

NEW DEVELOPMENT TOOLS OR EMPTY ACRONYMS?

The reality behind the Comprehensive Development Framework and Poverty Reduction Strategy Papers.

Within the last couple of years there has been a re-examination of how aid is delivered in the light of concerns about its effectiveness particularly for reducing poverty. Whilst „pro-poor” policies are debated, attention has focused on developing integrated frameworks to deliver focussed, coordinated programmes for poverty alleviation whilst emphasising the role of governments and civil society in developing them. The Bank launched the Comprehensive Development Initiative in January 1999, which was followed by the joint IMF-WB Poverty Reduction Strategy Paper in September 1999.

WHAT FORCES HAVE LED TO THESE CHANGES?

Several forces have converged to push donors to reconsider how aid is delivered, for what purpose and how it is coordinated:

- evaluation of the impact of adjustment programmes has demonstrated poor results for growth, with often only marginal increases, and inequality and poverty rising. Moreover, as the crisis in Asia in 1997 demonstrated, sustained growth is insufficient to achieve sustainable development. Thus more attention should be paid to social reforms and ensuring coherence between macroeconomic, structural and social policies;
- NGOs have been pushing for resources released from debt relief to be focussed on poverty alleviation initiatives;
- experience has demonstrated that successful and sustained policy reform and compliance with conditionality

becomes more problematic as governments and people become marginalised in the policy setting process, therefore, there needs to be national „ownership” of the reform process;

- recognition amongst some donors that a proliferation of administrative and reporting requirements, plus multiple projects in multiple sectors is straining recipient government’s and diverting attention from domestic matters. Also, poor coordination of development activities and resources has limited the impact of development initiatives;

WHAT IS THE COMPREHENSIVE DEVELOPMENT FRAMEWORK (CDF)?

This is basically a framework for deciding development priorities and coordinating bilateral donors, the IFIs, the government and private and civil society stakeholders to deliver a long-term, coherent, poverty-focussed development programme. It is designed to rectify the problems outlined above by:

- considering macroeconomic reforms and structural and social reforms together;
- coordinating the efforts and resources of all „development partners”;
- encouraging government ownership of the agenda setting and reform process, in consultation with civil society, parliament and the private sector;
- and framing reforms within a long-term (20 year) strategy.

The CDF is currently still at the pilot stage¹. The Bank's Operations Evaluation Unit and research department are planning a full scale, systematic evaluation of the CDF and PRSPs. Development Committee plans to discuss whether to mainstream the framework in the Bank have been put back awaiting further evaluation.

WHAT IS THE POVERTY REDUCTION STRATEGY PAPER (PRSP)?

The PRSP was launched in September 1999 and is a joint World Bank and IMF document which replaces the Policy Framework Paper (PFP). It is a requirement for IMF and World Bank concessional lending and HIPC debt relief. The essential features reflect the CDF: 1) macroeconomic, structural and social reforms should be coherent and poverty-focussed; 2) the process of negotiating the PRSP should be government led and should include civil society; and 3) Bank and IMF assistance will be coordinated in support of the poverty strategy². Ultimately, it is envisaged that the PRSP will become the strategy around which all donors will plan and coordinate their development activities.

HOW ARE THE CDF AND PRSP LINKED?

There has been much discussion and uncertainty about how the CDF and PRSP are linked or whether the PRSP has effectively eclipsed the CDF. To a large extent this is a discussion about acronyms. The important issue is that they both encapsulate participatory, national led processes and donor coordination in pursuit of a single, poverty focussed strategy.

From the Bank's perspective the PRSP is effectively a means to operationalise the CDF, ie they should be „mutually reinforcing”. Unfortunately, where national processes are not so strong and ownership of the new approach is more uncertain, for example in Bolivia, there appears to be divergence between the two processes.

In practice, more attention has been paid to the PRSP because it is necessary to qualify for and receive HIPC debt relief and IMF and World Bank concessional finance. There are no such obvious incentives for adopting a CDF-approach. Also, unlike the PRSP, because the CDF is not „owned” by the IMF it has not effectively engaged in CDF processes.

However, the PRSP is only a requirement for the poorest countries whilst the CDF (if fully institutionalised after the pilot phase) will also apply to middle income countries. Thus, for middle-income countries, there is no „paper” around which the government, civil society and donors can coordinate to operationalise the CDF. This is likely to lead to much more ad hoc processes and potentially differing objectives. This may be more appropriate for these countries, however, the problem remains that there is no requirement for the IMF to be involved which will constrain the opportunity for achieving coherence between IMF and World Bank reforms.

