix of performance indicators aimed at reporting on the implementation, execution and the results of a sector program. Monitoring mechanisms should make it possible to examine the level of technical and financial execution achieved by specific programs, as well as their performance level.

The case studies reported here reveal that monitoring and reporting tools are often out of step with the requirements of results-based management.

The annual balance sheet for sector-program execution sometimes refers to incomplete calendar years, making it impossible to assess annual performance. This is the case, for example, in the health sector of Niger, whose extra-budget common fund (financed by AFD and the World Bank) has a balance sheet that reflects the first 10 months of the year only.

Technical and financial execution is often not thorough, and it is insufficiently integrated, if at all, with the execution of the government budget dedicated to that particular sector, despite the key role played by the government budget in the financing of the sector program.

Furthermore, these balance sheets do not give an adequate perspective on activities, performance, or reforms. There is a lack of qualitative analysis regarding the development of indicators, the financing of the sector, or the progress of key reforms. Finally, these elements are not synthesized and analyzed in a general framework that is suitable for assessing performance. Moreover, despite the importance accorded to the annual planning process, the monitoring of the execution of action plans is often not carried out. Indeed, only partial monitoring is carried out, most of the time based on budget execution (i.e., according to a schedule by subject), whereas the monitoring of action plans is carried out based on functions and activities.

In some cases, monitoring proves impossible, as in the health sector in Niger, in which 7,275 activities were planned in 2007 alone.

In the education sector in Niger, where the financing tool is “targeted budget support” (to which Denmark, Belgium, and the World Bank’s Fast Track Catalytic Fund are contributing), the Minister for Education recognized in his interim report of June 2007 that “the monitoring of execution of activities is almost non-existent and the tools necessary to carry it out have not even been devised.”

Finally, statistical systems often reveal serious weaknesses, both in data gathering mechanisms and in data management, which presents a severe limitation in identifying and analyzing results.

Still in Niger, but now in the health sector, the study reveals that some indicators appear to have been overestimated, especially because of changes in the method of calculating demographic data.

The quality of the statistics produced suffers from problems linked to the posting of data and to delays in their transmission by the agencies responsible for gathering them.

#### Box 5 - Management tool – A counter-example: Burkina Faso

The unique monitoring mechanism included in the 10-year Plan for the Development of Basic Education is based on indicators for each of the plan's three components, namely (i) access to basic education; (ii) the quality of basic education; and (iii) institutional changes.

The indicators report on implementation, execution and the results of the actions carried out. Some indicators are calculated by gender in order to assess the reduction in girl/boy inequality, while others take into account the geographic dimension in order to monitor the reduction in educational disparity in the provinces.

Within this framework, every six months (on July 31 and January 31 of every year), MEBA produces progress reports that assess plan implementation and the results obtained. This has stimulated the production of more reliable, more regular and more exhaustive statistics. Difficult as it may be to produce statistical information on the state of the education system and its performance within acceptable time limits, MEBA has been able to reverse the trend in four years, even though the statistical data still need to be better applied for direction and planning purposes. MEBA thus has several tools at its disposal:

- (i) The statistical directory of year N, based on questionnaires completed by schools, is available toward the end of March in year N+1;
- (ii) The “carte scolaire” (school location map) (completed in 2004), which brings together the needs and the actuality of the system at the local level, makes it possible to improve planning quality, and is managed at the provincial level;
- (iii) The annual survey of school skills acquired; and
- (iv) The statistical scoreboard, which makes it possible to look at changes in quantitative and qualitative indicators, for the formal and informal education system, over the previous five years.

### 2.1.6. Institutional leadership struggles to establish itself

The case studies have shown that the steering and monitoring mechanisms are supposed to support management practices based on the regular use of techniques and tools such as: (i) a general information system consisting of a database, simulation models, etc.; (ii) operational action plans; (iii) standardized procedure manuals; (iv) coherent regulatory texts; and (v) the establishment of structures and of coordination mechanisms among the various entities involved.

In practice, the systems in place find it difficult to measure the results of the strategies implemented. The anticipated steering mechanisms have not been established or, where they do

exist, they have difficulty in playing their full role.

This translates into extensions and delays in sector reviews, the presentation of incomplete execution reports, unsatisfactory tools, instances of poor operational guidance, and severe institutional instability (changes in how responsibility is distributed among participants, changes in documentation and personnel, etc.).

In some cases, as in the education sector in Niger, the government blames these lapses on the lack of resources, difficulties in organizing effective programs for strengthening capacity, and poor coordination among partners on this issue; but also, and perhaps more importantly, on the lack of a guiding framework and the unwillingness to take responsibility.

#### Box 5 - Extract from the execution report of the first phase of the Ten-Year Program for Education Development drawn up by the Government of Niger

Some government structures planned to be part of the program's steering framework (Technical Secretariat for the Program, Technical Coordination Committees, etc.) have not been established. The activities of the organizations that have been created so far are limited to preparing the joint sessions. Action plans, activity reports and development strategies for the sector are developed centrally, with departments reduced to approving documents. The central and decentralized government structures are barely operational because their missions are not clearly defined and the personnel responsible for managing them do not always have the necessary skills.

Monitoring the execution of activities barely takes place, and the tools required for doing so have not been devised. The program for strengthening the capabilities of the central and decentralized government structures in programming, development of a budget-program, and devising steering tools has not been conducted systematically. Such a program does not exist today, which means that there is no coherent overall management structure for strengthening capacities, either at the central or the decentralized level.

### 2.1.7. Underdeveloped assessment tools

A report on the current situation notes that only one retrospective assessment has been completed to date within the framework of the various cases studied. This was an assessment carried out in 2006 in Burkina Faso at the end of the first phase of the four-year, sector-wide program. It was sponsored by the Government of Burkina Faso and carried out by an external consultant in partnership with the government and its technical and financial partners. This assessment made it possible to determine: (i) how far the program had

progressed; (ii) what results had been attained; (iii) the efficiency and effectiveness of the management of the 10-year plan; and (iv) the factors explaining the performance reached.

Apparently, this work did not fully satisfy the various stakeholders. It is not an easy report to read (290 pages without a summary). It is too narrative and insufficiently analytical, and it offers unconvincing lessons and recommendations. Methodology and quality, therefore, are in urgent need of improvement. Yet the process seems promising in terms of transparency, accountability and collaboration.

For the other cases, retrospective assessments are generally planned on paper only. This commitment appears either in the reference documents of the sector-wide programs or in the partnership agreements between the national governments (Burkina Faso, Niger and Mauritania) and their donors. Frequency varies according to country and program (for Burkina Faso and Mauritania, at the end of each program phase; for Niger's health sector, halfway through the program).

In Mauritania, the assessment of the first phase of the sector-wide program planned for 2008 has not yet been carried out.

In Niger, the government carried out its own program assessment in the education sector in 2007. This is not a proper assessment but rather an in-depth halfway review of the progress of the sector-wide program. It was presented and discussed at sector level within the framework of the partnership mechanism between governments and donors.

In the health sector, the halfway assessment of the Health Development Plan (2005-2010), begun in July 2008, was not expected to be complete before March 2009. The main objectives of this assessment are to: (i) assess the progress and record the performance of the program's implementation; and (ii) make recommendations for the next phase. The evaluation process is committed to a kind of participative self-assessment by the main actors (thematic work groups composed of government, donors and civil society partners). It would also partly rely on the work of an external consultant, who would be responsible for conducting a series of epidemiological surveys, as well as a survey of perceptions among health-sector actors and technical and financial partners. The results of the Niger assessment were not available when this report was being written.

Table 8 - Examples of assessments carried out

Country	Burkina Faso	Mauritania	Niger	Niger
Sector	Education	Education	Education	Health
Period covered by the sector-wide program	2000-2009	2000-2010	2003-2012	2005-2010
Assessment carried out since the start of the sector-wide program	Yes	No	No	Yes
	External assessment Report produced in 2007	External assessment planned for 2008 but not yet carried out	Halfway assessment carried out by the Niger Government in 2007	Self-assessment report produced in 2008 by the Niger Government Supplementary work by external consultant not yet available (perception survey and epidemiological survey)

Source : AFD.

## 2.2 Partnership framework

The main findings regarding coordination mechanisms will be examined by looking at the nature of the sector-wide dialogue and the types of collaboration among partners.

### 2.2.1. Increasingly structured and inclusive coordination systems

This report has shown that organized and functional partnership frameworks have been established in all of the cases studied. These frameworks have been formalized

progressively, based on a core of structural elements and the following tools:

- A consultation framework formalized in a document entitled "Partnership Framework" (Burkina Faso) and "Partnership Agreement" (Niger);
- The appointment of a lead manager for the technical and financial partners; and
- The adoption of a joint financing mechanism between governments and specific partners.

Table 9 - Coordination and management framework of sector program support

Country/Sector	Mauritania Education	Niger Health	Niger Education	Burkina Faso Education
Partnership running the sector-wide approach	Yes Cooperative Financing Protocol signed in 2007	Yes Partnership Framework signed in 2005	Yes Partnership Framework Agreement signed in 2003	Yes Partnership Framework signed in 2002 and revised in 2007
Management framework of sector program support	No (Only 1 donor)	Yes Letter of agreement signed in 2006	Yes Letter of agreement signed in 2005 and revised in 2008	Yes Joint financing protocol signed in 2005

Source : AFD.

The partnership framework defines the general collaborative and consultative framework between governments and the partnership community in the sector, regardless of the type of financing used by the partners. In all cases, the framework is not very constraining; it has no legal status, and it is based above all on the goodwill of the stakeholders. Thus, it essentially expresses an intention: (i) by governments to increase their aid ownership through increased mastery of directing a sector-wide policy; and (ii) by the signatory partners to align themselves with the country's strategies and procedures, promote harmonization of their interventions, and therefore reduce transaction costs.

The partnership framework also shows the way forward for the governments, as well as for the signatory partners, toward improved sharing of information and strengthening of coordination. For this purpose, it relies in all the cases studied on joint reviews conducted with the oversight of governments.

As regards past practices, these joint reviews substantially

rationalize relations between governments and partners by creating a degree of uniformity in dialogue and exchanges. They make it possible to: (i) regularly share information according to a harmonized format among the various participants in the sector; and (ii) regularly and jointly determine the progress of programs and the use of funds allocated to their financing, the planning of activities for the year ahead including the financing required for their implementation, as well as the recording of performance, taking into account a variety of indicators.

These reviews are also the subject of written memoranda (jointly signed by governments and partners) whose quality gradually improves as experience is acquired and the programs progress. In the case of Burkina Faso, the format of these memoranda has greatly evolved to better identify dialogue points and to focus on a reduced number of recommendations, each arising from a specific report or analysis. In effect, each memorandum provides a roadmap between reviews.

### Box 7 - Joint Monitoring Missions (MCS) in Burkina Faso

The Ministry of Education and Basic Literacy (MEBA) organizes two joint monitoring missions per year, whose terms of reference are agreed upon with the technical and financial partners. These generally consist of a mission on the ground, a technical workshop, and a political meeting for the signing of the memorandum.

