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1 Introduction

Poverty Reduction Strategy Papers are five years old. It is six years since the Enhanced Highly Indebted Poor Countries Initiative (HIPC2) placed on the international agenda a new type of donor conditionality, requiring governments to prepare, and hold public consultations about, comprehensive three-year plans for improving their performance in reducing poverty. And it is five years since the first wave of PRSP processes was completed. This makes it a good moment to ask: what have we learned from this experiment?

I use the word ‘experiment’ deliberately. It is intended to suggest a particular perspective on the experience initiated in 1999, one that may be contrasted with two other approaches: the cynical one that sees in PRSPs only an attempt by the World Bank and IMF to refurbish their image and reinforce their position as dominant actors in the world’s poorest countries; and the naïve one that accepts at face value the claims commonly made about ‘country ownership’ of PRSP policies and the alignment of aid around those policies. Two central points are captured by the concept of PRSPs as an experiment, and missed by the other approaches.

On the one hand, the core PRSP idea – namely, that it might be possible to elicit greater commitment to equitable and efficient development policies by obliging governments to debate their policies openly with other actors in their countries – did not arise casually. It was the response to an objective, long-standing and fairly well-understood problem. With a few significant exceptions, the policies supported by concessional lending institutions and development cooperation agencies in the poorest countries had not been implemented in sustained and consistent ways, and a massive body of research suggested the root problem to be lack of local commitment. Policies were not ‘owned’, even by the governments that nominally approved them and certainly not by organised political and interest groups in the wider society.

On the other hand, changes in the thinking of political leaders and their supporters are not usually the sort of thing that can be ‘engineered’ by actors who are external to the country in question, except perhaps in situations of extreme economic or political breakdown. Therefore the ‘core PRSP idea’ must be regarded as uncertain – worthy of being described either, pessimistically, as a last-ditch gamble or, more optimistically, as a rather bold venture into uncharted territory. Calling the PRSP initiative an experiment seems a reasonably neutral way of communicating the observation that this was a process whose results could not be fully known in advance.

The PRSP experiment is not yet over. The ‘second generation’ processes that have occurred in a number of countries are in several respects more promising than those of the first round (Driscoll with Evans, 2005). This is partly because the direct link to HIPC approval processes has gone, but also there has been some genuine learning and innovation in some countries, notably about the form of public consultation that supports critical policy thinking. It is good, in this sense, that the 2005 Review of the PRSP Approach by the World Bank and IMF (2005) provides renewed support for the initiative, suggesting improvement within the broad framework of concepts and procedures that has been established since 1999. At the same time, it is not too early to ask what the experience so far tells us about the original hypothesis, and to try to extract the policy implications.

This needs to be done boldly and without too many concessions to the current etiquette of the aid business. It is not clear that the Bank and Fund staffs, with their heavy involvement in the mechanics of the process have sufficient critical distance to see and state what is not working. Other

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1 Readers may believe they recognise in this an ‘ODI view’ of the PRSP initiative. In fact, ODI does not have a corporate viewpoint, and PRSPs divide opinions within the Institute as they do in other organisations. At the same time, this basic perspective does inform several ODI publications on the subject, which provide between them much of the source material for this paper: Booth (2003), Christiansen with Hovland (2003), Piron with Evans (2004) and Driscoll with Evans (2005).
donors, now preoccupied with their commitments, renewed in Paris in February-March 2005, on harmonisation of aid programmes and alignment country-led policies and systems, are also not in a frame of mind where hard questions about the fundamentals of policy ownership are easily faced. It is true that some donor agencies have become more interested than they were in understanding domestic politics and the political economy of state formation in the countries where they work. But it remains still to be seen how far even the more politically informed agencies will allow the conclusions of this type of analysis to drive what they do.

With those preliminary remarks in mind, the rest of this paper tries to address three questions:

- What has been learned about the feasibility of ‘engineering’ commitment to poverty reduction? And what does this imply?
- Could development cooperation do better within the PRSP framework, and if so how?
- What else might be worth a try? In particular, what might be done by Northern governments, outside the PRSP framework, to improve the results from aid-supported PRSPs?
2 What has been Learned?

