5 Channels of Change?

"IFIs are able to influence, if not dictate, the development paradigm and the associated philosophical underpinnings of development policy. Their monopoly of these two important markets for policy research creates a 'no alternative' syndrome as no organization in Africa is in a position to produce similar research outputs which may or may not confirm the findings of the studies by these IFIs"
Olu Ajakaiye, African Economic Research Consortium

This year most aid-giving governments have signed up to a series of targets for increasing aid and for making it more effective in terms of reducing poverty. Civil society groups have already been monitoring impact of aid towards the Millennium Development Goals and other pledges, and will now gear up their plans to examine the new aid. Technical assistance and policy advice are increasingly a part of such scrutiny. Whilst it is generally accepted that much could be done to harmonise donor analytic work – indeed donors have agreed to a target of 66% of country analytic work to be jointly executed by 2010 – little is really understood about how current analysis overall feeds into different donor policy making across different countries, nor how much of it is useful to addressing the complex problems of developing countries.

Shifting influence

The World Bank and other donors have invested a significant amount of energy and resources into PSIA, as well as similar in-country analysis going under other names. Many of these studies are not being made public yet they are being used to inform donor policy advice which is being used to influence countries' development strategies. 'Traditional' conditionality may be reducing, in recognition that the attempt by donors to buy reforms in developing countries through the use of blunt conditions on aid and loan agreements has been largely ineffective; yet upstream influence through policy advice, which is less coercive, is becoming more important.

Harmonization and policy space

The move away from earmarking funds for specific projects and programmes towards general budget support should free up administrative time in overstretched bureaucracies to respond more to citizens needs than to donors' demands. Nonetheless, overall budget financing potentially allows donors to have a far wider engagement on government policy than they have had before The benefits of harmonization need to be monitored against the risks of policy space actually being reduced if donors group together around the same framework. 'Partnerships' between donor and recipient governments could contribute to more shared learning and cooperation. Nonetheless the distortion of power relationships in this 'partnership' caused by the bundling of lending and policy advice still needs to be taken into account.

"The current knowledge gap approach, which assumes that donors have the knowledge and countries need to receive it, doesn't accommodate iterative two-way policy dialogue, which is what we need"
(Watt, 2005:2)

Macro frameworks and MDGs

The challenge of increasing financing in order to meet the Millennium Development Goals is another area of growing interest and debate. Many countries have no chance of meeting the MDGs by 2015. More financing for development has been urgently called for. Yet there has been increasing criticism that economic growth in developing countries and their ability to reach the MDGs is being undermined by excessively low inflation and fiscal deficit targeting, imposed by overly stringent IMF macroeconomic frameworks.[25] The IMF defends its policies on the grounds of macroeconomic stability. Recent research however by the Institute of Development Studies in the UK and by UNDP (2004) shows that the potential for growth is being strangled by the lack of room for manoeuvre. Furthermore crucial targets to reduce HIV/AIDS and increase access to basic education are being hampered by the IMF's spending limitations as illustrated by a recent report by Actionaid USA (2004). Yet 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 and the PSIA team within the Fund seems reluctant to engage in this debate. 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.

Conclusion

There is still much to be done to ensure that the principles of "country ownership", "participation" and "partnership" that are so often used in development discourse result in any change in the power relationships between donor and recipient countries. These are principles that do not just underscore how PSIA is carried out but also the supposed "partnership" between donors and recipients in general. If international development agencies are serious about changing the way they do business, there is a strong case for all in-country analytical work to be done in an open manner which empowers the host government and its citizens.

[25] Actionaid USA, 2004, Collier and Gunning, 1999, Gottshalk, 2005, Martin and Bargawi, 2004