

6 Conclusions and Recommendations

Official development communiqués and speeches all stress that aid must produce results and that developing country governments and civil society groups must take the lead in formulating policies and spending priorities for their countries. International Financial Institutions have introduced a number of new processes to improve opportunities which claim to put national political actors in control of their own policy-making. But are countries really gaining control, and if so, are they free to choose their own direction? The IFIs' financial strength, and their roles in giving signals to other funders, means that many countries fear to go off the tracks recommended by Washington. The World Bank and IMF boast an army of well-educated and –resourced employees who wield a strong influence over countries' policy paths.

The coupling of policy advice and finance from the same institutions is undoubtedly powerful. While the consensus on what constitutes the "right policies" for successful development is slightly less strict than previously, there is still very little room for countries to chart their own policy direction. A continuous debate rages over whether the vast amount of past policy failures are due to bad advice or bad policies themselves. There is, however, a broad realisation that there is a need to go beyond economic blueprints and focus on context specific evidence and the social, political and institutional factors that influence policy reform processes. Indeed there is recognition of the importance of the process of policy-making itself.

PSIA has been introduced in the light of this recognition and enough studies have been done or started to assess how successful it has been. The World Bank and IMF have committed to carrying out PSIA on all policy reforms included in loan agreements where "significant distributional impacts" are likely and the central PSIA team has made progress in promoting the use of PSIA across country offices. Yet the involvement of national stakeholders in choosing topics, defining research approaches and debating conclusions has been far too little. One reason for this may be that international financial institution staff see PSIA as a question of doing due diligence to guard their backs, rather than as a question of strengthening national policy processes. These are not, however, mutually exclusive aims and much can be done by the Bank (and other institutions) to improve the process of the PSIA (and other country-level research) they support. Progress on this will partly depend on how well civil society groups organise themselves to demand involvement and partly on whether the IFI boards act to change budgetary and other incentives in the institutions.

The IMF's PSIA work started later than that of the Bank and has delivered few visible results to date. Nothing has been done so far in the Fund to promote country-led PSIA that examines alternative macroeconomic policies in relation to achieving the MDGs.²⁶ Robert Gillingham, the head of the IMF's PSIA team, said recently, however, that "we are trying to look at the prospects of doing more of that."²⁷ The Fund PSIA team aims to work itself out of a job within two years²⁸ by encouraging Fund Mission Teams to set up their own systems for doing this work. The integration of PSIA across Fund departments within this time will be a tough agenda. And without a shift in the team's focus to consider the broader issues of macroeconomic frameworks, the Fund will have failed in its pledge to consider the impact of PRGF loans on the world's poor.

"National structures need to be given the space to select topics for PSIA"

²⁶ The Bank and the Fund are also collaborating on a study on Ethiopia that looks at costing the MDGs and fitting the needed spending into a macro framework. Nevertheless there would appear to be a certain disconnect between the PSIA team, which is located in the Fiscal Affairs department, and PDR.

²⁷ Conversation with Robert Gillingham, 9th August 2005

²⁸ Interview with David Coady, 1st September 2005

Recommendations

Unbundling lending and policy advice

Policy advice is inherently political – an explicit recognition of such would be a more honest approach for donor “partnership” with governments of developing countries. The World Bank and the IMF should de-link their lending from policy advice. There is an inherent conflict between the two. Lenders would then draw on heterodox advice from a diversity of national and international institutions. This is all the more important given the failures of development finance to date and the reality that there is no one “right path” to take to eradicate poverty across different countries.

Facilitation and ownership

Donors need to take an increasingly facilitatory rather than leading role in undertaking policy analysis. The long-term vision whereby countries present their funding requests to lenders for policy reform, having undertaken their own poverty social impact analysis and arrived at a necessary political consensus for reform must be kept in mind. This ideal situation is evidently closer to some countries’ realities than others and so will require differing strategies in the short-term. In all situations however there should be a long-term commitment to devolving control and strengthening research capacity and information sharing.

Immediate improvements:

- All reforms selected for PSIA must be embedded with a country-owned plan, such as a PRS, and should be the result of a country-driven prioritisation process.
- Donors should involve national researchers in all PSIAs that they fund. Both the Fund and the Bank should draw on the expertise of other international agencies to ensure more multidisciplinary approaches.
- Improvements should be made to the tendering and funding processes of in-country analysis to ensure that more national knowledge and capacity can be used and developed.
- Donors must also review and integrate the results of independently or nationally executed PSIA into their relevant sector analytic work.

Short-term changes:

- Bilateral donors should commit (untied) funds to address training needs as identified in-country by a participatory needs analysis of research capacity.
- The Bank and the Fund must demonstrate the credibility of their claim that they are willing

to accept independent research to inform their lending programmes. One way to do this would be to invest in independently managed competitive research funds.

Transparency, participation and fostering debate

Donors and recipient governments hide behind each other to explain non-disclosure of information. This is not acceptable and it severely limits participation and debate. Whilst citizens can hold their governments to account through national legal and political processes, there is no direct accountability mechanism for holding donors to account.

- There should be a presumption of disclosure of all in-country analysis that is carried out unless there is a clearly stated and justifiable reason for not doing so.
- Policy research processes should be transparent from the beginning of the process and clear communication strategies should be designed and budgeted for from the outset. This includes circulation of concept notes, terms of reference, presentations and draft reports. All PSIA concept notes must outline the proposed dissemination and feedback process.
- Draft documents should be shared with relevant national stakeholders in time for research to be properly scrutinised. Internal sign-off procedures within the World Bank and the IMF aimed at quality control should be relaxed so as not to delay document release.
- The media – newspapers, FM radio stations, local television stations etc – should be used to ensure that study conclusions are disseminated and debated. Internet posting is not sufficient.
- The Bank and the Fund should both make their work plans for PSIA publicly available.

Funding

The World Bank has made no commitment to specific funds for PSIA beyond 2006 and bilateral donors such as DFID and BMZ have not stated how they plan to continue to support this agenda. The Fund has only allocated funds for its PSIA team for two years.

- The World Bank and the Fund must ensure that funds continue to be allocated for carrying out PSIA. Policy reforms, likely to have distributional impacts, that are part of loan agreements must be accompanied by PSIA

“Inclusion and transparency in the selection process of PSIA topics is crucial to facilitate buy-in from governments and citizens alike.”

- The Fund should make resources available to do systematic poverty impact analysis on macroeconomic frameworks in PRGF countries
- There should be clearer allocation of responsibility and budgets for this work within the Bank and the Fund.
- The IFIs and bilateral donors should provide more funds for Southern research institutions to do PSIA.

If the public is to be convinced that aid is generating real progress towards Millennium Development Goals open evidence-based planning via PSIA will be vital. Civil society groups will continue to press for change on this important agenda, and to monitor whether the World Bank, IMF and other donors allow national actors to be involved in surveying, mapping and choosing their own policy routes to implement.

Opportunities for CSOs to proactively engage in poverty analysis of reforms

CSOs based in Southern countries may want to do the following:

- Demand from their government and from international agencies operating in their country to know what in-country analytical work has been started or is being planned.
- Participate in all aspects of the process: deciding what are priority issues for PSIA, commenting on Terms of Reference, organising stakeholder discussions, providing advice about or assistance with pro-active dissemination (via the media, CSO networks and publications, etc).
- Helping with evidence collection, more synthesising and documentation of learning/ local knowledge around issues (e.g. water, land, cotton) to contribute to debate.
- Bidding to carry out PSIA research – possibly in collaboration with national research institutions or Northern CSOs. This can feed into reform discussions, and other (donor) PSIA being done
- Use access to information laws to push for document disclosure.