The missions bring together MEBA structures at the central and decentralized levels, the unions, the main NGOs, and the technical and financial partners in the 10-year plan regardless of the type of financing used. This amounts to about 40 participants.

The first mission of the year usually takes place in March/April. It is devoted to drawing up a balance sheet for the technical and financial execution of the previous year's phase of the 10-year Plan. The second mission, organized in September-October, allows for: the creation of a balance sheet for the budget execution of the 10-year plan over the first six months of the year; an analysis of the educational results of the previous school year; an examination of the action plans for the following year's phase of the 10-year Plan; and the preparation and appraisal of the start of the current school year.

The following documents must be produced:

- First joint mission of the year:
  - ▶ MEBA's annual action plan for the following year accompanied by a draft budget to aid in the preparation of the MEBA budget;
  - ▶ An update on the medium-term expenditure framework based on action plans and program budgets;
  - ▶ The annual report on 10-year Plan activities for the previous year;
  - ▶ The annual report on 10-year Plan budget execution for the previous year, following the format required by current legislation for periodic reports;
  - ▶ The financial and procurement audit reports for the previous year; and
  - ▶ An updated table of indicators.
- Second joint mission of the year, with delivery to participants no later than four weeks before the meeting:
  - ▶ The report on 10-year Plan budget execution for the first six months of the current year;
  - ▶ The 10-year Plan activity report for the past school year;
  - ▶ The annual action plan for the coming year, revised and corrected for adoption during the sector meeting planned for that purpose, at the Ministerial level;
  - ▶ The cash flow and procurement plans, to be annexed to the budgeted action plans; and
  - ▶ A statement of the budget for the next fiscal year.

The conclusions of each joint 10-year Plan monitoring mission are set down in a memorandum jointly prepared and approved by MEBA and the technical and financial partners, then co-signed by MEBA and the lead manager.



The partnership frameworks implemented in the education sector in Niger and Burkina Faso have made it possible—among other things—for new actors to become involved in monitoring sector-wide policies. Indeed, international and national NGOs, parent-teacher associations, and teachers' unions are now represented in dialogue proceedings (the program's National Steering Committee in Burkina Faso and the National Education Council in Niger) and participate regularly in joint reviews.

These new actors have much greater access to structured data regarding the system and its development than before. They can also freely express their views on the program's orientations and its implementation. However, they have not yet completely found their place within the mechanism so that they can contribute actively to the sector-wide dialogue. Indeed, they have almost no contact with the other partners in between reviews; they are rarely able to consult each other within their own structure in order to prepare their contributions to the discussion; and they have not yet acquired all the skills necessary to effectively organize their participation in these new types of consultation processes.

Finally, in addition to the general partnership frameworks and agreements bringing together the majority of the partners involved in a sector, this study shows that complementary and specific documents govern the relations between governments and the partners involved in the framework of harmonized financing, which supports sector-wide programs. These

documents can take different forms: a common financing protocol in Burkina Faso, a joint financing protocol in Mauritania, letters of agreement in Niger, etc. In every case, such documents are intended to clarify and define the modalities and procedures of consultation, management and the monitoring of common financing.

### 2.2.2. Dialogue focused on resources

The monitoring tools of the sector-wide programs presented in sections 2.1.3 to 2.1.5 are not helpful when it comes to organizing and directing a dialogue that focuses on the strategic needs and priorities of the sector in question.

In practice, the dialogue between governments and partners is mainly focused on the resources made available within the framework of foreign financing, the validation of expenditure plans, the management of these resources, and the monitoring tools linked to these.

Even if significant differences exist across contexts and sectors involved (poor consultation of donors between sector-wide reviews in Niger and Mauritania, monthly meetings of thematic groups in Burkina Faso, etc.), the different operational methodologies used by the community of partners (which are dealt with in detail in section 2.2.3) cause donors to focus on, and become preoccupied with, the effective implementation of their own financing. This does not promote strategic dialogue.

#### Box 8 - The education sector in Niger: A dialogue focused on resources

Following the negative conclusions of the expenditure audit of the Common Fund accounts carried out by the Government of Niger between 2004 and 2005, the partners involved froze their financing for the period 2006-2007 and agreed with the government on a protocol governing the operational transition period for budget support.

This crisis focused the dialogue between the government and the financial and technical partners on the financial management of the transition phase and the preparation of a consensus for renewing the disbursement of funds.

The dialogue on the policies and performances of the sector appears to have stood still during this period. Meetings of partners have become less frequent in between reviews, as have meetings of thematic groups and joint field missions, as well as joint consultation groups. Some actors feel that the partners have reduced the sector-wide dialogue to overly financial and technocratic discussions. Others think that it is more likely that a general weakness in the competencies of the partners has gradually led to the degradation of the dialogue.

**2.2.3. Inadequate and uneven division of labor and knowledge pooling**

Given the complexity of the analyses to be carried out and the multiplicity of fields to cover, the dialogue on policies has to be a continuous process requiring coherence, reactivity, and multidisciplinary competencies from the technical and financial partners.

The case studies show that the technical and financial partners have systematically appointed a Lead Manager. Depending on the case, the leader's remit can be more or less specific and formal. However, reference is always made to the partnership framework, except in the case of Mauritania (letters of agreement in the education sector in Niger, partnership framework in health in Niger, partnership framework and joint financing protocol in Burkina Faso).

The lead manager has no legal responsibility. He or she acts as a liaison between partners and governments, coordinates the dissemination of information (documents, meetings, etc.), and oversees proper organization of consultation between PTFs and governments (sector-wide reviews, thematic groups, etc.). Depending on the case, the lead manager acts as a motivator regarding sector-wide strategic issues and steering.

Unlike the lead manager, the other partners in the framework of sector-wide dialogue have no formal role.

Two approaches should be highlighted:

- In the case of Burkina Faso, the partners are gradually organizing themselves to deal with the multiplicity of issues brought up in the sector-wide dialogue and the range of consultation opportunities implemented (thematic groups, monthly consultation, bi-annual sector-wide reviews, ad hoc meetings, etc.).

**Box 9 - Division of operational labor in Burkina Faso**

The table below illustrates the current participation of partners in the various thematic groups directed by MEBA and the sharing of leadership, according to the relevant field (the leading partner is in bold).

Thematic groups	Partners
Access	<b>UNICEF</b> / Netherlands / Canada
Quality	<b>AFD</b> / Denmark / UNICEF / Netherlands / Swiss Cooperation / Canada
Direction	<b>Canada</b> / Denmark / European Commission / UNICEF / AFD

These have been set up as consultative groups, in part to moderate discussion on the major issues highlighted by each component of the 10-year Plan, but also to facilitate the implementation of the recommendations of the monitoring missions and to contribute to their preparation.

Although it could be further improved, the division of labor according to the available expertise of each partner, the nature of the required analyses, and the multiplicity of fields seems to have improved over time.

Similarly, the external competencies mobilized by each partner, in order to bring expertise to a specific issue or technical support for a particular topic, appear to be improving gradually and to be more systematically shared among partners. As an illustration, Canadian Cooperation mobilized consultants whose capabilities are regularly made available to other partners for the preparation of the bi-annual reviews.

- In the case of Niger, a lead manager at the national level (here, Belgian Cooperation since 2005) coordinates the dissemination of information and supervises the organization of consultation between financial and technical partners and the Ministry of Public Health. In

2007, the partners and the Ministry also decided to establish regional lead managers to strengthen the coordination and complementarity of interventions at the decentralized level.

#### Box 10 - Limited coordination in the health sector in Niger

Based on a shared diagnosis in 2004, the World Bank and AFD decided to establish a non-budget common fund managed by the Ministry of Public Health, with the support of a team of experts from Niger under the responsibility of the General Secretariat. The governance of the common health fund was set up according to specific administrative, accounting and financial procedures defined in an execution manual. The monitoring of the fund is carried out within the framework of the arrangements described in the manual and in the letter of agreement signed by the two partners and the Government of Niger.

Monitoring is also carried out in respect to the commitments made within the framework of the partnership agreement and the 10-year Health Plan (periodic reviews, priority indicators, etc.).

In addition, the World Bank regularly carries out unilateral, supervisory missions (outside of this framework) on the totality of financing granted to the health, food and population sectors.

Within this framework, the World Bank ensures the monitoring of the PRIASS project for institutional strengthening and support to the health sector (the contribution of the World Bank to the Common Health Fund) and the PRODEM multi-sector demographic project, as well as the malaria and AIDS programs. It also reviews the health component of its general budget support program and takes this opportunity, in partnership with the Niger Government, to deal with issues of strategic dialogue (promotion of key reforms) and the financing of the health sector.

The case studies have shown that the donors use very different organizational methods (degree of decentralization of responsibilities), intervention (financial instruments) and management (internal technical expertise/consultants), which can be a source of tension and can greatly handicap an efficient division of labor.

Further, the missions carried out by each partner to monitor and inform new financing are mainly dictated by each partner's respective agenda (availability of financial resources, commitment constraints, and completion of previous financing), and they do not appear to be guided by a real concern for pooling expertise.

#### Box 11 - Education in Niger: Differences over priorities within the dialogue

In Niger in 2007-2008, in reaction to the lead manager conducting a dialogue that the Ministry of Education and its partners considered too focused on financing issues,<sup>8</sup> the partners formed a "dissident" group of donors outside of the formal coordination group. This group met on a monthly basis for several months to discuss current operations, review difficulties in operating the 10-year Plan for the Development of Basic Education, and exchange common concerns about specific topics (involvement of the management committees of schools and local communities, changes in curriculum, pedagogic framework, etc.).

Finally, some partners can have an institutional, or even a "diplomatic" strategy that can sometimes make disciplined

coordination among donors problematic.

<sup>8</sup> This initiative aimed at resolving management problems linked to the audit, managing the transition period and defining a new operational methodology.

## 2.3 Sector program support and other forms of sector support

The main characteristics of sector program support are presented and analyzed in relation to the good practices listed in the first section of this report and to their amalgamation into other forms of support, especially capacity building and general budget support (GBS).

### 2.3.1. A diversity of sector program supports

The sample under examination includes only one case of non-targeted budget sector support, namely, that of the European Commission in Burkina Faso.<sup>9</sup>

Targeted budget sector supports are in the majority and come in different forms; their targeting mechanism offers two separate options:

- A contribution to a special, earmarked Treasury account (CAST) (Burkina Faso – Education)
- The financing of a specific Ministry budget item supported via the Treasury (Niger – Education and Mauritania – Education).

There are also two cases of non-budget common funds: one in Niger in health and another in Burkina Faso in education (until 2005, but later changed to targeted budget sector support).

