

## Accra 2008: The bumpy road to aid effectiveness in agriculture

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**T**he 2005 Paris Declaration on Aid Effectiveness will be reviewed at the Third High-Level Forum on Aid Effectiveness in Accra in September 2008. The Paris Declaration establishes operating principles for donors and recipient governments to improve the effectiveness of aid. These include government leadership of the development process, a focus on policy results, greater alignment by donors with national policies and management systems, harmonisation between donors with division of labour, and mutual accountability for development results. These principles are broadly sound for guiding development cooperation with national governments. However, they do not help in addressing the challenges arising in certain areas of assistance. In agriculture, the overwhelmingly private nature of agricultural activities, the roles of non-governmental service providers, the significance of context and the cross-sectoral dimension of policy challenges are some of the reasons why development cooperation in that sector struggles to comply with the Paris principles. The paper sets out areas requiring focused attention in the run-up to Accra 2008.

### Policy conclusions

- Agriculture is central to the livelihoods of many of the poor and so should be a major concern of a Declaration which has the achievement of the MDGs as overarching aim. The sector has particular characteristics which make it difficult to apply the Paris Declaration.
- The Third High-Level Forum on Aid Effectiveness, to be held in September 2008 in Accra, is an important policy window not to be missed by those concerned with future aid to agriculture.
- The Paris Declaration should be revisited to adjust the aid effectiveness framework to the realities of development cooperation at sector level. There are gaps to fill, biases to correct and outstanding challenges to discuss in Accra.
- The Declaration is unacceptably silent on a core principle of development cooperation: namely that of participation by intended beneficiaries.
- In its present wording the Declaration is exclusively focused on aid relationships between governments. But much of what happens in the agriculture sector lies in the private sector and is not well captured by the present framework.
- The preference for budgetary support has led to a focus on public expenditure which is unhelpful in a sector where the most important government roles do not concern public expenditure and where an effective (agriculture) policy may actually involve reducing public expenditure and streamlining governance structures.
- The principles of alignment and harmonisation have so far proved insufficient to address coordination failure in agriculture. There needs to be a reconfiguration of sector management which allows for coordination of policy actions and investments.
- The Declaration has so far been unable to reverse the proliferation of aid mechanisms, which is also a reality in agriculture and undermines efforts towards effective division of labour and complementarity of interventions.



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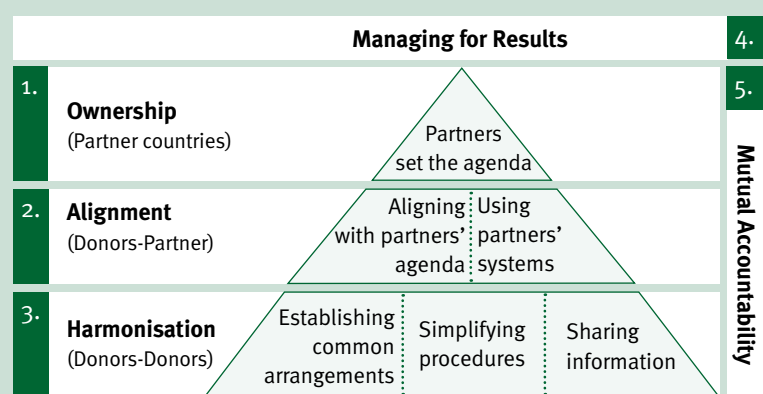
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### Introduction

The Paris Declaration on Aid Effectiveness represents the current consensus amongst the international community on the management and delivery of development assistance. It

was signed in 2005 by 35 donor countries, 26 multilateral donor organisations, 56 developing countries and 14 civil society observers at the Second High-Level Forum on Aid Effectiveness, held in Paris. The Declaration's overall aim is to

Figure 1: The Paris Declaration framework on aid effectiveness



Source: OECD Working Party on Aid Effectiveness

smallholders, to large commercial farmers producing high-value crops for international markets. There are also wage-labourers, agribusinesses, farmer associations, large cooperatives and many other actors populating the rural landscape.

**The scope of the state has been significantly reduced over the years.** Parastatals have largely been dismantled, and ministries are increasingly required to focus on regulation and the provision of public goods, with falling public expenditure in the sector over the last two decades.

**The role of the state in the sector remains contested.** Although there is a conceptual agreement that state intervention should provide public goods (such as research and regulation) and address pervasive market failures, a recent study on the roles and capacity of ministries of agriculture illustrates striking differences

provide a strategy for increasing the impact of aid on development and accelerating achievement of the Millennium Development Goals (MDGs).