2.1 The broad picture

There is not exactly a consensus among the various studies, reviews and evaluations of PRSP processes and outcomes that have appeared in the last few years. Anyway, I would not pretend to be able to summarise the nuances and points of agreement and disagreement in this literature as a whole. However, I believe that, cutting across the different judgements on specifics, there is an important measure of convergence on two points:

PRSPs have been associated with some worthwhile improvements in policy processes, especially in countries that were already moving in the direction of greater results’ orientation and accountability;
these improvements are modest in character even in the best cases, and still fall far short of what is really needed: namely, local generation of high-quality policy thinking around poverty-reduction goals and arrangements for ensuring the corresponding action.

If this is a fair summary, it is already quite a sobering judgement on the gains made five years into the experiment. What are the factors that seem to account for the limited character of the progress?

Not all of the recent studies attempt to answer the deeper questions, but those that do tend to agree that the ‘buy-in’ to the PRSP process is mostly technocratic – that is, restricted to quite a small number of strategically placed officials. Fundamental political interactions and change processes have not been much affected, even in countries such as those of East Africa where political rhetoric at election times does not steer entirely away from the topic of poverty.

Several factors have been found to influence the degree to which the PRSP becomes an important factor in the allocation of resources and the provision of incentives within government systems:

- whether there are sector working groups or something equivalent that set priorities and guidelines based on experience and evidence of what works and what doesn’t in particular fields of policy;
- whether the budget process has been reformed so that it is a) trustworthy, b) based on policy objectives, and c) linked to the PRSP by definite criteria and procedures;
- whether incentives in the public service and local government have shifted in such a way that capacities to make and carry out public policies have stopped declining and begun to develop in a positive way.

There are plenty of examples suggesting that improvements in any of these areas help a PRSP to give new direction to country efforts and to provide, as a consequence, a focus for greater and more harmonised donor support. There are also some suggestions that the existence of a PRSP has, in its turn, been a motivator of better sectoral policy thinking, and renewed efforts at reform of public financial management. On the other hand, research and evaluation work suggests that lack of political buy-in affects all of these processes negatively. The reforms needed to give real life to PRSPs have almost everywhere suffered severe slippages. The root cause is that those who exercise real power in a country are not interested in promoting them.

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2 Apart from those already cited, the most recent and substantial are the World Bank OED’s evaluation (2004), the series by the Institute of Social Studies for Sida on Latin American PRSPs (summarised in Djikstra, 2005), the set from the University of Helsinki best represented by Gould and Ojanen (2003) and World Vision (2005).
2.2 Implications

What are the implications of this assessment? Is the PRSP idea still viable? I believe this needs to be answered in two parts.

First, the observation that donor-driven policies do not work has lost none of its validity. In fact, it has been powerfully reinforced by the reform experience of the last few years. In this respect, if PRSPs did not exist, we would have to invent them: there is no question of going back to what existed before 1999/2000, because none of the problems which that initiative was trying to address have gone away.

Second, the implicit theory about political change that underlay the concept and its operationalisation has been proven naïve. The theory says that the more participatory reform processes are, the more likely they are to be effective. The claim is that, having committed themselves to doing things in a dialogue with other stakeholders, governments will be more likely to be called to account for their actions and their results. They will therefore take their responsibilities more seriously.

The theory is not easy to refute directly. It has a history. The belief that participation improves effectiveness gained considerable support from studies and evaluations of project and programme management over several decades. 1999 was the occasion when this accumulated wisdom seemed to many people to be ripe for ‘scaling up’ to national policy making. This was also a culminating moment in the long flirtation between the big official agencies and the development NGOs, for whom the inclusion of ‘civil society’ is a litmus test of sound policy making. The idea had, and still has, the additional attraction of suggesting that ‘all good things go together’.³ It is ideologically congenial for donors based in rich Western countries to think that inclusive and democratic practices are good for development, as well as good in themselves.

It is not surprising, therefore, if the theory continues to influence donor thinking in spite of the limited benefits that seem to have been obtained as a result of citizen participation in PRSP processes. A typical view today is that PRSP processes may have had important weaknesses as exercises in participatory planning, but the solution is to do this better – for example doing more to involve parliamentarians and the private sector, and giving civil society organisations more time to prepare. In other words, the results of the PRSP experiment have not yet dented very seriously the belief that involving a wider public in discussions about how to reduce poverty is powerful means of building both commitment and accountability.

This belief has real attractions. It is nonetheless naïve when applied without heavy qualification in the typical aid-dependent poor country. I believe the PRSP experience has helped to show that this is the case, although it may not be news to political scientists and anthropologists who follow the situation on the ground, or indeed to informed citizens of the same countries.