Table 10 - Operational modalities

Country	Mauritania	Niger	Niger	Burkina Faso	
Sector	Education	Health	Education	Education	
Type of sector	Targeted budget	Non-budget	Targeted budget	After 2005: Targeted	Non-targeted
program support	sector support	common fund	sector support	budget sector support	sector budget support
	T-SBS	NB-SPS	T-SBS	Before 2005: Non-budget common fund	NT-SBS
				NB-SPS	
Additional comments	Financing of Ministry of Education expenditure line items via the Treasury	Financing of expenditure of the annual action plan via a commercial bank account	Financing of Ministry of Education expenditure line items via the Treasury	Contribution to a CAST account dedicated to Ministry of Education expenditure	Payment to Treasury without allocation

Source: AFD.

The case studies thus confirm the variety of operational modalities found in sector program support, which are represented in the typology presented in the first section of this report.<sup>10</sup>

### 2.3.2. Sector program support : a harmonizing force

By connecting several partners through common processes and operational modalities, sector program support becomes

a harmonizing force with variable geometry. However, in every case study, the portion of aid intended for the sector but not passing through the harmonizing instrument remains considerable. As regards education in Burkina Faso and Niger, sector program support connects a significant number of partners (seven at least). These groups of partners represent about 15% of financing to the sector within the action plan for education in Burkina Faso for 2007-2008 (including the national budget) and 8% for education in Niger for 2004-2007.

<sup>9</sup> However, this type of aid has just recently been used by AFD in Mali and Senegal (Education), Ghana (environment) and Indonesia (climate change).

<sup>10</sup> (i) Non targeted sector budget support (NT-SBS); (ii) Targeted sector budget support (T-SBS); (iii) Non budget sector support (or Non-budget common funds) NB-SPS.

While sector program support represents the most important financial instrument in terms of volume (except for the government budget), it represents less than 50% of foreign financing.

In Niger, the funds of the IMOEA-EPT (Education for All) initiative, which is managed by the World Bank, are integrated into harmonized financing. In Burkina Faso, the harmonized option is also expected to be used once it is established.

**Table 11 - Number of partners participating in sector program support**

Country	Mauritania	Niger	Niger	Burkina Faso
Sector	Education	Health	Education	Education
Number of partners	1 (T-SBS)	2	7	7 (T-SBS)
Partners	AFD			1 (NT-SBS)
	(Note: the World Bank and AfDB use parallel financing within the framework of project support integrated within the program-based approach)	World Bank and AFD	World Bank (FTI), AFD, Netherlands Norway, and DFID	World Bank, AFD, Netherlands, Belgium, Denmark, Sweden, and UNICEF
				CE

Source : AFD.

As regards the health sector in Niger, only two partners so far have harmonized their procedures (AFD and the World Bank). Despite showing interest, UNFPA and Belgium continue to operate in their own specific ways. None of the large international initiatives in health (GAVI, the Global Fund to Fight AIDS, etc.) participates in harmonized financing.

In the sample examined, the following general points can be noted:

- The World Bank and some bilateral donors (the Netherlands, Denmark, and AFD) almost always channel their financing through harmonized modalities ;
- UN organizations do not generally take part in harmonized financing except for UNICEF, which has contributed to CAST/FSDEB in Burkina Faso since 2008;

- The European Commission favors non-allocated general budget support paid out in varying amounts, based on sector performance (health, education, management of public finances, etc.). Burkina Faso, where the Commission combines general budget support and sector budget support, appears to be an exception. The Commission is also involved in project-based support for strengthening capacity at sector level.

Despite the collaborative character of sector program support, the level of harmonization remains low and sector financing is still provided in a multiplicity of ways, a great deal of which is project-based support.

**Box 12 - Multiple interventions in Mauritania, Burkina Faso, and Niger**

In Mauritania, the main donors in the sector continue to operate in ways that are still not entirely harmonized (thresholds and no-objection notices, disbursements of funds made available, procurement methods, individualized audits of their support, etc.). In the main, the following stand out:

- The World Bank, which provides project-based support within the framework of a project-based approach (execution manual, joint reviews, etc.);
- IDB, AfDB, UNICEF, WFP, and Spanish Cooperation, which grant project-based support aimed at specific components of the program and use their own procedures;
- France, which grants targeted budget sector support.

In Burkina Faso, foreign financing of the 10-year Plan for the Development of Basic Education is provided through multiple sources of financing:

- The CAST/FSDEB Common Fund (World Bank, Belgium, Canada, Denmark, France, the Netherlands, Sweden, and UNICEF);
- The European Commission's 2006-2008 non-allocated sector budget support;
- Project-based support for the 10-year Plan for the Development of Basic Education (JICA, AfDB, USAID, IDB, UNICEF, WFP, etc.);
- Project-based support for the Literacy Fund (Switzerland, Sweden, Denmark, the Netherlands);
- Interventions by international (PLAN, Catholic Relief Service, etc.) and national NGOs;
- Decentralized cooperation initiatives.

**2.3.3. Multi-dimensional alignment**

There are several types of alignments:

- Alignment of the goals of sector program support with those of the sector-wide strategy;
- Alignment of the estimated financing with the payments made by the technical and financial partners, taking into account the budget cycle;
- Alignment of the management procedures of sector program support, taking into account the management systems of local public finances; and
- Alignment of the monitoring tools for sector program support with those used by governments for policy monitoring.

**Alignment with sector-wide strategies**

Sector program support provides general support for sector-wide strategies. However, in the majority of cases (Mauritania,

Niger and Burkina Faso), resources are allocated to certain types of expenditure (expenditure for investment or current expenditure). Expenditure for salaries is excluded from foreign financing. In the case of the health sector in Niger, sector program support is intended to support only some of the specific goals of the Public Health Development Plan, and it therefore targets expenditure related to these goals.

**Alignment with budget cycle**

Alignment with the budget cycle remains incomplete, both in terms of annual estimates during budget preparation and in the disbursements made during the program.

In most cases, the data necessary for framing the budget are provided too late. As a result, the appropriations written into the national budget do not always reflect the partners' intentions.

**Box 13 - Health in Niger: Financial and technical partners' contributions to the Common Health Fund**

The expenditure of the Common Health Fund in Niger for 2007 was confirmed after the 2007 action plan was approved in May 2007. The expenditure for 2008 had still not been confirmed in May 2008.

Financial estimates provided also appear unreliable, and disbursements are systematically below estimates. Burkina Faso is a good illustration.

**Box 14 - Education in Burkina Faso: Financial and technical partners' contributions to the CAST/FSDEB**

Within the framework of its planning and budgeting process, MEBA requests the Financial and Technical Partners of the CAST/FSDEB during the second quarter of the year to provide an indication of the annual budget each anticipates mobilizing over the following year. However, the data on these budgets are not reliable enough and the mobilization of resources is only rarely at the level stated during the preparation of the budget: 75% in 2005, 83% in 2006, and 64% in 2007, even though there are no particular problems in the sector. The credibility of the pledges varies depending on the partner. The end of 2007 was even more problematic and MEBA had to slow down the pace of some expenditure and forgo some other expenditure in order to adjust to the flow of disbursements by the partners. The deficit in resources to cover planned and unspent expenditure for the 2007 action plans is about CFAF 3.6 billion. In 2008, the situation appears more favorable as 88% of the planned annual budget had already been mobilized by June 2008. Overall, MEBA faces problems in the predictability of the budgets intended for the CAST/FSDEB.

As the table below shows, the majority of disbursements by partners occur in the second six months of the year, hence quite late in the budget year. This is detrimental for the planning of activities by government departments.

**Table 12 - Disbursement distribution for sector program support over the year**

	Burkina - Education			Niger Health		
	2005	2006	2007	2006	2007	
1T		8%	0%	1T		
2T		21%	46%	2T	33%	
3T		21%	37%	3T	46%	
4T	100%	50%	17%	4T	100%	21%
Total	100%	100%	100%	Total	100%	100%

Note: 2005 for Burkina Faso and 2006 for Niger represent special cases in that they cover the period during which the operational modality was implemented.

Source : AFD.

Table 13 - Use of national management procedures

Country	Mauritania	Niger	Niger	Burkina Faso
Sector	Education	Health	Education	Education
Level of use of national budget and accounting procedures	High	Low (Specific procedure manual)	High	Quite high (Addition of specific procedures for managing appropriation at the peripheral level)
Partner intervention in procurement	No	Yes	<2005: No [2005-2009]: Yes (transition period following unfavorable audit) >2009: No	<end 2008: No >end 2008: Yes
Use of an external annual audit	Yes	Yes Including	Yes	Yes
Expenditure including or excluding all taxes	Including all taxes	Including all taxes (although planned to include all taxes during convention)	Including all taxes	Including all taxes

Source : AFD.

### Alignment with national budget and accounting procedures

Of the four cases studied, three show strong alignment with national budget and accounting procedures. These are in the category labeled “budget sector support”.

In the case of health in Niger, the management procedures for sector program support are not aligned with those of the government but instead have been formalized in a dedicated manual. Resources are managed by a project team within the Health Ministry. The sector-wide approach for health was developed in a context of mistrust for national procedures, following an unfavorable audit of education sector budget support. In fact, not aligning with national procedures was presented as a harmonized and apposite way of offsetting certain weaknesses, especially since it permitted:

- The transfer of more resources to peripheral health structures in order to finance activities difficult to support when delegating credit to the government budget;
- The establishment of an analytic accounting system and rigorous monitoring of restraints;
- The promotion of transparent competition conditions throughout the no-objection procedure; and
- The guarantee of a satisfactory level of retrospective monitoring (annual audits).

Within the framework of the CAST/FSDEB in Burkina Faso, procurement procedures were loosely aligned and required no prior monitoring until 2008. Three years after the establishment of the CAST/FSDEB, the World Bank required that procurement procedures be modified (thresholds, no-objection, etc.) since it deemed that they did not provide all the necessary transparency and discipline guarantees.

In all the cases observed, there is an external annual audit of sector program support financed by the donors participating in sector program support. When these audits reveal failings, there have been financial sanctions and reimbursement (Niger in 2006 and Burkina Faso in 2005).

As regards sector budget support, expenditure includes all taxes due and is therefore aligned with the national tax system.

### Alignment with national reporting tools

The monitoring of sector program support is based on documentation provided within the framework of sector-wide reviews, especially the annual activity programs at the sector level and the reports on sector program execution. Within this framework, sector program support relies on data produced by the sector's statistical system to analyze progress and to monitor the sector's performance.



However, in the case of sector program support, when expenditure is traced, the partners request additional data mainly in the form of Financial Monitoring Reports, adhering to

the World Bank format especially when the latter is involved in sector program support.

**Table 14 - Use of specific monitoring tools for sector program support (excluding audits)**

Country	Mauritania	Niger	Niger	Burkina Faso
Sector	Education	Health	Education	Education
Specific monitoring reports for sector program support	No	Yes	No	2005-2007: No Since 2008: Yes

Source: AFD.

The partners are mainly focused on resources for sector program support, their use (physical and financial balance sheet), and the cash flow in and out of accounts controlled by the Treasury or in commercial banks.