The Declaration establishes five broad principles for donor agencies and recipient countries on aid effectiveness (Figure 1):

- i) country ownership in leading the development process;
- ii) donor alignment with partner countries' national development priorities and financial management systems;
- iii) donor harmonisation through the use of common funding arrangements and more effective division of labour;
- iv) managing for results by managing and implementing aid in a way that focuses on desired results and uses information to improve decision-making; and
- v) mutual accountability whereby partner countries and donors are both accountable for development results.

Across all these principles, 56 specific commitments were made for both recipient countries and donors. Commitments for recipient countries are focused on the need for having results-oriented operational development strategies and reliable, transparent and accountable financial management systems. Commitments for donors concentrate on alignment with country policy priorities, institutions and systems, predictability of funding, simplification of aid management procedures and increased cross-agency coordination through the use of common arrangements for planning, funding and evaluating development interventions. Progress in implementing such commitments is being measured nationally and monitored internationally on the basis of 12 measurable indicators and targets for the year 2010 (Table 1).<sup>1</sup>

The Third High-Level Forum on Aid Effectiveness will take place in Accra, in September 2008. This will be the moment to review progress towards the Paris commitments<sup>2</sup> and share knowledge and experience on aid effectiveness practice. The event will lead to the endorsement of the Accra Action Agenda for accelerating and deepening implementation of the Paris principles.

This paper discusses whether the Paris Declaration, in its current shape, is a useful framework to guide development cooperation in the agriculture sector. The paper highlights the distinctiveness of the sector and illustrates some of the difficulties in applying the principles of ownership, alignment and harmonisation. The paper concludes with a list of suggested issues for discussion in Accra.

### What's special about agriculture?

**The bulk of the activity in agriculture takes place within the private sector.** Agricultural production and marketing activities are in the hands of a diversity of operators, from semi-subsistence

regarding stakeholder perceptions about its core functions (Chinsinga, 2008). Private sector operators and NGOs highlighted regulation, policy dissemination, stakeholder facilitation and supervision functions, whereas district government officials and smallholder farmers emphasised direct service delivery, particularly those services contributing to the achievement of household food security and income enhancement.

**In the sequence of interventions and interaction across sectoral domains** (such as infrastructures, agricultural extension, financial services, etc.) **it is important** to address market failures (Box 1). Coordination of interventions and investments across public and private operators is therefore essential.

**Agriculture is likely to remain a holding operation for the majority of the rural poor.** For three-quarters of smallholders, agriculture is likely to remain a semi-subsistence activity – a kind of 'hanging in' livelihood strategy until they are ready for 'stepping up' into more profitable agriculture production or 'stepping out' of agriculture into other activities that generate better returns (Dorward, 2006). Policies in agriculture will therefore need to

Table 1: The Paris Declaration principles and indicators

Principle	Indicator
Ownership	1. Increase the number of countries with national development strategies.
	2. Increase the number of countries with procurement and financial systems that adhere to broadly acceptable good practice or have a reform programme in place.
Alignment	3. Aid flows will be aligned on national priorities.
	4. Partner country capacity strengthened by coordinated support programmes.
	5. Donors will use country systems where they meet broadly acceptable good practice standards.
	6. Use of parallel project implementation units to be reduced.
	7. Aid disbursements will be more predictable.
	8. Aid will be untied.
Harmonisation	9. The increased use of common arrangements or procedures through programme-based approaches.
	10. The increased use of shared analysis.
Managing for results	11. More countries will have results based frameworks for monitoring progress of national development programmes.
Mutual accountability	12. More countries will undertake mutual accountability assessments of progress in improving aid effectiveness.

Source: OECD Working Party on Aid Effectiveness.

**Box 1: Market failures in agriculture**

Market failures are particularly pervasive where agriculture production systems are fragmented and under-resourced and the monetary economy is poorly developed, with low levels of income, consumption and exchange. The small scale of production and the high levels of risk exposure, together with low-input agricultural production and market underdevelopment, produce very high costs of transaction which constrain the expansion of agricultural supply chains. For example, financial markets fail to develop because of low demand (small scale, high risk exposure and lack of collateral constrain farmers’ access to financial services) and farmers’ productive investment is inhibited by perceptions of high risk and lack of financial capital to purchase agricultural inputs. Investment coordination along the supply chain in poor rural areas is therefore particularly difficult to achieve.

go hand in hand with social protection policies to enhance the resilience of poor households in the face of shocks and stresses, reduce disinvestment by the poor and promote investment, and strengthen demand for local produce (Farrington et al., 2007).