The following are a few bold and unqualified generalisations about PRSP (that is, poor and highly indebted) countries. They may well contain some exaggeration, and not apply well in particular cases; but if even half of what they say is true, the theory of political change that underlies the PRSP idea is mistaken.⁴

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³ A cogent argument that in the politics of reform all good things do not go together is advanced in the excellent Drivers of Change paper on Colombia by DiJohn, Gutiérrez and Ramirez (2004).

⁴ This sketch draws on summaries of research-based knowledge about particular countries contained in reports in the UK DFID Drivers of Change series and Sida’s Power Analysis series among others. These reports are not published and not directly quotable. However, their content reflects what is in most cases a consensus view of the academic research literature in the social and political sciences on those countries.
Many or most of the key decisions are made informally, by small groups of politicians linked together by networks of clientelism and patronage. Governments are not unified and well-coordinated actors. To the extent there is effective accountability, it operates through the patronage system, and follows criteria other than those formally agreed. Formal decision-making processes, even including the national budget and certainly including the PRSP, are from a political point of view window dressing, or largely ‘theatre’. Whereas in some middle income countries, there is an informed public opinion and a degree of effective parliamentary scrutiny, here the preconditions (e.g., a large local newspaper readership and an effective press) do not exist. The reasons are partly sociological: to function well, the institutions of formal, universal-franchise democracy require a level of urbanisation, literacy and de-peasantisation that is unusual at this level of economic development. The easy notion that donors only have to back off from demanding accountability for aid funds in order for domestic accountability to flower in its place is unrealistic and unhistorical. NGOs have been and will continue to be a useful means of promoting progressive measures that donors cannot promote directly. However, they cannot substitute for the absence of representative forms of civil and political society.
3 Could Development Cooperation do Better?

Many of the observations above are widely recognised by donor staffs. The problem is not that they are personally naïve but that it is not clear to anybody exactly what else might be done to be supportive of country-owned policies under these circumstances. The topic is under active consideration much of the time in several bilateral and multilateral agencies. Some proposals currently being discussed are certainly unwise if anything like the above is generally true. Others make good sense but are insufficient. It would not be the right solution to abandon wholesale what the main group of donors in Europe currently consider to be the best approach. Rather, the argument I want to advance is about the importance of going beyond the PRSP framework as currently conceived and addressing some of the missing links in the chains of causation needed to harness politics to the goals of development and poverty reduction in PRSP countries.

Two obvious focuses for discussion here are the aid harmonisation and alignment agenda of the OECD DAC donors (OECD, 2003; High Level Forum, 2005; Rogerson, 2005), and the arguments around general budget support (GBS) as a preferred aid modality in a PRSP context (Lawson and Booth, 2004; Naschold with Booth, 2002). Both are areas where there is no doubt donors could do better, but where the conventional concepts are insufficient.

The harmonisation and alignment commitments made by high-level representatives of the DAC donors in Rome in 2003 and Paris in 2005 are important landmarks. This is so in spite of and partly because of the points made above about constraints at the country level. There are severe limitations to the ability of donors to engineer progressive change and create country ownership of policies. However, there is not much doubt about the ability of the aid business to do harm. Both the multiplicity of competing donor agencies and the donor tendency to take over the policy-making function from country authorities (especially when this is done in aggressive or adversarial ways) have done, and continue to do, damage to whatever exists by way of country policy-making systems. For that reason, it is right that the Rome and Paris Declarations should be regarded as priorities for implementation by all the signatory countries. The qualification that needs to be added is that, even if fully implemented, these measures would not be a sufficient solution to the problem of aid misalignment, important parts of which are about the recipient side of the relationship.

I would argue that the same applies to the promotion of general budget support as a preferred method of achieving the desired alignment with national policies and systems. In some poor countries, projects with their own reporting and accounting arrangements are the only thing that is feasible, because the minimum conditions for using government channels do not exist. However, from the point of view of institutional development, this remains very much a second- or third-best option, one that is very likely to reinforce the characteristics of the state that make it the only option in the first place. General budget support and pooled sector funds are both preferable (in that order) whenever they are possible. This follows the general principle that systems cannot be expected to improve unless they are being used.

