CIDSE / Caritas Internationalis (CI) Submission[1] to World Bank / IMF 2005 PRS Review

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CIDSE- International Cooperation for Development and Solidarity - is a network
that brings together 15 Catholic development organizations from Europe and North America.
Rue Stévin 16, B-1000 Brussels, Belgium - Tel (32)-2 230 77 22 – Fax 230 70 82
Email saldanha@cidse.org – http://www.cidse.org

Caritas Internationalis is a network of 162 Catholic relief, development and social service organisations
present in 201 states and territories throughout the world.
Piazza San Calisto 16, V-00120 Vatican City
Tel (39) 06 698 797 99 – Fax 698 872 37 – Email caritas.internationalis@caritas.va – http://www.caritas.org

[1] This document was prepared by Caoimhe de Barra/Trocaire and includes contributions from members of the CIDSE/Caritas Internationalis Working Group on Resources for Development. It is a background paper. The analysis and proposals presented in this paper do not necessarily reflect the views of all CIDSE members.

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1. INTRODUCTION

There is widespread agreement on the relevance of the principles and concepts underpinning the Poverty Reduction Strategy Paper (PRSP) approach. This initiative has the potential to put country-led strategies for development at the heart of development assistance. It provides an opportunity to address critical problems in governance and institutional frameworks, at both a national level and with respect to donors' operations.

In countries where principles of accountable governance, participation, country ownership and a clear poverty focus in national planning were already in the ascendant the initiative has added weight to reform efforts and opened new spaces for domestic policy dialogue. On the other hand, it adds another layer of conditionality to already overstretched authorities and threatens to undermine domestic institutional processes.

The PRSP approach has made most headway where processes such as government-led harmonisation, budget support, Sector Wide Approaches (SWAPs), Medium-Term Expenditure Frameworks (MTEFs) and participatory mechanisms for policy dialogue were already underway and macro-economic stability had been broadly achieved (ex: Tanzania, Uganda). In other countries, however, progress has been very limited. The Concept Note for the Poverty Reduction Strategy (PRS) review rightly prioritises the question of the application of the PRS approach in conflict-affected and fragile states.

However, even in countries which do not fall into this category, the PRS approach has been dogged by problems. These include weak design and implementation capacity at national level, fragile and uneven gains in participation, poor support for analysing policy trade-offs in macro-economics, lack of donor alignment, and a perception that it is primarily another vehicle for donor-imposed conditionality.

This CIDSE / Caritas Internationalis (CI) submission draws on the experiences of our members worldwide and responds to the issues raised in the World Bank / International Monetary Fund (IMF) PRS review concept note.[2] We conclude that national policy decision-making must be brought within a country-owned, participatory, accountable decision-making framework. The question of how to achieve and sustain this objective must be central to the PRSP approach and hence to this review.

[2] IMF / World Bank (2005)

2. KEY ISSUES

2.1. Strengthening the medium-term orientation of the PRS

2.1.1 The nature of PRS: principles or 'paper'?

The Concept paper accurately captures the rationale for a strong medium-term orientation of the PRSP as an operational framework for national development planning, donor coordination and institutionalise participation. We propose however, that the 'PRSP approach' should above all be looked upon as a set of principles, rather than a mandatory instrument designed in a specific manner.

Many countries had existing medium term planning frameworks in place, albeit of varying standards and sometimes with only partial sectoral coverage, when PRSPs were introduced. The countries that have made the most of the PRS approach have tended to be those that tailored the PRSP according to their existing medium-term plans (ex. Uganda's PEAP, Mozambique's PARPA).

However, the imposition of a new policy-setting framework as a requirement for reaching HIPC Completion Point meant that existing medium-term plans were often inadequately cobbled into an PRSP, or that a new PRSP was drawn up roughly according to the World Bank / IMF guidelines. Meanwhile, real policy decisions were made elsewhere, by governments, donors and Bretton Woods Institutions (BWIs) with little or no 'broad based ownership' or participation.[3]

Box 1: PRSP as Theatre in Central America

A study of current deputies in the Honduran Parliament illustrated that only 2% knew what the PRSP was. The PRSP approach has been conducted as a Presidential package with the involvement of a few key ministries, bypassing Parliament.

A combination of weak democracy and domination of powerful private and political interests means that the rhetoric around PRSP is manipulated to suit those interests.

In Central America, CAFTA has been adopted as the growth model. It was discussed by a small group who could expect to benefit from it, with none of the participation which is integral to the PRS approach. Indeed, 'poverty-reduction' policy in Nicaragua is now focused primarily on how to relocate the poor so that they can benefit from CAFTA.

Where there was no pre-existing national framework for democratic accountability, participation and poverty reduction, PRSP has generally not filled the void. Indeed, its authors – the BWIs – have been instrumental in promoting processes such as the establishment of CAFTA in spite of their contradiction with PRS principles.

The fault does not lie with the concept – medium-term development planning frameworks which provide an operational guide to policy implementation are strategic and necessary. However, it highlights that externally driven policy frameworks which are not tailored to country situations and which carry a threat of donor sanction are unlikely to deliver on their objectives (CIDSE / CI[4] have expressed similar concerns about the risks inherent in focusing too rigidly on the MDGs – notably goals 1 to 7 – as a framework for development. The MDGs should not be imposed through donor influence, but may be localised as appropriate for particular country contexts through a participatory process - see Box 2).

[3] CIDSE / CI (2004)
[4] CIDSE / CI (2005)

As the IMF's Independent evaluation Office (IEO) and World Bank's Operations Evaluation Department (OED) reports affirmed, the PRS approach should not be about the production of a document but the institutionalisation of good practices for a range of development partners. Each country should have the space to institutionalise such practices in the manner it chooses, in partnership with other national and external stakeholders, and to frame them in a national development strategy of its own design.

Box 2: Risks inherent in the MDG framework

The MDGs are a unifying force among development partners, political leaders and civil society globally. They have been adopted by all UN members as common global goals and have given rise to incontrovertible evidence that poverty can be halved, within a limited timeframe, provided resources and political will to make them effective can be raised. CIDSE / CI strongly promote common international action to make the vision behind these goals a reality, particularly through implementation of commitments in Goal 8.

However, there are several risks inherent in the MDG framework which should inform the review of the PRSP approach. The salient point is that an approach which relies too heavily on the MDGs as poverty reduction targets may sacrifice other drivers of poverty reduction: ownership of country-specific policies, participation, and equity in access to resources and to opportunities. Specifically, the PRS approach needs to be framed with an awareness of the following points.

Firstly, the MDG framework is largely a donor-driven agenda. Official discourse on the MDGs tends to centre around what developing countries 'must' do (to receiving support and funding) and what donors 'should' do (reform trade policy, increase aid etc.). Goal 8, unlike the other goals, has no timeline for implementation. There is an inherent inequality in terms of expected commitment to the MDGs, in spite of the fact that developing countries had little involvement in the actual design of the MDG framework.

