Part V
OECD

Promoting ownership and gender equality

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Local ownership is 'a key principle of effective programming' for Canada's International Development Agency (CIDA). In a recently published strategy for improving aid effectiveness, CIDA intends to respond to development strategies that "are developed by recipient countries – their governments and their people – and reflect their priorities", and in doing so, "[cede] more responsibility to developing country partners".

Ownership implies relationships based on shared values, citizen empowerment and respect for sovereignty. Challenges identified by CIDA in implementing this approach centre on accountability, local capacity and authentic means for citizen participation. For CIDA, pursuing gender equality exemplifies these challenges: "women are still under-represented in decision-making structures and specific strategies are often required to ensure their participation and the incorporation of gender analysis into programming strategies".[1]

From the viewpoint of Southern development activists and governments, the central issue in development cooperation is not 'ownership' (i.e. what southern governments should do) but rather the many layers of northern donor-imposed conditionalities or 'policy undertakings' for aid, which profoundly affect the development options available to recipient governments and other 'partners'. These activists share a deep resentment about prescribed aid relationships and often ill-conceived external interventions in the social and political fabric of their countries. Economic policy conditions that accompany 'aid' have had significant adverse consequences for many millions of people who now live in poverty. The development challenge, in this later perspective, is not just improved capacity or 'good governance', but more fundamentally 'who decides, for whom' in aid decision-making, in a context where the dynamics of financing and power are extremely unequal. Can northern donors respect ownership, while avoiding practices of imposed conditionality?

Differing perspectives on aid no doubt reflect more profound debates about the place of values – international justice, equality and solidarity – rather than national interests. Many donor policies, including CIDA's, are increasingly influenced, on paper at least, by these values. For example, the objective for CIDA's 1999 *Policy on Gender Equality* is 'to support women and girls in the realisation of their full human rights.[2] The Policy is explicitly rooted in international human rights treaties[3] and the Beijing Platform of Action, which states that:

'The advancement of women and the achievement of equality between women and men are matters of human rights and conditions of social justice, and should not be seen in isolation as a women's issue. They are the only way to build a sustainable, just and developed society. Empowerment of women and gender equality are prerequisites for achieving political, social economic, cultural, and environmental security among all peoples.'

Beijing Platform for Action
Fourth United Nations
World Conference on Women,
Beijing, 1995, Paragraph 41.

For CIDA, tackling the root causes of gender inequality, according to the gender equality policy, is essential to achieving the Agency's goal of sustainable poverty reduction. The *Policy* moves beyond an agenda for integrating women into development and suggests the need for structural transformative change. The *Policy* assumes a proactive role for CIDA staff in promoting good practices in the design and implementation of projects, and in their control over the terms of programme assistance.

What lessons can we take from instances where CIDA has implemented its *Policy on Gender Equality* in overseas programmes? Do these instances represent 'imposed conditionality'? Are there credible donor practices that can preserve a respect for ownership of development strategies, while sustaining accountability to a substantial and progressive CIDA-initiated policy on gender equality? To pursue these questions, this chapter reviews some recent analyses of ownership as reflected in donor practices in support of Sector Wide Approaches (SWAps, which CIDA is piloting in a number of African countries). It also draws on some donor evaluations and interviews with selected CIDA personnel committed to implementing the gender equality policy. [4]

Understanding 'ownership' in donor relations

In donor literature, the notion of ownership is a common-sense expression of the effective limits of donor interventions to effect change in directions that *external actors* deem appropriate. It implies for most, including CIDA, that national governments must lead in all aspects of development policies and strategies, but must do so democratically and in consultation with key stakeholders. However, the tensions between the form of ownership by government (with the inclusion of other stakeholders) and donor policies and prescriptions for development are often not defined or analysed. In the words of a British analyst, national ownership raises the questions: 'Will donors stand back? How is eligibility for inclusion in consultation and debate determined and by whom? How are conflicts [over appropriate policies] and imbalances of power handled?' [5]

While CIDA is not among them, several donors have explored some of these questions. For the Swedish International Development Agency, SIDA, for example, the national owner is responsible for the project, while 'the donor is responsible for its own work as donor, [with] the first and foremost of the donor's task...to make sure that aid funds are not wasted on bad projects'.[6] But then who defines the 'bad project'?

A more subtle notion of ownership, but perhaps equally problematic from the perspective of donor practice, is suggested in a study for the Finnish Aid Programme: 'ownership refers to relationships among stakeholders and is high when beneficiaries substantially influence design, implementation and operations, representing the interests of citizens, and is transparent and accountable'.[7] This understanding of ownership focuses on the ultimate beneficiaries of a given aid intervention and looks beyond the donor-project implementor relationship:

'Many of the problems of ownership are generated by conflicts of interest between the target groups of development cooperation and, on the other hand, the authorities and other organizations in partner countries tasked with the administration of projects and programmes…A project, where the implementor benefits at the expense of the beneficiaries, no matter how it strengthens the implementor in relation to the donor, can never be a good project.' [8]

Here donors see themselves as the guardians of the interests of beneficiaries; they cannot, therefore, avoid setting limits to the actions of other stakeholders. But how are the interests of the beneficiaries expressed? This approach implies that the beneficiaries have the freedom and capacity to express their rights and assume meaningful ownership of development options within their communities. Likewise, the instruments of international cooperation must enhance innovative forms of 'popular ownership' of public policy, a condition that is seldom achieved by citizens in northern donor countries.

The almost exclusive government-to-government orientation of recent donor strategies for SWAps and coordinated comprehensive development frameworks, which is also reflected in CIDA's *Strengthening Aid Effectiveness*, undermines this more nuanced approach to national ownership. While ownership is never expressly identified exclusively with government, the primary donor reference points for ownership are in practice government policies, poverty strategies and sector programmes. These policies are increasingly conflated with highly flawed public policy processes to produce a World Bank/IMF Poverty Reduction Strategy Paper (PRSP). Gender analysis and issues relating to gender equality and poverty reduction seldom influence these processes or their results.[9]

Integrating gender equality through donor initiatives

Are the policy objectives for achieving gender equality and women's empowerment in CIDA development initiatives an imposition of western donor values and agendas?[10] This is often the reaction of recipients and donor officials.[11] In considering this issue, it is important to separate the actual practices and policy demands of donors from a gender analysis that should inform their stated goals for poverty eradication. The extensive literature on the gendered nature of power relations, from the level of the household to the global economy, cannot be ignored and should inform practice.

The feminisation of poverty is well-known. Women and girls make up more than 70% of people living in absolute poverty, while two thirds of illiterate adults are women. As the UNDP points out 'these disparities result from gender-based inequalities within households, and are reinforced by gender biases outside the household, such as in labour markets, credit institutions and the legal system' and 'they also result from various social norms that lead to women's social exclusion or economic subordination'.[12] NGOs and independent researchers have documented the disproportionate impact of structural adjustment policies on women.

A recent study by southern researchers points to the socio-political and gender dynamics of economic reforms and economic policy-making that weaken women's participation, while seldom proposing policies that address women's gender equality concerns.[13] The interactions between the various dimensions of gender inequality and poverty are complex but integral to strategies to affect change and poverty.

Gender relations in many societies, North and South, are highly contested, and the power exercised by those who benefit from gendered social hierarchies is challenged. Women's organisations and movements are active throughout the South and one increasingly finds women's advocates within government Ministries.[14] Most southern governments have ratified the core international Covenants on women's rights and have agreed to commitments in the 1995 Beijing UN Conference on Women's *Platform for Action*. In many of these same countries, women's organisations are at the forefront of social, economic and political activities to hold their governments accountable to these commitments. Both of these dimensions – the feminisation of poverty and diverse popular organisations promoting women's rights in development – are essential for assessing the realisation of values of equality and social justice in donor, poverty-focused practice that respects ownership. On both counts, many donors are found wanting.

Evaluations of the implementation of gender equality policy by CIDA and other donors, on the whole, reveal a marginalisation of gender concerns; at best women/girl beneficiaries are seen as add-ons for sectoral-wide social programmes and are invisible in most socio-economic projects.[15] A detailed 1997 review of CIDA's Central America Gender Equity Policy Fund concluded that the Fund had been successful in incorporating gender equity in women-specific projects but this orientation was largely absent from the planning and implementation of other bilateral projects.[16]

For recipient governments, implementing institutions and donors alike, policy commitments to gender equality issues seem to 'evaporate' when resources are allocated to implement projects. Differing degrees of receptivity towards gender policies, and levels of expertise in understanding their implications, by donor officials, often undermine capacity to plan and implement gender sensitive programmes. According to a

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1998 CIDA Performance Review, after more than 20 years of policies relating to gender issues in development, and considerable investment in training CIDA officials, there is still significant misunderstanding of the implications of the policy and resistance to applying it to all development initiatives. Accountability is a key concern. Implementation 'depends on individual initiative (rather than professional accountability)' and 'there are few rewards for innovative work in WID & GE programming'.[17]

Similarly, the receptivity of senior government officials in recipient countries and the place of influential champions within and outside government are crucial for sustained commitment to implementing gender policy commitments.[18] DAC assessments point out that the process of defining beneficiary needs and essential services has strong political as well as technical dimensions. It is critical that voices of women and men from different social groups are represented (for example advocacy by women's groups on violence in relation to health sector programme priorities).[19] Increasing attention to decentralisation, as a way of opening opportunities for local priorities and participation within communities, may engage more women. But often decentralisation can compromise policies aimed at gender equality as local élites, dominated by men, capture local decision-making bodies.[20]

A common response of donor officials to their limitations and real constraints in realising progress in gender equality, as they respond to their own institutional needs to demonstrate benefits for women, is to impose targets and policy 'undertakings' in formal agreements with implementing partners. These strictures have marginal impact on the implementation of plans and programmes to fulfil donor policies (and even less so where multiple donors, who do not share common concerns for gender impact, are involved in sector support programmes). Rigid and mechanistic approaches may provoke policy discussions with implementing institutions, but have even less impact for the intended women beneficiaries. The latter remain both poor and excluded from programme opportunities because of ill-designed programmes as well as structural impediments to their full participation in the economic, social and political life of their communities.

