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Learning to do things differently:

New partnership and institutional development models for agriculture and rural development in Africa’s globalizing economies

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Abstract

Rising food prices, new global markets, and the proliferation of national and international players all call for enhanced strategic partnerships, institutional development, and governance for agriculture and rural development (ARD) in Africa. Past development results have been less than satisfactory. Business as usual will not do. Drawing on a joint evaluation of ARD in Africa by IFAD and the AfDB this paper argues for a more focused role for international agencies in line with their comparative advantages and strategic partnering with public, private, and civil society players at global, regional, country, and grassroots levels. Donors need to complement projects with solid sector work and engage in new business models with recipient governments, private businesses, farmer organizations, and local communities.

Past partnership results have often been modest to poor. Case studies and theory suggest some principles of prudence for future strategic partnerships, such as setting specific bounded objectives and tracking them, remaining flexible and responsive, and resourcing partnerships properly; acknowledging different individual partner interests; adjusting organizational structures and business processes for better partnering; and giving partnerships time to grow. M&E of future partnerships could generate a virtuous learning loop, through monitoring their relevance and results and synthesizing good practice lessons.

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1. Introduction and definitions

The paper examines various aspects of partnerships and institutional development, with a focus on agriculture and rural development in Africa. It draws largely from an on-going joint evaluation of agriculture and rural development by the AfDB and IFAD of their programmes in Africa. This evaluation emphasized the role of partnerships and business processes in both agencies – and beyond - to inform the assessment of past performance and develop recommendations for the future. As such, many of the findings and conclusions are specific for AfDB and IFAD, but their lessons and implications often reach beyond these two institutions.

In terms of partnering and the identification of new partnerships the paper distinguishes three types of partnering and institutional development:

- (1) **Global level.** Overall institutional partnering among international donors and other global players in development. which mostly refers to the traditional development agencies, certain civil society groups, such as research networks and foundations, and the private sector, for instance agro-business and bio-tech. research
- (2) **Policy partnering at country level.** Coordinating and partnering at country level, in particular with recipient governments in support of country ownership, alignment, and harmonization; but also including other public institutions, civil society, and private sector at country and regional levels
- (3) **Fostering institutions for implementation.** Developing new strategic partnerships – and expanding or deepening existing ones – with a variety of implementing agents, such as private farmer associations, private sector investors (eg. agri-business), financial sector organizations, various civil society groups, and local communities or other decentralized public agents.

Business processes. The paper pays attention to the question how partnerships and business processes are related, within development agencies and in facilitating partnerships across a whole new range of partners. Business processes are primarily being defined as those governing strategy and project development, policy dialogue, knowledge management, project cycle activities, human resources, and country presence/decentralization.

Forms of partnerships. The term ‘partnership’ is generally used in a generic way to describe many different forms of association between two or more actors. This diversity is a reflection of how development partnerships operate, and how close they are, in the earlier described multi-level and multi-sectoral governance environment. ‘*Strategic Partnerships*’.

Partnerships between agencies are *strategic* when they aim to achieve a significant increase in the ‘results’ of an agency’s core business through a strong partnership focus, or if they enable a partner or partners to break into a new area of work. ‘*Alliances*’ are usually based on shared issues and goals for development, without necessitating close collaboration. ‘*Networks*’ are

even less formalized, often involving many actors and multiple hubs of connectivity in a loosely controlled, system driven arrangement.

Scope of institutional development. The term '*institutional development*' is used in different ways. At one extreme, a narrow definition equates institutional development with the process of strengthening individual government organizations or entities. A broader view defines institutional development to include improvements in both public and private organizations as well as in the rules regulations, practices, values, and customs that shape and influence an entire society, or a sector. This paper adopts the second definitions, while focusing on various forms of organizations and the practices and customs governing partnering between these organizations.

Heterogeneity. While presenting evaluation results and discussing various models the authors are very conscious of the large diversity of settings in Africa, in terms of capacity and need for partnering and fostering of institutions, governance, special regional requirements, and socio-economic and agro-ecological conditions. The stark difference between many middle-income countries and fragile, post-conflict ones is a point in case.

1. Support to African agriculture has not worked, and agricultural performance remains weak. Business as usual won't do.

Poor continent-wide results point to institutional bottlenecks

By common consent development results in agriculture and rural development have been less than hoped for. Notwithstanding a number of successful stories of agriculture technological breakthroughs and market expansions on the continent, there is abundant evidence of the relative failure of agricultural development in general in Africa, and much of agriculture aid projects in particular. Productivity gains have been meagre in the past two decades. Many trade distortions made it difficult for African smallholder agriculture to compete. Access to domestic, regional and world markets is still limited for most small farmers in Africa, particularly among the large numbers of African women farmers. Some observers also point to continued weak sector governance in many countries, particularly in sub-Saharan Africa, few coherent and prioritized sector policies, a lack of well designed and integrated strategic programmes, and low absorptive and implementation capacity in many countries. Regional integration is characterized by a persistence of under-funded regional and sub-regional organizations.

Widely shared agricultural growth also remains impeded by constrained financial markets and rural finance institutions. Development of competitive output and input markets is limited. Services for smallholder agriculture remain poor. Fiscal commitments to agriculture and rural development by national governments were inadequate and there was slow progress in the infrastructure linking land-locked countries and remote regions of coastal countries to the centers of demand and the harbors.

Competition for natural resources –soil, water, fisheries and forests -- is increasing, and management of these resources is improving only slowly, if at all. Progress in bio-technology is inadequate, and combines with persistent under-funding of agricultural research, agricultural extension, and institutions of higher learning to condemn SSA agriculture to slow and inadequate technical change, thus contributing to a growing technology divide.

This long list of problems for agriculture development already points to institutional bottlenecks and the need for a renewed emphasis on institutional development in agriculture and rural development and new partnerships to tackle these challenges.

