

## The Policy Analysis on “The Broad Approach to Investment Lending”

Vahideh Sadeghi and Rezaghali Vahidi

National Public Health Management Center, Tabriz University of Medical Sciences,  
Tabriz, Islamic Republic of Iran

**Abstract:** The purpose of this report is to inform the wide range of senior managers about the Broad Sector Approach to development program investment. This report concerns itself with the theoretical and operational aspects of the Broad Sector Approach, to date. The Broad Sector Approach to Investment lending is very much concerned about the increasing benefits gained through providing the link between macro- economic policy and the pattern of investment within individual sectors. The Broad Sector Approach is therefore a solution to give the chance to local stakeholders to have a voice in the preparation and operational process of investment, (e.g., government agencies, donors, NGOs, ultimate beneficiaries). The BSAP success and failure depends mostly on how, honestly efficiently and effectively the actors handle its operation with full commitment. It is clear that the BSAP has gone far ahead in many countries; thereby countries can use BSAP to challenge the requirements of the today’s changing investment environments.

**Key words:** Investment lending, Broad Sector Approach (BSAP), finance development program, strength, weaknesses, experiences

### INTRODUCTION

The purpose of this report is to inform the wide range of senior managers about the Broad Sector Approach to development program investment. This report concerns itself with the theoretical and operational aspects of the Broad Sector Approach, to date.

The Broad Sector Approach to Investment lending is very much concerned about the increasing benefits gained through providing the link between macro-economic policy and the pattern of investment within individual sectors. In parallel, there is a growing intention to make consistency and coherence among sectors policy and investment and thereby to move away from individual fragmented interventions of different donors to a more systemic, approach. The fundamental reason to adopt the Sector Wide Approach, is the dissatisfaction of beneficiaries with undesirable impact of investment on donor driven individual projects and their inconsistency with the sectors overall strategic plan (World Bank, 1992).

The Broad Sector Approach is therefore a solution to give the chance to local stakeholders to have a voice in the preparation and operational process of investment, (e.g. government agencies, donors, NGOs, ultimate beneficiaries).

The BSAP as a philosophical approach assumes that, in order to lead a sound investment with good development outcomes, we should transfer the ownership

of the investment to government, empower the local stakeholders, create donor coordination; policy dialogue and create confidence, partnership and long-term commitment among all actors. (World Bank, 1992)

The BSA as an alternative solution to finance development programs seems to have the capacity to tackle many pitfalls of individual projects, through developing linkage between sector’s policy and investment.

Although the systemic and clearly defined methods of this approach in regards to the appropriate use of receivers infrastructure has it’s own intrinsic values, but we cannot yet prove its effectiveness in resolving the problems associated with individual project investment (World Bank, 1992).

The receivers need to be cautious about the appropriateness of this approach and use the contingency approach to select a feasible approach.

In this regard “Wapahans Report” indicates that all other approaches and past efforts have strength to continue and we should not therefore abandon them; two-third of all individual projects are successful.

The BSAP as an alternative approach to finance development programs has its own incentives to motivate the wide range of actors, such as government agencies, international NGOs, implementing agencies to consider it as an appropriate way to improve the sector indicators by adapting a systems thinking.

**Document appraisal:** The Broad Sector Approach as an alternative way to finance development programs has its own benefits such as pushing the health sector to formulate its policies in order to receive investment funds.

The BSAP, is proposed to address the problems of development program investment in the form of fragmented individual projects, among these problems are: Lack of state ownership, sustainability problems of individual projects, excessive use of external assistance and creation of donor driven project implementation units.

The BSAP emphasizes on the development of sector as a whole by linking the investment to sectors policy, which should be formulated by using the sectors capacity with little external assistance. It is considered to be a passive strategic tool to push the sector to look at its strategic issues rather than just maintaining and managing its routines.