Yet these approaches and results need not prevail. There is sufficient experience to draw lessons for positive contributions that donors can make for gender equality, sustained through women's empowerment.

Lessons and approaches for locally-owned gender-sensitive development initiatives

- For CIDA, assuring effective approaches for poverty reduction and gender equality depends on clear accountability to CIDA-determined country-specific and gender-sensitive poverty strategies, reflecting authentic participation and support by those living in poverty. Country programmes must also be guided by an explicit country-specific gender equality strategy. The latter analyses the specific context for understanding issues of gender equality, in order to identify barriers and opportunities for making progress, and possible roles for CIDA as an external actor. The poverty orientation of gender equality strategies should be sensitive to differences of interest among women, as well as issues of accountability and representivity within civil society in relation to the interests of poor women. Ideally, bilateral country programme planning processes should engage all development actors, but most particularly partner institutions, where partners and CIDA agree on a mutual set of goals and medium-term results, to which each side is accountable. Transparent and institutionally sanctioned accountability to these frameworks is essential.

  Where accountability to gender-sensitive frameworks exists, largely due to initiatives by individual officials, CIDA has been able to give a gendered orientation in its response to programming opportunities that are proposed and managed by government ministries and other implementing institutions. In negotiating the technical design of these programmes, CIDA personnel have been able to draw on their country knowledge of gender issues. They are able to direct benefits to women and girls, sometimes on the basis of economic or social returns without explicit reference to gender issues, where these are highly sensitive.
- A donor culture that emphasises listening skills, patience and humility in understanding the dynamics

and cultural specificity of a society is essential. Understanding cultural specificity is important for the expression of shared ethical values in policy dialogue. It is equally important to accept that that there may be areas that cannot be spoken about directly. For gender equality, these skills are critical and may need to be augmented with commissioned research that disaggregates country-specific gender information and analysis. Change is a long-term process that donors may – at best – facilitate but never direct.

- In the words of a CIDA official, ownership is not a value in and of itself, particularly with governments that are highly unrepresentative of their citizens' interests. Where these governments define a strategy and proposals for funding, CIDA has a responsibility to determine whether there is 'a fit' with the donor's priorities and poverty strategies. More explicitly, a DFID official, in one review, is quoted as saying that 'partnership requires overlapping objectives, but they will not usually coincide totally, and…it will usually aid understanding to be quite open about it, and negotiate a common programme, which tries to reflect the different perspectives of the partners'.[21] There is a fine balance to be struck, but it is one that must, above all, reflect the choice of development partners, whose interest and concerns represent authentic links to intended beneficiaries, and include voices and advocates for targeting women and girls. Relationships are based on trust and donors need to accept that they must move with the pace of partner organisations and related social actors, particularly where change involves political risk.
- Strengthening the participation, voice and rights of those living in poverty is one of the most important aspects of the change process. The engagement of women's organisations, gender specialists, and women in social movements working for change in gender relations is critical. Three decades of attention to women's rights in development suggests that external pressure is essential for sustained accountability for gender issues in government-managed sector programmes and other donor-financed development projects.

While this support can, and should, be targeted – with donors contributing – to strengthening women's organisations' voices and decision-making influence, donors can also influence through their methods of work. In Malawi, for example, CIDA has hired a prominent local gender specialist and devoted resources to work in policy dialogue with both government and other donors to promote gender analysis of sector components of the country's PRSP. CIDA has also brought expertise in analysing gender sensitivity of national budgets from South Africa to expose both the donor community in Malawi and government officials to this analysis.[22] In some West African countries, CIDA officials have been meeting regularly with women's organisations, peasants' associations and community organisations to hear directly their concerns. They are sometimes able to open channels of communication between these organisations and government ministers and officials.

A very proactive role by several donors, in the case of Bangladesh's health sector programme, did bring some Bangladeshi voices on gender to the table, and achieved some significant short-term changes. But the degree to which these changes are dependent on donor personnel and support for these selected individuals may limit the depth of these changes and the sustainability of a gender agenda at senior levels of government.[23]

- Over the medium and long term, much can be achieved through formal and informal policy dialogue. As a bilateral donor, CIDA is increasing its capacity and its orientation towards broad policy dialogue as a central aspect of its international cooperative relationship with developing country governments. As such, it is being drawn into joint donor dialogue on both sector programmes and IMF/ Bank initiatives for poverty reduction strategy papers (PRSPs).

How might gender equality policy influence this dialogue, without imposing conditionality or undermining ownership? Despite its modest financial resources relative to other donors, CIDA has had a strong reputation for its work in gender policy and analysis. CIDA officials have played 'niche roles' both with other donors and government officials, bringing gender analysis to policy discussion. We have already pointed to the importance of strengthening domestic women's voices in these policy processes (as well as in implementation). But CIDA can also direct its expertise towards leading donor agencies to create political space for more sustained dialogue and greater understanding of gender issues.

Policy dialogue is a political process that is always dynamic and contested, and in which the influence of even the leading donors waxes and wanes and is rapidly diluted as one moves away from central government structures and officials. But experience suggests that there are several important elements for constructive dialogue.

- Connecting to national policy frameworks for poverty reduction and gender equality, as well as formally ratified international Covenants, establishes universal, shared values for policy dialogue, upon which to build constructive commentary and programme advice.
- Donors can strengthen public access to gender and social analysis for poverty strategies through research and proposals for goals and benchmarks that are gender sensitive. Accessible information and analysis provides support for women to press their own agendas for change through their civic organisations and coalitions, elected representatives, national commissions etc.

Capacity building for greater policy impact by local constituencies requires not only technical and organisational skills but can also benefit from cross-country learning (such as women's alternative budgeting exercises or defining legal rights for women), which donors can facilitate. In the words of a Canadian researcher, 'the task of helping women find their voice in the policy making process is a complicated undertaking and faces many obstacles: a male-dominated policy making system; the limited capacity of women's organisations in economic policy analysis, and the general complexity of policy making processes…'[24] Training for policy insertion (knowledge of rights and issues) and broad institutional gender sensitisation at all levels of governance, create greater space and policy roles for women activists. Official donors and NGOs can contribute by giving priority to these activities.[25]

Conclusion

Gender identities and relations shape the way we live and the quality of our lives – in family, in community and beyond. Gender equality is a universal right that should be 'owned' by all citizens no matter where they live. Its achievement is fundamental to the economic, social, political and cultural rights that define a shared commitment to eradicating poverty. Yet, donor agencies, imposing a variety of self-defined development objectives and frameworks on partners, often undermine, or at best ignore, gender issues. While gender-sensitive programming is still marginal in CIDA's aid interventions (in 1998/99, projects coded to gender equality represented less than 5% of CIDA's Programme disbursements), some generic lessons from experience suggest that it is possible to bridge the inherent tension between respecting ownership and making policy prescriptions. Isolated positive experience suggests that CIDA and other donors need to devote urgent attention to identifying specific changes in their practice and expertise to extend what is now largely individual-driven programme activity for gender equality to programming that is accountable in all aspects to the interests of women's empowerment among people living in poverty.These changes require proactive support at the highest level of donor institutions.

Development is not a process easily amenable to bureaucratic and technical fixes. It is, rather, a political process that must engage people, particularly those living in poverty and powerlessness, in negotiating with each other, with their governments, and with the world community for policies and rights that advance their livelihood and secure their future in the world. Donors can design their practice of international cooperation to contribute, but in the words of CIDA's *Policy on Gender Equality*:

'Outsiders cannot empower women: only women can empower themselves to make choices or speak out on their own behalf. However, institutions, including international cooperation agencies, can support processes that increase women's self confidence, develop their self-reliance, and help them set their own agendas.'

Notes

1 CIDA, 'Strengthening Aid Effectiveness: New Approaches to Canada's International Assistance Programme, A Framework for Consultation', May 2001, pp 14, 20. See CCIC's commentary on its Development Policy Page (www.web.ca/ccic-ccci) and the Canada overview in the appendix of this Report.

2 CIDA, 'Policy on Gender Equality', Public Works and Government Services Canada, March 1999 (www.acdi-cida.gc.ca).

3 Notably the Universal Declaration of Human Rights; the International Covenant on Economic, Social and Cultural Rights; the International Covenant on Civil and Political Rights; the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW); the Convention on the Rights of the Child; and the United Nations Declaration on Violence Against Women.

4 I am very grateful to CIDA officials who made the time to discuss these issues with me and share some recent documents. I alone am responsible for the lessons that I drew from this material. While the focus here is on CIDA programming, many of the issues discussed apply equally to Canadian NGO relationships with southern counterparts.

5 Andrew Norton, 'Policy, Gender Equality and National Ownership in SWAps', Overseas Development Institute, Notes for a Presentation, 2001, page 2.

6 Molund, S. 'Ownership in Focus: Discussion Paper for a Planned Evaluation', SIDA Studies in Evaluation, 00/5, November 2000, http://www.sida.se/evaluation, page 2**.**

7 Moore, M, Gould, J, Joshi, A, Oksanen, R, 'Ownership in the Finnish Aid Programme', Report of Evaluation Study, Ministry of Foreign Affairs, Finland, 1996:3, page 9.

8 Molund, S *op. cit.*, pp 9-10.

9 Interview with CIDA official and Charles Abugre, 'Transformation at Last, or a New Instrument of Domination? An Analysis of the IMF and World Bank Poverty Reduction (PRS) Initiative' World Development Movement and ISODEC, mimeo, 2000; Policies to Roll-Back the State and Privatise? A Debt Report by the World Development Movement, April 2001, www.wdm.org.uk.

10 See CIDA's very useful guide in *Questions About: Culture, Gender Equality and Development Cooperation*, February 2001, (www.acdi-cida.gc.ca).