In fact, sector program support has several tools at its disposal, in addition to those used by the sector Ministry for monitoring policy. This is largely related to the establishment of a traceability mechanism.

#### **2.3.4. Disbursement methods heavily based on effective use of resources**

In the cases studied, disbursement decisions were strongly linked to the effective use of available resources. In addition, sector program support can sometimes be conditional, based on a general estimate of progress at the sector level.

In the framework of the Common Health Fund in Niger, disbursement conditions are mainly linked to management methods and the availability of resources relative to the financial monitoring report, financial audit report, procurement plan, validation of Annual Action Plan eligible expenditure for the Fund, etc. As a result, essential exchanges are focused on the means made available by the Fund and the way these are managed, and they largely conceal issues relative to sector performance, strategic dialogue and sector financing (changes in government budget allocation to the health sector, budget execution rate, etc.). As regards education in Burkina Faso and Niger, disbursement decisions are taken at the end of periodic reviews based on the collective assessment of sector performance (sector reforms, budget allocation and execution,

revenue and results indicators), the implementation level of previous recommendations, and the availability of sector documentation. However, these criteria are not formalized into a matrix of sector monitoring that would provide a clear and cohesive overview of the determining elements in the decision-making process. Yet in both cases, monitoring and the appropriate use of available resources (financial monitoring report and audit) are omnipresent in disbursement decisions. The monitoring of audit conclusions in Niger since 2005 and in Burkina Faso since 2004 bears witness to this.

Finally, disbursements are made on the basis of fixed segments (all or nothing). In none of the cases studied was it envisaged that disbursements would be made gradually in response to the level of results reached (conditional segments).

#### **2.3.5. The black box of capacity building efforts**

The strengthening of capacity is a major concern of stakeholders in a sector-wide approach, and it is a recurrent topic in sector dialogue and during reviews. Current experience leads to the realization that the partners of the South do not seem at present to have developed enough domestic capacity to enable them to create, implement and assess complex sector programs.

Donors therefore tend to encourage the systematic introduction of a component specifically dedicated to strengthening capacity within the framework of their financing. However, unless they have enough capacity, administrative services find it difficult to come up with content and priorities. Administrations and donors also lack a thorough and

structured analytical framework that would enable initiatives to be combined.

Implementation usually suffers from a lack of political will among recipients to make the necessary changes. Indeed, the potential impact of these programs for strengthening capacity and working methods, the quest for efficiency, and the sharing of power often arouses powerful resistance within the administrative services concerned. Implementation still often faces a supply of expertise ill-adapted to the complexity of the analyses that have to be made and the multiplicity of topics to cover. Partners do intervene with an increasingly wide range of multifaceted tools (technical assistance made available to program supervisors, technical assistance under dual control of the program supervisor and the donors, technical assistance directed by the donor, short-term external expertise, financing of training programs, etc.). Most of the time, however, these efforts are made (i) occasionally and infrequently; and (ii) with specific financial mechanisms that differ from those used in sector program support.

Support for the strengthening of capacity is also made at different levels (strategic, management, technical).

In practice, change is slow, with donors currently tending to restrict plans for strengthening capacity to the easiest type, i.e., equipment and large-scale training. Support is also implemented very late and in an uncoordinated manner.

In the case of Burkina Faso, for example, as early as 2003, the stakeholders wanted to deal with the issue of the strengthening of capacity and to support this in a general and harmonized way. This still had not been done in 2008.

### 2.3.6. Poor overlap between sector program support and general budget support (gbs)

In Niger and Burkina Faso, sector program support coexists with financing in the form of general budget support.

Implementing GBS programs also integrates elements specific to the sectors, which are evidenced by:

- An assumption of specific sector expenditure, such as France’s targeted general budget support in Niger, which finances specific budget items of the Health Ministry; and
- The adoption of sector disbursement conditions within the framework of non-targeted general budget support, such as:
  - Reform indicators (World Bank) or results (European Commission) in the health sector in Niger; and
  - Indicators related to the education sector (reforms, management, or results) in Burkina Faso (World Bank, European Commission, France, etc.).

The table below shows that these different modalities (sector program support and general budget support) are often implemented by the same partners.

Yet, none of the sector partnership frameworks makes reference to general budget support or any overlap with it.

Meanwhile, the only coordination framework for existing general budget support (Burkina Faso) makes no reference to sector program support.

In practice, overlap between these two modalities appears very limited.

**Table 15 - Coexistence of sector program support and general budget support**

Country	Mauritania	Niger	Niger	Burkina Faso
Sector	Education	Health	Education	Education
Partners using sector program support	AFD (Note: the World Bank and AfDB use project-based support integrated with a sector-wide approach)	World Bank and AFD	World Bank (FTI), AFD, Netherlands, DFID, and Norway	World Bank, AFD, Netherlands, Belgium, Denmark, Sweden,
Partners using GBS	No	AFD (targeted GBS) World Bank, European Commission (non targeted GBS)		World Bank, AFD, Netherlands, Belgium Denmark, Sweden, Germany, AfDB, and European Commission (non targeted GBS)

Source : AFD.

## 2.4 AFD and sector program support

### 2.4.1. A practical and flexible approach

The case studies reviewed above demonstrate AFD's commitment to offering support through sector-wide dialogue and coordination frameworks managed by national governments, and by helping to fund public policies.

AFD actively seeks to harmonize its support programs with those of other donors and to align them to national procedures.

Since AFD's first funding commitments, in the form of project aid to education in Burkina Faso and Niger, it has moved in the direction of sector-wide programs. Designed by national authorities in the early 2000s, such programs are intended to help countries become eligible for the Fast Track Initiative, promote effective coordination between all donors in one sector, and implement funding strategies in harmony with the other partners. During AFD's first intervention in Niger's healthcare sector, it systematically utilized World Bank expertise to design its own support mechanism, and it harmonized its funding with that of the World Bank (the only donor capable of coordinating efforts at that time) to promote a Sanitary Development Plan.

AFD's first funding of Mauritania's education sector in 2002 was also directly aligned with national strategies and procedures.

AFD also sought a practical operational dynamic between (i) the main areas of focus and principles of French aid (CICID, POS II, framework documents on country partnerships, AFD frameworks for sector-wide activities, and France's international commitments); (ii) recipient countries' strategic priorities discussed in Poverty Reduction Strategy Papers (PRSP), Millennium Development Goals (MDG) and sector-wide policies; and (iii) the cooperation strategies of other development partners.

To achieve this, AFD helped design and implement the multidimensional sector program supports<sup>11</sup> shown in the table below.

The use of diverse operational modalities shows that AFD favors practicality when implementing the sector-wide approach.

**Tableau 16 - Funding instruments mobilized for sector-wide programs**

Country	Mauritania	Niger	Niger	Burkina Faso
Sector	Education	Education	Health	Education
		- Targeted sector budget support (€6.5 M)		- Targeted sector budget support (€35 M through three support programs)
Funding instruments mobilized by AFD for sector-wide program	- Targeted sector budget support (€9.76 M) - Technical assistance (€5.5 M)	- Project aid to support capacity building efforts (€1.8 M)	- Non-budget common funds (€13 M) - Technical assistance (€2 M)	- Project aid to support capacity building efforts (€2 M) - Technical assistance (€1.5 M)

Source : AFD.

In addition, AFD combined sector program support with a variety of complementary funding instruments in order to meet

a number of specific needs.

<sup>11</sup> See Table 10 – 2.3.1 for more information regarding the range of sector program support types.

**Box 15 - Education in Niger: A combination of several instruments**

AFD mobilized a wide array of instruments in support of Niger's education sector:

- Sector program support in the form of targeted sector budget support. This support correlated directly with the PRSP and the Fast Track Initiative and helped achieve MDGs 1 and 3.
- Project aid to support capacity building. This component aims to bring together the conditions for effective sector program support by bolstering institutional efforts to improve initial and ongoing training for primary teachers, as well as ways to direct, manage and assess the system.
- Technical expertise in the form of resident technical assistance to provide scientific expertise on primary education to the Ministry of Education and to help it create programming, planning and monitoring tools.

The main tools mobilized to accompany sector program support are generally project aid in support of capacity building (training, studies, coordinating expert teams with short-term assignments) and resident technical assistance. This

combination of instruments and modalities is quasi-systematic.

In concrete terms, AFD prefers flexible approaches and strives to adapt instruments to specific contexts and existing partnership frameworks.

**Box 16 - Sector program support in Burkina Faso: Practicality and flexibility**

In Burkina Faso, sector program support for education was aligned with the dominant harmonized operational strategy and could be adapted to reflect changes and trends.

Firstly, AFD aligned its funding strategy with the management method of the Bureau des Projets Education (BPE - Educational Project Office), which several partners were already using, based on mutually agreed upon procedures and the provisions in a financial, administrative and accounting procedures manual. When the BPE was dissolved, AFD then channeled sector budget support through a Special Appropriation Account in support of Basic Education within the national Treasury, which the Burkina government and former BPE partners all accepted as a harmonized funding instrument (with a management manual designed around national procedures).

Since no harmonized framework was in place for capacity building support, AFD instead offered project aid consistent with the sector-wide program, in order to provide solutions adapted to the needs of the Ministry of Basic Education, especially in terms of implementation. In addition, this intervention was designed to tighten coordination with other partners and keep open the option of transferring these AFD funds to a harmonized capacity-building fund, if one was ever created.

**2.4.2. A range of instruments with clear yet underutilized complementarity**

Complements to the capacity building efforts mentioned above include general budget support for Niger and Burkina Faso, French contributions to EFA-FTI, and some vertical funds in the healthcare field.<sup>12</sup> All are funding instruments that AFD mobilizes, directly or indirectly, to fund sector program support.

In practice, however, AFD-funded capacity building efforts are often implemented too late, despite the fact that these efforts are crucial in designing support mechanisms that ensure sector-wide approaches are run smoothly and lower some of the risks involved in sector program support.

<sup>12</sup> The coherence/coordination of sector-wide funding in countries included in this study, with AFD supported "trust funds", is not addressed in this report.

**Box 17 - Education in Niger: Underutilized capacity building components**

In addition to targeted sector budget support totaling €6.5 millions, AFD also offers specific support in the form of project aid aimed at bringing together the conditions for effective program aid implementation. This support comprises two components:

- The first component, totaling €1.8 million, is aimed at strengthening institutional efforts to improve the initial and ongoing training of primary teachers in state-funded primary teacher training institutions, the initial training of school inspectors and pedagogy specialists, a testing system for evaluating the learning of primary students, etc.) and ways of implementing, managing and assessing the system (improving information systems and human resources management, a school implementation map, etc.). While the financing agreement was signed almost three years ago, only 10% of the funds have been mobilized.
- The second component, totaling €1.5 million, was intended to fund six resident technical assistance positions (coordinator, planner, manager, and primary education specialists) for 2006 and 2007. However, only two of the six positions were filled over that period.