Project performance in agriculture and rural development

Past work in the African Development Bank, International Fund for Agricultural Development (IFAD), or the World Bank and other organizations has shown the relatively disappointing results of assistance to ARD in Africa. Only about 60 percent of all evaluated development projects had a satisfactory performance in achieving their overall development objectives. Project components dealing with institutional development were among those often rated as least effective.

Project design was found to be very important for project effectiveness. Yet, again, design tended to give insufficient attention to institutional capacity development, although governance structures were often weak at all levels. For IFAD funded projects, some aspects of capacity building, particularly those at the community level and those concerning human and social capital, were generally adequately taken into account, while they were widely neglected in AfDB funded projects.

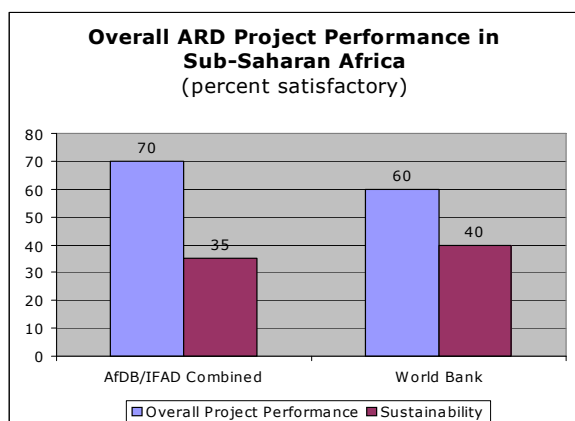
Inadequate analysis of country capacity, sector context and lessons learned from former experience were frequent causes for design problems. Poor involvement of beneficiaries and other partners, and insufficient quality assurance mechanisms were mentioned as other important causes for poor quality-at-entry. Projects that were notably well designed with respect to the needs of the rural poor, participation, self-help and social capital formation were more likely to be satisfactory in reducing poverty than those that were not.

Only 40 per cent of projects were rated sustainable. Less than one third of projects had a satisfactory level of poverty impact *and* were also moderately or more sustainable. Technical, social and institutional sustainability were typically unsatisfactory. Key determinants were a lack of attention to land tenure issues, ownership, responsibilities for maintenance of infrastructure, transfer of technical skills to beneficiaries, grassroots institutions, and post-project financing sources. A main reason for poor sustainability was identified as the low project impact on institutional development and services.

These findings again underline the ineffectiveness of institutional development measures and design of projects addressing ARD development in Africa, and where they were addressed, their ineffective implementation and impact.

Overall project performance of the AfDB and IFAD in ARD in Africa is rather similar to that of the World Bank (Chart 1). Satisfactory performance for AfDB and IFAD is 10% higher which is, however, mainly explained by high ratings for relevance (85 per cent satisfactory),

Chart 1



compared with lower ratings for effectiveness (50 per cent and 55 per cent respectively) and sustainability. Altogether, these results are supportive of the idea, *ceteris paribus*, that on average Africa is a challenging environment for ARD for any institution. The 2007 IEG evaluation of the performance of World Bank agriculture projects in sub-Saharan Africa makes the same observation citing the negative influence of political economy, instability and weak institutional capacity¹.

¹ World Bank Assistance to Agriculture in Sub-Saharan Africa. An IEG Review. 2007. The Independent Evaluation Group. World Bank Washington, DC

Doing things differently

International donor agencies will need to do things differently as the old aid approaches no longer work. In collaboration with recipient countries they need to develop new business models and instruments, supportive of new institutional arrangements, including partnerships. Project work alone is not sufficient but needs to be complemented with stronger coordination with partners to build national capacity in the sector and to develop and align coherent agriculture policies and programs at country and regional levels to meet the new African and global challenges and opportunities.

2. But changing situation, due partly to globalization but also internal changes (governance), and many new players. New opportunities.

Things are changing – Optimism for Africa and global winds of change

Optimistic outlooks. But this is also a period of guarded optimism about the prospects for Africa and for African agriculture and Rural Development (ARD). Per capita economic growth is now above three percent, and per capita agricultural growth above 1 percent. Armed conflicts are down to 5 from 15 in 2003. Sub-Saharan Africa (SSA) now has faster progress in its business environment than other regions. (World Bank and IFC, 2006). Africa is in the process of strengthening its Regional and sub-Regional Institutions. Agriculture returned as a priority on the International Development Agenda even before the recent food price spike, and even more so as a consequence of it. The African Union (AU) in conjunction with the New Partnership for African Development (NEPAD) have developed the Comprehensive Africa Agricultural Development Program (CAADP), and are encouraging countries to allocate more fiscal resources to agricultural development. New private and emerging economy donors are providing growing volumes of aid. All these positive trends have led to a significant acceleration of per capita economic and agricultural growth, and significant reductions in poverty headcount in the fastest growing countries. Unfortunately, - except in North and Western Africa - they have not yet translated into measurable reductions hunger and malnutrition.

Global winds of change. Global winds of change provide both significant opportunities, as for example from the bio-technology revolution and in the longer run the production of bio-fuels, as well as significant impediments and threats, as for example the failure of the Doha Round of trade negotiations to start dismantling OECD agricultural subsidies and trade barriers, or the expected negative impact of climate change on agricultural productivity. Dramatic changes are also occurring in private international agribusiness and agricultural research as a consequence of the biotechnology revolution.

Food and other agriculture commodity prices are likely to stabilize above those prevailing before the 2008 crisis although they may gradually come down from their peak. This will

provide major additional opportunities for African farmers, especially in domestic and regional markets, but also in the increasing South-to-South trade.