Secondly, as receiving donor support tends to rely on recipient commitment to the MDGs, there is an inherent risk of either mere window dressing exercises or excessive government and donor focus on a selected number of areas, which may not be the most important in a specific country context. CIDSE / CI recommend a greater sensitivity by donors to the application of MDGs and in particular to the need for investment in the productive sectors and comprehensive rural development programmes.

Thirdly, a target-oriented approach makes no distinction between bad practice and best practice in achieving those targets. There is no distinction made between a totalitarian regime may halve poverty on the basis of an ethnic divide and a state that enables poor people to participate effectively in the budget process. In addition, controversial policies, such as privatisation of essential services, could be adopted in the name of the MDGs without due regard for long-term equity in distribution of national resources. This might lead to mere technical achievements of goals through a top-down approach instead of a participatory, rights-based approach and processes of empowerment which are essential for sustainable development.

Finally, the MDGs as currently pursued, run the risk of distracting attention from the underlying causes of inequality and injustice at a national and local level. The MDGs underscore the need to provide services to the poor. This should not be dissociated from the causes of poverty - namely, unjust power relations and unequal access to resources. Pro-poor policy reform in, for example, land ownership or trade policy, may be a far more potent catalyst for long-term poverty reduction than service delivery.

Therefore, CIDSE / CI believe that the MDGs should be interpreted as indicative areas of concern, to be localised within a participatory process and developed into targets which are appropriate and achievable.

2.1.2 Alternative macro-economic scenarios

The lack of alternative macro-economic scenarios in PRSPs has been highlighted in internal and external reviews of the PRS approach since its earliest implementation. This is an issue with three elements: *policy capacity, policy space and policy orientation (with respect to poverty reduction)*.

Capacity to develop alternative macro-economic analysis and to apply it in a timely manner to country-specific situations is an important issue. Research agendas within and outside the IMF and World Bank have increasingly focused on the issue of 'pro-poor growth'. However, there has been little impact on the models used by those two institutions. Standard approaches to liberalisation and privatisation are imposed, though these remain contested worldwide. Flexibility identified in recent reviews of IMF programmes (IEO 2004, IMF 2005) has not made the case that the Fund has applied this principle to the majority of low-income countries with PRSPs. Indeed, these reviews point to the failure by the Fund to examine and propose alternative macro-economic models as a key issue.

Poverty and Social Impact Assessments (PSIAs) are a critical tool in this regard and the investment in their application to specific problems of the poverty and equity impacts of a range policies, including macro-economic policies, should be rigorously pursued (see section 2.1.5).

The hegemonic role of the BWIs in research and in policy advice has arguably stifled alternative policy analysis and had excessive influence due to the dual role of these institutions of providers of resources and policy advice.[5] Donors and national governments should therefore invest in the development of a plurality of policy-relevant research institutions in low-income countries that can work with governments to determine a range of macroeconomic policy options.

Space to implement alternative policies to those proposed by the BWIs is a critical factor, as highlighted repeatedly in the IEO report (2004) which found that there are *'doubts about the claim that (PRGF) program design is guided by the PRSP. In fact, the case studies suggest that the reverse influence is more common, with the PRSP drawing key elements of its macroeconomic framework from negotiations on a Poverty Reduction and Growth Facility (PRGF)-supported program'* (p. 72). With respect to staff support for broad domestic dialogue on the PRGF and macro-economic policy, the IEO found that *'in cases where a PRGF arrangement was already in place before the PRSP, the macroeconomic framework was typically taken from the former with limited efforts to 'open up the policy debate''* (p. 111).

The PRSP review must deal with the fundamental problem of macro-economic policy imposition through the PRGF. There is an absolute need to ensure that this key part of government policy is determined through democratic processes, with public oversight (see section 2.3.2).

Orientation of the development strategy around ambitious development goals and the resources required to meet them is very important. Once again however, alternative spending and resource flow scenarios are constrained by targets negotiated with the IMF. This is due in large part to the inherently conservative approach of the IMF to macroeconomic indicators.[6] However, it is also due to the fact that donors frequently fail to deliver on pledges for aid delivery, which neither the IMF nor national governments can ignore.

CIDSE / CI recommends the following basic steps as a means of facilitating macro-economic and financial planning that is consistent with maximum poverty reduction.

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[5] Wilks A. & Lefrancois, F. (2003)

[6] Martin and Bargawi (2004) summarise recent literature on stability and find a consensus that the parameters for stability are: inflation rates of 5 - 10%; budget deficit after grants below 1 - 3%; and reserves in months of imports of 3 - 5 months. However, the Fund expects countries to reach 3% inflation and a 1% budget deficit after grants before allowing any room for flexible policies - levels which may be too low to be compatible with the growth needed to reach the MDGs. Oxfam (2004, p. 17) found that out of 20 countries with PRGFs, inflation of less than 5% was targeted without any discussion of the trade-off between this reduction and poverty-reducing expenditure.

- Firstly, costed, country-specific poverty-reduction outcomes should be used as the basis for identifying growth and anti-poverty spending targets, which in turn form the basis for fiscal and monetary targets. The government should lead the costing exercise, requesting support from research institutions and donors as appropriate.

- National governments should put in place external financing policies which have an in-built strategy around aid management and the attraction of aid which has low transaction costs, is channelled through preferred mechanisms (i.e. budget, programme, sector or project support), has a high degree of flexibility and fewer burdensome reporting and monitoring conditions. This will require a commitment by national governments to public financial management (PFM) systems that are efficient and transparent. Governments should set out their own benchmarks for PFM and agree these with national stakeholders firstly and then donors, requesting capacity building as necessary.

- In every stage of programme negotiation and review, the IMF and World Bank should justify their policy analysis, detailing assumptions and justifying policy recommendations in the light of the government's poverty reduction strategy. This analysis and discussion should include a wider stakeholder group, including civil society, parliament and the private sector.

- The BWIs should make sure that staff make IMF / World Bank policy proposals accessible and digestible to a broad public. This will require a review of staff capacity at a country level notably at the IMF) and in particular, of the incentives under the performance management systems.

- The IMF should incorporate alternative proposals for stabilisation and alternative scenarios for financing and expenditure, and work with other actors to demonstrate the effect of lower financing on reaching poverty reduction targets.

- Both the IMF and World Bank should work with the national governments and donors to mobilise concessional, predictable and flexible resource flows commensurate with the needs and strategies identified under the most ambitious development scenario.