This situation illustrates some of the general problems encountered when attempting to design and implement effective capacity-building support measures. This is especially problematic when mobilized funds are intended to finance the most clear-cut types of activities (providing experts, training, etc.). As the case of Burkina Faso shows, other types of commonly cited needs are often subject to change. These are even harder to address and operational solutions for them are more difficult to find.

Most measures to support capacity building do not use the same mechanisms as those of sector program support, particularly in terms of programming and validating activities (specific actions submitted by country authorities to AFD for *a priori* oversight, in addition to the validation of annual action plans by all partners during reviews, terms of reference for some activities requiring statements of non-objection, etc.). This also creates difficulties for local authorities, which have to juggle various mechanisms depending on which operational modality is being used.

Coordination between budget support and sector program support varies from one country to the next. Much remains to be done in order to build an operational dynamic between the two types of support that will improve coherence and complementarity.

In Niger, for example, in 2007-2008, the volume of macroeconomic stabilization budget support allotted to the

healthcare budget was greater than other funding mobilized by AFD for this sector (funding for the sector-wide common fund and technical assistance) during the same period. This included grants for hospitals and training centers. It also funded reform of free access to some healthcare services, and it had significant impacts on the sector (increased demand for care, higher workload for healthcare professionals, implications for sector funding, etc.). Although this was a substantial financial contribution, the targeting of healthcare spending, as part of this budget support, did not benefit from sufficient dialogue with national authorities regarding their own plans and intentions, nor from an in-depth analysis of: (i) the coherence/complementarity (goals, conditionalities, disbursement modalities, monitoring framework) between this funding and other instruments mobilized by AFD; and (ii) the implications this funding would have for AFD regarding strategic sector dialogue (ways to make the national strategy regarding free access capable of supporting and monitoring policy changes in grants to hospitals and training centers, etc.).

In Burkina Faso, 2006-2008, non-targeted budget support was disbursed in both fixed and additional tranches. The latter were delivered on the basis of performance criteria in use in the education sector (portion of budget allocated to the Ministry of Basic Education, budget performance rate, and primary school completion rate). Education sector indicators are consistent with sector program support indicators because both are based on a matrix designed for the PRSP that is

derived from sector-wide reviews. While some indicators are relevant, the value-added of others is questionable.

Budget allocation and budget performance-rate indicators are designed to strengthen dialogue between the Ministry of Economy/Finance and the Ministry of Basic Education, and to encourage both to adhere to their sector-wide funding commitments in the national budget. Within this framework, France is not obligated to deliver all of its budget support for Burkina Faso if the country's government does not comply with budget commitments to basic education, a sector for which France also offers sector program support. The coherence and complementarity between budget support and sector program support have been questioned, based on two of the three education-sector indicators mentioned in the previous paragraph.

Using a sector-wide indicator, such as the completion rate, in budget support has raised additional questions about relevance and value-added given that (i) this indicator is also used in sector program support; (ii) there is no formalized coordination between budget support and sector program support; and (iii) understanding indicator trends requires solid sector-wide knowledge.

### 2.4.3. Relatively lengthy management procedures

The table below shows the time AFD teams spent coordinating and monitoring the different sector program supports covered in this report, as well as total commitments and disbursements by sector and location, after three, four and five years of operation.

Table 17 - Management times

	Time spent by AFD in working days <sup>15</sup>	Monitoring period (including coordination and monitoring)	Amount allocated in € millions	Amount disbursed	Payment period
Niger, Education	288.8	2004-February 2008	€9.8 M	€0.7 M	2004-February 2008
Niger, Health	468.5	2005-February 2008	€15 M (common funds and project aid)	€4.6 M	2006-February 2008
Burkina Faso, Education	646.5	2003-February 2008	€35 M (3 grants)	€27.5 M	2004-June 2008
Mauritania, Education	256.1	2002-December 2006	€9.76 M	€8 M	2003-December 2007

Source : AFD.

The amount of time AFD teams spent coordinating and monitoring the types of support detailed in Table 17 is much higher than the average amount of time AFD spends on support funded through grants<sup>16</sup> (around 181 working days).

After a few years in operation, disbursement levels are relatively low in Niger but are substantial in Burkina Faso and very high in Mauritania.

<sup>15</sup> This refers to time that decentralized AFD teams and teams at AFD Headquarters spent coordinating and monitoring support programs.

<sup>16</sup> These data should be interpreted cautiously because three of the four cases studied in this report pertain to the education sector, where the number of projects each project leader has to monitor is lower than in other sectors in which AFD has been active for a longer period. On average, project leaders in this sector tend to spend more time on project monitoring than project leaders in other sectors.

These observations vary slightly across cases:

- In Niger, a high degree of involvement was required of AFD teams, especially at the local level. This was due to the weak capacities of the Ministry of Public Health (MPH), the complexity and rigidity of planning processes adopted for the Sector-Wide Common Fund (the system permitting donors to validate annual action plans), and

the late arrival of experts chosen to partner the MPH. Responsibility sharing between AFD and the World Bank (the only partners in the Common Fund) was poorly coordinated, and disbursement criteria were not uniform, which made the division of labor less effective and left the operational commitments of each partner unclear. These issues explain why AFD had to spend extra time and energy on this support mechanism to try and harmonize procedures and align viewpoints with those of the World Bank.

- Regarding education in Niger, analyzing management problems, finding a consensus on how to secure technical and financial partners in order to resume payments to the Common Fund, and ensuring operational management during the transitional period all added to the time AFD had to spend on this support mechanism. Moreover, AFD was the education sector leader from mid-2006 to the first quarter of 2008. The low disbursement level as of late June 2008 was due to the freeze on new disbursements during the transitional period. By early 2009, disbursements had returned to normal levels.
- In Burkina Faso, AFD coordinated sector partners from 2005 to 2006 during an especially active and fruitful period in terms of sector-wide dialogue between donors and the Burkina authorities, which involved managing the termination of the activities of the Office of Educational Programs (BPE) and opening a special appropriation account in the Ministry of Economy and Finance. Main partners resumed disbursements, performed assessments of Phase 1 of the sector-wide program, and designed Phase 2. In addition, AFD single-handedly coordinated its funding without using any external experts or pooling work with other partners. This was mainly due to scheduling conflicts.
- In Mauritania, coordination required a high degree of

involvement on the part of AFD teams. This was in large part linked to the use and specificities of the C2D<sup>17</sup> instrument and the fact that this was AFD's first intervention in Mauritania's education sector.

In the event of operational failures following negative audits, or a poorly structured division of labor, these transaction costs are compounded by a relative fall in disbursements or even a freeze in harmonized funding.

Yet, the paradigm shift induced by the sector-wide approach does appear to be a rational move, at least in the short-term. Indeed, the sector-wide approach encourages AFD teams to focus on an array of issues and not just on technical areas, as was the case with traditional project aid. New areas of focus include public policy implementation, assessments of the capacities of actors, and analysis of the quality of cross-sectional tasks performed by the government, its decentralized services or its departments.

Another justification for this development is the time AFD spent coordinating the sector-wide approaches studied. As sector leader (education in Burkina and Niger) or as an active partner (healthcare in Niger and Mauritania), AFD took a proactive role from the start of support initiatives to help define harmonization mechanisms (procedure manuals, agreement letters, assessing and selecting operational modalities, etc.) and during implementation to help coordinate discussions between donors and national authorities (participation in reviews, compiling joint aide-memoires, suggesting common positions, etc.). Given the way work is organized at AFD, this required substantial involvement on the part of teams both locally and at AFD Headquarters.

By contrast, AFD did not have to devote as much of its consulting budget to designing and monitoring sector program support, since it increasingly relies on data, publications and expertise produced and/or funded by other partners, especially

<sup>17</sup> The "C2D" Debt Reduction and Development Contract was designed by France to complement the permits aimed at Heavily Indebted Poor Countries (HIPC), enabling the refinancing of Official Development Assistance (ODA) claims not eligible for HIPC aid through grants. The C2D model makes it possible to use funds to reach MDGs through a program approach rooted in national systems. This mechanism was relatively new in 2002, when support for Mauritania was approved.

the World Bank, which has a specific fund for financing preliminary studies and monitoring sector-wide programs (“Fast Track” resources, for example). However, this trend toward the improved pooling of human and financial resources still carries some uncertainties. For example, each donor has its own agenda for committing and renewing funds at specific dates, and donor discrepancies in this area have proved to be serious roadblocks to the more effective pooling of resources and knowledge.

In addition, while AFD spends less time on technical aspects, this is heavily offset by the time it now spends coordinating and harmonizing donors, collaborating with national authorities, and initiating studies on the cross-sectional factors inherent to any public policy support strategy.

#### 2.4.4. A range of poorly managed risks

The case studies covered in this report show that AFD teams carried out a relatively in-depth *ex-ante* risk assessment in conjunction with other donors.

These risks were of various types: political, financial, fiduciary, technical, legal and social.

The risks involved in this type of support are often more numerous and not managed as well as in traditional project aid. There are several reasons for this: (i) the scope and complexity of sector-wide programs; (ii) the major cultural, political and sometimes social changes often at the root of

sector-wide programs; (iii) the high degree of overlap between these programs and the government’s cross-sectional policies and missions; (iv) over-eagerness for alignment with national procedures that are still fragile; (v) the need for a consensus on harmonization and coordination among partners; (vi) excessive focus on results-based management although means and processes are still poorly managed; and (vii) dialogue between donor and recipient countries focused on policies and results rather than means, in contexts lacking maturity.

What flows from the cases studied here is that even when risks were clearly identified upstream, they were rarely avoided downstream. This is especially true concerning policies, including policy choices made during program implementation, conflicting with commitments made in sector-wide programs; the policy of free access to some health services in Niger; implementation of the reform on bilingualism in Mauritania; fiduciary aspects, including tensions over government funds and a freeze in relations between the IMF and Mauritania in 2004; an unsatisfactory audit in the education sector in Niger; institutional and organizational factors, including weak national and local capacities regarding programming, implementation, management and leadership in Burkina Faso; and technical factors, including difficulties in finding consultancy firms and companies able to meet technical specifications for building schools or healthcare infrastructure.



**Box 18 - Education in Mauritania: A case of poorly managed risk factors**

In Mauritania, mechanisms designed to correct risk factors identified at the start of the sector-wide program were relatively ineffective during the first phase.