Implications for agriculture and rural development: the four “I’s” and some suggestions for “top-10” priorities in ARD for AfDB and IFAD

Renewed focus on agriculture – the four “I’s”. Agriculture has the potential to be again an engine for growth and a key to reducing rural poverty in many African countries. To achieve this agriculture and rural development efforts will have to focus sharply on widely shared growth in rural areas. Ndulu et al. (2007) propose a medium-term growth strategy for Africa that hinges on taking action in four areas (also characterized as the four “I’s”):

- improving the **investment** climate in agriculture through generating better incentives for farmers and private sector to invest, including the market environment;
- a big push toward closing the **infrastructure** gap with other regions of the world;
- a greater focus on **innovation** as the primary motor for productivity growth and enhanced competitiveness; and
- **institutional and human** capacity development to overcome weak institutions.

The ‘top-10’ Following these four investment areas the Joint Evaluation identified 10 priorities in agriculture and rural development for consideration by AfDB and IFAD, and the overall development community in general, to get agriculture moving again:

1. **Pro-poor innovation.** In order to find new solutions for challenges to ARD in Africa, a more systematic approach to promoting technological and institutional pro-poor innovations is required, to benefit the large number of smallholders and poorer farmers, including women.
2. **Agriculture science and technology.** There has been underinvestment in agricultural science and technology, knowledge management, and extension.
3. **Rural Infrastructure.** There has been an extreme underinvestment in infrastructure in particular rural roads and irrigation.
4. **Agriculture markets.** As governments play an important enabling role for agricultural growth, agriculture is widely a private sector activity, including Africa’s farmers themselves and agro-business. Enhanced engagement with the private sector is required, for instance through supporting value chains and markets and ensuring smallholder access.

5. **Rural finance.** Given the importance of rural finance for increase agricultural productivity and rural off farm activities, greater attention is required to making it viable in what has proven to be a challenging environment. Thus, this is an area where innovation is needed.
6. **Governance, decentralization, and land tenure.** Good governance in public services, decentralization of decision-making and management, and well functioning institutional arrangements, for instance security in land tenure, are an important ingredient required for agricultural growth. There is an important role to play in fostering institutional developments for ARD.
7. **Regional integration and cooperation.** Given the small size and limited capacity of many countries, there are many critical issues that are best addressed at a regional or sub-regional level
8. **Fragile states and middle-income countries.** Given very different country contexts in fragile states and middle-income countries, different approaches and instruments for development and assistance need to be considered in these sets of countries.
9. **Climate change and natural resource management.** The predicted impacts of climate change and population increase on African agriculture in terms of land, water, variability etc. need to be addressed.
10. **Human capital and gender.** Rural development needs to take into consideration demographic and human capital concerns. This will include issues such as youth, migration, remittances, HIV, etc.. Special attention is needed on gender equity as it has an important role to play impacting rural poverty.

Towards new institutional roles in ARD.

All these topics and priority areas are far from new – indeed, they are well-trodden paths. But many past models and programmes of development, aid, and governance in these areas have not worked very well for agriculture and rural development in Africa, often due to institutional deficiencies. In order to seize new opportunities in the sector, Africa will have to move ahead, in particular with its institutions and the way they share the labor and cooperate among each other. This includes a better definition of the future role of government, the private sector, communities, and civil society in ARD, as well as the division of labor among different spheres of government. These are the institutions that have to work together to implement new programs and support systems for ARD and to jointly and individually take on greater responsibility for providing services to small farmers. Africa's governments and the donor community are called for to work hand in hand to bring about the necessary institutional change.

Institutions and distribution. Not only does the institutional environment determine who contributes to development and how successful it will be, it also is the most important

determinant of the distribution of the benefits. Where institutions are empowering, they can help to lift the poor and disadvantaged and provide them with access to resources and opportunities; where they are dis-empowering, they can be used by strong individuals and groups to direct the benefits of development to themselves, via elite capture. (Binswanger, 2008).

Heterogeneity. How an integrated institutional approach would be fostered in a particular country should depend on past history, what currently exists and can be built on, the prevailing traditions and cultures, and past history, and a diagnosis of the existing capacities and dis-functionalities. Different countries would have different approaches, and only country-specific analysis can reveal where the greatest weaknesses are and the best opportunities for improvements in the institutional environment. There are no universal magic bullets.

In all of this, Africa's governments and development partners face an increasingly numerous and complex set of international agencies and African institutions that will have to broker new strategic partnerships, alliances, networks, and other relationships, building on their resources and comparative advantages. For traditional development agencies such as IFAD and the AfDB the new partners on the scene, and an expanded collaboration with these partners, will require new and better adapted products, business models, and institutional support mechanisms.

3. New partners for ARD – What will it take?

A complex partnership arena is emerging

Players in a new aid architecture

There is an exploding number of players in development assistance, and we observe a shifting of assistance to new donors. Estimates suggest that, *worldwide*, there are 233 multilateral development agencies; 51 bilateral donor countries (most with multiple official agencies); several hundred international NGO's; and tens of thousands of national NGO's, not including community-based organizations which could number in the millions. (Kharas, 2007, p 3)². Real volume of development assistance from traditional donors has stagnated. Additional aid is coming from emerging countries, such as China and India, and private donors, such as the large American-based NGOs and foundations, eg. World Vision or Gates foundation, or

² New bilateral donors from the South including large donors like China (2 billion \$US/annum), India and Saudi Arabia (over a billion each), several more in the ½ billion \$ range (Korea, Turkey, Kuwait and Taiwan) and a total of 21 more who have or are establishing aid programs. "*Estimates of aid from new players equaled or exceeded official development aid from traditional donors in 2005*". Thousands of private organizations are on the map: international NGOs like World Vision International with a budget exceeding 2 billion \$US, 4 with budgets between \$500 million and \$900 million (Save the Children International, Care USA, Catholic Relief Services and Plan International) and thousands of philanthropic foundations who contribute to international causes. The largest of these in 2004 were the Gates Foundation at 1.2 billion \$US and the Ford Foundation at 250+ million.

British Oxfam. Private remittances flowing back to developing countries are adding just as much. A substantial amount of these funds are targeted towards Africa, many of them flowing into rural areas and addressing the concerns of poor people in rural areas, including agriculture.