11 One evaluation points to the frustration with this attitude by Ugandans at different levels of the education system who were committed to gender equality. Donors were not articulating a clear commitment to gender equality goals in basic education. 'This appears to be linked to the misconception that 'gender' is a western agenda, and a perception that too assertive an approach would compromise Ministry ownership. Yet Ugandans consulted were adamant that gender equality is a shared goal and that much of the momentum has come from the grassroots.' Sibbons, M, Norton, A, et. al., 'Mainstreaming Gender through Sector Wide Approaches in Education: Synthesis Report', ODI and Cambridge Education Consultants, October 2000, page 7.

12 UNDP, *Human Development Report*, New York: Oxford University Press, 1998, pp 72-3

13 See for example the excellent contributions in Tsikata, D, Kerr, J, *Demanding Dignity: Women Confronting Economic Reforms in Africa.* Ottawa / Accra: The North South Institute and Third World Network – Africa, 2000.

14 *Ibid.*, pp 27 –32 and CIDA, *Questions About*.

15 Woodford-Berger, P, 'Gender Equality and Women's Empowerment: A DAC review of agency experiences 1993 – 1998', SIDA Studies in Evaluation 00/1, 2000, pp 2 - 3 and DAC, 'Reference Guide: Gender Equality in SWAps' Draft, DAC Working Party on Gender Equality, 2001, no page numbers.

16 CIDA, 'Review of Gender Equity and Programming Options for Central America', Central America Division, October 1997. This conclusion was also confirmed in CIDA, 'WID/GE Performance Review – Survey of Southern Women', Final Report, Performance Review Division, March 1996 page 14.

17 CIDA, 'Women in Development and Gender Equality, 1992 – 1995: Performance Review Report', Hull: CIDA, July 1998, page C12.

18 Tolhurst, R, Mainstreaming Gender in Sector Wide Approaches: An Overview of Issues in the Health Sector', Draft, January 2000, page 14.

19 *Ibid.*, page 6.

20 *Ibid.*, pages 9 – 10

21 Norton, A, Bird, B, 'Social Development Issues in Sector-Wide Approaches', Draft Paper Prepared for DFID, nd, page 14.

22 The South Africa Women's Budget Initiative examines the entire budget to determine its differential impact on women and men, girls and boys. It proposes specific changes in gender sensitive programmes and policies to account for these differences. See Debbie Budlender, ' The South Africa Women's Budget Initiative',

Community Agency for Social Inquiry, Cape Town, South Africa, November 1998 (http://magnet.undp.org/events/gender/india/Soutaf.htm).

23 Tolhurst, R., *op. cit.*, page 14

24 Tsikata, D, Kerr, J., *op.cit.*, page 28

25 One example of learning is the evolution of a CIDA-supported initiative in the Special Programme on Africa on Structural Adjustment and Gender in Africa in the early 1990s. An evaluation of this programme of research and workshops with African policymakers and donors was critical of both the degree of participation of African government officials and African civil society. This programme is now managed fully in the South through Third World Network – Africa. See CIDA, 'A Case Study of Policy Dialogue: Structural Adjustment and Gender in Africa (SAGA)', Evaluation Report, December 1997 and Tsikata, D, Kerr, J, *Demanding Dignity: Women Confronting Economic Reforms in Africa*. Ottawa / Accra: The North South Institute and Third World Network – Africa, 2000.

The Asian Development Bank and conditionality – if it's not part of the solution…

Andrew Nette, ACFOA Policy Officer[1]

The Asian Development Bank (ADB) is the largest of the world's regional multilateral development banks and arguably the most powerful development institution operating in Asia and the Pacific. Over the last decade the ADB has greatly increased the use of conditionalities across all aspects of its loan operations.

On paper at least, many of these conditionalities seek to promote principles such as greater national ownership, wider participation and the allocation of an increased proportion of the ADB's lending to social sector operations. More controversial, has been the increasing use of conditionality to promote macroeconomic, legal and other broader policy changes, a trend that is having far-reaching impacts in its Developing Member Countries (DMCs).

Given the Australian Government's significant influence in the ADB, both in terms of funding and policy, a number of Australian NGOs have made monitoring and influencing ADB practices and policies a key focus of their work on multilateral institutions. Among NGO criticisms are: the way the ADB defines poverty and poverty reduction; its lack of accountability; the impact of the Bank's activities on growing debt levels in many Asian countries; specific ADB problem projects; and the ADB's increasing use of conditionality.

Less money, more power: policy influence is the priority

While the ADB claims that its increasing use of conditionality is a response to implementation problems and poor project success rates in the Bank's operations, it is also the result of a number of other interconnected factors. For the first 20 years after its establishment in 1966, the ADB's operations followed what might loosely be called the Japanese model. This emphasised project financing – mainly loans to agriculture and large-scale infrastructure projects, such as roads and hydropower dams – and the encouragement of export-oriented industries and a strong regulatory role for the state.

In the early 1990s, the ADB moved more in line with the approach advocated by the World Bank and the IMF. This stressed the central importance of private sector development and foreign capital, a reduced role for the state, and lending for structural adjustment and policy objectives as opposed to individual projects. Loan conditionalities were included to pressure DMC governments to open up and liberalise their economies. The ADB thus became a key conduit in Asia for the 'neo-liberal' policies of deregulation, privatisation and an economic growth-centred approach to fighting poverty. The ADB is very up-front with its view that just as important as loans are the conditions attached to them, especially in terms of influencing DMC government policy.

This approach is facilitated by the decline in official overseas development assistance, both in absolute terms and as a proportion of global capital flows, and the lack of avenues poor countries have to access global capital markets or other means of financing development.

In the area of infrastructure, for example, Asian governments, particularly those in so-called emerging markets, do not have the funds to undertake even a fraction of the energy, transport, telecommunications, urban and tourism infrastructure needs identified by themselves and foreign donors as preconditions for economic growth. At the same time, the private sector remains reluctant to invest in infrastructure in many of these nations because of commercial and political risks.

In response, the ADB has moved from being mainly a project funder to becoming more of a facilitator or 'catalyst' for private sector investment in DMCs, in turn giving the ADB further opportunity to attach conditions to loans and use technical assistance to force policy change. This new direction is set out most clearly in the ADB's *Private Sector Development Strategy*, updated in March 2000, which argues that a strong and dynamic private sector is crucial to long-term economic growth and is a pre-condition for poverty reduction. It argues in favour of 'creating the enabling environment for domestic and private foreign investors and shifting the role of government from owner-producer to facilitator-regulator'[1]. This is also the theory underlying much of the Poverty Reduction Strategy adopted by the ADB in November 1999[2], which focuses on 'pro-poor sustainable economic growth, social development and good governance.

Hard loan conditionality increases

The increased use of conditionality is most apparent in loans made under the Bank's Ordinary Capital Resources (OCR). These are hard loans made on non-concessional terms to DMCs that have reached some level of economic development and they account for approximately 84% of Bank loans. Conditions attached to OCR loans most commonly include:

- The development of new legal mechanisms and regulatory and institutional frameworks for the development of markets, competition and pricing
- The privatisation of state-owned operations
- The introduction of new policies and laws to protect specific investments, particularly infrastructure
- The liberalisation of trade and investment laws
- The dismantling of state subsidies

The use of conditionality by the ADB gained momentum in the period immediately after the Asia regional financial crisis in 1997, when it participated to the tune of over US$8 billion in IMF and World Bank bail-outs of the Indonesian, Thai and South Korean economies.

For example, included in the ADB's loans to Thailand were projects aimed at policy reform in the financial, labour, health, social welfare and education sectors. In 1999, the ADB and the Japan Bank for International Cooperation (JBIC) approved a US$600 million Agriculture Sector Program Loan. Dispersal of this loan was conditional on a number of far-reaching policy changes, including introducing fees on water use for small-scale farmers and raising interest rates for credit extension programmes.

Similarly, in exchange for a US$46 billion bail-out package for Indonesia's economy in the wake of the crisis, the IMF, World Bank and ADB mandated a comprehensive restructuring of Indonesia's power sector. In March 1999, the ADB and JBIC each approved US$400 million in loans for energy sector reform, aimed at establishing a competitive market in Java and Bali, and calling for changing the legal and regulatory framework, adjusting power tariffs and increasing foreign private sector participation. The reform programme also called for the adoption of a new electricity law prepared with the support of ADB-funded consultants. The ADB has pushed for the privatisation of the Indonesian state-owned power utility, Perusahaan Listrik Negara (PLN). PLN was hard-hit by the crisis as a declining Indonesian rupiah made servicing contracts negotiated in foreign currency more difficult and increased the utility's debt levels. Significant losses have also been alleged as a result of the corruption involving negotiations of private power purchase agreements under the Soeharto regime.

In addition to influencing the policy process of DMCs through attaching upfront conditions to loans, the ADB employs a range of more subtle or indirect conditionalities. The ADB now provides 'investment advice' to governments on how to attract private sector funds into projects and assists DMCs to formulate policies and regulations and strengthen institutions that will facilitate foreign capital flows and private sector development. In particular, the ADB has made significant efforts in the area of sub-regional cooperation in Asia and the Pacific, facilitating trade and investment in designated growth triangles and quadrangles. The best-known of these is the Greater Mekong Sub-Region Initiative, which includes Thailand, Laos, Vietnam, Cambodia, Burma and southern China. These zones bring together bureaucrats from host governments into forums in which the ADB acts as a self-appointed 'honest broker' to facilitate economic cooperation among governments in sectors as diverse as transport, power or public sector administration. These growth zones act as conduits for ADB supplied research and technical assistance to the private sector and member governments, to identify attractive investment projects and prepare feasibility and impact studies.

Soft loans made performance-based

The increasing use of conditionality is also evident in loans made under the ADB's soft loan arm, the Asian Development Fund (ADF).

The eighth replenishment of the ADF, covering the period 2001-2004, saw a renewed debate between donors and the Bank around the ADB's focus. Among the outcomes of ADF 8 was the adoption of a rigorous system of performance-based lending. According to the ADB, performance-based lending is predicated on the assumption that 'aid works best in reducing poverty in countries with sound policies and institutions.[3] Poor policies, poor governance and weak institutions restrict the effectiveness of poverty reduction efforts. 'Good' policies must be in place in recipient countries if aid is to work effectively to support economic growth.