Finally, the **dominance of space and sheer diversity of agricultural production systems require context-tailored solutions**. Agro-ecological spaces do not always match with administrative structures of governance, making policy implementation and service provision difficult.

**Ownership, alignment and harmonisation from an agricultural angle**

How useful are the current principles of the Paris Declaration in a sector where the private sector, diversity and regulation/coordination (rather than spending) are such important features?

**Ownership:** Ownership in the Paris Declaration is largely about government ownership of the development process (national development strategies, operational programmes and medium-term expenditure frameworks – which are typically central government instruments). The Declaration does suggest the encouragement of civil society and private sector participation but, implicitly, under the leadership of governments.

This notion of ownership is unlikely to be sufficient to guide development interventions in agriculture, for at least three reasons. First, private sector operators, such as farmers, agribusinesses and traders, are important decision-makers and need to be included as “owners”. Second, the widely contrasting views on role of the state in the sector challenge development assistance philosophies centred on government leadership. Third, the diversity and context-specificity of problems and opportunities means that, whilst “getting the architecture of intervention right” remains important, there also needs to be an explicit ‘bottom-up’ process whereby the livelihood strategies of rural people are the unequivocal starting point.

**Alignment:** Alignment in the Paris Declaration is about donors basing their overall support on partner countries’ national development strategies, institutions and procedures. This is mainly about working through the public administrative machinery – i.e. government planning and budgeting systems. In agriculture this way of delivering aid can be challenging because of: (i) the bureaucratic impediments to inter-departmental coordination which is central to agricultural development and (ii) the implicit bias in the Declaration towards public expenditure, which, in reality, is becoming less important in agriculture sectors.

Efforts to improve alignment (and donor harmonisation,

as discussed below) in agriculture have been, since the late 1990s, typically associated with the development of sector wide approaches (SWAp) – Box 2. Experience with agricultural SWAp has demonstrated the difficulty in establishing effective stakeholder coordination mechanisms reaching beyond the administrative boundaries of ministries of agriculture and into areas of strategic importance to agriculture sector operators (such as trade, justice or security). This is partly because of the competition for funding between government agencies and the lack of flexibility of government structures and procedures to put in place effective cross-sectoral coordination mechanisms.

The SWAp focus on alignment with government plans and budgets has led to a bias towards public expenditure, often by ministries of agriculture, the government agencies which typically benefit from an agricultural SWAp. This is a problem because: (i) there is little knowledge about the efficiency and quality of public spending in agriculture<sup>3</sup>, (ii) the new priorities in agriculture are to do with policy formulation, market regulation and stakeholder coordination; and (iii) the most significant public expenditures for supporting agricultural development lie outside agriculture ministries, such as in public infrastructures (Foster et al. 2001).

**Box 2: Sector-wide approaches in agriculture**

Sector Wide Approaches (SWAp) are usually defined as processes whereby funding to a sector supports a single policy and expenditure programme, under government leadership and using common financial management procedures across the sector. SWAp initially developed in the social sectors but were subsequently applied in the productive sectors, including agriculture. Experience to date with SWAp in agriculture shows a mixed record. They have contributed to more streamlined dialogue between donors and government, and strengthened government leadership and coordination across donors. Yet, this has often been at the cost of a re-centralisation of policymaking, particularly around central departments of the ministry of agriculture, and of an excessive focus on the SWAp process itself rather than on sector policy outcomes. There is also very limited evidence that SWAp have actually led to a reduction in transaction costs – in fact, heavy management structures have been created to support the design, implementation and monitoring of the SWAp. Furthermore, and in spite of the original intent, agricultural SWAp have often focused on how resources are channelled to ministries of agriculture, doing little to stimulate linkages with other sectoral ministries and the private sector.

Source: Evans et al. (2007)

**Harmonisation:** Harmonisation in the Paris framework is about donors implementing common arrangements, simplifying procedures and pursuing more effective division of labour. There has been increased use of programme-based aid modalities<sup>4</sup>, such as budget support.

The principle of setting up joint financing mechanisms has been widely applied often as an end in itself and without a careful assessment of context. This reinforces a policy bias towards public expenditure which, for the reasons noted above, is likely to be inappropriate in agriculture.

Despite efforts to improve donor harmonisation and promote joint funding arrangements, *projects* still largely dominate the rural landscape. The USA and Japan alone provide about half of overall official development assistance (ODA) to agriculture. Despite being signatories of the Paris Declaration, both continue to channel aid mostly through conventional projects managed through parallel systems.