- **Political and social factors:** These included implementing the reform on bilingualism, making leaders from ethnic minorities accountable, determining the portion of national resources to allocate to the education sector, and reducing regional discrepancies. None of these aspects was given enough political attention for results expected over the 2004-2007 period to be achieved.
- **Institutional and organizational actors:** The assessment of the first phase of the sector-wide program revealed that weaknesses in national and regional capacities (implementation, management and leadership) hindered effective implementation of planned activities. Repeatedly replacing key leaders during implementation certainly weakened management systems. Technical expertise, provided primarily by France, did not visibly improve the situation. Problems encountered by donors in coordinating and harmonizing their procedures also hindered the Education System Development Support Project (PNDSE) during the first five years of implementation.
- **Fiduciary factors:** Despite delays during 2004 in the fragile macro-economic context of Mauritania due to tensions over government funds and a freeze in relations with the IMF, AFD decided not to update the operational approach of the C2D. Delays in channeling resources between the government and project management and education programs severely hindered program implementation.
- **Technical factors:** Numerous shortcomings remain, including inadequate coordination within structures responsible for PNDSE implementation, weaknesses in and complexity of human resources management (recruitment, training, appointing and supporting competent bilingual teachers in underdeveloped rural areas), and difficulty in finding reliable consultancy firms and companies able to meet needs within deadlines and in accordance with specifications.



### 3. Sector-wide approach and sector program support in practice: early lessons

This section discusses the main points flowing from a comparison of the case studies. These include general aspects of the case studies, as well as specific AFD practices.

The goal is to pinpoint topics that can enhance discussion

about the sector-wide approach and how it is funded (3.1), and provide lessons and perspectives (3.2) to help AFD improve sector program support implementation.

#### 3.1 Lessons

##### 3.1.1. The sector-wide approach is taking shape

This overview shows that since the early 2000s many donors have become actively involved in the sector-wide approach, especially in the fields of education and healthcare. In these areas, donors are increasingly turning to harmonized funding instruments that are better aligned with national procedures. Promising early efforts have led to:

- The creation of better-organized and more inclusive coordination frameworks (formalized partnership agreements, joint monitoring instruments, appointment of sector leaders, participation of new actors, etc.);
- The adoption of a more holistic view of sectors that fosters government ownership and uses cross-sectional instruments to design strategies, pilot activities, and manage public policy (sector-wide strategy, financial frameworks, etc.).

This trend marks a major shift away from past aid delivery practices, which used to form part of the project approach. This shift has improved the coordination and design of the dialogue mechanisms managed by governments, bringing together a broad array of stakeholders.

Within this framework, sector program supports are rebuilding the legitimacy of governmental departments that define and implement national policies. The fact that recipient

countries are more involved in defining and implementing sector-wide policies means these policies can play central roles in aid ownership.

These policies also encourage donors to focus more closely on issues that were not generally addressed in traditional project aid, including:

- Strategic choices regarding sector-wide policy and policy sustainability;
- Methods for promoting institutional dialogue and examining capacity building support strategies;
- Sector-wide budget decisions (macroeconomic constraints, volume and coherence of sector-wide and cross-sector budget allocations, etc.); and
- The overall institutional framework (decentralization, public finance management, and statistics on public administration) and its impact on the sector.

Despite the collective and inclusive nature of sector program supports, donors are still struggling to harmonize efforts and mechanisms. The proportion of external aid not delivered through harmonized funding instruments remains high (over 50%). In almost all cases studied, a variety of operational modalities are still at work (project aid, sector program support, vertical funds, government funds, NGO funding, etc.). The case studies reviewed in this report have shown that:

- UN organizations generally do not participate in harmonized funding;
- Some major international initiatives, especially in the healthcare field (GAVI, World Health Fund, etc.), do not use the harmonized funding systems being used in the field;
- The World Bank and some bilateral donors (The Netherlands, Denmark, France, etc.) are striving to offer funding through intervention frameworks harmonized with other partners, which often gives them key roles in defining operational modalities;
- The European Commission is struggling to define its role in sector program supports, and its funding modalities traditionally favor project aid and non-targeted general budget support. Another interpretation may be that the European Commission has simply sidestepped sector program support.

In addition, the establishment of sector program support requires the writing and implementation of numerous strategic, programming, operational, budgeting and partnership documents. Writing and revising these documents can take several years and requires considerable investment in human resources from national institutions and donors.

To the transaction costs of formalizing this institutional and operational framework can be added the transaction costs associated with traditional project management. During the foundation-building phase for a sector-wide approach and sector program support, transaction costs have remained high, especially in the education and healthcare sectors. Moreover, the division of labor and the pooling of knowledge among donors have proved to be complex processes that are slowly being phased in and are still somewhat disorganized. The promising results obtained in some countries should serve as examples for the partners in the design of good practices likely to improve operations.

Lastly, only minor progress has been made in terms of alignment. Improving alignment heavily depends on the type of sector program support in place (whether budgetary or not). In any case, while alignment with national budget and accounting procedures improves when sector program support entails

budget support, overall results show that the alignment of sector program support objectives with national strategies is satisfactory overall. However, alignment with the budget cycle still needs work, in both budget preparation and the process of budget implementation. Alignment with national reporting tools remains heavily dependent on the type of sector program support being offered (particularly in cases of targeted spending), and sometimes alignment depends on donors and their internal procedures, as is often the case with the World Bank.

### 3.1.2. A complex operational framework that sometimes falls victim to technocratic drift

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This overview has revealed recurrent conflicts between (i) ambitious sector-wide strategies heavily influenced by the quantitative MDG approach, international initiatives, and the various management/monitoring instruments used by donors; and (ii) the implementation of policies that often do not serve the purpose they were originally designed for, and rarely achieve the qualitative objectives.

There are similar conflicts between operational systems designed *ex-ante*, often in an idealistic manner, to strengthen the implementation and monitoring of sector-wide programs and the actual management method and management tools used.

Financial programming instruments, particularly the Sector-Wide Medium Term Expenditure Framework, are not regularly updated, are often created too late, and they are poorly aligned with governments' budget planning processes and multi-year expenditure plans.

Similarly, the increasingly complex tools administrative services use to plan their activities are: (i) created or validated too late, which makes them hard to implement; (ii) based on approaches and terminology often out of touch with budget procedures; and (iii) in most cases difficult, if not impossible, to follow in practice.

Annual assessments prepared during sector-wide reviews rarely provide detailed data on how well governments are

implementing sector budget plans, despite the importance of this aspect of program funding.

These shortcomings are due just as much to donors as they are to partner countries. Despite the time and human resources governments and donors have invested in ensuring effective management of the instruments being promoted in the context of intervention and among actors, questions remain about how adaptable these instruments are in practice.

Several factors explain this situation: the complexity of programs and tools, poorly understood contexts; program funding that exceeds the actual amount mobilized; difficulties in designing and implementing effective strategies regarding the quality of basic services; overestimated or inadequate capacities on the part of the actors (including the donors); poorly assessed sector-wide or cross-sectional constraints; poor management of the process of turning means into performance results, etc.

In addition, beyond the theoretical advantages of using these instruments to improve the programming, planning and monitoring of sector-wide policies, most of the case studies revealed that the design of tools is heavily influenced by donor expectations.

This is due to a combination of several phenomena, including (i) the historical operational approach to aid programs, which is heavily based on highly formalized instruments and procedures typically designed for project support; (ii) the fact that sector leaders and donors must learn about sector-wide aid gradually; and (iii) donors' desire to maintain some leverage over instruments in an attempt to limit financial and technical risks (the tracking of spending, right to inspect reference terms used in studies, etc.).

In practice, an implementation of instruments at country level that is heavily based on input from aid systems, and at the request of donors, can result in technocratic drift that destabilizes the sector-wide approach instead of strengthening it. It also generates additional work and transaction costs for both recipient countries and donors. This makes it hard to reach the sector program support objectives.

These situations can sometimes border on absurdity,

particularly when they lead to the creation of redundant and rigid management systems that block the implementation of activities and plunge authorities into a never-ending process of programming and planning that is impossible to monitor.

Who and what benefits from such systems? All too often, these systems suffer from a planning overdose, encounter major roadblocks during implementation, generate few externalities for national systems, and do little or nothing to enhance sector dialogue. Ultimately, when donors become caught up in the micro-management of these systems, it can become difficult to tell who is responsible for what.

### 3.1.3. Dialogue focused on means instead of results

This report has shown that sector-wide approaches have led to the creation of frameworks for dialogue and coordination that can be managed at the local government level.

This type of dialogue has helped stakeholders build a shared global vision of sector-wide policies and their long-term objectives. However, dialogue about policy implementation remains focused on the means available to programs, and how they are managed and regulated. Ultimately, it pays little attention to policies and outcomes.

Quite often, discussions about financial programming and operational planning override dialogue about strategy and outcomes.

Annual program assessments contain few qualitative analyses and do little to put activities, funding, reforms and performance results into a broader context. These factors are rarely combined and analyzed within a more global framework, which is a prerequisite for effective performance assessments of, and dialogue about, sector strategies and priorities.

Actors tend to spend much more time coordinating sector-wide approaches (section 3.1.2) than focusing on outcomes.

In addition, systems for providing short- or mid-term responses in cases when results do not meet initial objectives are often lacking. This makes it difficult to hold critical dialogue about these objectives. In fact, in the cases studied in this

report, processes (coordinating reviews, writing documentation, etc.) and the effective use of resources greatly affect disbursement decisions. In many cases, the entire system has been mobilized in order to continually monitor sector-wide funding. In this context, it is clear that dialogue inevitably focuses on inputs instead of outcomes, an approach that tends to characterize the way governments operate.

Lastly, the case studies have shown that the carrying out of regular and independent retrospective assessments is not a major concern for donors or recipient countries. Factors that explain this include arduous institutional monitoring systems (periodic joint reviews, the writing of operations reports, etc.), conflicts over planning and programming among the different actors (renewing funding commitments, designing new program phases, etc.), and the complex process of coordinating joint public policy and funding assessments.

In practice, assessments are rarely performed, or they are delayed until after commitments have already been specified in strategy and partnership documents. Moreover, assessment practices often lack the necessary objectivity and independence (actors performing self-assessments, for example), and some objectives and assessment criteria do not meet international standards.

These observations show that stakeholders are not doing enough to promote dialogue about policies and outcomes, and they highlight some of the reasons for this deficiency.

Ultimately, the tendency for donors to put too much emphasis on implementation (planning, follow-up, oversight, etc.) and program management systems, national actors lacking the capacities needed to manage complex sector wide programs, and funding modalities that promote targets and monitoring all detract from one of the main objectives of sector program support -- namely, results-based dialogue.

#### 3.1.4. Targeting often encourages a narrow approach to sector program support

In the cases studied, donors often consider a full alignment with partner countries' procedures as being risky. Institutional

capacities are often limited or largely ineffective, and this limits how much confidence the donors have in some of the recipient countries.

Despite donors' efforts to develop and formalize sector-wide approaches, donors still generally want to maintain substantial control over how their funds are used.

In practice, this need for control results in:

- Tracking of allocated resources before they are spent (a *priori* validation of expenditure budgets), during spending (statements of non-objection when awarding contracts) and after spending (external audit);
- Short-duration financial agreements (three or fewer years); and
- Annual funding committed and disbursed too late, in an attempt to limit risks.