Under this system, all countries seeking ADF funding will be measured against a set of criteria linked to such factors as governance, economic management, gender focus, environmental protection and accountability. Country allocations will be formulated based on how they have performed against these criteria and presented to the ADB's Board for approval. In addition, donors recommended that the ADB systematically link the quality of governance of all DMCs to ADF lending levels. 'Support to countries with poor governance (which occurs when a borrower is not pursuing policies conducive to pro-poor sustainable economic growth, social development and good governance) should be scaled back to non-lending services or stopped entirely if necessary'.[4] 'Support for countries with weak governance (when a borrower has poor policies but is making sustained efforts to improve them) should mainly target strengthening of institutional capacity and basic human needs.'[5]

Among the factors to be taken into account under the definition of governance are:

- 'Receptiveness to policy dialogue with the ADB and donors and willingness to undertake necessary reforms'.[6]
- Efforts at domestic resource mobilisation and public expenditure management.
- Procedures governing the preparation of state budgets.
- Effectiveness in fighting corruption.
- 'Trends in non-productive government expenditures and spending on social sector programs'.[7]
- Participation in the development process and public access to information.
- 'Non-economic' factors, such as democratisation, human rights, adherence to core labour standards, gender and the environment.

Australian NGOs ambivalent

Australia is the ADB's fifth largest overall shareholder and the third largest ADF shareholder, having contributed some A$1.35 billion to the ADF as of June 1999, with A$561 million outstanding. The 2000/01 aid budget saw Australia commit a further A$120 million to the Fund, 13% of the country's total aid budget.

Australia is broadly in agreement with much of the ADB's increased use of conditionality. In his opening address to the first replenishment meeting for ADF 8 in October 1999, Australian Foreign Minister Alexander Downer emphasised the need for the ADB to take full account of the crucial issue of good governance and also encouraged it to consider the performance of developing countries when making loans.[8] This has included strengthening the use of conditionality in the ADB's social, environmental and poverty reduction activities.

To an extent, the Australian Government has balanced this with recognition of the need for greater accountability in the ADB, and has taken a lead in attempts to reform the ADB's internal governance so that it is more transparent to NGOs and civil society in donor and recipient countries. Despite broadly supporting the ADB's activities, Australia has also shown a preparedness to dialogue closely with NGOs and critique the ADB's operations, particularly in relation to the adverse social and environmental impacts of its projects. It has also demonstrated an awareness of some inconsistencies between the ADB's operations and activities undertaken under its bilateral aid programme.

For Australian NGOs, tackling the issue of conditionality in the ADB's operations is complex. NGOs clearly oppose some forms of conditionality. For example, in their criticisms of structural adjustment policies undertaken by international financial institutions, many NGOs are clear that conditionality should not undermine local and national democratic decisions. At the same time, NGOs have mixed views on other conditionalities, particularly 'poverty-focused' or 'social' conditionalities aimed at increasing lending for poverty reduction or securing greater commitment from DMC governments to accept so-called 'pro-poor' policy reforms.

Thus, in the debate around debt and the Heavily Indebted Poor Countries Initiative, Northern NGOs, including those in Australia, clearly support attaching some conditions to debt reduction to ensure funds go towards anti-poverty measures. This has involved NGOs having to walk a fine line: supporting conditionality as a way to garner mainstream public support for debt reduction, but condemning use of some conditions by the World Bank and IMF, especially in poverty reduction strategy papers.

The introduction of performance-based lending by the ADB is partly a response to persistent criticism by NGOs and donors that few ADB projects have been designed specifically to address poverty reduction. A report to donors at the beginning of the recent ADF replenishment talks stated that only 18% of the total171 project loans made under ADF 6 directly targeted poverty, only 3% (1.5% by value) targeted women and 10% the environment. Of the 53 projects targeted at the loosely defined 'social infrastructure', only four directly targeted poverty alleviation.[9] While it is too early to see how much substance there is behind the ADB's claims it is changing, many NGOs have cautiously welcomed shifts such as performance-based ADF lending.

ADB's own performance lacking

The ADB's use of conditionality can be critiqued on a number of levels. By its own standards, it would appear that the increased use of conditionality has so far met with few positive results.

Among problems identified with the proliferation of conditionalities by a 1999 internal review is 'goal congestion', as the ADB has tried to integrate the various objectives donor governments have attached over the years. The review noted an average of 32 conditionalities per loan, causing confusion and a blurring of priorities. [10]

Such conditions, the report observed, alienate client governments and have led to the to the undermining of ownership of ADB programmes by recipient governments. It also noted a tendency on the ADB's part to compensate for perceived lack of commitment, weak administration and technical support by increasing the detail and number of conditions in loan and adjustment operations.

Nor does it appear that the proliferation of conditionalities has led to more effectiveness in ADB operations, which continue to be marked by relatively high failure rates. One recent assessment of publicly available ADB documentation relating to activities in Indonesia, [11] the ADB's largest client country, estimated that at least 70% of ADB projects in that country will fail to produce lasting economic or social benefits for the Indonesian people. These included projects in the education, agriculture, health and credit sectors.

A 2000 report by the Bank's Operations Evaluations Office analysed 21 projects and sector loans and five programme loans. Of these half were 'less than successful' or 'unsuccessful'. Successful projects were mainly in the area of infrastructure, with high failure rates recorded in activities targeted at the agriculture, forestry and social infrastructure sectors.[12]

The poor success rates attributed to much of the ADB's activities are the result of many factors, including lack of capacity or expertise on the part of DMC governments to implement them, insufficient finance or external shocks that divert government's attention away from the reform process.

Another important reason is lack of local ownership and the fact that increasing ADB conditionality is often merely a substitute for the much harder task of getting recipient support for the institution's policies, a point recognised by the ADB itself in a 1999 review of ADF performance which stated: 'The borrowers' ownership of and commitment to the project are the most critical in determining project outcome.' [13]

On a more fundamental level, there are two key problems with the ADB's increasing use of conditionality.

The first is that the proliferation of conditionalities has seen the ADB's operations suffer overreach, as they stray into areas outside its mandate or expertise – or, at worst, bypass or undermine national democratic processes and the rule of law, sometimes sabotaging national democratic and social welfare gains. There has also been criticism of the ADB's use of sub-regional cooperation, which many claim has served to move vital development decisions even further away from the lives of those they affect, a problem reinforced by the ADB's own highly centralised and relatively unaccountable structure and practices.

The second problem is the connection between conditionalities and the institution's flawed analysis of poverty and what is needed to tackle it. Its Private Sector Development Strategy makes it clear that the ADB views markets as virtually the only source of assets and opportunities for people living in poverty, and private sector economic growth as the major vehicle to eliminate poverty, a view reiterated in the Poverty Reduction Strategy. ADB conditionality is geared towards nurturing markets to reach their full potential by the removal of market distorting interventions such as credit subsidies, pricing controls, state ownership, import-export restrictions and overvalued exchange rates.

While there is nothing wrong in strengthening the private sector, particularly the local private sector in DMCs, of concern is the automatic assumption of the beneficial link between private sector development and poverty reduction. These efforts need to be balanced and informed by community input and ownership and, where necessary, government regulation to ensure that markets benefit the whole community, particularly those living in poverty.

The ADB provides insufficient detail as to how this reliance on markets will encourage greater transparency in the its operations, including those with the private sector, or how people living in poverty will benefit from reforms that will result in them having to access services at market prices.

On the ground, this has led to serious opposition to various ADB policies. Reforms to Thailand's agriculture sector have met huge resistance from farmers, the public, and even some sections of the Thai Ministry of Agriculture. In addition to criticising the lack of transparency accompanying the formulation of the loan, Thai NGOs and farmers' groups argue that the introduction of market-based water use rights will discriminate unfairly against small-scale farmers, still a large part of Thailand's agricultural sector, in favour of industry and large-scale agribusiness. It is also a major development issue in terms of food security for rural Thailand, given the degree to which small-scale agriculture acts as a social cushion in times of economic crisis.

The ADB's activities in Indonesia's power sector have generated broad opposition. While critics agree that PLN's existing obligations are beyond its economic capacities and that reforms need to be made, they have raised a plethora of accountability, human rights and equity issues. These include the prospect of large-scale lay-offs, increased power prices, and concerns that without public sector involvement there will be little incentive for the maintenance of power infrastructure in rural areas.

Proposed changes to Indonesia's power sector are part of a wider programme of power sector reform throughout Asia, including in India and the Philippines, which critics charge has led to escalating energy costs for consumers, and increased debt burdens for government, to the benefit of private sector interests.

As one paper on the World Bank and IMF's use of conditionality argued, there is a need for NGOs not just to critique the international financial institutions' use of conditionality, but to suggest alternatives.[14] It suggested three basic principles that should underlie an NGO approach:

- Conditionality should work for those living in poverty.
- Conditions must be genuinely democratic
- Conditions should be the product of partnership, not of coercion.[15]

The ADB's poverty reduction will come to little without fundamental shifts in how it defines poverty and poverty reduction. This means promoting not just private sector economic activity but activities that respond to the needs of the most disadvantaged sectors of society. There is little chance of people in poverty being able to better voice their opinions on issues that affect their lives and those of their children, when so many of the Bank's projects and operations contradict the institution's own definition of good governance.

If these principles are accepted, then rather than applying more conditionality, donors should push the ADB to become a more accountable and transparent institution. This includes giving information to impoverished communities directly affected by the ADB's activities and ensuring that projects only go ahead with the community's prior informed consent. To this end, internationally recognised human rights standards should be incorporated into the ADB's policies and practices.

Until these basic steps are taken, the ADB's use of conditionality will continue to be part of the problem instead of part of the solution.

Notes

1 This article is based on a paper originally delivered at the Conference on Official Development Aid in Asia, organised by the Reality of Aid Network, Asia and the Asia Pacific Research Network, Manila, Philippines, 18-20 June 2001. The author would like to acknowledge the editorial assistance in the preparation of this article of Jim Redden, ACFOA Policy Director.