There are many disputes on the effectiveness and efficiency of individual project investment in health sectors development, since these programs are not derived from the policy of the sector. The temptation of the money itself is a powerful incentive to receive the funds; thereby the fund is invested in isolated programs such as building hospitals, buying ambulances and conducting unnecessary research, which have no strategic importance.

The essential principles of BSAP appear to be a solution to most of these investment issues, these principles are as follows:

- It is a sector- wide approach,
- It covers recurrent and capital expenditures,
- It is based on sector policy framework,
- It encourages the local stakeholders to be in charge,
- It relies upon local capacity, instead of external technical assistance,
- It encourages full coordination among donors in regards to implementation arrangements and
- It encourages, confidence, mutual trust and long-term commitments among all actors.

All these features are unique to BSAP, which provides the opportunity for sector to focus on core priority strategic issues, through formulating a sound mission, vision and clear strategic direction. But there is the other side of the coin, since the BSAP, is very young and has not yet shown its implementation milestones and it has been only implemented in some projects in Africa and South Asia, thereby more experience is needed to judge about it (Harrold *et al.*, 1995).

An important factor in leading a successful BSAP is to have enough local capacity to initiate the first steps of

the implementation. For instance to define a coherent set of core development programs together with their performance indicators to assess their contribution to sectors total performance. Other important issues that countries need to consider, are to take some initiatives to improve their macroeconomic context and try to agree with donors on the pattern of public expenditure, since in the absence of this condition the BSAP is not likely to succeed.

In this regards the World Bank takes an initiative to ensure the approaches success. The bank links the further investments on the development programs to regions strategy, although we can not yet prove its feasibility but it is a positive external passive strategy to create a sense of systems thinking in developing sectors policy framework and shared vision.

The discussion of strength of BSAP does not mean to abandon the individual projects continuation, but to link these projects to the sectors strategic direction, to improve the sectors performance. It is assumed in general, that BSAP can improve the policy environment at macro level, which is prerequisite of a successful development program implementation.

#### **MAJOR IMPLICATIONS (STRENGTH, WEAKNESSES AND EXPERIENCES)**

The implications and impacts of BSAP on sector are as follows;

##### **Strength:**

- Improves the sustainability of development programs in health sector by continuous financing of recurrent and capital expenditure.
- Targets those programs in health sector, which improves health outcomes and are in sectors policy framework.
- Reduces the chance of fragmentation of programs by investing on development programs within the sectors strategic plan and involving all stakeholders.
- Improves the local capacity by reducing excessive external technical assistance.
- Unifies different donors conflicting interventions into sector policy framework.
- Reduce cost of establishing donor driven monitoring and reporting systems by encouraging donors to use local systems, (e.g. accounting and auditing systems).
- Improves the national implementation capacity by reducing excessive international implementing agencies assistance.

- Improves the health determinants by investing on development programs associated with poverty reduction and public education.

**Weaknesses:**

- Donor's willingness to give up their own procedures for reporting and procurement might not be fully possible, due to lack of enough confidence between donors and government.
- To measure the success of BSAP on different aspects of health reforms might not be possible due to the lack of capacity of local stakeholders.
- In countries with weak national policies, lack of coordination of interventions and activities among donors, might jeopardize the success of BSAP.
- The transparency in management, openness in policy dialogue and partnership based on mutual trust, might not take place without an external pressure, since these are culture bound

**Experiences:**

- Mechanisms for a rational public-private mix are often not developed and not considered in comprehensiveness of program of work.
- There might be bias toward some health programs or services.
- Conflicting interests among actors, such as policy makers, managers, public and NGOs and private sector might prevent active involvement of these parties.
- In regards to decentralization and BSAP, earmarking of basket funds, role of international implementing agencies and integration of vertical programs there are some crucial and strategic problems that needs further analysis and experience.