In the United Nations sphere the Millennium Development Goal Task Forces, particularly Task Force One, are new players. New conventions such as on Desertification and The Montreal Protocol, to mention two, have overlaps with FAO, WFP, and IFAD's roles; and they are now closely entwined in emergencies, early warning and a renewed focus on Africa.

At the same time African nations working through the African Union (AU) have identified joint action as critical and have created The New Partnership for Africa's Development (NEPAD), including the Comprehensive African Agriculture Development Program (CAADP), and many other institutions for regional integration and specialized development tasks.

Two partnership models

The complexity of the partnership environment becomes even more evident when one looks at two different graphical models that depict a generic cooperation system in agriculture and rural development in Africa and the multi-level and multi-sectoral governance requirements of horizontal and vertical partnerships.

Networks, with 'home systems'. Partnerships are a form of cooperation, where the various actors form a flexible system of mutual relationships and dependencies whereby every participating actor is also part of other sub- or supra-systems. Hence, it is crucial to look at the bigger picture taking into account that all actors are strongly influenced by their 'home systems'. Figure 1 shows in a simplified way a typical multi-stakeholder partnership system of IFAD / AfDB in the field of rural and agriculture development, including sub-systems the different partners belong to. Each partner has different hats to wear, and the better these different hats are known by each partner the better one knows the intentions and incentives of the partners.

Multi-level, multi-partner system. Partnerships for development also need to be understood in view of the complexity of the multi-level and multi-sectoral governance system of development that is depicted in Figure 2. Development follows a multi-stakeholder approach, including stakeholders from the global to the local level and from the different sectors of society (civil society, state and private sector).

These two models already indicate that there are a wide variety of partnership opportunities, with partners of different capacities coming from very various institutional backgrounds, operating at a number of different levels, and differing in their partner composition, their purpose, and set-up.

Figure 1 - A Generic Cooperation System in Agriculture and Rural Development in Africa

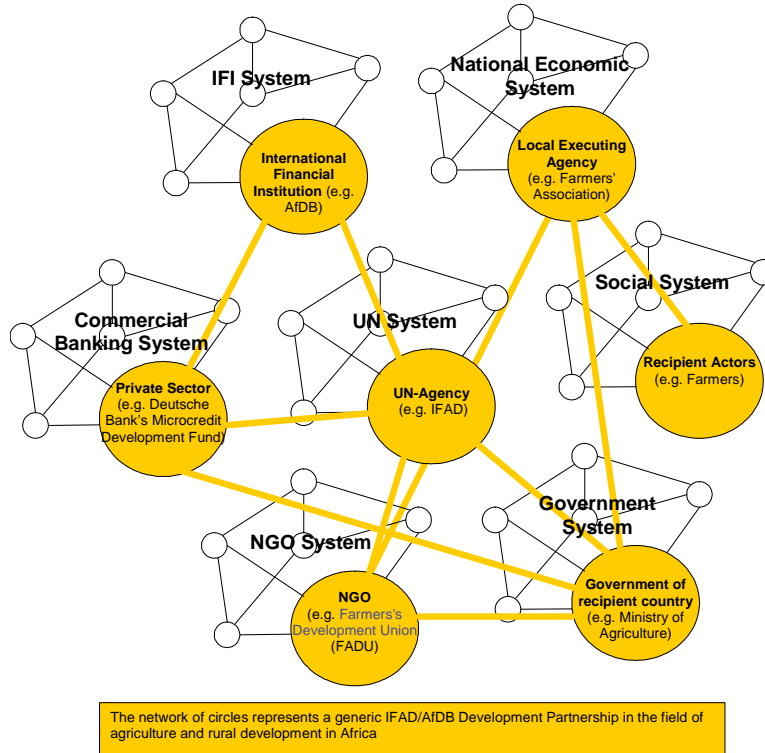
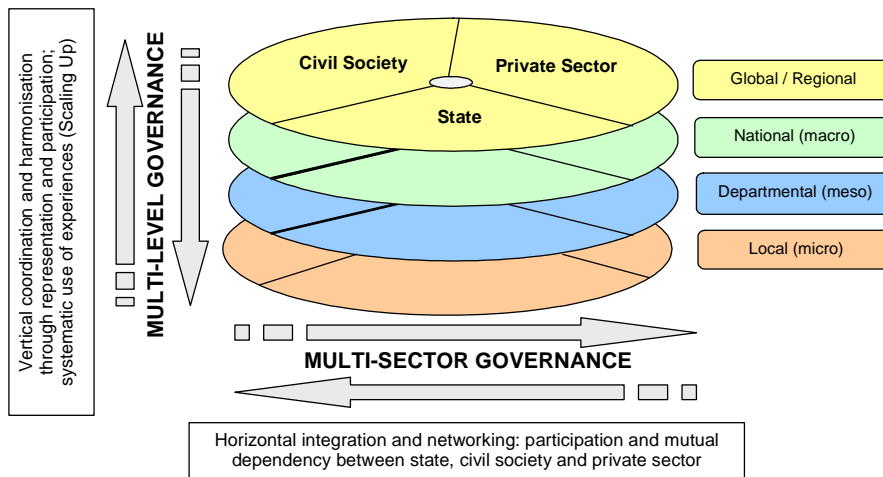


Figure 2 - Multi-level and Multi-sectoral Governance



Partnering at three levels: global, country, and grass-roots

Against this backdrop we need new partnerships and institutional development models. We need to change the way we do business with each other. Following the multi-level governance model (and collapsing the meso- and micro levels) we can differentiate three levels of institutional partnerships in the field of ARD that will have to be developed, broadened, and deepened, from the global to the country to the field:

1. **Partnering at the global and regional level.** This means more linkages among traditionally strong sector donors in ARD in Africa, for instance IFAD and AfDB, the World Bank, and the European Commission et al.. Such linkages have to be extended to emerging new players, such as China, Brazil, and India. Beyond the public system, civil society at the global and regional level is represented with major research networks (such as the CGIAR), private foundations and associated initiatives (eg. the Association for a Green Revolution in Africa, the Bill Gates foundation etc.), and NGOs, such as OXFAM; the private sector with multilateral agro-business or biotechnological research companies.
- **Policy partnering at the country level.** Policy partnering at the country level refers to support for country ownership, alignment with national policies (PRSPs, National Development Plans, Sector Policies etc.), and harmonization of aid delivery systems. It includes the coordination and collaboration with other international as well as regional institutions (eg. NEPAD/CAADP), and a multitude of national development agencies.
- **Fostering new strategic partnerships at the grassroots.** At the grassroots level, which basically is the generation of opportunities and delivery of critical services to farmers, the right roles have to be found and expanded for farmer associations, private sector investors (agri-business etc), various civil society groups, local communities and decentralized public institutions, and the more traditional sector institutions

Partnership requirements at all these levels raise the following questions:

- (1) How to bring these actors together in partnerships? Globally and regionally? In the countries? And at the grassroots level? And in between?
- (2) What are the costs and human resource requirements of building intensive relationships? How to approach these relationships in a reasonable manner?
- (3) How to be selective in partnerships?
- (4) How to adapt business models in traditional aid agencies, such as IFAD or the AfDB? This includes internal business processes concerning project cycles and

programme work; knowledge management; or decentralization; as well as their capacity to work with a range of new partners; and

- (5) Who will look out for the poor and disadvantaged, for gender, for natural resource protection and access?

In the following we will present some of the observations and major findings from the Joint Evaluation, in a summarized form, and will try to address these questions by following the identified three levels. We will review the lessons that AfDB and IFAD could learn from their own experience as well as from partnership theory in pursuing their partnerships and collaboration at the global, country, and grass-roots levels.

Stronger partnering at the global (and regional) level: Some lessons from IFAD and AfDB

IFAD and AfDB have been in an institutional partnership agreement since 1978. Yet, the true partnership experience of AfDB-IFAD has been limited and very largely confined to co-financing operations, with AfDB playing (with limited success) a supervision role for IFAD initiated projects. There has been a significant decline in this arrangement in recent years. Since 2006, Management of both IFAD and AfDB have started to re-focus and re-energise their institutional partnership deal. Yet, the evaluation found a number of areas that need to be given particular consideration in shaping the new bilateral partnership as well as partnerships with other agencies.

Towards clear partnership policies and objectives

Currently, there is a proliferation of partnerships and competing demand in IFAD and AfDB. IFAD and AfDB have a 'full', diverse, unstructured and loosely defined 'mix' of 'partnerships'. Partnerships are opportunistic and emerge from different points within the organisation and primarily from an operational activity needing additional resources rather than being strategic or programmatic. Neither IFAD nor AfDB have a partnership policy or guidance to staff on how to select, develop, formalize and measure partnerships. Incentives for partnership working are uncertain. None of the two agencies has had a history of establishing clear objectives for their partnerships with targeted results and tracking of progress indicators. In future, agencies need to set partner priorities better than they have done until now. IFAD and AfDB need clear partnership policies and objectives.

Both agencies have strong corporate messages on the importance of partnering, but to date, notwithstanding some progress in certain areas, such as decentralization and to some extent knowledge management, this has not been given priority in organisational reform, nor has it been sufficiently operationalized through partnership oriented business processes. Both institutions are in the midst of reforms that will shape future partnership opportunities. These reforms offer an opportunity for re-orienting their business models more towards partnerships.

Good practice for partnerships

The observed practice of partnerships in IFAD and AfDB lends strong support to the validity of the findings from a review of good partnership carried out for the Joint Evaluation. The review was based on theory and several case studies of partnership management, beyond AfDB and IFAD (Sieber and Zimmermann, 2008). The following conditions for successful partnerships from this review should be highlighted:

1. Partnership is a means to an end: partnership agreements need to set clear goals for the partnership and expectations for value-added.
2. Partnerships need specific and bounded objectives, with one or more clear outcomes that are being tracked regularly. This requires monitoring and evaluation.
3. Strong partnerships are dynamic in nature. They often bring a particular intensity of effort and sharpness when evolving conditions demand. This requires flexibility among partners.
4. Adequate resourcing, including appropriate and adequate human resources, and organisational incentives, which need to align across partners, are crucial.