2 Asian Development Bank, *Private Sector Development Strategy*, Manila, March 2000, p 1.

3 Asian Development Bank, *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy of the Asian Development Bank*, Manila, October 1999, p1.

4 Asian Development Bank, *ADF VIII Donor's Report: Fighting Poverty in Asia*, Manila, September 2000 p 17.

5 Ibid., p 18.

6 Op Cit.

7 Op Cit.

8 Op Cit.

9 The Hon Alexander Downer, Foreign Minister of Australia, Opening address to ADF VIII donors meeting, October 1999, Brisbane.

10 Asian Development Bank, *Report on the results and Impacts of ADF Operations*, Manila, March 2000.

11 Asian Development Bank, *Review of ADB's Program Lending Policies*, Manila, November 1999, p 15.

12 Environmental Defence Fund, *Evaluating the ADB in Indonesia: The Operation was a Success but the Patient Died*, Washington, May 2001.

13 Asian Development Bank, Annual Report 2000, pp 47-48.

14 Asian Development Bank, *Report on the results and Impacts of ADF Operations*, Manila, March 2000, p 3.

15 Angela Wood and Mathew Lockward, *The Perestroika of Aid?* New Perspectives on Conditionality, London, March 1999.

When a Blessing is a Curse: US goals in IMF and World Bank policy-making

Nancy Alexander, Globalization Challenge Initiative

The US government – together with the rest of the aid establishment – asserts that aid frequently fails to foster growth and development because recipient governments do not exercise sufficient ownership of, and commitment to, the development process. Yet, many governments cannot exercise ownership because the aid establishment, itself, holds the reins of power.

The US – as the largest shareholder of the lending institutions, the IMF and World Bank – determines major policy decisions in a growing number of highly indebted low- and middle-income countries.

Economic reform is driven by structural adjustment policy conditions attached to loans and grants. These conditions constitute the 'reins' that effectively control the economic policies of most developing country governments. The US government has been the main architect of policies that aim to achieve export-led growth by various market-led means, including liberalising trade and finance, privatising state-owned enterprises, and taming inflation. Above all, adjustment policies achieve greater and greater capital mobility across borders and help ensure that governments service their debts.

In 1999, the IMF alone attached an average of 114 policy conditions to its loans to each Sub-Saharan African country. Developing country governments are pressed to implement not only IMF policy conditions, but also those of dozens of other creditors and donors. The result is that governments become enmeshed in a labyrinth of policy mandates. By imposing economic reforms, foreign creditors undermine the accountability of borrowing governments to their citizens. This circumvention of democratic processes negates any potential for meaningful ownership.

Adjustment policies did not arrest, and often exacerbated, economic misery throughout the developing world. Africa, Asia, Latin America and Eastern Europe have all experienced economic and social stagnation or decline. In some cases, decades of progress were lost. Studies show growth rates dropping in developing and transition countries during the 'adjustment era' of 1980-1998 as compared with 1960-1980.

Indeed, there has been no change in per capita income in developing countries since 1980. In Sub-Saharan African countries, the situation is worse. Per capita incomes are no higher than they were 30 years ago. Moreover, developing countries are increasingly mired in debt and trapped in a vicious cycle of borrowing to cover debt service obligations. For many countries, expenditures for debt service are higher than expenditures for education and health.

The US claims that structural adjustment policies fail largely because they are poorly implemented. It

IMF

insists that governments will see the pay-off of liberalisation policies if they take greater ownership and implement broader and deeper reforms.

Yet evidence suggests otherwise. The few powerful governments (e.g. China, the pre-crisis Asian Tigers) that flouted the policy advice of the IMF and World Bank prospered relative to most countries whose policies were designed in Washington. These governments maintained a strong interventionist role in their economies, something that is taboo among market fundamentalists.

Why don't more countries flout the advice of the IMF and the World Bank? They risk losing the IMF's blessing, the 'seal of approval' that not only keeps aid flowing, but supposedly maintains confidence among international creditors and investors. If a government loses the IMF's blessing it can lose its lifeline to international assistance: loans, grants, trade credits and debt relief.

Unfortunately, as it engineers sharp budgetary contractions in country after country, the IMF's blessing is too often a curse. Like a doctor prescribing chemo-therapy for a cold, the IMF calls for fiscal austerity (e.g., slashing spending, hiking interest rates, and raising taxes) in countries already experiencing sluggish growth, which can trigger deep and lengthy recession.

The blessing has cursed even star pupils, such as the Asian Tigers, which at the behest of the IMF and World Bank, implemented capital account liberalisation (to allow free entry and exit of international capital) prematurely. This contributed to their economic collapse in the late 1990s. To win the blessing of the institutions, borrowers dutifully imposed fees on primary education and basic health services for decades, handicapping generations of poor people. Now the institutions are pushing the privatisation of social services and water services, when evidence has shown that such policies in a weak institutional environment can price basic goods out of the reach of people living in poverty. Many of the binding conditions imposed by the IMF push corporate interests at the expense of the borrowing country. In a particularly brazen instance, in mid-2001, the IMF required that Sierra Leone, one of the poorest countries in the world, must eliminate import taxes on cigarettes as a prior condition for receiving assistance.

Ostensibly to promote ownership, the IMF and World Bank announced a programme for low-income countries in 1999. They declared that, henceforth, each government must work with its citizens to prepare an acceptable Poverty Reduction Strategy Paper (PRSP), a multi-year national development strategy. Yet the 'new' process has been business-as-usual. One World Bank official, John Page, said: 'The PRSP is a compulsory process wherein the people with the money tell the people who want the money what they need to do to get the money.' Never before have the IMF and World Bank possessed the power to endorse a borrowing country's *entire national plan.* Ironically, the institutions have seized these powers in the name of enhancing 'country ownership' of the development process.

Many citizens' groups view involvement in PRSP preparation as 'participation for validation'. since PRSP policies must conform to the requirements of the IMF and World Bank. In its study of PRSPs, the US government watchdog agency, the General Accounting Office (GAO) found that PRSP policies, which are presumably 'owned' by the government are essentially the same as those imposed by the IMF and World Bank.

In this PRSP era, the loan negotiation processes are as murky as ever. In parallel with PRSP preparation, governments secretly negotiate the terms and conditions of adjustment loans with the IMF and World Bank. Citizens' groups and parliaments or congresses (where they exist) are demanding transparent processes for negotiating the loans that they will, ultimately, work to repay.

The PRSP process gives the appearance of transferring ownership from the institutions to the borrowers. In effect, the PRSP process diminishes the potential liability and accountability of the institutions while ceding little, if any, power to the borrower. The backlash against secret structural adjustment processes will grow until such processes are transparent and accountable to the people they purport to serve. That is, until the US and the lending institutions release some reins of power.

Cotonou Agreement: trail-blazing or treading a well-worn path?

Louise Hilditch, ActionAid

The Cotonou Agreement is the latest in a series of Agreements dating back to 1967 between African, Caribbean and Pacific (ACP) countries and EU member states.[1] Adopted in Cotonou in June 2000, it covers political cooperation, trade cooperation and aid over a 20-year period, with five-yearly reviews. The Agreement contains a number of innovations – the formal commitment to involve 'non-state actors' in development processes, rolling programming intended to allow a more efficient and relevant use of resources, and a new trade regime based on reciprocal economic partnerships, which are due to be negotiated by 2008. Obligations are mutual and political as well as trade-related. The Agreement is intended to be flexible enough to allow for differentiation between countries at different levels of development and to take account of the particular needs of, for example, land-locked or island states.[2]

European Community (EC) aid, which is managed by the European Commission, has always prided itself on its absence of political and historical baggage, and its disinterested approach. This, it claims, means it can reach the parts that Member States cannot reach. Its implementation of the Cotonou Agreement will be a test of this claim. Although the Agreement is predicated on notions of partnership and ownership, it contains a significant number of direct or indirect conditions that ACP countries are expected to meet in their cooperation with the EU.

Although conditionality is more often associated with economic conditions imposed on World Bank and IMF borrowing, it refers equally to the imposition of political conditions and more subtle and less direct forms of influence. The practice of tying aid to donor-country contractors, ensuring that most aid never even leaves donor countries, is an example. So is the pervasive use of expensive donor-country technical experts and consultants.

The conditions within the Cotonou Agreement appear to fall broadly into economic, political and what might be termed, 'practical' categories. Taken together they have the potential to add up to rather less than an equal partnership. Since the Agreement was adopted only in June 2000 and as it is intended to govern ACP-EU cooperation for 20 years, it is premature to pass judgment on its application. However, one can draw attention to some of the key areas of conditionality, with a view to monitoring implementation more effectively.

Its comprehensive nature, together with its professed basis in partnership may appear to set the Cotonou Agreement apart from other agreements between a set of donors and a group of developing countries. Commissioner Poul Nielson has described the partnership aspect of the agreement as 'a concrete model of…modern development cooperation arrangements'.[3] However, recent events do not entirely bear this out, which is disturbing in view of the fact that the Agreement is in its infancy.

The most glaring example of this is the European Commission's recent announcement of its contribution to the Global Health Fund at the G8 in Genoa in July 2001. Without consulting its ACP partners, without whom no release of funds is possible, President Romano Prodi nevertheless proposed that fully half of the Community contribution to the GHF in 2001 be made up of European Development Funds (EDF). For the ACP side this cavalier approach to partnership is at the root of many tensions in the relationship and was in evidence throughout the negotiations leading to the adoption of the Agreement.

According to Moses Tekere, Director of the Trade and Development Studies Centre and Lecturer in economics at the University of Zimbabwe, the negotiations on the overall agreement were conducted in a very unequal manner, precisely because the EU was able to hold out the promise of a substantial aid package. In two of the most contentious areas under negotiation – the inclusion of the concept of good governance and the trade package – the ACP reluctantly conceded to the EU position only to discover that the aid package announced was disappointing. Tekere claims that: 'The EU employed the tactics of cross-conditionality by tying aid provisions, its size and conditions to ACP accepting reciprocity in trade. Being the recipients of aid, the ACP had no teeth or bargaining power.'[4] Although the EU argued that the new trade arrangements were essential since the previous trade regime under successive Lomé Conventions had failed to deliver the expected outcomes, it would appear to have left some bad feeling between the two partners. ACP countries do not believe that the concessions they felt compelled to make during the negotiations, on the promise of a substantial aid package according to Tekere, were matched by the eventual aid package that the EU announced once the negotiations were completed.