**Health development linkage, theoretical assumptions:**

The most important aspects are as follows;

- The Broad Sector Approach has the capacity to improve the people's health through supporting the health development programs within the sectors policy framework.
- Since the BSAP ensures the identification of strategic issues and health sector targets by informant local stakeholders, the improved health outcomes will result.
- The sector-wide consensus on shared targets with higher economical and health pay offs allows different form of partnership between actors to take place.

- There is a tendency that a coherent policy framework which is a prerequisite for a successful implementation of BSAP, prevents the fragmentation, conflicting approaches and unifies the national and external fundings (Harrold *et al.*, 1995).
- By including the health sector development programs within its policy framework, it would be possible to mobilize the external findings, public-private partnership to improve the sectoral performance, health outcomes and capacity building, but it might impose some costs (World Bank, 1997).
- Although the ownership of local stakeholders seems to be good means to achieve appropriate outcomes, but donors should take some measures to ensure that state will not impose policy framework on its own policy line for health sector e.g. Zambia agricultural sector investment (World Bank, 1995).
- The perceived benefits and the health impacts will be lost, if donors such as World Bank try to draft the sectors policy by itself, thereby all the comments that stakeholders or actors can make on policy framework will be biased.
- The BSAP can have a viable impact on health expenditure, if government with commitment has the actors to avoid parallel requirements.
- If the full commitment of all actors, which is the glue of a real coordination, happens, the success the BSAP will become a reality e.g. Zambia health program (World Bank, 1998).
- The donors acceptance of working with a common accounting, procurement and progress reporting arrangements will improve the local capacity dramatically, although it might happen slow and imposes training costs e.g. Bangladesh health sector (World Bank, 1998).
- Improving the capacity of the sectors by reducing the external technical assistance have impacts on sectors performance and improves the skill and expertise of personal to run their own affairs and thereby the sector becomes more dynamic, but this is not the case with the donor established project implementation units (World Bank, 1997).

**CONCLUSION**

The paradigm of sector approach is described as a method of donor investment in development programs with emphasis on full government ownership. It is a strategy of development in low-income countries, which is assumed to resolve many of the problems associated with previous investment methods such as individual project investment. By linking the development investments to sector-wide policy framework, it changes

the implementation mechanisms between donor agencies and government. The BSAP is based on new concepts to promote different type of partnership led by government and joint assessment of sectoral performance. (Peters, 1998). But still, it's operational possibility and milestones needs more evidence based judgments and more time to show its field experiences.

What is evident now is that, the health sector should try to get the kind of capacity required to own the investment and operationally it with little external assistance. The health sector can still invest on valuable individual projects, but I strongly believe that investment on isolated projects, which do not fit into the policy framework of health sector are resource wasting.

Furthermore, before the sector take any steps to adapt the BSAP, the systems thinking philosophy and enough capacity needs to be developed to own the investment and to link it to sector's policy.

The realistic analysis of sector's strength, weaknesses and possibility of outsourcing within the sector increases the chance of BSAP success, by identifying those investment opportunities, which requires donor's aid. Thereby the health sector can decide whether to invest in financing, resource generation and provision of services or stewardship activities to gain improved health outcomes.

The BSAP's success depends mostly on the degree of commitment and the capacity of the country in formulating the sectors policy and translating into specific development programmers. Another important prerequisite to success is the continuous assessment of BSAP indicators such as; ownership capacity building, donor coordination; policy dialogue, confidence, partnership and long term commitment. (Dubbeldam and Bijlmakers, 1999)

Although the initial costs of BSAP implementation might be high, but benefits from BSAP may come slowly

by eliminating unnecessary expenditures imposed by different donors requirements. Talking an optimistic position it worth the investments, since the BSAP in itself is a driving force, which ensures the development within the sector strategic plan. The BSAP success and failure depends mostly on how, honestly efficiently and effectively the actors handle its operation with full commitment.

It is clear that the BSAP has gone far ahead in many countries; thereby countries can use BSAP to challenge the requirements of the todays changing investment environments.

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