- However, donors should also bear in mind that failure to deliver predictable resources and to integrate their resource delivery with a government's planning structure undermines aid management. This in turn makes it harder for donors to make longer term commitments. Donors should provide predictable resources to finance poverty reduction programmes. They should increasingly focus on aid modalities that strengthen government systems and guarantee multi-annual aid flows such as budget / programme support.

2.1.3 Factoring shocks into a long-term perspective

Low-income countries (LICs) face a persistently binding financial constraint, which dramatically narrows their range of options when shocks occur. As a result, they frequently turn to the Fund for balance of payments support. Demand compression tends to be a primary policy response to crises in LICs, given the inadequate levels of finance available to absorb the impact of the shock.

Demand compression is a highly questionable tool in such circumstances however, given its negative impact on economic growth. Low-income countries can find themselves locked into low-growth scenarios that could be avoided through adequate, early provision of liquidity. Increasing finance rather than reducing aggregate demand is preferable therefore. However, current mechanisms for dealing with shocks are woefully inadequate.

Several proposals on shocks have been made, including remodelling the Comprehensive Financing Facility (CFF) into a fast-disbursing, low-cost, low-conditionality facility.[7] Other proposals include the establishment of a multi-donor anti-shocks facility for LICs, which would be comprehensive – covering all manner of shocks for IDA-only countries; adequate in terms of amount of finance available; grant-financed to avoid debt burdens; fast-acting (disbursing within 3 months); and not subject to any additional conditionality beyond that of having a PRSP or equivalent plan in place. The basic premise is to protect countries against shortfalls in the budget for poverty-related spending.[8] CIDSE / CI believe that inclusion of such a system is a prerequisite for sustained poverty reduction.

Given the current role of the IMF in surveillance, it would seem appropriate that the Fund would ensure inclusion of 'base case' economic projections in its country analysis which include the impact of likely shocks (ex: HIV / AIDS). It should also have 'low case' projections which take account of the impact on GDP, budget and balance of payments of shocks which are less likely but still 'probable'.

The IMF could use this analysis both to mobilise donors to invest in shock prevention and preparedness measures and to catalyse financing for a multi-donor response to shocks, as described above. The Fund's own PRGF programme targets should be subject to rigorous independent analysis to determine the optimal finance / adjustment response to shocks, so that assumptions in the programme are clearly in favour of protecting poverty-reducing expenditure.

Finally, as aid volatility is one of the key sources of shocks for LICs donors should commit to predictable, multi-annual aid flows in the form of programme or budget support, as noted above.

2.1.4 Targets and indicators for monitoring

Clear and achievable targets, prioritised by national authorities according to key poverty-reduction and development objectives, are extremely important and have been a weak dimension of PRSP implementation thus far.

The Paris Declaration on Aid Effectiveness commits donors to *'adopt harmonised performance assessment frameworks for country systems so as to avoid presenting partner countries with an excessive number of potentially conflicting targets'* (para. 21) and *'refrain from requesting the introduction of performance indicators that are not consistent with partners' national development strategies'* (para. 45).[9] The key is to focus on a limited number of targets in each sector, with indicators chosen that are relevant, can be easily monitored and are also limited in number.

Much attention is rightly being paid to the achievement of the MDGs and their targets. CIDSE / CI recognises and strongly promotes the value of a drive to achieve global poverty reduction which unites all development partners. However, we caution that an excessive emphasis on specific MDG targets may be contrary to the participatory and country-specific nature of the PRS approach. Therefore we propose that the MDGs be interpreted as indicative areas of concern, to be localised within a participatory process and developed into targets which are appropriate and achievable (see Box 2).

It is imperative that governments agree these targets and indicators at all levels of government, so that ownership is achieved throughout. Otherwise, conflict between objectives and targets at central, line ministry and local level can make the monitoring system unworkable, frustrate achievement of poverty reducing outcomes and undermine public and donor confidence.

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[7] John Williamson (2004).
[8] Martin and Bargawi (2004a, p. 12 – 17)
[9] Paris Declaration on Aid Effectiveness – Ownership, Harmonisation, Alignment, Results and Mutual Accountability, from the High Level Forum on Aid Effectiveness, Paris, Feb 28 – Mar 2nd 2005.

Governments must ensure that the targets and indicators are adequately communicated to national stakeholders, and information systems in place so that parliaments and civil society can monitor them and hold the government to account.

Donors must exercise particular restraint in imposing monitoring systems which place heavy demands on governments. It is of little value to a government if they carefully select a reasonable number of targets and indicators, only to have a plethora of donors impose new and possibly contradictory sets of targets and / or indicators to be monitored in exchange for support.

This is particularly important under budget support systems, where the failure to achieve targets can have massive effects on a government's implementation of programmes. The Mozambican model of limiting conditionality to a matrix of 50 indicators drawn from the government's PARPA (PRS-equivalent) monitoring matrix should be explored for use more widely, with improvements (see 2.2.3).

2.1.5 Evidence based decision-making – PSIA

Non-Governmental Organisations (NGOs) have consistently said that PSIAs should be country-driven, independently carried out and designed to inform policy-making 'upstream' rather than at the other end of social protection. The World Bank and IMF have made some progress in their commitment to PSIAs but many gaps still exist.

World Bank and PSIA: The World Bank stated in the August 2004 PRSP Progress in Implementation Report (p. 26) that it had carried out over 70 PSIA-type activities over a 15 month period, with a further 40 planned, mostly in LICs. It is now apparent that over 130 PSIAs have been carried out to date or are in train. However, It is extremely difficult to get accurate and timely information on the PSIA work that the World Bank plans to undertake, has underway or has finished.

The 2004 Progress in Implementation Report gives no indication of who determined the focus of the above-mentioned PSIAs; whether they are designed to guide policy choice or merely sequencing of reforms and associated safety nets; who carried out the 'PSIA-type activities' and what impact they had ultimately on Bank policy?

Theoretically, PSIA has the potential to contribute to better evidence-based policy making that is pro-poor, to build country capacity for poverty analysis and to increase ownership and transparency of decision-making processes. However, the lack of transparency and involvement of national stakeholders means that far from achieving those objectives, PSIA are set to remain just another technical tool in the World Bank panoply of analytic instruments.

Meanwhile, it appears that the funding for centralising PSIA work in the Bank is not secured, which means that PSIA work will become even harder to track and less communication to the public on this work will take place. It is imperative that the World Bank reorient this work so that it is open, transparent, and contributes to debate on alternative policy options.

IMF and PSIA: The IEO review confirmed findings of other studies and informal admissions by IMF staff that *'the efforts to conduct PSIA have been slow and the integration of these results into program design even slower'* (IEO 2004, p. 91). It is surprising therefore that the 2004 'PRSP Progress in Implementation report' confidently asserts that *'For the IMF, PSIA is used to assess the poverty and social impact of key reform measures contained in PRGF-supported programs'* (2004, p. 26). No examples are given. Ineed, for the staff of the new PSIA unit in the IMF's Fiscal Affairs Department, this is an objective rather than current activity.