PRSPs and partnership

Embedded in the concept of partnership, it might be thought, is the notion that economic governance lies with the national government. In theory, the EC decision to deliver aid under the Cotonou Agreement through Poverty Reduction Strategy Papers (PRSPs) is a practical and constructive approach that should simplify life for under-resourced Ministries in ACP countries. But while the idea behind PRSPs is that they should be free of conditions, and nationally led, developed and owned, the experience of civil society and indeed Southern governments to date has not been universally positive. A recent paper by WDM states that 'government ownership of PRSPs is weakened by the continued influence of the International Monetary Fund and the World Bank' and that 'the actual policies included do not have clear poverty reducing consequences….The core macro-economic elements have changed little from the old structural adjustment programmes with a continued adherence to privatisation, liberalisation and a reduced role for the state.'[5]

A key issue is whether Commission reliance on PRSPs as a mechanism will improve or reduce the quality of EC aid. While there is some acknowledgment of this in the Commission, it is clear that if developing countries want significant external official funds, they will need to agree to PRSPs and the economic conditions they entail. And while the Commission declares itself in favour of fewer economic conditions and a more outcome-orientated approach,[6] political conditions are unashamedly front and centre of the Agreement.

Seemingly logical their application has not always been even-handed. The 'essential elements' of ACP-EU cooperation are contained in Article 9 of the Cotonou Agreement. These elements also featured in Lomé.

Article 9 states that 'Respect for all human rights and fundamental freedoms, including respect for fundamental social rights, democracy based on the rule of law and transparent and accountable governance are an integral part of sustainable development.', and later:

'Respect for human rights, democratic principles and the rule of law which underpin the ACP-EU partnership, shall underpin the domestic and international policies of the Parties and constitute the essential elements of this Agreement '.

Article 9 also addresses 'good governance', which was a major bone of contention between the two parties throughout the negotiations. It defines good governance as the 'transparent and accountable management of human, natural, economic and financial resources for the purposes of equitable and sustainable development'. This includes clear decision-making by public authorities, primacy of law and efforts to combat corruption.

The final compromise between the partners to the Agreement sees good governance referred to as a 'fundamental' rather than an essential element. It is also clearly stated in the text that 'only serious cases of corruption including acts of bribery leading to such corruption, as defined in Article 97 [on consultation and eventual suspension procedure] constitute a violation of that element.'

The introduction of good governance, understood as the absence of corruption, is not the only new feature. What is also new is the way in which the suspension methods are to be applied. Whereas under previous Agreements the decision to launch a procedure or not has been more overtly political, in the case of the Cotonou Agreement – in theory at least – the suspension procedure will be launched systematically whenever a country has violated one of the essential or fundamental elements. Only time will tell whether this will prove to be the case.

'Practical' conditionality refers to the extent to which the EU half of the partnership influences the selection of areas of support under Cotonou. The ACP country is responsible for drawing up the Country Support Strategy (CSS) with input from the Commission Delegation and donors in-country. This is then sent to Brussels, where the Quality Support Group, a high-level group of European Commission officials, examines each dossier on the basis of comments from sectoral expert officials before it is sent to the Member State Committee, which is responsible for approving CSSs.

The idea is to ensure that CSSs are in line with the EU's approach to development and the country's own analysis of what is required. The EU's joint development policy statement with the Commission articulated the EU's approach to development policy and at the same time, outlined the areas where the Commission should focus its development efforts in the future.[7] The six areas are:

- trade and development;
- regional integration and cooperation;
- support to macroeconomic policies, with an explicit link to poverty reduction strategies, especially in the education and health sectors;
- transport;
- food security and sustainable rural development; and
- institutional capacity building, good governance and the rule of law.

At the same time, support under the Cotonou Agreement is intended to focus primarily on two sectors, so as to avoid dissipating the EC's development efforts. These two sectors must be drawn from the six areas of activity listed above. At this early stage of Cotonou's development, there are real concerns that despite the renewed emphasis on poverty, the EC's portfolio will continue to be focused on large infrastructure projects at the expense of support that has a direct impact on poverty eradication. The balance of expertise within the Commission (favouring infrastructure rather than the social sectors), the relative ease with which funds can be disbursed in this area and the large industrial lobby in support of such projects, make it unsurprising that almost half of available funds are currently earmarked for transport.

Conservative estimates put the cost of universal primary education at US$9 billion per year and an effective Global Health Fund at US$10 billion a year. Much of the need is in Sub-Saharan Africa. In view of the severe financing gaps in sectors that have the greatest impact on poverty eradication, it seems strange for the EC to put so much into transport.

Although only two CSSs were officially approved by the beginning of September 2001, between 40 and 50 were expected to be approved by the end of the year. Of those countries where draft strategy documents exist, 85% of available resources have been earmarked, with 37% being committed to transport versus a mere specifically 10% for education and health. Whilst more of the available funds (from the 85%) will be allocated to social sectors via macro economic support, the relative importance being allocated to social sectors and transport appears skewed.

The final point with respect to ACP-EU partnership and conditionality is in relation to the obligations that the EU side must meet. The European Development Funds (EDF), through which the Cotonou Agreement is financed, provide for more than •20 billion $20 billion) up until 2007. This comprises the financing package announced at the conclusion of the Cotonou negotiations, together with rolled-over, unspent Lomé funds from previous years. On average, the Commission therefore needs to spend around •3 billion per year – or the agreement will amount to little. However, reorganisation within the Commission services (AidCo is the new agency responsible for disbursing external aid) has so far failed to make much impact on the lamentably low levels of disbursement that characterise EC aid. Indeed, the most recent figures available for EDF spending in 2001 indicated that the Commission had spent only 41% of anticipated expenditure up to May 2001. It will require Herculean efforts to catch up on disbursement in the rest of the year – and the Commission record to date is not encouraging.

Principles must be put to the test

While the Cotonou Agreement contains some very positive elements, including more flexible programming and broader participation in the Agreement, vigilance will be required to ensure that the much-vaunted principles of partnership are actually implemented. For example, although there is a requirement to include NGOs, local government, trades unions, the private sector and other stakeholder groups in development processes – and even a fund available under the Agreement to facilitate this involvement – this is one aspect that is not actually a *condition* of cooperation. There are no sanctions for countries that fail to include non-state actors in the development process and no danger of having cooperation suspended for failing to respect this Article of the Agreement. The decision to work within the PRSP framework, while it may be constructive in principle, risks increasing ACP countries' exposure to unnecessary and even harmful economic conditions that will not have a positive impact on poverty eradication. The EU should, therefore, reconsider this decision and in the meantime, work for genuine ownership of PRSPs rather than falling in with the latest international orthodoxy.

Notes

1 For discussions of earlier ACP/EU framework agreements under successive Lomé Conventions, see earlier Reality of Aid Reports at www.realityofaid.org

2 For a comprehensive briefing on the contents and implications of the Cotonou Agreement, refer to the Cotonou Infokit produced by the European Centre for Development Policy Management. Available at www.oneworld.net/ecdpm/en/cotonou/index.htm

3 Speech by Mr Poul Nielson European Commissioner for Development Cooperation and Humanitarian Aid ACP-EC Partnership Agreement ACP-EC Partnership Agreement, Signing Ceremony Cotonou, Benin, 23 June 2000 available at **www.europa.eu.int/comm/commissioners/nielson/speech/index-en.htm**

4 African Agenda Vol 3. No. 3 2000, p.8

5 *Policies to roll back the state and privatise? Poverty Reduction StrategyPapers investigated,* World Development Movement, April 2000, p.1.

6 Interview with B Petit, Director, DG Development, September 2001

7 The European Community's Development Policy, Statement by the Council and the Commission, Brussels 10 November 2000. Available from www.europa.eu.int

Partnership and poverty-focus in tension: a donor case study

ActionAid UK

Since the UK government's 1997 White Paper, *Eliminating World Poverty*, the UK's Department for International Development (DFID) has committed itself to poverty reduction as its sole overarching objective.

DFID has adopted the International Development Targets and the Millennium Development Goals (MDGs) as a core mobilising framework, to be pursued through support for nationally owned poverty reduction strategies. The UK Government has become a strong advocate for reform of development assistance with a renewed focus on 'systematic poverty reduction in ways that support local ownership and transparency and eliminate mixed motives and unnecessary transaction costs.' [1]

Under a new Public Service Agreement (PSA), which sets out DFID's global priorities for 2001 to 2004, DFID's first objective is 'to reduce poverty through the provision of more focused and coordinated development assistance by the international community to low and middle income countries'. Under the PSA, DFID has committed to an increased focus on poor countries and 'particularly those with effective governments pursuing high-growth and pro-poor economic and social policies'.[2] This reflects the considerable influence within DFID of the 1998 World Bank report, *Assessing Aid*, which suggests that aid works best in reducing poverty in poor countries with 'good' economic policies and institutional structures.[3] According to Sir John Vereker, DFID Permanent Secretary, 'there is an increasing willingness…to target resources where they will have most effect. This means focusing financial resources on poor countries where there is genuine commitment to reform'.[4] An increasing percentage of DFID's bilateral programme is therefore to be channelled towards poor countries, particularly those with 'favourable policy environments'.[5] According to DFID's most recent annual report:

'Economic growth is essential for poverty reduction. It depends on having sound, market-based policies, which promote investment and deliver effective macroeconomic management. This means a continued commitment to economic reform and liberalisation. Well functioning markets require a strong foundation of effective governance institutions.'[6]

Selectivity, then, is the model that the UK has adopted in order to pursue the dual objectives of greater recipient ownership of development processes and a strong poverty focus to its bilateral aid programme. DFID has dropped the language of conditionality in favour of 'partnership': the aim now is to pursue dialogue and implementation of shared objectives with selected governments with whom they share a commonality of purpose and which have an effective policy framework or commitment to develop one.[7]

This is, in essence, is a merit-based system of positive conditionality: increased support for 'partner' governments with the right policies and commitment to poverty reduction, and, by implication, less for those with poor governance standards and little demonstrable interest in tackling poverty. In its most recent annual report, DFID argues that 'The quality of governance is critical… Where governments are unrepresentative, ineffective and where corruption is endemic, economic growth and development suffer'.[8] DFID's aid to countries with a high incidence of poverty but poor government commitment to poverty reduction is generally restricted and disbursed in ways that enable DFID to maintain close control or bypass the government altogether (see, for example, DFID's engagement in Nepal, as described in Box 11). For recipients who seriously transgress minimum accepted standards of governance and respect for human rights, there is the threat of government-to-government aid being frozen or cut altogether.