Policy partnering at the country level

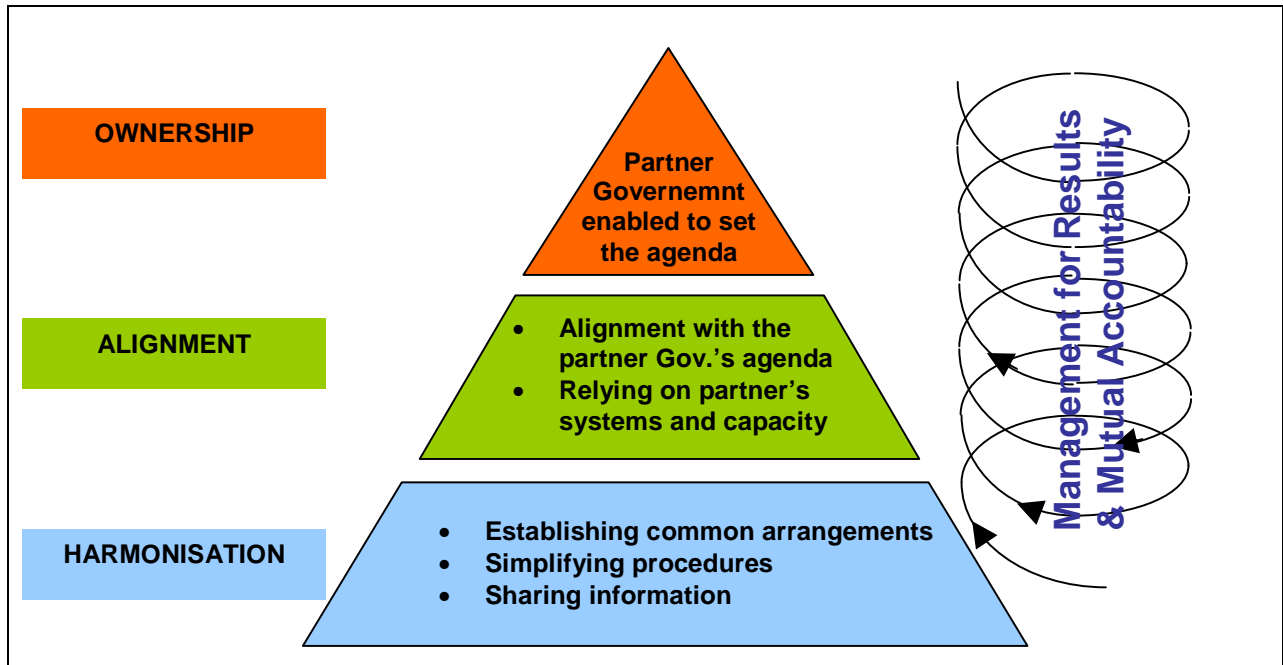
The Paris Declaration on Aid Effectiveness (2005) is one of the pushing factors for new partnerships and institutional development models in Africa. It calls for a changing development architecture where the adoption of joint strategies, joint programmes and joint evaluations become increasingly important to donors and their partners in recipient countries.

Specifically the Paris Declaration includes the following well-known principles and commitments that are graphically depicted in the aid effectiveness pyramid in Figure 3:

- a. Country ownership;
- b. Alignment of all development agencies with recipient country policies and systems;
- c. Harmonization of common arrangements for planning and delivering aid, and gradual simplification and harmonization of procedures;
- d. Management for producing results at country level, and
- e. Mutual accountability.

The third high level forum on aid effectiveness in Accra in Sept. 2008 underlined these basic principles, and again emphasized the aid predictability, the use of country system rather than donor ones, conditionality based on countries' own, rather than donors' development objectives, and the untying of aid from procurement conditionalities (*Accra Agenda for Action*).

Figure 3: The Aid Effectiveness Pyramid



Implications of Paris for AfDB's and IFAD's country work

The Aid Effectiveness agenda has major implications for country programmes and development cooperation in the agriculture and rural development sectors, including that by IFAD and the AfDB:

- **Project work alone is not sufficient. There is an urgent need for contributing to and aligning more effectively with coherent and country-owned agricultural policies.** Putting the countries in the driver seat suggests that support to ARD strategies should be provided in close coordination with recipient governments and other donors. The overall ARD programs should derive from PRSPs and other major national development plans and associated analytical work.
- **Wherever appropriate, AfDB and IFAD need to embark with others on joint assistance strategies and sectoral approaches.** Given the proliferation of donors, the fragmentation of aid and the high transaction costs associated with current aid delivery mechanisms sector dialogue and aligned approaches are important.

- **National budgeting and fiduciary systems need to be upgraded** and used as the framework for harmonization of procedures across donors, with an eventual move to budget support. This would require a focus on capacity building and a new approach to technical assistance within ARD sector agencies and beyond.
- **Need for more strategic knowledge management:** globally, at agency headquarters, and at country levels.
- **All this means new business models and processes in donor agencies** that are more flexible, responsive, and closer to the field.
- **More decentralization to the country level will be necessary** – although donors may have to consider
 - the disadvantages for smaller organizations, such as IFAD, due to economies of agglomeration (attaining a critical mass);
 - potential cost-savings through partnering in decentralization, or in certain decentralized activities; and
 - selectivity of countries.

Performance of non-project dimensions of country programmes.

Yet, in order to achieve, or at least make satisfactory progress towards these new objectives, AfDB and IFAD will have to significantly change their mode of operation at country level, particularly in view of policy dialogue, effective harmonization and coordination at country level, and instrumentation. The evaluation of past performance by both institutions in these important dimensions of country level work shows rather poor results, although there are some indications that the situation has been slowly improving in recent years.

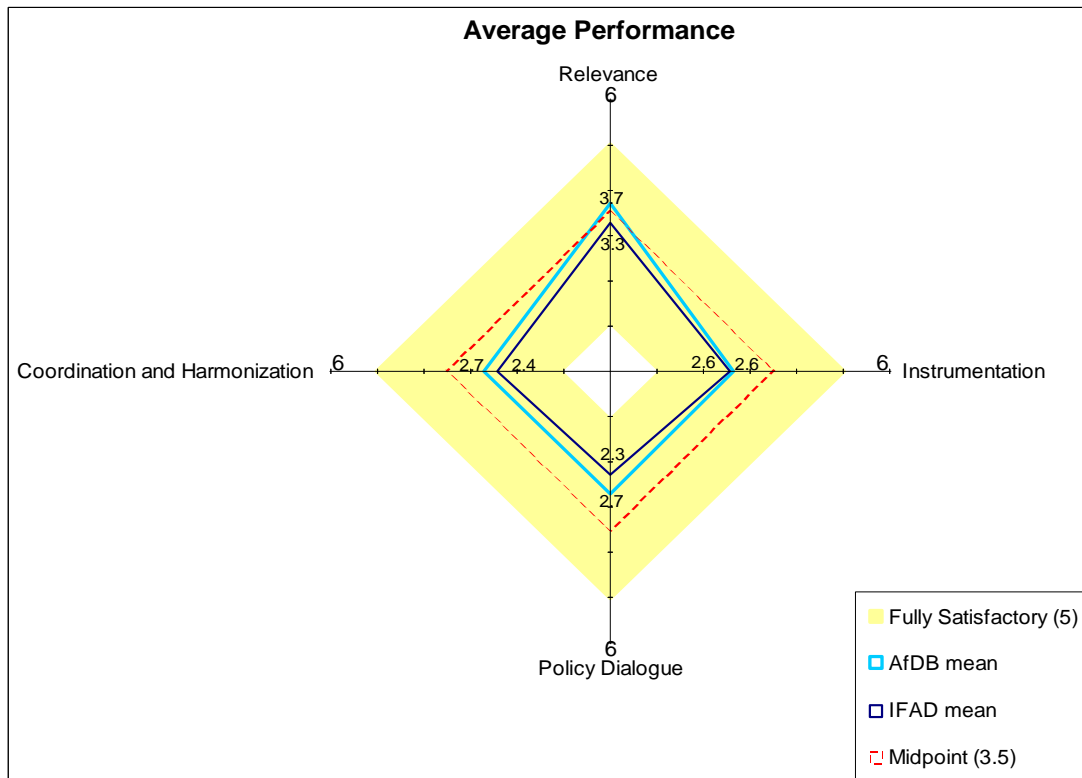
In sum, a meta-evaluation of more than 20 recent country programme evaluations from IFAD and the AfDB found that:

1. Policy dialogue performance is completely inadequate – it was found no more than 10 per cent satisfactory in either agency.
2. Performance in terms of coordination and harmonisation is satisfactory only about 20 per cent of the time, but it is improving.
3. There is limited use of grant and lending instruments for policy and knowledge work at country level beyond the traditional project investments (Instrumentation).

The overall picture of the non-project dimensions of country programmes as revealed by the recent country evaluations is given in Figure 4 which simultaneously, but separately, shows the average performance of the AfDB and IFAD measured by the four criteria of strategic

relevance, policy dialogue, coordination and harmonisation, and instrumentation compared to the goal of fully satisfactory performance³.

Figure 4 – Country programme performance by AfDB and IFAD (non-lending activities)



Only the dimension of strategic relevance exceeds 3.5, the mid-point between an unsatisfactory and a satisfactory rating, and only for the AfDB. The three remaining criteria of policy dialogue, coordination and harmonisation score 3.5 or less, for both AfDB and IFAD. Figure 4 also shows a grey field signifying the area that would be commanded if all criteria had an average score of 5, which would be ‘fully satisfactory’. The data reveal a strikingly similar and uniform level of poor performance in these important non-project dimensions by both AfDB and IFAD, with the Bank’s performance being only slightly better than IFAD’s.

³ In Fig. 4 the average scores for four key performance criteria have been calculated and combined in a diamond to provide a more comprehensive comparative picture of performance. Recalling that on the used six point scale (where there are no ratings below one and above six) there are five intervals; giving a midpoint of 3.5 (1 plus 2.5 intervals). Thus, for average performance for a specified criterion to be rated partly satisfactory or better it must exceed 3.5.

Fostering new strategic partnerships at the grassroots

While many institutions for ARD are still weak, the institutional environment has significantly improved in many countries since the 1990s.

First, the space for the **private sector, including producers associations**, has dramatically expanded, even though the private sector response has not yet entered input and output markets sufficiently to create a vibrant and competitive environment for small farmers. The sluggish entry of the private sector into input supply, marketing, rural finance, and technology development and dissemination in Africa has been particularly harmful to the development of the small farm sector, and how to provide these services remains a major challenge of ARD particularly in SSA. The governments will have to play a role in financing a number of these services, without necessarily returning to the failed approaches of government provision. It will also have to create conditions suitable for public-private partnerships, not only with central government institutions, but also lower level tiers of government.

Second, **local communities and civil society organizations** have much more opportunities to participate in development and are receiving domestic and foreign support. From letting communities participate in the design, finance, and maintenance of micro-projects, community development programmes have moved on to truly empower them to choose, design, and execute a large range of micro-projects, by transferring both the responsibility and the co-financing resources for these projects to them. IFAD has been a strong champion of such community empowerment. The growth and development of communities, NGOs, and social capital is not only important for the implementation of development programs, but the diversity and strength of these organizations is also a defense against elite capture of programs and project benefits. For agricultural development, a particularly important development is the formation and progressive development of **independent farmers' organizations, and micro-finance institutions**. They are increasingly replacing or complementing cooperatives that were often created by the state, and did not really lead to empowerment.

The role of **governments at central, sector, and local levels** is equally changing. There has been a growing realization that the sector institutions should delegate implementation to the private sector, to communities, civil society organization, and to local governments, using the principles of subsidiarity⁴ and comparative advantage. Instead of providing services and implementing programs they should formulate policies, set standards, and enhance and control quality (World Bank, 2004). Far from a withdrawal from R&D services, such a change would strengthen the capacity of the overall system to provide these services, including the public and quasi-public goods so badly needed by small farmers.

⁴ The principle of subsidiarity states that functions should be allocated to the lowest level capable of effectively performing them while at the same time minimizing adverse spillover effects to neighboring units at the same or higher levels.

The **central governments** have a particularly important role to play in bringing about the changes needed for successful co-production among the major institutional pillars discussed above, including public-private partnerships. They have to ensure that the business climate for the private sector improves, and that communities and civil society are free to take on their co-production. They have to drive forward the process of community empowerment and decentralization of functions, resources and accountability mechanisms to local governments and to the end users, and to ensure that the sector institutions transform themselves.

The growing role of private sector, farmer associations, and local communities calls for:

- Changes in policies and strategic partnership orientation among donors and recipient governments concerning these groups;
- Adapted business models and processes for their support and collaboration;
- Strong coordination with country partners to build national and local institutional capacity among these agents that are working at the grassroots.