Efforts towards harmonisation are also being outstripped by the proliferation of global and regional initiatives, implemented through separate vertical funds<sup>5</sup>. The aid architecture in agriculture



shows growing overlaps and duplication, despite the decline in volume of aid to the sector – real ODA to agriculture was almost halved between 1980 and 2005, when total aid commitments increased by 250%.<sup>6</sup>

Finally, donor harmonisation in agriculture is also challenged by lack of consensus on the role of the state in the sector (Cabral and Scoones, 2006).

### The way forward

The Accra Forum will provide an opportunity to rethink the adequacy of the current aid effectiveness framework. In relation to agriculture, this paper suggests that there are gaps to fill, biases to correct and outstanding challenges to discuss in Accra.

**Bringing in 'inclusion':** The Paris Declaration is unacceptably silent on a fundamental principle of cooperation – inclusion of target beneficiaries. Given its ultimate aim of achieving the MDGs the Aid Effectiveness framework should be centred on the poor and their inclusion in decision-making processes. There is little reference in the Declaration to 'bottom up' efforts in the management of development assistance.

**Beyond the present focus on governments and public expenditure:** In the agriculture sector, experiences in development cooperation with private operators and non-government actors need to be taken into account in reviewing the aid framework. The full range of actors central to agriculture needs to be represented at Accra.

The aid effectiveness bias towards public planning and expenditure has been inappropriate to agriculture and has undermined attempts to reform the role of state in the sector, which should be less about direct intervention and more about relatively inexpensive policy formulation and market facilitation activities.

**Redefining and strengthening coordination:** Stakeholder coordination is critical to promote developmental objectives in agriculture, such as growth and improvement of the livelihoods of the poor. But this is not about coordinating projects and programmes across donors and governments but rather about balancing and sequencing policy and institutional roles, in the context of changing technology and market forces, while recognising that there multiple factors and interests at play, beyond those controlled by government or donors.<sup>7</sup>

Agricultural governance processes led by ministries of agriculture and/or driven by donors (such as SWAPs) have so far been unable to address coordination failure. There needs to be a reconfiguration of sector management which allows for coordination of policy actions and investments across multiple spheres of influence in the sector. The immediate challenge is to identify the appropriate (governmental or other) mechanisms to put the envisaged developmental coordination in place.

**The challenge of donor division of labour and synchronised complementarity:** Donor fragmentation remains a significant challenge, and building coherence across development interventions should remain a priority. However, joint approaches and common funding mechanisms might not always be

an adequate solution, particularly in the agriculture sector. More useful dimensions of harmonisation in agriculture are likely to be the division of labour according to agency comparative advantages and expertise, in pursuit of complementarity of development interventions in the field. Division of labour is an issue which is expected to be in the spotlight in Accra. The challenge in practice will be to synchronise complementarities against a backdrop of continuing proliferation of funding mechanisms and insufficient sector coordination capacity by government agencies.

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### Endnotes

- 1 A 2005 survey set the baseline for tracking progress – see [www.oecd.org/dac/effectiveness/monitoring](http://www.oecd.org/dac/effectiveness/monitoring).
- 2 A second monitoring survey is currently under way and will measure progress against the 2005 baseline.
- 3 Sector level public expenditure reviews typically target the social sectors. There are still few of such reviews in the agriculture domain.
- 4 For a definition of programme-based modalities, see OECD-DAC 2005 Guidelines on Harmonising Donor Practices for Effective Aid Delivery: [www.oecd.org/dac/harmonisingpractices](http://www.oecd.org/dac/harmonisingpractices).
- 5 Examples of global and regional initiatives include: NEPAD's Comprehensive African Agriculture Development Programme; GEF's Market Led Smallholder Development; the Global Initiative on AIDS, Agriculture and Food Security; the Africa Food Security Initiative; the Millennium Villages Project, and many other. There are also ongoing discussions about the creation of a Global Fund for Agriculture.
- 6 Source: OECD-DAC Creditor Reporting System online, accessible on: <http://www.oecd.org/dac/>.
- 7 Peter Bazeley discussed the concept of coordination in the agriculture sector from a development cooperation angle in his talk 'Politics, policies and agriculture: the art of the impossible in agricultural development', Future Agricultures Consortium 2005 Seminar Series. See [http://www.odi.org.uk/events/FutureAgricultures\\_2005/meeting\\_25nov/index.html](http://www.odi.org.uk/events/FutureAgricultures_2005/meeting_25nov/index.html).



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