The recent establishment of this PSIA team is welcome. However, there are a number of areas of grave concern in relation to how the IMF plans to work on PSIAs. These include:

- Insufficient focus on macro-reforms, such as fiscal and monetary reforms, which make up the bulk of the IMF's work;
- Lack of openness around the IMF's PSIA work, with respect to terms of reference for the PSIA work, PSIA plans and analysis underway.
- Lack of attention to broadening policy dialogue beyond a limited group of country officials, and failure to seek external views;
- Establishment of a central repository of analysis, rather than an externally-oriented service which would boost understanding and awareness of macro-economic policy alternatives within and beyond the IMF;
- Lack of a capacity-building function around PSIA – most importantly at country level, with authorities, but also at staff level, in area departments;
- Lack of social analysis – failure to employ a multi-disciplinary team, which means that there will be no capacity to take into account the multi-dimensional aspects of poverty, including the gender perspective;
- Failure to launch a work programme on integrating PSIAs routinely into PRGF programme design.

Each of these elements must be addressed if PSIA is to deliver on its potential and play a constructive role in delivering on policy ownership and poverty reduction.

2.2 Utilising the PRS as a mutual accountability framework between countries and donors

2.2.1 PRSP as Theatre: harmonisation and alignment failures

The intention behind the PRS – that of recasting relationships between donors and recipient governments around a national poverty reduction plan – is laudable and still highly relevant. As the IEO evaluation states *'the PRSP approach has the potential to encourage the development of a country owned credible long-term strategy for growth and poverty reduction*[10]'. However this will only happen if the PRS process is a genuine forum for policy discussion. The PRSP has in many cases become pure theatre. PRSP processes are fulfilled with little connection to where the real policy decisions are taken. This is true of the government, donor and BWIs and it seriously undermines the centrality of a PRS.

National governments: In most cases the PRSP has not become the overarching framework for national development planning and donor coordination which it was intended to be. Indeed, it is frequently poorly integrated into the budget or reduced to a set of projects which will be implemented if donor resources come through (ex. Zambia and Honduras). The OED's finding that PRSP activities dried up once HIPC or PRGF conditions were met is in danger of becoming generalised across all PRSP countries. The IEO and OED reports comment extensively on the fact that PRSPs are often not embedded in national policy-making. The latter found that *'key political decisions continue to be made outside the PRSP'* (OED 2004, p. 12).

This illustrates a worrying gap between the aspiration around the centrality of PRSPs to national decision-making, and its actual relevance to governments. The reasons for this are clearly related to the fact that the PRSP approach is an external imposition. However, national governments are also at fault, particularly in contexts where civil society participation is seen as a political threat. In a partnership context, national governments also have to implement their commitments to make PRSPs work.

IMF and World Bank: However it is not only domestic processes that exist parallel to the PRSP. Donors are also responsible for holding key policy discussions off stage. The IMF and Bank, as

[10] IEO (2004).

the chief protagonists in the PRSP approach, could have been expected to play out their policy roles centre-stage. However, this is not the case.

The 2004 PRSP Progress in Implementation Report notes that the World Bank's Committee on Development Effectiveness and the IMF Board want to maintain and strengthen the operational link between the PRSP and BWI assistance.[11] However, in the case of both the World Bank and the IMF, actual assistance to LICs is predicated far less on the PRSP than on other instruments: notably, the Country Policy and Institutional Assessment (CPIA) and the PRGF.

The OED review of the PRSP initiative found that the World Bank (along with other donors) had not defined whether or how it should change the content of its programmes to align with the PRS[12]. Affirming this, African governments have stated that the promises by the multilateral financial institutions to align their country assistance programmes with the priorities of the country's PRS had not had a major impact[13].

Donors: The first DAC Guiding Principle on coordinating aid states that *'Donors should support country-owned, country-led poverty reduction strategies or equivalent national frameworks and base their programming on the needs and priorities identified in these'* (OECD - DAC 2003, p. 19). The evidence on actual alignment of donor programmes to country priorities is dismal however. The DAC[14] has found that whilst donors have taken on board the alignment with PRSs in principle, there is little evidence that they have actually tailored their programmes in support of PRS priorities.

The aim of reducing the number of unco-ordinated donor demands on recipient governments, by aligning around recipient government procedures, was to be at the heart of the PRS approach. There is little evidence that this has happened. Indeed, some studies have found that review processes appear to have multiplied with the advent of the PRSP approach. The OED (2004, p. 19) found that: *'the rhetoric of donor alignment around the PRSP has yet to reduce the transaction costs for the government. Governments reported that multiple donor initiatives, including the PRSP, have actually increased transaction costs in the short term'.*

It is obvious that donors should not align to PRSPs or equivalent national strategies where these are of a poor standard. However, by bypassing existing domestic institutional processes and failing to align programmes to government priorities they risk undermining the long-term development of sustainable institutions and rendering the PRS approach irrelevant at best and counterproductive at worst (see Box 3).

Box 3: Changes to PRS architecture & respect for domestic political processes

The change in architecture from a Joint Staff Assessment (JSA) to a Joint Staff Advisory Note (JSAN), with its stated objective of giving feedback to the authorities and to Executive Directors, is next to meaningless. Real policy and financing decisions are taken on the basis of assessments under PRGF programmes and the CPIA, rather than PRSP implementation. The removal of the ‘endorsement’ of a PRSP by the World Bank and IMF does nothing to change an ownership deficit fuelled by conditionality and backstage policy-making.

The IMF and World Bank continue to impose Washington-designed procedures on national authorities with little regard for ongoing processes. For example, in Mozambique the joint mission to prepare the JSAN arrived shortly before the annual joint donor-government review of the budget support agreement, at which the government was to present its annual report on implementation of the PARPA (PRSP). The mission increased the burden on authorities at a critical time and served the interests of those institutions alone.

National reporting systems (such as the ‘Balanco do PES’ in Mozambique) should be accepted by the World Bank, IMF and other donors as the vehicle for reporting on PRSP or equivalent development strategies. Additional reporting systems – including the JSAN - should not be imposed, given their negative impact on transaction costs, ownership and domestic systems of accountability. Instead, accountability through parliamentary control in particular and through broad-based stakeholder forums, should be institutionalised by governments.