Rewarding past performance

The rewards and penalties for performing and non-performing countries are reflected in DFID's overall allocations to individual countries. For instance, Ethiopia received only about £7 million (about US$10.6 million) in bilateral aid from the UK last year, and nearly half of this was in the form of humanitarian assistance; no money was channelled to the government in the form of project, sector or programme aid.[9] By contrast, Uganda, the UK's front-running 'well-performing' partner, received more than £90 million in UK bilateral aid, of which 80% was channelled to government, and only half a million of which was humanitarian assistance. Similarly, Ghana received £52 million, of which only a tiny proportion was humanitarian assistance.[10]

DFID's aid programme to Kenya has fluctuated considerably over recent years in volume and form, reflecting uncertainty over the government's degree of commitment to poverty reduction and reform.[11] A key challenge for this policy of selectivity, of course, is how to identify *potential* pro-poor partner governments. Sir John Vereker has specified four key areas of reform that define a 'favourable policy environment':

- Economic and fiscal reform, which means managing the economy to secure sustainable growth;
- Social reform, to ensure that resources are allocated to maximise benefits for people living in poverty;
- Democratic, accountable government, to ensure that reform is sustained;
- Anti-corruption measures, to ensure that scarce public resources are not diverted.[12]

DFID may be ahead of many other development agencies in terms of working out what is meant by 'pro-poor' growth and including liberalised trade and macroeconomic efficiency, better regulation, fair competition, transparency and accountability.[13] But it is not clear whether, in practice, DFID applies any firm and consistent criteria to its assessment of recipient countries' political and economic and social policy environment.

On the economic side, DFID bilateral aid policy is still flanked to a great extent by IMF and World Bank economic conditionalities. Thus, a partner government may be free to lead policy in particular sectors and develop poverty reduction strategies in partnership with DFID and other donors, but it will continue to be controlled by broader IMF conditions in overall levels of public spending, and supporting policies to ensure macro-economic stability. While the UK emphasises the economic conditions/reforms necessary as a precondition for partnership, political governance issues have been more prominent in recent decisions taken by the UK to postpone, restrict or cease bilateral aid to particular governments – e.g. in Ethiopia (during the conflict with Eritrea), Pakistan (following the military coup) and Kenya (due to the government's faltering commitment to reform).

A major problem that DFID faces in selecting development partners is that the world is not neatly divided into well-performing and poor-performing countries, and many countries may be performing well in some respects and badly in others. Uganda, for example – one of DFID's most important partner countries – has a very good record on poverty reduction, but a shakier record on governance and human rights with regard to its military involvement in the Congo conflict. In Pakistan, the regime that seized power in October 1999 had transgressed governance conditions by staging a military coup but, following the coup, it had some prospect of introducing more effective pro-poor reforms than the previous (democratically elected but very corrupt) government. The lack of explicit assessment criteria to support the policy of selectivity leaves some room for subjective and possibly arbitrary decisions over allocations, and creates space for other considerations, such as diplomatic concerns, to creep in. For example, the UK's renewal and enhancement of aid flows to Pakistan immediately following Pakistan's pledge to support the US and UK military campaign in Afghanistan – while hardly surprising – raises obvious questions about the standards and consistency that DFID applies to assessing the governance credentials of recipient governments.

It is probably inevitable that efforts to prioritise economic and social rights in recipient countries – now a clear priority for DFID – will come into conflict with counter pressures for tighter conditionalities with regard to civil and political rights. DFID has come under attack from several human rights organisations recently over its failure to apply stronger political conditions in its treatment of Uganda and Rwanda, due to concerns over these countries' continuing involvement in the conflict in Eastern DRC and evidence of human rights abuse in parts of DRC under their military control. On the other hand, DFID has been fiercely criticised by humanitarian agencies for, they claim, applying political conditions to the disbursement of emergency aid in Sierra Leone, Afghanistan and Yugoslavia. While the UK Government has rejected this charge, DFID's most recent annual report states that it 'responded to the change of government in Yugoslavia in late 2000 by providing a £10 million package of immediate humanitarian assistance to provide food and medicines for the winter period'.[14]

The overall shortage of governments and sectors ready for partnership means that aid allocations could become distorted in ways that undermine DFID's ultimate objective of reducing global poverty and achieving the MDGs. There are obviously dangers of donor resources becoming over-concentrated in particular sectors and countries in ways that might undermine the sustainability and local ownership of the policies and institutions concerned, or that might divert resources away from certain key 'sectors', such as natural resources, that do not have clear institutional representation in the public sector. There is also a risk of complacency in a policy that focuses resources in 'good-performance' sectors and countries where it is easier to achieve positive impacts, when one of the greatest obstacles to achieving the MDGs is mass poverty in the majority of the poorest 'poorly performing' countries where 'partnership' just isn't a feasible option for donors.

Probably recognising these problems, the UK has abandoned any exclusive focus on ideal partnerships to allow for a more pragmatic approach to engagement in environments where full partnership is either not preferable or possible.[15] In these contexts, DFID has opted for a selective approach, seeking to work with those parts of government (including sub-national levels) that are undertaking reforms and where it considers its support is most likely to make a difference, and/or trying to engage through non-governmental organisations and wider civil society (see Box 11). Last year, DFID created new 'Policy and Performance Funds' for Africa and Asia to introduce greater flexibility into the allocation of resources to well-performing or improving countries or institutions; for example, in 2000, when prospects for reform appeared relatively favourable, DFID allocated £28 million (about US$42.4 million) to Kenya from the Africa Fund in support of a new government commitment to poverty reduction.

Where the development context is very poor due to severe governance problems and/or violent conflict, DFID tries to remain engaged through support for local and international non-governmental organisations, institution-building and support for conflict reduction and prevention efforts. Working in partnership with the UK's Foreign and Commonwealth Office and Ministry of Defence, DFID aims to deliver 'coherent, complementary policies and interventions in order to defuse tensions, reduce violence, tackle the factors that underlie armed conflict and build governments and institutions capable of sustaining peaceful and democratic societies'.[16] Continuing engagement in these difficult policy environments is essential if any real progress is to me made towards achieving the Millennium Development Goals. However, like other donors, DFID still faces very severe challenges in attempting to translate its policy aspirations into comprehensive and effective poverty reduction strategies in these contexts.

Where partnership is considered possible, DFID's preference is to channel resources through governments' own systems. Indeed, the UK has become one of the most active bilateral promoters of direct budget support (DBS), on the grounds that it enhances the ownership, effectiveness and accountability of poverty reduction efforts in partner countries. So far, DBS accounts for around 20% of DFID's bilateral country programmes. The UK is committed to increasing the proportion of its aid that is channelled through partner government budgets (see Box 12) but this depends on partners having sufficiently robust and transparent financial planning and other administrative processes in place. An increasing proportion of DFID-supported technical assistance is, therefore, focused on strengthening the systems to support DBS, in both existing and potential partner countries and institutions, and among donors.

As a key step towards achieving greater partner control of development resources and facilitating sector and budget support, and sending a powerful message to other donors that it means to honour its promises in this respect, the UK government took the crucial step of removing all tying restrictions from its bilateral aid programme, with effect from 1 April 2001. As argued by Clare Short, the UK Secretary of State for International Development, aid tying 'makes effective coordination much more difficult…It wastes money, it distorts objectives and makes more difficult the great increase in effectiveness that an output-driven international development system could give us'.[19]

There are risks associated with budget support, of course, which are recognised by DFID. These include the possibility that the partnership approach will become centrally driven and technocratic, and that, as a consequence, the priorities and perspectives of local stakeholders, including people living in poverty, will be marginalised[21] . While sector and budget support have the potential to strengthen partners' ownership of development programmes, they do not guarantee a poverty focus in those programmes, and they do not ensure that impoverished communities will be directly involved in the development of policies and programmes that will affect them.[22] For this reason, the UK is very

Box 11. Pragmatic approach to choosing partners

DFID's pragmatic approach to engagement with government in countries where full partnership hasn't been established is reflected in its programme in India, where DFID focuses its engagement at state rather than national level. DFID's programme in India is built around partnerships with the State Governments of Andhra Pradesh, Madhya Pradesh, Orissa and West Bengal. DFID reports that, by working at state level, it is ' able to have a more substantial impact in India and, with other development agencies, is able to encourage and support reform – State Governments in India are responsible for setting and implementing many key development policies and are key agents of change and reform.'[17]

Where it is difficult or impossible to establish partnerships with any part of government, DFID's engagement is far more restricted and selective, working primarily with NGOs and civil society. In Nepal, for example, DFID is supporting an Enabling State Programme, aimed at governance reform, 'working with the Nepalese on their own ideas for governance change', and aiming 'to foster the development of new influential Nepalese who will advocate change'. By DFID's own admission, 'This approach will take a long time – at least a decade. But if it is successful, the country will be ready to undertake real locally-owned policy and institutional change.'[18]

Box 12. Sectoral budget support favoured

DFID is seeking to channel more bilateral funds through government or individual ministry budgets in partner countries with sufficiently robust budget processes and strong accountability mechanisms.