On the other hand, the new aid modalities are not a panacea. The key thing in the cases of both budget and sector support is to go in with eyes open, bearing firmly in mind the learning about conditionality that led up to the PRSP initiative. That is, programme aid plus conditionality does not work for complex reforms, unless there is a significant amount of real commitment within the country. This means that conditions attached to budget support programmes should normally be limited to policy actions to which the government is in some real sense committed. Disbursement

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5 They include moving the focus of budget-support performance assessment frameworks strongly in the direction of the monitoring of outcomes in the belief that this will motivate politicians to strive more strongly to achieve those outcomes. For a critique of this proposal, see Booth, Christiansen and de Renzio (2005).
6 See again Booth, Christiansen and de Renzio (2005).
should be based on past progress and not on promises to do things in the future. In practice this distinction is often hard to make but the principle that ‘buying reforms’ does not work is well established and a good general guide.

The most important conditions for GBS to be supported are those that surround the decision to embark on budget support in the first place, as it becomes difficult to withdraw later on. Those are most intelligently based on observation of the country’s trajectory of institutional development over a suitable recent period, and not just on observation of a basic minimum of fiduciary good practices. If there are no significant domestic pressures leading to improvements in the budget process, it is doubtful whether any of the benefits from having donors make use of government systems will materialise.

Once again, however, the main worry about programmatic forms of aid (sector and budget support) is that they come to be regarded as self-sufficient means of addressing the weaknesses that PRSPs have helped to show up. If the PRSP process has not generated real buy-in to poverty reduction by a country’s politicians, a budget support programme will not solve the problem. The conditions for GBS to work are essentially the same as the conditions for PRSPs and the associated reforms to deliver what they promise. GBS conditionality or performance assessment has a modest role to play, mainly as a marker for policy dialogue. But if conditionalities are limited to policy actions that the government is showing some inclination to undertake anyway, something else is needed to get other and more difficult issues onto the agenda.

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7 The Evaluation Framework agreed by the DAC for general budget support incorporates as Assumptions in the theoretical model of the conditions under which budget support will be effective, 1) that political competition in the country is moving away from use of state resources for patronage and towards a focus on results, and 2) there are domestic constituencies and pressures for higher standards of accountability (Lawson and Booth, 2004: 46-47).
4 What Else Might be Worth a Try?

Three areas seem worth exploring:

- getting a better understanding of country contexts into the operational work of donor agencies;
- opening up those understandings to public debate at country and international levels;
- taking steps to create an international climate of opinion that is more welcoming to political projects that build developmental states.

For donor staffs, getting to know and understand well the country context is an important first step. This seems obvious, but has not always been done. Short postings and management of country programmes from headquarters have contributed to a situation where aid approaches often get decided on the basis of generic principles and even passing fashions, not detailed knowledge of the country. Thinking has tended to be technocratic and less well informed than one would expect about the country’s history and the political economy of previous reform efforts. Several bilaterals and the World Bank have moved towards recognising these criticisms and have departments working on addressing them (OECD DAC Govnet, 2004).

Understanding is only a first step. It can allow donors individually and collectively to respond more intelligently to the type of problems the PRSP experience has thrown up. Good ideas about how to do things better may and may not follow. Many of the problems identified in a country political analysis will not be capable of being solved by donor action, however wise and well motivated. That is why there has to be a second step, that of opening up the debate about the politics and political economy of reform, as well as about specific policy areas where there is no consensus.8

Donors should be prepared to put behind them the old principle that national sovereignty forbids active involvement in policy controversies within countries, because this would be ‘political’. As opposition politicians often point out, donors are part of the political system of the country whether they care to acknowledge it or not. That being the case, they should act responsibly by positively engaging in and contributing to the debates that ultimately shape the commitments of country stakeholders. This engagement needs to be politically and socially realistic. It must take into account the level of socio-economic development of the country. But it should also bear in mind that we live in an increasingly integrated world, with, among other features, large diasporas from poor countries working in professional capacities in the North and benefiting from increasingly cheap and rapid international communications.

The above are both things that might be done at the country level. But there is no reason for this discussion to be limited to the country level, and indeed there are many reasons for seeing it much more as a global or at least a regional (continental) challenge. The wave of formal democratisation that broke over Africa and the former Soviet bloc in the 1990s, and over Latin America a bit earlier, shows that the international climate of opinion does have effects within countries. It is surely time for a further change in the international environment, one that provides more positive incentives and fewer negative ones to national leaders faced with choices between building predatory states and building developmental ones.