2.2.2 Conditionality

The legitimacy and effectiveness of conditionality in general are heavily contested but a number of conclusions are by now becoming widely accepted. For example:

- excessive conditionality is counter-productive and undermines ownership;
- conditionality should be streamlined and harmonised across all donors and particularly the IFIs;
- all conditionality should be based on benchmarks and targets drawn from governments' national development plans;
- conditionality should be evidence-based and independent PSIAs should be carried out on all major reforms;
- economic policy conditionality is contrary to sovereign democratic control over development choices;
- policy and process conditionality run counter to normal democratic processes at a domestic level and conditionality should therefore be outcome-based;
- conditionality should take the local political economy and potential shocks into account and targets should be stress-tested for realism;
- donors should state explicitly what share of their disbursements is to be linked to specific performance criteria, enabling partial disbursements if there are performance shortfalls.

The PRS approach is substantially undermined by the continued imposition of IMF and World Bank conditionality which is not drawn from or aligned to national PRSPs. The IEO and OED reports both found that governments view the PRSP itself largely as added conditionality or as a procedural formality.

At a programme level, there is evidence of an increased tendency towards micro-management by BWIs through conditionalities which are ever more detailed and which focus on process and policy change, rather than overall outcomes.[15]

World Bank: As noted by the OED, the Bank has failed to make any substantive changes to its program content under the PRSP approach. In fact the Bank has frequently been accused of being extremely rigid in the conditions it imposes and failing to adopt an evidence-based approach to the impact of its conditionalities (Bretton Woods Project / ActionAid 2002, ActionAid UK2004).

The Bank pushes for far-reaching institutional changes which are fundamentally related to social and economic policy choices which should only be taken by a sovereign government. This includes changes such as reducing the size of the civil service (Honduras), abolishing state marketing boards (Malawi) and privatising utilities (Ghana).

Evidence of how the bank rides roughshod over national decision-making processes are presented in ActionAid's 2004 'Money Talks' report. Water privatisation in Uganda, Ghana and India was pushed through by the Bank in spite of widespread national opposition and inadequate mechanisms to track and respond to the distributional and transmission impacts for the poor.

IMF: despite the evidence that IMF programme conditionality is often ineffectual[16] and can result in severe destabilisation for poverty reduction programmes[17], it remains the cornerstone of IMF operations in low-income countries. There is particular contention around the assumptions used in the design of fiscal and monetary targets and their links to stabilisation, growth and poverty reduction.

[15] ActionAid international UK (2004); Wood (2004); Martin, M. and Martin & Bargawi (2004).
[16] Bird (2004), IEO (2002), Killick (1998), Killick (2004), Martin & Bargawi 2004,.
[17] Trócaire (2004a); Oxfam (2004a); Oxfam (2004b).

As noted in footnote 5 above, the Fund appears to expect countries to reach 3% inflation and a 1% budget deficit after grants before allowing any room for flexible policies. By contrast, recent literature on stability indicates a consensus that the parameters for stability are: inflation rates of 5 - 10%; budget deficit after grants below 1 - 3%; and reserves in months of imports of 3 - 5 months. Even the reformed EU Stability and Growth pact allows budget deficits of up to 3% with some added temporary flexibility to take into account each member state's specific situation and to give countries the time required for a return to a sustainable position.

IMF conditionality is critically important because almost all budget support donors require a recipient government to have an 'on-track' IMF programme. This is addressed further under section 2.4.2 below.

The Paris Declaration on Aid Effectiveness includes a commitment by all donors to: *'Draw conditions, wherever possible, from a partners' national development strategy or its annual review of progress in implementing this strategy. Other conditions would be included only when a sound justification exists and would be undertaken transparently and in close coordination with other donors and stakeholders'* (para. 16).

This commitment is welcome as it recognises a legitimate role for national stakeholders to scrutinise and debate any policy change which was not included in the PRS or national equivalent. It has implications in particular for the way the IMF operates, given the importance of the IMF's conditions for national policy and the frequent lack of temporal and policy alignment between the PRGF and PRSP. This commitment should mean that the Fund will engage in more open debate with stakeholders – notably parliament, civil society and the private sector – in a meaningful manner, during the course of PRGF negotiations and ongoing implementation.

CIDSE / CI fully endorse the proposal in the Concept Paper that conditionality should be derived from a reduced set of targets and indicators contained in PRSPs and that a mutually agreed and coordinated framework for monitoring donor and government performance be established in each country. Such a framework should include the also IMF.

2.2.3 Mutual accountability frameworks

The Paris Declaration on Aid Effectiveness commits developing country governments to establishing results-oriented reporting and assessment frameworks that monitor against key dimensions of the national and sector development strategies. It proposes that these should have a manageable number of indicators (para. 44).

Donors are obliged to align their programming and resources to partner countries' performance assessment frameworks. Notably, donors must refrain from imposing performance indicators that are outside partners' national development strategies (para. 45) and must adopt harmonised performance assessment frameworks, so as to avoid presenting partner countries with an excessive number of potentially conflicting targets (para. 21).

Finally, both donors and partner countries commit to : *'Jointly assess through existng and increasingly objective country level mechanisms mutual progress in implementing agreed commitments on aid effectiveness' (para. 50).* The above commitments are welcome – although a strengthened mechanisms for international monitoring is necessary. Nonetheless, there will be significant challenges in implementing these commitments, not least government capacity and the willingness of donors to align and harmonise around a limited set of performance criteria in reality.

Donor harmonisation frameworks which are integrated with national planning and budgetary frameworks in Mozambique and Tanzania shed light on possible models for harmonisation of donor support behind PRSs, or equivalent national strategies.

In Mozambique for example, the Government has agreed a performance assessment framework (PAF) with the budget support donors in the 'G16' (which includes the World Bank but not the IMF). This framework was derived from the Government of Mozambique's more unwieldy framework for monitoring PARPA (PRSP). There can be no more than 50 indicators in the PAF at any one time (though this has already been stretched at the insistence of donors, so that there are five parts to indicator 49: i.e. indicators 49(a) – (e)).

Donors are committed to a strict aid pledging and disbursal timeframe, aligned to the Government of Mozambique's budgetary and planning cycle.[18] Furthermore, donors have committed themselves to a performance assessment system for monitoring their fulfilment of aid-related commitments also. The question of effective sanction in case of failure to fulfil commitments is a complex one however. There is the obvious sanction of aid suspension for the Government of Mozambique if it fails to meet PAF targets. However, the only sanction against donors is that of peer pressure.

For all its faults, the system is a positive example of what can be done when Government is given space to take a lead and donors are prepared to sacrifice their own ideal set of conditionality for a set agreed with other donors and the Government.

A significant issue with this framework is that it does not include the IMF. Given the dominant role of the IMF in the design of a country's macro-economic framework it is imperative that there be a system whereby the IMF can also be held to account. Inclusion in a multi-donor budget support group may not be the ultimate solution, particularly as this increases accountability towards donors rather than national stakeholders.

However, there is need for a reworking of the IMF's role so that it becomes one player among equals in the group of development partners, opening up its policy analysis and proposals for broader debate both with other donors and with domestic stakeholders. Just as other donors are prepared to transparently and verifiably shape aid modalities, programmes and conditions to respond to partner governments' priorities, so should the IMF.