The PRSP is envisaged as a 3-year strategy (although in practice its likely to be an on-going strategy with consecutive 3-year plans), fitting into typical Bank and Fund programme-cycles, whereas the CDF process should yield a longer-term strategy.

WHAT ARE NATIONAL STRATEGIES FOR SUSTAINABLE DEVELOPMENT?

All countries are required to develop a National Strategy for Sustainable Development (NSSD) as part of a commitment made at the Rio+5 follow up summit to the 1992 Earth Summit. Although intuitively the CDF, PRSP and NSSD processes should all converge, there is a danger that they will run in parallel; particularly if the NSSD becomes overly associated with environmental issues.

¹ Pilot countries are: Bolivia, Cote d'Ivoire, Dominican Republic, Eritrea, Ethiopia, Ghana, Jordan, Kyrgyz Republic, Morocco, Romania, Uganda, Vietnam, West Bank and Gaza.

² PRSPs are 3-year programmes, on the basis of which, the IMF and World Bank will design their lending programmes and conditionalities.

Broadly speaking, it could be conceived that the CDF is a framework for achieving the NSSD which would have as a sub-element a PRSP for addressing poverty issues. It might be more appropriate to think of the NSSD and PRSP as one and the same since poverty reduction and sustainable development should be an objective of both, however, in practice the PRSP is unlikely to have much of an environmental focus.

Some donors are happy to accept that it should not matter which a country produces, the objective of agreeing a coherent programme is the priority. However, others are unlikely to be so flexible, and at this stage the PRSP is essential for securing debt relief and IFI loans which suggests that countries are more likely to focus on producing these.

WHAT CHANGES WILL THE PRSP AND CDF BRING IN PRACTICE?

The CDF and PRSP offer important steps forward. Putting them into practice will take considerable effort:

- donors will be expected to loosen control of the policy agenda and become more cooperative in their relations with governments and each other. This will be particularly important for the Bank and the IMF;
- governments will be required to be more inclusive and more transparent in their policy setting - drawing on the input of the wider government, civil society and the private sector;
- civil society will have to strengthen itself to demonstrate accountability and ensure that it is able to adequately represent wide-ranging views and needs and deliver effective inputs into policy making processes. This will require considerable capacity building.

There has been varied success and experience so far but certain tentative conclusions can be drawn from both processes. Generally it is clear that:

- governments have only a limited

capacity to effectively develop and implement programmes;

- involvement of civil society has been varied. Governments tend to regard consultation and participation as one and the same with a tendency towards consultation;
- governments are taking a greater lead in coordinating donors, particularly during Consultative Group meetings, but on the whole donors' efforts to streamline their activities, share analyses and coordinate amongst themselves have been marginal;
- selective cutting back of projects and programmes that over-lap or are not poverty focussed has been limited;
- little progress has been made with ensuring coherence between macroeconomic, structural and social reforms. In particular, the IMF appears to be doing little to reassess its macroeconomic strategy in the light of its new commitment to poverty reduction beyond looking at fiscal issues;
- the Bank and IMF are not taking steps to make their operational processes more flexible and responsive to national processes and timetables, moreover, there has been a tendency for them to impose new processes on top of existing national processes;
- capacity for civil society organisations to engage in these processes is limited and further inhibited by poor access to government, Bank and Fund documents and data;
- time pressures to develop full and interim PRSPs to qualify for debt relief and concessional lending has pushed countries to develop and timetable completion of PRSPs very quickly which has led to less than satisfactory processes.

NEXT STEPS?

Most people agree that the new frameworks for delivering aid are a step in the right direction. To make them effective however requires concerted change at the institutional level.

Otherwise the danger is that they may simply give more power to the Bank and Fund to intervene further in countries' economies. The problem is whether there is a willingness to take the necessary steps, especially at the Bank and the IMF, to ensure that the reality fits with the rhetoric. Experience so far suggests that many Bank and Fund staff perceive that its „business as usual”, however, the new „ownership” approach is inherently in conflict with the paternalistic attitude of the International Financial Institutions and their major shareholders. As time goes by this conflict is going to become more apparent, particularly as governments enhance their capacity to really „own” their programmes.

Participation

The World Bank and IMF need to develop, in consultation with civil society, operational directives for participation to guide staff. Whilst it may not be appropriate to specify a single, best-practice process, it is clearly possible to identify ways in which the Bank and Fund can help facilitate a participatory process, such as, proactively making available Bank and Fund documents at the national level, translating these into national languages, distributing documents in sufficient time to allow NGOs/CSOs to effectively analyse them in advance of meetings etc.