Several ideas currently under discussion are relevant to this suggestion. Some of them are based on development cooperation agencies’ exercising greater selectivity in aid allocation between countries

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8 This may sound rather like the suggestion that I have characterised as naïve, that opening debate on poverty generates corresponding accountabilities. The difference is that in this case the debate itself would not be relied upon to change political institutions. Any changes would arise indirectly from the effects of the debate on the opinions and perceived options of key actors, notably members of the country’s political and intellectual elites.
and doing so on a basis that openly rewards improved or improving governance, and punishes demonstrably bad behaviour by political leaders. This can be done using governance indicators and thresholds of performance, as in the USA’s Millennium Challenge Account. Alternatively, it might be done using only results’ measures (on the basis that we don’t know well enough what kind of governance qualities are crucial for producing development results; e.g., Lockwood, 2005). Other proposals include constructing long-term ‘compacts’ between the international community and national leaders who have political projects centred on state building (Ghani, Lockhart and Carnahan, 2005), and concentrating on delivering powerful negative signals (e.g., a coordinated boycott of multiple-term presidents; van de Walle, 2005).

These proposals have different strengths and weaknesses. They share two difficulties, as their proponents recognise. One is that many of the countries where state-building projects are most in need of encouragement are already heavily aided and/or have natural-resource revenues that give them now, or will give them soon (Warner, 2005), a large measure of immunity to aid-related international pressures. The other is that the effect on country incentives would only be significant if the selectivity were coordinated, and that seems an unlikely prospect on account of well-known features of donor motivation.

For these reasons, it may be more useful to change the international climate in ways that do not involve aid. The options considered should certainly include all of the actions Northern governments could take to make the international banking system and the arms trade less hospitable to Southern leaders who steal natural resource rents and use them to create private armies. Various current initiatives on these lines are usefully explained and promoted in the report of the ‘Blair Commission’ (Commission for Africa, 2005).9

Another kind of mechanism that has proven effective in changing incentives for national elites in several parts of the world is the aspiration to join a multi-country ‘club’, such as the OECD or the European Union, with its exacting entry standards or peer-review processes. A study of international efforts to avert instability and respond to crises by the UK Cabinet Office (PMSU, 2005) has investigated this line of approach, including its applicability to developing regions. However, it reaches cautious conclusions. The African Peer Review Mechanism established under NEPAD by the African Union is one of the most relevant examples, with some potential to alter the nature of the ‘neighbourhood’ in which African political leadership evolves. Unfortunately, it is also one of the less promising regional clubs, given the lack of anything equivalent to the benefits from EU accession in the set-up of the scheme.

The international climate can only take countries so far, as is well illustrated by the experience with democratisation. But what it can do is set a framework of standards and expectations to which domestic actors can appeal and to which they may respond in their own way, participating in movements for change that otherwise would not have existed. It may be that, for this reason, the general climate of opinion in the world is more important than creating special mechanisms that act upon elite incentives directly. In any case, several of these things could be tried together. A few small steps to create a more welcoming environment for state-building political projects could make a large difference to the prospects of realising a positive outturn from the PRSP experiment.

9 It is unfortunate in my view that the Commission’s excellent treatment of these topics is not matched by an equivalent set of ideas on how to create positive incentives for state building (Booth, 2005).
5 Conclusion

To sum up, there are sound reasons for wanting more country ownership of poverty-reduction policies. The PRSP experiment has been the ‘only show in town’ in trying to address this need for the last five years. It cannot yet be said that the experiment has failed, if only because no better idea has yet been articulated by anyone. On the other hand, it is clear that PRSPs have not delivered what was hoped for, and the reasons include the rather simple theory of political change that was one of the conceptual underpinnings of the experiment. The theory that participation alone can generate accountability and an orientation to results is inconsistent with many findings from political science research. It also seems not to be confirmed by the PRSP ‘experiment’.

Despite what has been learned from PRSP processes, quite a lot of the current donor agenda remains valid and sensible. But it is not sufficient. Both PRSPs and the efforts that have been made to align aid with them have underlined the pivotal importance of domestic politics and its trajectory. This paper has drawn attention to three types of possible international action that are missing links in the politics of development after five years of PRSPs. They are: more serious understanding of country contexts by donor staffs; a willingness to go public about issues that donors currently discuss behind closed doors; and a more serious effort to construct regional ‘neighbourhoods’ and a global climate of opinion that would do what PRSPs have been unable to do – really incentivise the construction of developmental states in poor countries.
References