CIDSE / CI believes that all donors – including the IMF - and partner governments should actively develop mutual accountability frameworks, in line with the Paris Declaration, ensuring that these support rather than undermine systems of domestic accountability.

2.2.4 Capacity building / technical assistance

There are important issues of quality in the debate on technical assistance and capacity building. African governments have stated a preference for minimising technical assistance in favour of increased capacity building support and for ensuring that sufficient budget and time allocations for the delivery of effective capacity building. Ideally African governments would like to buy technical assistance from a common pool of funds provided for this purpose.[19] Indeed, inappropriate technical assistance was recently identified in a DAC report on aid effectiveness (2003) as one of the two major problems causing high transaction costs for recipient countries.[20]

There is an important difference between capacity building and technical assistance, which often comes down to sustainability. In Mozambique, for example, there was a conflict between the IMF and a bilateral donor based on the perception of the former that a job had to be done in improving financial management systems and so the IMF put a technical assistance project to run over 13 months in place. The bilateral donor had invested twenty years of capacity building in the same

[18] However, several donors have availed of an opt-out clause for domestic budget cycle reasons and in order to link tranches to achievement of specific targets in the PAF.
[19] Johnson et al (2004)
[20] DAC report on aid effectiveness (2003)

area and felt that the IMF approach undermined the sustainability of the operation as it did not help to develop the skills of national actors.

2.3. Broadening and deepening meaningful participation

2.3.1 Building participation

It is clear that far more work needs to be done with government, civil society and other donors to enable meaningful participation to take place, particularly in countries with a poor tradition of participation in policy-making. CIDSE / CI have documented the difficulties experienced by **civil society** in participating in PRS processes elsewhere.[21]

PRSP needs to be embedded in the normal political process at a country level, particularly budgetary processes and parliamentary oversight mechanisms. A priority must be to develop modalities of participation which generate (a) greater involvement of poor and marginalised groups, including women, and (b) a higher quality of debate on the more difficult political and technical issues, including macroeconomic policy.

This will require an investment by civil society organisations in development of analytical capacity on macro-economic issues as well as education and mobilisation of grassroots communities. Such development will require consistent, long-term support from donors to civil society to involve the traditionally marginalised in participatory poverty analysis and planning mechanisms, and facilitate the building of civil society capacity for policy analysis.

The lack of **parliamentary** involvement in 'country-owned' PRS processes is striking. Christian Aid et al (2005) refer to a recent review of PRSPs and parliaments in sub-Saharan Africa which found that the marginal role of parliaments 'contradicts democratic principles and in some cases even breaches constitutional rights'.[22] Responsibility for approving a PRS or national equivalent must shift in fact as well as in theory from the BWIs to national parliaments. The JSAN is a serious impediment to a genuine transfer of accountability and we therefore propose that it be replaced with more formal parliamentary oversight (see Box 3). Achievement of such parliamentary oversight would need to be based on specific country circumstances but the BWIs (and donors) can do a lot to facilitate it.

As a first step, they should ensure that they do not undermine the role of parliament with respect to budget and PRS monitoring. In Tanzania for example, considerable controversy arose when it emerged publicly that the government sent the draft budget to the IMF for approval before taking it to parliament. Donors that deliver the bulk of their aid off-budget (i.e. not reporting plans, expenditure and disbursal to governments in a timely manner) undermine government and parliament's role n agreeing and monitoring national programmes for development.

Donor support can be useful in building capacity for effective parliamentary activity based on best international practice. However, in many cases electoral reform is needed to make parliaments work effectively. This can only be achieved through domestic mobilisation for reform. Therefore, an independent, active and informed civil society is very important. There have been cases where a dynamic civil society has reinforced formal democratic processes by encouraging them to be more active. In Malawi, for example, civil society groups involved in budget monitoring persuaded parliament to systematically hold the Government to account on budgetary issues. Support for civil society is also critical therefore, in a non-directive manner of course.

Governments need to initiate permanent, formal frameworks for participation, where these do not adequately exist. Above all, participation must be seen by all actors as right, which may be

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21 CIDSE / CI (2004a)

22 Eberlei and Henn (2003) in Christian Aid et al (2005, p. 5).

particularly challenging for some governments. Rights-based standards for participation should be adopted as a framework for 'rules of the game' agreed in multi-stakeholder frameworks at a national level. Donors can support the establishment of government-led frameworks for participation through dialogue and technical assistance.

There is an onus on the **World Bank** and **IMF** in particular, as the most powerful external actors, to ensure that their advice and programmes respect the policy reform decisions made through normal, transparent democratic processes. This will require a degree of flexibility and openness to national determination of policy that is often lacking at present in the BWIs.

The World Bank and IMF must improve their own transparency and also cede decision-making power to country-based staff. For the IMF in particular, it is obvious that the staffing of its country offices is wholly inadequate if staff are to engage in debate or get a thorough understanding of the social and political reality of the country context. Failure to appreciate social and political realities has meant frequent failure to fulfil IMF programmes as indicated in the recent review of IMF Objectives and Outcomes.

In every stage of programme negotiation and review, the World Bank and IMF should justify their policy analysis, detailing assumptions and justifying policy recommendations in the light of the government's poverty reduction strategy. This analysis and discussion should include a wider stakeholder group, including civil society, parliament and the private sector.

Several formal steps need to be taken to make this happen in a meaningful manner:

- a policy of transparency needs to be adopted which allows for programme proposals to be made public while these are at draft stage, including PRGF and PRSC content;
- BWI policies must be made accessible and digestible so that a broader public can understand the choices and trade-offs at stake;
- guidelines need to be put in place on best practice in staff engagement with civil society and other stakeholders (as highlighted by the IEO review);
- staffing levels and decision-making authority needs to be delegated to the country offices, particularly for the IMF, to allow meaningful engagement;
- staff incentives under performance management should be altered to place a clear value on how staff interact with all stakeholders and promote public discussion on the policies which they are proposing.

2.3.2 Participation and macroeconomic policy

The above steps are central to participation in macro-economic debates given that these are almost exclusively limited to government – IMF discussions, with some inclusion of donors and the World Bank.

More broadly, CIDSE / CI believe that the review of the PRS should restate clearly that the principles underpinning the PRSP process should be applied to developing the macro-economic framework. In practice, this means seeking appropriate processes and fora for debating the macro-economic framework and analysing the poverty reduction implications thereof. Clearly, **parliament** should be strengthened to fulfil the primary formal role, as noted above.

However, **civil society's role** also needs formalisation. In some countries where the PRS approach is well-embedded, there is a relatively comprehensive and inclusive system of participation in macro-economic policy making (ex. Tanzania's Public Expenditure Review with its annual and weekly meetings of all actors). Such procedures should be examined in other country contexts.