There are many factors that explain why donors want to keep tight control over the resources they allocate. These include:

- Sector-wide and/or national contexts that exhibit:
  - Poor performance of national procedures in (i) implementing budgets or awarding contracts, and (ii) internal and/or external regulatory systems;
  - Fears that budgetary tensions at the national level will spill over into the sector where funding is being offered;
  - Poor resource management and weak absorption capacities for resources.
- The limitations and preferences of the technical and financial partners, including:
  - The need for their activities to be visible;
  - Their desire to devote resources to their own priority areas;
  - Being able to track and formally regulate resource use;
  - Lingering influence of old habits from the project approach; and
  - Aversion among technical and financial partners to fiduciary risk.

Sector program support suffers from a recurrent conflict between funders' legitimate demands for oversight and results versus their desire to transfer responsibility to recipients and to align themselves with national management systems. This most often leads to the setting of funding targets, the establishment of specific oversight modalities, and the drawing up of fiduciary agreements in order to limit short-term risks and ensure that proper procedures are followed.

This approach also limits the coherence and effectiveness of management methods. It often leads to restricted aid management characterized by:

- Poor forecasting, which hurts financial programming and implementation;
- The monitoring of technical and financial implementation, which focuses on external resources without taking government budgets into account;
- Dialogue that is focused on the technical and financial partners' resources instead of on strategy;
- Inflexibilities in the way funding is used;
- High transaction costs; and
- Few externalities for the national systems.

### 3.2. Lessons and perspectives for AFD

This report confirms how important it is for AFD to continue discussions from the Second Strategic Orientation Plan (POS II) about ways to (i) take an active role in implementing the commitment of the Declaration of Paris to improve aid effectiveness; (ii) become more involved in sector-wide approaches; and (iii) make more efficient use of funding instruments in order to support the public policy of partner countries.

This report envisages several directions AFD could take to improve sector program support. These can be grouped into two categories:

- Designing guidelines for coordinating sector-wide activities; and
- Adapting work methods to the demands of sector program support.

#### 3.2.1. Designing guidelines for coordinating sector wide activities

To improve sector-wide approaches in practice, AFD should design specific guidelines for its sector-wide activities. Analyzing these activities in a systematic way would help define the specific role that AFD plays in sector program support. In order to design credible and legitimate guidelines, a strong commitment from actors will be required, along with an internal organization that streamlines coordination between

services at Headquarters, as well as between Headquarters and branches, sectors and countries.

The following four principles would strengthen and streamline sector-wide approaches:

- Promoting realistic public policies and practical regulatory tools;
- Promoting the systematic analysis of policies and outcomes;
- Becoming a leading advocate of assessments; and
- Favoring alignment, while restricting *a priori* oversight and targeting as much as possible.

#### Promoting realistic public policies and practical regulatory tools

AFD has extensive practical expertise, which puts it in a good position to assess diagnostics and sector-wide strategies upstream. AFD should draw more attention to these assessments and encourage actors to think realistically about mid- and long-term objectives, resources and reforms.

In order to keep procedures and systems from falling victim to technocratic drift, AFD should promote planning, programming, and regulatory instruments and systems that are adapted to specific contexts and reflect mutual dialogue as well as the needs of both the recipient countries and the donors.

Lastly, to effectively transfer responsibility to national

authorities and design credible strategies, AFD should focus its sector program supports exclusively on areas in which consensus has already been reached and avoid becoming caught up in micro-management.

#### **Promoting the systematic analysis of policies and outcomes**

AFD should strive to improve decision-making processes and to strengthen actors' capacities. For example, AFD could actively encourage partner countries and donors to use a credible regulatory assessment system, which would give them a clearer and more comprehensive view of priority activities and reforms, sector-wide funding trends and mid-term performance results.

The structure and terms of sector-wide policies are not immutable. In order to address the impact that policy decisions have on program implementation, AFD should promote joint processes for updating and reviewing strategies.

AFD should encourage the holding of high-level meetings between national authorities and donors in order to discuss strategic issues and compare ideas and viewpoints. These meetings would help all actors to better understand the purpose and implication of policy choices that sometimes differ from the commitments specified in official agreements. To achieve this, AFD will have to design practical and convincing analytical methods.

Lastly, AFD could stimulate debate on establishing and implementing gradual-response mechanisms that are transparent, indicating where accountability lies. These would be used when outcomes do not meet initial objectives.

#### **Becoming a leading advocate of evaluations**

Another crucial aspect of strengthening sector-wide policies is the carrying out of regular evaluations. For these evaluations to meet the expectations of the actors, they should strive to fulfill two main objectives:

- Provide a framework specifying what the recipient countries and the donors are accountable for; and
- Provide lessons on how to improve national policies and aid programs in the future.

Evaluations should evaluate the design, implementation and policy outcomes in the most systematic, collaborative and independent way possible. They should also enable actors to judge the relevance, coherence and effectiveness of support from development partners. On a more global level, evaluations should assess the quality of the partnership frameworks and verify that partner countries and donors are adhering to the mutual commitments stipulated in contractual agreements.

Lastly, evaluations must provide credible and useful information and indicate what lessons can be learned from the decision-making processes of the recipient countries and the donors. Depending on each context and situation, evaluations could also analyze public expenditure effectiveness and survey the reactions of the end recipients.

The international community has not yet reached a consensus on evaluations methodologies for sector program support. AFD is in a good position to contribute to this debate since it has extensive practical knowledge and offers diverse forms of sector program support in various geographic areas. AFD should also try to ensure that sector-wide policy evaluations are (i) always included in the stakeholders' commitments (partnership agreements, strategic documents, joint funding agreements, etc.); and (ii) performed using an organized, open-minded and independent approach.

#### **Favoring alignment while restricting *a priori* oversight and targeting as much as possible**

As outlined above, targeting constrains aid management and prevents alignment with national procedures, without suggesting ways to improve these procedures when they are inadequate.

AFD should take a more proactive attitude toward alignment, which is one of the central objectives of the sector-wide approach.

In this regard, AFD should systematically examine the strengths and weaknesses of how non-targeted sector budget support is being implemented and draw as much attention to these analyses as possible.



AFD should also avoid dogmatism and hasty alignment with national procedures, which can create obstacles or damage confidence among the partners. This is what happened in Niger, judging by the conclusions of an expenditure audit of budget support in the education sector.

In situations in which good reasons remain for not offering non-targeted budget support, this report recommends: Basing choices in favor of targeting, or any other specific arrangement, on in-depth diagnostics and analyses agreed on by the partners; designing a plan for addressing the shortcomings, and proposing ways of overcoming them; including within the sector program evaluations all the resources available (national or external) to the sector-wide programs; and considering the situation as transitional.

In these situations, AFD should, alongside stakeholders, seek ways to ensure a more balanced trade-off between what donors see as acceptable risks versus improving the alignment of aid with national procedures, in order to: Reach a consensus on which operational failings justify procedures that lack short- or mid-term alignment; initiate change (reforms and capacity building support); limit negative impacts; and conduct research in a way that generates positive externalities.

### 3.2.2. Adapting work methods to the demands of sector program support

For AFD to play a larger role in public policy through sector program support, the following two-pronged approach should be adopted:

- Determine the funding to be mobilized along with the intervention modalities and areas;
- Mobilize the resources needed for strengthening internal capacities, improving follow-up and evaluation mechanisms, and lowering transaction costs.

The following suggestions illustrate this approach and could form the basis for adapting work methods.

#### **Moving away from one-time project aid (discrete time) in favor of shaping public policy over time**

As this section has shown, donors offering sector program

support have gradually developed a broader view on sector-wide issues, seeing them against the backdrop of a country's institutional context.

It is therefore crucial for AFD to design, coordinate and assess its sector program support through an approach geared toward supporting the public policies of recipient countries. AFD should move away from one-time project aid (discrete time) and give priority to the broader question of shaping public policy over time (continuous time).

Programs for sector-wide development take time to design and implement. They also require long-term institutional, organizational and sometimes cultural changes. Whenever AFD decides to implement sector-wide approaches alongside other partners, it must be willing to commit resources and plan for activities well ahead of time.

This will require: (i) updating intervention strategies as needed and thinking more in terms of a funding continuum (timelines, country strategy, short- and long-term sector-wide objectives, resource planning, instruments, financial sustainability, coordination, etc.); (ii) basing activities on a more systemic logic that considers all aspects of a sector (political, technical and institutional aspects, analysis of capacities, cross-sectional public services, etc.); and (iii) adapting the methods used (training methods, follow-up indicators, retrospective evaluations, etc.) as well as the expertise they mobilize.

#### **Making more combined use of available instruments**

AFD should rely on its extensive knowledge of intervention areas and the actors involved in order to design a more effective method for combining the different funding instruments at its disposal.

AFD should focus more on complementarity (planning and validating processes, for example) and on phasing in funding for sector program support, as well as project support for capacity building, particularly by mobilizing resident or periodic technical assistance. AFD's recent decision to put technical assistance management under the umbrella of expertise management, and then under capacity building, is a step in the right direction. This should help design effective guidelines on

capacity building (recommended approaches, available expertise) and good practices for recipient countries.<sup>18</sup>

Lastly, AFD should especially emphasize coherence and complementarity between general budget support (coordination and monitoring) and the instruments available at the sector level, as well as the impact on strategic sector dialogue (institutional reforms, financial governance, etc.).

### Strengthening internal capacities

AFD should address the following key areas of work organization, which are crucial for providing the multi-disciplinary expertise required for effectively implementing sector program support: within project teams; between offices and Headquarters; between geographical and technical experts; use of external expertise; and the division of labor among partners. Once AFD intensifies its efforts in the support of public policies, concrete ways of addressing these key topics will have to be further detailed and elaborated by additional work that is less analytical and more operational than that in the present report.

Suggestions regarding ways of streamlining internal capacities include:

- Project teams and outsourcing: Project leaders must have interdisciplinary teams capable of addressing public policy issues, and their national contexts, in a periodic or ongoing manner. AFD project teams should be built with these principles in mind, as soon as decisions to offer sector wide support are made. Similarly, budget timelines for support should include sufficient funds to cover the external expertise needed for certain topics AFD is unable to address. Lastly, when appropriate, AFD could expand its notion of internal project team to include multi-donor project teams. Here, the key issue would be to divide labor and pool knowledge throughout sector-wide program implementation (from coordination through monitoring), according to the type of expertise specific donors can bring to the table.
- Division of labor at Headquarters: Country departments should be given more responsibility since their teams

have to focus on the cross-sectional issues not typically examined in traditional project aid, including decentralization, public finance management, statistical systems, etc. Similarly, greater use should be made of support services for project teams (financial planning, analysis of sector-wide frameworks, fiduciary risk, audit reports, etc.).

Regarding the division of labor between Headquarters and branches, this report recommends decentralizing decision-making and responsibility as much as possible in order to shorten response times and give AFD agents in the field more legitimacy vis-a-vis partner countries and other donors. Responsibility sharing could then be adapted on a case-by-case basis depending on the seniority of the agents on the ground, the context and the role played by AFD in the sector-wide programs (sector leader, secondary donor, silent partner, etc.), or the type of sector program support in place (adapting how *a priori* oversight of non-budget common funds is shared among the project leader at Headquarters and the decentralized project managers, based on the type of expenditure and the amount). If the project leader is based in an AFD branch, it is important to maintain close contact with Headquarters regarding technical services, country departments, etc., so that the branch has access to outside viewpoints, which are especially important in establishing sector-wide dialogue.

