Sector Investment Programs in Sub-Saharan Africa:

Issues and Recommendations

A Sector Investment Program (SIP) is an integrated program comprising:

- a management framework providing for common implementation procedures for donors to the sector
- funding commitments from donors (often involving the World Bank playing a role as "donor of last resort" to ensure the agreed program is fully financed).

SIPs have been seen as an instrument for overcoming weaknesses in the management of development assistance that are especially severe in many countries of Sub-Saharan Africa (SSA). These include lack of ownership of programs by governments and other local stakeholders, weak public expenditure management, and fragmented management of donor assistance. In practice, SIPs are often also a vehicle for radical institutional reforms, such as decentralization of planning and decision-making to the district level.

Six features define a genuine SIP. It should:

- be sector-wide in scope
- be based on a clear sector strategy
- be led by local stakeholders
- involve the participation of all main donors
- establish common implementation arrangements
- use local capacity rather than technical assistance.

While the sector approach is being widely adopted in SSA, both donors and governments have expressed concerns about whether the objectives of the approach can be achieved in practice. In
particular, the active promotion of the approach by the donors might conflict with the objectives of national ownership.

A study was therefore commissioned by the UK Overseas Development Administration to review sector program experience, focusing on four case studies of programs currently under implementation that were either explicitly designed as SIPs, or had important SIP-like features. These were:

- the health sectors in Zambia and Mozambique;
- the agriculture sector in Zambia; and
- the roads sector in Tanzania.

The study found that while the preconditions of macroeconomic stability and allocations of public expenditure between sectors identified for SIP implementation were broadly met in the case studies, institutional capacity remained weak compared to the requirements to achieve donor acceptance of common implementation arrangements. As a result, little progress was made in establishing common financial arrangements, with the exception of the district basket which formed part of the Zambian health program. Common review and reporting procedures were however established in all four cases. There appeared to be only partial linkages between the sector expenditure program and the broader medium- and long-term macroeconomic framework, although it is recognized that the review processes established provide an opportunity for adjusting expenditure programs over time.

An important factor in the most successful cases (such as in the Zambian health sector) was a high level of commitment from a small group providing leadership within the lead sectoral ministry, supported by a group of key donors with staff continuity on both government and donor side also playing a valuable role.

**Conclusion**

The main conclusion of the review is that the scope for moving rapidly towards a full-scale SIP may be limited in many countries and sectors. Care should therefore be taken to avoid premature attempts to implement SIPs. The objectives that SIPs are used to promote are logically and practically separable (and represent good practice in aid management), but the case for linking them needs to be examined carefully in particular circumstances because of the danger of creating an unmanageably complicated process. Excessive expectations about the level of local ownership that can be achieved may need to be curbed, and there should be explicit recognition that any program in the context of high levels of aid dependence will involve compromise and negotiation. Even in favourable conditions the lead time to establish a SIP will be long, but there are evident dangers in donor pressures to accelerate the process. Common implementation arrangements require a long process of capacity and confidence building.

Many of the key issues affecting the success of a SIP in improving sector performance require cross-sectoral actions. This is particularly important in relation to civil service pay and incentives. These are critical for sustainable capacity building. Ministries of Finance and
Planning need to be actively involved, and ideally should be driving the process of adopting the sector approach to public expenditure management.

**Recommendations**

The main recommendations include the following:

- A selective and critical approach to the use of the SIP framework in any given situation is crucial, informed by broader sharing of experience, and recognizing the need for compromises and realism about what can be achieved.
- The links between sector expenditure programs and the macroeconomic framework should be strengthened, including contingency planning and medium-term financial plans.
- Forms of conditionality should be established to support SIPs that link the assistance provided to government performance (in meeting resource commitments to the sector and in adhering to the strategy and management framework agreed) in a flexible yet well-defined manner.
- It should be recognized that the appropriate definition of a sector in a particular context depends on the most appropriate planning and expenditure management units for the government budget. In general, therefore, a sector should coincide with a ministerial program. Cross-cutting objectives (such as poverty alleviation or food security) should be taken into account in the relevant sector strategies, rather than being promoted through separate sector programs.
- Mechanisms for measuring sector performance, focusing especially on the quality of service provision by government, should be emphasized and supported.
- The role and involvement of the central coordinating ministries (Finance and Planning) should be strengthened, especially in encouraging greater accountability for public funds against sector performance, and in tackling problems of incentives within the civil service.
- The management framework for technical assistance should be improved, rather than necessarily seeking to eliminate all such support.
- Stakeholder consultation should be managed by government so as to inform public expenditure decisions (focusing on the role of the state and the prioritization of government activities), and there should be a closer involvement at an earlier stage of those levels of government that will have responsibility for implementing the program.
- Donor initiatives (that may be independent of whether a SIP has in fact been adopted in a particular case) to coordinate and simplify their own procedures and activities should continue. Adopting the sector approach may require establishing new lending instruments to provide the flexibility that is required for the role of donor of last resort.