For example, in Mozambique, DFID is one of a number of donors providing direct financial assistance to the government's budget to support its PRSP priorities. DFID is simultaneously in dialogue with the government to try to encourage better management and transparency in government financial accounting.

In Tanzania, DFID has funded the Poverty Reduction Budget Support Facility, a new multi-donor mechanism to provide budget support and finance poverty-focused government expenditure.

In Uganda, DFID has provided budget support to implement Uganda's Poverty Eradication Action Plan. DFID has also invested £67 million (US$101.5 million) in Uganda's education sector over five years (1998-2003). Alongside six other donors, DFID channels aid through a consolidated fund managed by the Government of Uganda.

In Malawi, DFID is supporting the Ministry of Education's Policy Investment Framework to the tune of £63 million (US$95.4 million) over the next five years.[20]

concerned to see SWAps and DBS linked very closely to robust and inclusive (partner-led) Poverty Reduction Strategies (PRS), and to have its own country strategy processes tied into country-led poverty reduction processes.

Indeed, the UK has become something of a champion of PRS processes and sees itself as a key player in ensuring that poverty reduction strategies are nationally owned and fully participative. The UK has therefore adopted an explicit influencing agenda towards the international financial institutions (IFIs), with the chief objective of promoting poverty reduction to the highest priority of multilateral policies towards developing countries, including through the Comprehensive Development Framework and Poverty Reduction Strategy Papers (PRSP). DFID has been working with a number of countries to help them produce strong Poverty Reduction Strategy Papers. In Rwanda, for instance, the UK has pledged £63 million over the next three years to the government's central budget to help (among other things) with the development, implementation and monitoring of a new PRS.[23]

DFID's approach to PRSPs is summarised in the internal guidance paper, *Poverty Reduction Strategy Papers: DFID Expectations*. The emphasis is very much on the *process* dimensions of PRSPs. Thus, for DFID, the Poverty Reduction *Strategy* – which is approved by domestic governance structures and for which the government is accountable to its citizens – is probably more important than the final strategy paper. Participation is central to DFID's concept of process in this context. As set out in two DFID Strategy Papers published last year – *Realising Human Rights for Poor People* and *Halving World Poverty by 2015: economic growth, equity and security* – a central priority for DFID is to ensure that poor people are consulted in discussions about policies that might affect them. This, in turn, reflects an inclusive concept of 'ownership', which extends beyond central government to include a wide range of stakeholders at different levels, who should be enabled to participate in the development and implementation of national poverty reduction strategies. For this reason, DFID has been keen to channel resources into supporting the participation of a wide range of stakeholders in PRS processes. In Mongolia, Kenya, Rwanda and Uganda, for instance, DFID has supported participatory poverty assessments to feed into and inform national PRS processes. It is not entirely clear how effective and genuinely participative these processes are [24] but DFID is certainly committed to trying to strengthen and improve broad stakeholder participation.

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There is an underlying tension, which is doubtless acknowledged by DFID, between its dual concern with poverty reduction and ownership. The two do not automatically go hand-in-hand, and DFID's efforts to ensure poverty focus in policy processes that it seeks to support can easily result in forms of 'soft' conditionality that implicitly undermine local ownership. Andrew Norton and Bella Bird quote a DFID official admitting that:

> *'Partnership requires overlapping objectives, but they will not usually coincide totally, and we often have an agenda of our own which we are trying to persuade our partners to embrace. This need not be a hidden agenda: it will usually aid understanding to be quite open about it, and negotiate a common programme which tries to reflect the different preferences of partners.'* [25]

Reconciling livelihoods with sector support

One area where this tension has been particularly obvious is in relation to debt relief. The UK government has been instrumental in linking debt relief for Highly Indebted Poor Countries with national PRS, so as to ensure that the benefits of debt relief will directly benefit people living in poverty. Already, of course, the PRSP is a key requirement for countries hoping to access DFID and other donor support. By linking PRS directly with HIPC debt relief, the timetables and conditions of the external donor community bear down even more directly on national poverty reduction processes. DFID's imposition of its own timetable under its Public Service Agreement to achieve PRS in all IDA countries by 2004 could conflict with the intention to build on genuinely local poverty reduction processes.

The difficulty of reconciling the goals of poverty reduction and local ownership is also reflected in the tensions between DFID's approach to sector support and a second core policy priority – the 'sustainable livelihoods' approach. Whereas DFID's approach to sector-based partnership emphasises and supports macro-level policy and planning processes led and controlled by dominant state institutions in discrete sectors, the livelihoods approach stresses that people do not live in sectors. Rather, it encourages dynamic, people-centred multi-sector and cross-sectoral working at the local level, and a focus on the full diversity of strategies by which people living in poverty sustain their livelihood. Whereas the partnership approach encourages poverty reduction through direct sectoral 'social expenditures' (education, health, etc.), the livelihoods approach highlights the need to support and facilitate people's access to a wide range of assets and services, including markets, equitable justice systems, etc. Whereas sector support encourages local ownership, it may not guarantee poverty focus. The sustainable livelihoods approach, on the other hand, is implicitly poverty-focused, but does not necessarily encourage local ownership.

DFID recently commissioned a study into the potential for using livelihoods approaches in PRSPs[26]. It concluded that if partnerships and sector support were to replace project-based aid, the scope for introducing sustainable livelihoods approaches would depend on persuading partner governments of their merits, considering that DFID's new role is to influence and support partner government strategy.

The key to integrating the two approaches – and thereby helping to reconcile the tensions between ownership and poverty focus that run through much of DFID's current programming – is likely to be through encouraging the incorporation into nationally-owned PRSP processes of the core principles and methods that define the livelihoods approach. These are that policy and interventions are sustainable, people-centred, responsive and participatory, multi-level, dynamic and conducted in partnership. The strongest model for this type of approach to PRS processes is currently provided by Uganda's Plan for the Modernisation of Agriculture, which used livelihoods analysis to help identify those living in greatest poverty and define strategies to help them overcome it (see Box 13). The key challenge for DFID will be to replicate this model in other countries and contexts.

DFID has shown it is committed to strengthening the local ownership of development and poverty reduction programmes in recipient countries through a shift to channelling resources through government systems and more positive forms of conditionality,

Box 13. Livelihoods approach to poverty reduction in Uganda

In Uganda, DFID helped the government to design its Plan for the Modernisation of Agriculture (PMA) using livelihoods approaches. The PMA represents a key component of the national strategy for eliminating poverty (Uganda's PRS). Since 1998, the PMA has been coordinated by the Ministry of Finance. Although it exhibits many features of a livelihoods framework, this has arisen principally through the government's enhanced understanding of poverty rather than through DFID's explicit promotion of the sustainable livelihoods framework. The Plan seeks to strengthen decentralisation by empowering local government and rural people. Implementation of the PMA should give impoverished communities greater control over the use of public resources, and will provide new mechanisms by which policy and action at the centre is informed by those living in poverty. The PMA has supported the transfer of financial resources on a non-sectoral basis to local government, with incentives to allocate funds on the basis of the priorities of local communities.[27]

supporting partnership with governments committed to pro-poor reforms. But if this policy of positive conditionality and partnership is to be combined with substantive progress towards achieving the MDGs, DFID needs to continue to address how it and other donors can effectively tackle mass poverty more effectively in difficult policy environments where partnership is not an option.

Notes

1 Department for International Development (DFID), *Departmental Report 2001*, CM 5111, London: HMSO, 2001, p.14.

2 DFID's Public Service Agreement and Service Delivery Agreement for 2001-2004 can be accessed on the DFID website: www.dfid.gov.uk

3 World Bank, *Assessing Aid: What Works, What Doesn't and Why?*, Washington DC: World Bank, 1998. See also D. Dollar and C. Burnside, *Aid, Policies and Growth*, Policy Research Department, Washington DC: World Bank, 1997.

4 'Reducing World Poverty: the Key to Stability and Progress', address by Sir John Vereker KCB, Permanent Secretary, DFID at The House of Representatives, Washington, Tuesday 18 April 2000.

5 DFID's Public Service Agreement 2001-2004, Objective I.

6 DFID *Departmental Report 2001*, p.32.

7 Aiden Cox et al., *DAC Scoping Study of Donor Poverty Reduction Policies and Practices*, Paris: OECD, 1999, p.xxxiii.

8 DFID *Departmental Report 2001, p.35.*

9 DFID had been running a £4-7 million per annum core programme in Ethiopia in the mid-1990s and were planning to provide sector aid. DFID put these plans on hold when the war started with Eritrea, but continued providing technical assistance. DFID are now resuming plans to step up aid to Ethiopia.

10 DFID Departmental Report 2001, Annex 3, Table 1, 'Bilateral Aid by Country 1999/2000..

11 See *Statistics on International Development 2001 Edition,* Table 7.1, London:DFID, 2001 (can be accessed on the DFID website: www.dfid.gov.uk).

12 Address by Sir John Vereker KCB, Permanent Secretary, DFID, at the India State Reform Forum 2000, New Delhi, 23 November 2000.

13 Cox et al., *op cit.*

14 Ibid., p.108.

15 Cox et al., *op cit.*, p.84.

16 DFID *Departmental Report 2001, p.88.*

17 Ibid., p.103.

18 Ibid., p.104.

19 'Disposing of a Dinosaur', address by the Rt. Hon Clare Short MP at the Adam Smith Institute, London, 2 December 1999.

20 *Ibid.*, pp.96-97 and p.82.

21 Andrew Norton and Bella Bird, *Social Development Issues in Sector Wide Approaches*, Social Development Working Paper No.1, London: Social Development Division, DFID, 1998.

22 Cox et al., *op cit.*

23 DFID *Departmental Report 2001*, p.33.

24 Cox et al., *op cit.*

25 Quoted in Andrew Norton and Bella Bird, *op cit.*, footnote.

26 Andrew Norton and Mick Foster, *The Potential of Using Sustainable Livelihoods Approaches in Poverty Reduction Strategy Papers*, London: Overseas Development Institute, July 2001.

27 DFID *Departmental Report 2001*, p.58; and Andrew Norton and Mick Foster, *op cit.*, p.15.