While it is important to recognise the capacity limitations around participation in debate on macro-economic policy, these should not be overstated. On many occasions, competent civil society actors have been shut out of macro-economic debates with government and the IMF / World Bank (ex: Honduras).[23] At another level, civil society initiatives around budget monitoring and advocacy at local and national level are gaining increased ground and are an important element in developing capacity to engage in debates related to economic policy over the long-term.

However, poor people need to see results from a process such as PRSP in order to sustain grassroots monitoring. Their day-to-day struggle means that investments of energy for a long-term outcome are hard to justify. The design of the PRSP approach must therefore accommodate increased local decision-making and control over resources for immediate poverty outcomes, such as basic service delivery.
Donors – including the World Bank - have a role in supporting both the civil society actors engaged in such work, but also in supporting a more transparent and accessible budget system, at national and local levels, with government.

2.4. Enhancing linkages between the PRS, the MTEF and budgets

2.4.1 Predictability and timeliness of aid

As noted in section 2.1.2 above, the level and predictability of aid is critical for the effective management of financial resources under a medium-term framework.

The DAC guidelines on aid effectiveness state that *'donors, wherever possible, should programme their aid over a multi-year timeframe that is consistent with the planning framework of the partner government and (be) transparent about the circumstances under which aid flows may vary'*[24]. Donors face an appalling record on predictability and timeliness of aid however.

Donors as a group deliver only 70% of what they pledge to countries on average.
The gap between pledges and actual disbursements can be particularly significant for some donors (notably the EU which has $20 billion of approved but undisbursed funds). Both Tanzania and Mozambique experienced macro-economic and budget implementation problems when donor budget support decisions were not finalised until the government was already into the year of budgeted support.[25] Aid flows are so unpredictable that some governments (including the Government of Uganda) are reportedly discounting projected donor and creditor inflows to project more realistic trends.[26] A study by IMF staff Bulir and Hamann (2001) showed that aid is far more volatile than domestic revenue.[27]

Donors are also notoriously poor at notifying recipient governments of actual aid disbursements. Bulir and Hamann (2001) showed that the information content of commitments made by donors is either very small or statistically insignificant. In nine out of fourteen countries surveyed by DAC (2004, p. 14), clear procedures for notifying disbursements were not in place. Oxfam found that in Tanzania, 20 out of 39 donors did not return information about aid spending to the Tanzanian government when asked to do so.[28]

Donors also spend $5 billion annually on tied aid, which is 25% less effective than untied aid; and deliver increasing levels of assistance in the form of technical assistance instead of supporting cheaper, more effective and locally-owned capacity-building. Indeed, aid delivered in cash and with flexibility has fallen from 60% in the 1980s to 30% currently, according to the World Bank and IMF.[29] Some donors are moving towards longer time horizons in development planning and budgeting. DFID has a ten-year time horizon in a new agreement with Tanzania, for example.

[23] CIDSE (2004a)
[24] OECD - DAC (2003, p. 20)
[25] OECD- DAC (2004, p. 123)
[26] Johnson et al (2004, p. 24)
[27] Bulir and Hamann (2001).
[28] Oxfam (2005, p. 53)
[29] Debt Relief International (2004); IMF / World Bank (2004a);

In the Paris Declaration on Aid Effectiveness it was agreed that donors would *'Provide reliable indicative commitments of aid over a multi-year framework and disburse aid in a timely and predictable fashion according to agreed schedules'* (para. 26).

CIDSE / CI believe that all donors need to move beyond the commitments made at the High Level Forum on Aid Effectiveness in Paris in March 2005. They need to commit to:

- Provide reliable indicative commitments of aid over a rolling multi-year framework (minimum 3 - 5 years), and make definitive annual commitments at least 3 months before the government adopts its budget.
- Release budget support in a timely and predictable fashion within the partners' fiscal year, frontloading as much of this as possible to the first two quarters.
- Be held to account under an annual donor performance assessment framework at country level.

2.4.2 Role of the IMF – signalling

IMF conditionality is critically important because almost all budget support donors require a recipient government to have an 'on-track' IMF programme. However, this is a system in need of radical review as it leads to aid volatility and also because there is a mismatch in bilateral donors' information needs and the IMF's narrower scope of analysis.

The IMF is obliged by its mandate to assess countries' commitment and capacity to repay short-term balance of payments loans. Where it assesses that this commitment is lacking, as illustrated by failure to meet its benchmarks and performance targets, it will suspend its programmes. However, this assessment very often bears little relation to the information which donors need to guide decisions around a government's commitment and capacity to use aid resources effectively for long term poverty reduction. In spite of this mismatch, the donor response to suspension of an IMF programme's is generally suspension of budget support.

One dimension to this problem is the analytic basis for IMF decisions, as noted above in section 2.2.2. Another dimension is the way the IMF operates in the PRS framework. The IMF works in isolation with the government, with little meaningful debate with bilateral donors and virtually none with other stakeholders. This is the case even in the increasing numbers of countries where multi-donor budget support systems have developed around the PRSP.[30]

Hence parallel negotiation frameworks are in place, where the IMF negotiates a macro-economic framework with a limited number of officials in the Ministry of Finance / Central Bank and budget support donors negotiate a broad development plan and implementation strategy with government. The parameters of the donor – government agreement will depend on the targets in the IMF programme - notably inflation and fiscal deficit targets. These targets can curb spending of available aid, constraining donor programming.

Existing mechanisms, such as multi-stakeholder macro-economic working groups under PRS frameworks and multi-donor budget support arrangements, offer opportunities to bring the IMF into a broader process of policy dialogue, which would involve stakeholders beyond government and donors.[31]

This offers the chance to replace the IMF signal with a more considered approach by donors where the relevant social, political and economic factors threatening macro-economic targets can be debated with government and other stakeholders. Donors can take action on aid disbursal based

[30] The Fund has participated in the negotiations around joint donor-government frameworks (for example in Mozambique and Rwanda) but claims that for legal reasons it cannot be bound by such agreements.
[31] Such proposals are further detailed in: Trócaire (2004); CIDSE (2004) and Martin and Bargawi (2004).

on a more rounded analysis of the government's commitment and possible failures rather than reliance on the IMF assessment, which takes into account only a limited set of economic factors.

This may take some time to develop in countries where multi-donor and participatory forums are not well-developed. As an immediate priority, however, there is a need for integration of all macro-economic conditionality with a harmonised multi-donor framework, drawn from the PRS, as agreed under the Paris Declaration. The response of each donor to failure to meet macro-economic agreed between the IMF and government should be clearly specified. This would go some way towards improving predictability and reducing aid volatility.