Regarding the type of expertise needed in the branches, incentives should be put in place for mobilizing more senior staff members than has been required for traditional projects (senior managers on the local level, expatriate agents, etc.).

Discussions regarding internal resources aimed at improving the monitoring of sector program support should also take the division of labor between donors into account. This report has shown how experience is gathered in the field. A detailed analysis of existing good practices should also yield some useful lessons.

<sup>18</sup> A study aiming to provide AFD with recommendations on offering capacity building support is underway.

Lastly, internal capacity building should focus on adapting procedures, management tools and processes to sector program support, with the goal of building a common reference framework and available expertise. To achieve this, AFD should:

- Strengthen the training it offers regarding the sector-wide approach (based on the Train4DEV initiative, for example),<sup>19</sup> public policy management, methods for carrying out diagnostics, implementing and monitoring capacity building efforts (individuals, organizations and institutions),<sup>20</sup> and cross-sectional public services (public finance management,<sup>21</sup> decentralization, public services, statistical systems, etc.).
- Finalize the guidelines on sector program support currently being written and develop methodological, analytical and diagnostic tools that can be used by project leaders and branches (typology of sector program support modalities, capacity building, fiduciary risk analysis, guidelines on sector program support assessments, etc.).
- Publish more information about sector program support (improving methods, analyzing funding trends, and publicizing the level of awareness about other donors' practices and the views of recipients, etc.). The study "Sector Program Support in Practice", co-funded by AFD, The Netherlands and DFID through the Strategic Partnership for Africa (SPA), would be a good model to follow.
- Promote networking between agents at Headquarters and branches so all can share experiences and knowledge about these approaches and the relevant management tools (knowledge building/management).
- Update and finalize current reference documents and organizational procedures to meet the needs of sector program support (definitions, format of funding agreements, etc.).

<sup>19</sup> Through its own Center for Financial, Economic and Banking Studies (CEFEB), AFD should play the leading role in the group created for the TRAIN4DEV initiative on SWAps.

<sup>20</sup> A study led by PSP/APR on the approach AFD should take toward capacity building is underway.

<sup>21</sup> A public finance management module has been in place since 2008.

### Better defining the role of sector leaders

The case studies show that sector leaders<sup>22</sup> primarily serve as liaisons between national authorities and the donors (as representatives and spokespersons). Sector leaders play important roles in coordinating sector-wide dialogue and in helping to reach consensus (especially in difficult or crisis situations). Sector leaders also play an administrative role (disseminating information, managing mailing lists, recording meetings), and in some respects they keep an institutional record of sector-wide activities (information management).

Depending on their degree of involvement, sector leaders can play strategic roles, weigh in on sector-wide plans, and be highly visible (more than in project aid), at both sector and national levels. However, sector leaders are inevitably more exposed than other technical and financial partners. Moreover, sector leaders must always strive to reach consensus, even if that means going against their own positions.

Being a sector leader requires substantial human resources along with the technical capacities needed for ensuring the legitimacy of sector-wide activities. The human resources required vary depending on the degree of involvement and the goals of each sector leader, as well as the leader's ability to coordinate an effective division of labor between the main partners.

In light of these factors, AFD decisions over whether or not to assume the role of sector leader should be based on the following:

- Relevance of the role in light of the volume of current and future operations;
- The value-added that AFD could provide (in terms of sector-wide policy adjustments, enhancing dialogue about sector-wide strategic planning, capacity building support, strengthening partnerships, etc.);
- In-depth analyses of sector program support risks;
- Resources needed, and their availability internally (from the branches) and externally (from Headquarters); and

<sup>22</sup> A study by the French Ministry of Foreign and European Affairs and AFD regarding the role of sector leaders is currently underway.

- Methods for dividing labor among the donors, based on their current resources and the expertise that other technical and financial partners could contribute.

Once AFD decides to become a sector leader, it is important to design plans and a roadmap in collaboration with the other partners and with national authorities, along with methods for monitoring and assigning tasks to third parties.

#### **Exerting greater control over managements times and costs**

Time management is related to the work organization issues addressed above, as well as AFD's involvement in sector-wide coordination roles (sector leader, etc.).

Important questions for AFD in this area include:

- When offering sector program support, should AFD aim to raise annual or long-term financial commitments in order to balance specific costs?
- Could delegating more management roles to third parties (who will require payment) lower some of AFD's internal management costs?
- When should AFD give priority to silent partners?
- How can AFD better pool the general knowledge generated by its various partners?

#### **Improving the analysis and monitoring of sector program support risks**

To better manage and monitor risks, AFD should: (i) design a detailed matrix for risk analysis and monitoring adapted to sector-wide approaches and to sector program support; and (ii) require the holding of bilateral reviews, specifically on AFD's contribution and value-added to the sector-wide approach operating in a given country.

Regarding the first point, designing a matrix for assessing and monitoring risks specific to sector program support would allow for a comparison between AFD's standard risk classification (political, institutional, fiduciary, technical, etc.) and the characteristics and objectives of sector program support (improving aid ownership, promoting alignment, strengthening coordination and harmonization, encouraging results-based management, etc.).

In addition, this matrix could include components for assessing the probability and severity of each risk (low, medium, high) as well measures for addressing these risks.

Not only would this be a regulatory and coordination tool for project teams, but it could also be used as a tool for dialogue (as well as for designing and implementing corrective actions) among partners and recipients.

Regarding the second point, the case studies demonstrate that it would be a good idea for AFD to require the holding of specific bilateral reviews, above and beyond joint assessments. These would be especially important:

- Each time AFD coordinates additional support in a sector already receiving support, since it is important to take a systematic approach to learning from past experience in order to better design subsequent support/funding and ensure that it will be relevant, coherent and effective.
- Each time AFD needs to address specific questions of high importance (role of sector leader, aid effectiveness, and results-based management).

These reviews should be based on, and combined with other assessment tools (content and timelines) and be relatively flexible and informal. Members of review panels (AFD teams, mixed internal/external teams, consultants, etc.) and the content of the reviews will need to be specified. The main point is to draw on external viewpoints from time to time, especially regarding sector program support that is operating on a mid-to long-term funding continuum. The following are some examples of the objectives these reviews might pursue:

- Critical analysis of AFD's intervention modalities and risks (political, fiduciary, institutional/organizational, technical, etc.);
- Assessment of coherence and complementarity between instruments and funding modalities;
- Assessment of AFD's contributions and value-added (organizational role, operational method, AFD's portion of total funding, visibility, role in capacity building and as sector leader, effectiveness of technical assistance, management costs, orientations and how these relate to commitments in the Declaration of Paris, etc.).

## 4. Conclusion

Commitments made by partner countries and donors to the sector-wide approach and sector program support attest to the fact that a genuine shift away from traditional aid delivery practices is underway.

This overview has shown that sector program support eliminates some major obstacles that often held back project aid in the past. Improvements include: (i) recipient countries now playing larger roles in defining and piloting sector-wide policies; (ii) better coordination between partners and a gradual trend toward harmonization and alignment; and (iii) creation of dialogue mechanisms managed by countries from the South that bring together many different stakeholders.

However, high expectations generated by these new intervention modalities have led some to idealize this approach and to underestimate its operational demands.

After a number of years of practice, as could be expected, the main actors have met with many challenges inherent to the complexity of this approach and have realized the need to deepen their understanding of this new type of partnership. The main findings are the following:

- Dialogue is primarily focused on the means available to the programs, to the detriment of policies and results;
- Planning and regulatory tools sometimes fall victim to technocratic drift;
- Transaction costs remain high;
- External funding lacks predictability; and
- Conflicts between regulation and alignment often limit the management of aid.

These findings should encourage AFD to: (i) adopt an attitude, principles and methods that promote a specific sector program support design among stakeholders; and (ii) encourage the reforms needed to give stakeholders more latitude, while continuing to implement the safeguards and selectiveness required by each context.

This report recommends several directions AFD could take in order to design guidelines for coordinating sector-wide activities and to adapt its working methods to the demands of sector program support.



## List of acronyms

AAP	Annual Action Plan
AFD	Agence Française de Développement
AfDB	African Development Bank
BPE	<i>Bureau des Projets Education</i> (Burkina Faso's Education Project Office)
CASEM	<i>Conseil d'Administration du Secteur Ministériel</i> (Burkina Faso's Ministerial Board of Administration)
CAST	<i>Compte d'Affectation Spéciale du Trésor</i> (Earmarked Treasury Account)
CAST/FSDEB	<i>Compte d'Affectation Spéciale du Trésor / Fonds de Soutien au Développement de l'Enseignement de Base</i> (Earmarked Treasury Account / Education Development Support Fund)
CFAF	Francs of the French African Community
CICID	Inter-ministerial Committee for International Co-operation and Development
DAC	Development Assistance Committee
DFID	Department for International Development) (UK)
EFS/FTI	Education for All/Fast Track Initiative
FCS	Niger's Joint Health Funds
FSDEB	<i>Fonds de Soutien au Développement de l'Enseignement de Base</i> (Burkina Faso's Basic Education Development Support Fund)
FTI	Fast Track Initiative
FTP	Financial and Technical Partners
GBS	General Budget Support
HT	<i>Hors Taxes</i> (duty free)
IMF	International Monetary Fund
IsDB	Islamic Development Bank
JMM	MoB's joint monitoring mission

LENPA	Learning Network on Programme-Based Approaches
MDG	Millennium Development Goal
MoBE	Burkina Faso's Ministry of Basic Education
MPH	Ministry of Public Health
MTEF	Medium Term Expenditure Framework
N/A	Not available
NB-SPS	Non-Targeted Sector Budget Support
NGO	Non Governmental Organization
NL	Netherlands
NT-SBS	Non-Targeted Sector Budget Support
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PA	Program Approach
PDDEB	<i>Plan Décennal de Développement de l'Éducation de Base</i> (Burkina Faso's ten-year Plan for the Basic Education Development)
POS	<i>Plan d'Orientation Stratégique</i> (Strategic Orientation Plan)
PRIAS	<i>Projet de renforcement institutionnel et d'appui au secteur de la santé</i> (Niger's Project for Institutional Strengthening and Support to the Health Sector)
PRODEM	<i>Projet démographique multisectoriel</i> (Niger's Multi-Sector Demographic Project)
PRSF	Poverty Reduction Strategic Framework
PTQ	<i>Plan de Travail Quinquennal</i> (Five-Year Work Plan)
SBS	Sector Budget Support
SPA	Strategic Partnership with Africa
TFP	Technical and Financial Partnership
T-SBS	Targeted Sector Budget Support
UNFPA	United Nations Population Fund
WB	World Bank



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