Applying the Principal-Agent Model in the field of grassroots development partnerships

For many of the recurrent problems in strategic partnerships and collaboration at the grassroots level with a multitude of actors the principal-agent theory provides useful explanations, and ways to mitigate them. The principal-agent theory allows a closer look at accountability and delegation issues in partnerships. The theory argues that principals (such as donors or governments) must solve two basic tasks in choosing their agents. They must select the best agents, whether employees or contractors, and create inducements for them to behave as desired. Principals must also monitor the behaviours of their agents to ensure that they are performing their tasks well. Delegation always implies conflicting objectives between the agent (e.g. the development organisation) who has been selected for his or her specific knowledge and the principal (e.g. the donor) who hires and pays the agent but can never hope to completely check his or her performance.

In development cooperation delegation of tasks happen, first, where the donor / public contractor contracts an organisation (public or other) to carry out programmes in pursuit of certain development goals, and, secondly, where the respective development organisation hires local partners to implement the actual programmes and projects in the field. Thus we can assume that there are a number of institutional arrangements between IFAD/AfDB and their sub-contracted local partners where principal-agent problems are likely to appear in the field of agriculture and rural development in Africa. IFAD/AfDB are not able to fully monitor and control the performance of their partners (e.g. local farmers' associations, NGOs, local

government agencies, etc.) in carrying out the IFAD/AfDB projects and programmes, because they do not have the resources and have to rely on the selective information they get from their partners. According to the theory, sub-contracted partners are likely to use their information advantage to take actions unobserved by IFAD/AfDB or conceal the true cost or valuation of their work.

Only slightly more than half of all evaluated IFAD/AfDB development projects in the field of rural and agriculture development in Africa have shown satisfactory performance and had a sustainable impact. Looking at these rather poor results through the principal-agent lens, we can observe a typical indicator for principal-agent problems: the lack of sustainability of development activities. The theory comes up with two explanations for this lack of sustainability:

- 1) Sub-contracted local agencies have a strong interest in securing continuous funding by their principals. To please the principals, they present good short-term results, neglecting the more important and sustainable long-term impacts of the projects and programmes.
- 2) As donor agencies (the principals) respond more positively to visible changes (e.g. a new road or a new school built), sub-contracted local actors prefer to start new projects than continue or improve old projects.

Some concrete measures to improve the accountability of partnerships are⁵:

- ***Clarifying responsibilities.*** The contribution of an agent to a policy problem can be unclear when responsibilities are not clearly assigned, for the partnership as a whole and of individuals or task forces within a partnership.
- ***Improving the provision of information.*** Generally, the principals want information on anything for which they hold the partnership accountable. The challenge is to find the right balance between the necessary scope and degree of detail in reports and their usability.
- ***Clarifying the principals' expectations.*** A partnership can only fulfil the expectations of its various principals if these are clearly articulated. The expectations are needed as standards for evaluating a partnership's activities and linking them to positive or negative sanctions.
- ***Strengthening sanctions.*** Negative or positive sanctions are the ultimate means through which principals control the agent's behaviour. Sanctions can range from protest to withdrawal of financial contributions and have to be enforced when appropriate.

⁵ Steets. J. (2005): Developing a Framework: Concepts and Research Priorities for Partnership Accountability, GPPi Research Paper Series No. 1.

4. Conclusions and main messages

Towards a new strategic partnership matrix for agriculture and rural development in Africa

Evidently, a new strategic partnership matrix needs to be developed for the planning and programming of agriculture and rural development in much of Africa. This matrix will require new, more focused, and more specific roles for international development agencies along their specializations and comparative advantages, complemented by strategic partnering at global, country, and grassroots levels. Fundamentally, it will have to be built on close alignment and harmonization with partners at country level, in line with government priorities and systems. The roles of regional African institutions, including those of the AU, NEPAD and CAADP deserve special attention. There is a strong impetus for regional integration in agriculture, incl. the management of crucial natural resources such as fisheries, protection against plant and livestock diseases, and support for indigenous scientific capacity development. Above all, the new aid architecture needs to acknowledge the growing importance of private sector, farmer associations, and local communities, and the changing roles for governments in its policies and operations on the ground. All of this will require new ways of doing business.

More specifically, for IFAD and the AfDB this will require to

- improve and complement (or even substitute) project work with solid sector work, regionally and in countries; preferably in cooperation and partnership with others;
- help link private sector, civil society, producer organizations, and communities much better with central, sector, and local governments;
- coordinate with others to build national and regional capacities in the sector; and
- establish strategic partnerships, alliances, and networks that help to achieve better results and that also, in the long-run, may be less costly than individual programming.

Fostering partnerships systematically

Past partnership experiences in development have often been modest to poor, in agriculture and beyond. There are many reasons for this, and many reasons to trust that things may be different in the future, provided that a few principles of prudence are being followed:

- Partnerships need to be built on solid and realistic grounds, applying good practices and principles, being informed by lessons learnt and theory. Among others, partnerships need to be set-up and monitored in a way to induce sustained positive

behaviour in pursuit of their main objectives and to take account of where partners are coming from;

- A strong partnership orientation will require a different set of organizational structures, business models and processes than a self-reliant approach, at individual agency and inter-agency levels;
- Most importantly, partnerships in development, as anywhere else, must be given time to grow – with the right mixture of supportive administrative frameworks and trust-building personalized relationships. This also means medium- to longer-term institutional investments in fostering the growth of strategic partnerships and alliances.

M&E to build a virtuous learning loop involving all parties

Regular monitoring and evaluation will play an important role in enhancing partnerships through:

- Assessing the relevance of the partnership designs and ensuring good practice;
- Regularly tracking specific agreed-on partnership outcomes, at institutional and country levels;
- Reviewing the efficiency of partnerships in terms of transaction costs and value-added;
- Evaluating the many experiences of learning by doing, in which communities, local governments, farmer's organizations and private sector actors would be given opportunities and resources to exercise control over their own development, and drawing lessons for new programs; and
- Evaluating the performance of country joint assistance strategies.

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