3. CONCLUSIONS AND RECOMMENDATIONS

CIDSE / CI see great value in the principles underpinning the PRS approach – notably the concept that national policy decision-making should take place within a country-owned, participatory, accountable decision-making framework and that donors should align programmes, procedures and conditionality to such a framework.

However, it is clear that externally driven policy frameworks which are not tailored to country situations and which carry a threat of donor sanction are unlikely to deliver on their objectives. Ownership and conditionality are central issues, as is confidence – donors need to have confidence in the financial management systems of partner countries and partner countries need to have confidence that donors will fulfil their commitments.

As the IEO and OED reports affirmed, the PRS approach should not be about the production of a document and fulfilment of procedures mandated by the World Bank and IMF but the institutionalisation of good practices for a range of development partners. This includes the practice of openness, transparency and willingness to facilitate participation and inclusion, in order for policy solutions to be genuinely country-driven and sustainable.

Our recommendations therefore centre mostly around fulfilment of existing commitments on the part of all stakeholders. However, in a number of areas we feel that the PRS approach can only survive if donors and national governments are willing to take partnership and participation further.

Both national governments and donors have to take a concurrent step forward in using costed, country-specific poverty-reduction outcomes as the basis for development planning and aid disbursal. Equally, the determination of macro-economic and structural reforms must take place in a domestic, partnership-based, decision-making forum and be completely consistent with national poverty reduction objectives and the role of institutions such as parliament.

Summary of recommendations

Nationally owned poverty reduction frameworks:

- Governments should strengthen their capacity for developing operational frameworks for national development planning, donor coordination and institutionalised participation, and make these central to national policy-making.

Targets:

- Governments should develop clear, achievable targets for a national poverty reduction strategy, which are owned at all levels of the administration and in all sectors. The MDGs should be seen as indicative areas of concern, with targets drawn up on the basis of national priorities, through a participatory process.

Financial and economic analysis:

- Costed, country-specific poverty-reduction outcomes should be used as the basis for identifying growth and anti-poverty spending targets, which in turn form the basis for fiscal and monetary targets. The government should lead the costing exercise, requesting support from research institutions and donors as appropriate.

- National governments may need to establish or reinforce public financial management (PFM) systems that are efficient and transparent. Governments should set out their own benchmarks for PFM and agree these with national stakeholders firstly and then donors, requesting capacity building as necessary.

- In every stage of programme negotiations and review, the IMF and World Bank should justify their policy analysis, making proposals public, detailing assumptions and justifying policy recommendations in the light of the government's poverty reduction strategy.

- The IMF should incorporate alternative proposals for stabilisation and alternative scenarios for financing and expenditure, including in case of shocks, and work with other actors to demonstrate the effect of lower financing levels on reaching poverty reduction targets.

- Donors and national governments should also invest in the development of a plurality of policy-relevant research institutions in low-income countries who can work with governments to cost poverty outcomes, peer review IMF / World Bank proposals and draw up alternative macroeconomic policy options

- Macro-economic and structural reforms should be debated in an open and transparent manner in parliament and in a government-led partnership-based forum. These reforms should be completely consistent with national poverty reduction objectives.

Aid:

- Both the IMF and World Bank should work with the national governments and donors to mobilise concessional, predictable and flexible resource flows commensurate with the needs and strategies identified under the most ambitious development scenario.

- National governments should put in place external financing policies which have an in-built strategy around aid management and the attraction of aid which has low transaction costs, is channelled through preferred mechanisms (i.e. budget, programme, sector or project support), has a high degree of flexibility and fewer burdensome reporting and monitoring conditions.

- Donors should provide predictable resources to finance poverty reduction programmes. They should increasingly focus on aid modalities that strengthen government systems and guarantee multi-annual aid flows such as budget/ programme support.

- A multi-donor anti-shocks facility for LICs should be established, which would be comprehensive; adequate in terms of amount of finance available; grant-financed to avoid debt burdens; fast-acting; and not subject to any additional conditionality beyond that of having a PRS or national equivalent plan in place.

- Options for 'partnership forums' with broad stakeholder participation, including government, parliament, civil society, donors and the IFIs should be adopted as a structure within which to hold dialogue on macro-economic policy, as part of the PRS framework – including conditionality, policy alternatives and IMF programmes.

Conditionality & signalling:

- Conditionality should be derived from a reduced set of targets and indicators contained in PRSPs and that a mutually agreed and coordinated framework for monitoring donor and government performance be established in each country. Such a framework should include the IMF also.

- The response of each donor to failure to meet macro-economic targets agreed between the IMF and government should be clearly specified to governments in advance of finalising partnership agreements.

- Donors should seek to include a broader swathe of analysis in decisions around aid disbursal / suspension, including the social and economic context, and get input from a broader stakeholders before making suspension decisions.

Performance assessment and Mutual accountability:

- Donors should fulfil Paris Declaration commitments to adopt harmonised performance assessment frameworks for country systems and to draw performance indicators only from partners' national development strategies.

- National reporting systems should be accepted by all donors as the primary vehicle for reporting on PRSP or equivalent development strategies. Additional reporting systems should not be imposed.

- Donors and developing country governments should develop mutual accountability framework in line with the Paris Declaration, ensuring that these support rather than undermine systems of domestic accountability.

PSIA:

- Institutional structures around PSIA in the Bank and Fund should be redesigned to achieve better evidence-based policy-making that is pro-poor and to build country capacity for poverty analysis. This will include capacity building, transparency and broad-based dialogue.

Capacity Building:

- Capacity building, rather than technical assistance should be offered to countries based on their own identification and prioritisation of needs.

Participation:

- Civil society should invest in grassroots-based and national-level monitoring and analysis in order to ensure that evidence-based advocacy can be carried out and to enable the poor and the marginalised to fulfil their right to participate in decisions that affect their lives.

- Donors should provide consistent, long-term support to civil society to build capacity for grassroots and national-level policy analysis, and monitoring and advocacy on public expenditure and policy development;

- Donors should support parliament in capacity-building for effective accountability in formal democratic processes.

- The IMF and World Bank should commit to open and participatory debate on proposed programme content with all stakeholders, including civil society. They should develop clear guidelines for their staff on participation and transparency.

- Transparency should include releasing draft PRGFs and PRSCs, as well as all core documents associated with stabilisation or structural analysis and lending. However, they must also make sure that these policy proposals are accessible and digestible to a broad public audience. This will require a review of staff capacity at a country level (notably at the IMF) and of staff incentives under performance management systems.

- Governments should increase local decision-making and control over resources in order to facilitate participatory monitoring of policy implementation and poverty reduction outcomes. Donors – including the World Bank - have a role in supporting both the civil society actors engaged in monitoring and advocacy, but also in supporting governments to develop more transparent and accessible budget systems.

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