Programme coherence

A major step forward for both the PRSP and CDF is that they advocate coherence between all reform measures. This is vital. However, it is not yet happening in practice. The IMF, in particular, needs to review its „model” so that it incorporates poverty objectives. So far the IMF has simply repackaged its existing framework and tacked on some analysis of government spending. This is insufficient, the entire framework needs to be unpacked and understood in terms of its linkages to poverty reduction. The Bank and Fund should work together to develop the tools to do this and to analyse the impacts of macroeconomic policies and structural reforms on people before programmes are implemented.

Ensuring Ownership

Unless the IMF and World Bank clearly demonstrate that they can be flexible about the contents of programmes they are willing to support then there can be not effective ownership by developing countries. As a first step the Bank should reassess its IDA lending criteria to ensure these are less prescriptive and more poverty focussed. The IMF should be limited to endorsing a country's macroeconomic strategy, it should not be allowed to judge other parts of the programme which it does not have the expertise to assess. The IMF should signal in advance in which areas it is willing to be flexible so that civil society groups can judge whether it is worthwhile to participate in the process.

Staff Incentives

The World Bank and IMF need to change incentive structures so that staff are better rewarded for the effort they put into these processes. At the moment staff are rewarded for the amount of lending they do which puts the emphasis on delivering projects and programmes rather than ensuring processes are good. More emphasis needs to be placed on the outcomes achieved, this would help to encourage staff to be more selective about which projects they fund and policies they prescribe.

Transparency

The IMF and Bank intend to base their lending programmes and draw their conditionality from the PRSP or national strategy. To ensure that there is consistency, the IMF and Bank should make their *draft* lending programme documents (the Letter of Intent and Country Assistance Strategy) available at the national level. This will allow stakeholders to monitor the process and to raise concerns about inconsistencies (should they arise) with their national representatives before they are agreed by the Executive Boards. The final documents should also be made automatically available, this is essential if „ownership” is to be maintained.

Operational Procedures

In some cases IMF and Bank processes and time lines are continuing to dictate processes at the national level. For example, governments are being required to complete processes in time for Bank and Fund missions rather than missions being timed around national processes. This is not acceptable. Also, there should be no rigid requirement to devise a 3-year strategy, for example it may be more appropriate to develop strategies based on election cycles. The Bank and Fund must demonstrate flexibility and organise themselves around national processes.

Also, more effort needs to be made to inform and educate staff in operational departments about the new frameworks and what is expected in terms of new processes and outcomes.

BRIEFING PAPERS

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2. *What Role for the Multilateral Institutions, Donors and NGOs in the New Framework for Poverty Alleviation?* Bretton Woods Project, 1999: <<http://www.brettonwoodsproject.org/issues/npf.htm>>.

3. *Wolf In Sheep's Clothing: An Overview of the Comprehensive Development Framework*, Bretton Woods Project, 1999, <<http://www.brettonwoodsproject.org/brief/wolf.htm>>.

4. *A Proposal for a Comprehensive Development Framework, a discussion draft*, James Wolfensohn, 1999: English version <<http://www.worldbank.org/cdf/cdf-text.htm>>; other languages <<http://www.worldbank.org/cdf/otherlangs.htm>>.

5. *Comprehensive Development Framework Mid-term Progress Report*, World Bank, April

2000: <<http://www.worldbank.org/cdf/progressreport.htm>>.

6. *Interim PRSPs : Experience So Far - A Synthesis of Reports from DFID Staff (Up to April 2000)*, 2000, Department for International Development, UK.

7. *An Independent Guide to the PRSP*, EURODAD, 2000: <info@eurodad.nognet.be>.

8. *Poverty Reduction Strategies: a part for the Poor?*, IDS Policy Briefing, Issue 13, April 2000: <www.ids.ac.uk/ids>.

9. *Progress Report on the Poverty Reduction Strategy Papers (PRSP)*, World Bank and IMF, April 2000: <<http://www.imf.org/external/np/pdr/prsp/2000/041400.htm>>.

This briefing was prepared by Angela Wood, Bretton Woods Project

September 2000

BRETTON WOODS PROJECT

c/o Action Aid

Hamlyn House, Macdonald Road
London N19 5PG

Tel: + 44 (0)171 523-2117

Fax: + 44 (0)171 620 0719

E-mail: awood@gn.apc.org

www.brettonwoodsproject.org