

# The P-wave rolls over Africa

*Madagascar recently became the twelfth African country to reach completion point under the regulations of the Enhanced Initiative for Heavily Indebted Poor Countries (HIPC II), thus giving it an irrevocable right to debt relief. In parallel with HIPC II, a new development architecture began to evolve as of 1999 which, on paper, has classical beauty: Poverty Reduction Strategy Papers (PRSP) form the roof. Large-scale sector programmes are the pillars of support. Harmonization of donor procedures provides the struts that keep everything in place.*

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A new development architecture was long overdue; the amount of time, effort and money put into the old system, which was based almost exclusively on individual projects, was in no reasonable proportion to the results being generated. For a long time now, there has been criticism that the weak administrations were unable to cope with the task of monitoring the hundreds or thousands of projects ongoing in each partner country. However, it would be misleading to think of the new system as being a complete structure. Precisely those expectations centred on simpler forms of communication between donors and recipients and on a reduction in transaction costs still have to materialize. For the time being, work has actually become more complex for all sides. Indeed, the new system rather more resembles a building site and doubts exist as to whether it will withstand the test of time.

In the meantime, the building has also been given a name: Programme-based Approaches (PBA). The donor community has set up its own network to this end (Learning Network on Programme-Based Approaches LENPA) and the OECD's Development Assistance Committee gives pertinent guidance. Were a list made of all the different elements and instruments surrounding this concept, it could no doubt be made into a special P-test to be used in student training courses (see box). PRSP refers to at least three things: a paper, a platform and a process. The paper not only documents how debt-relief funds are to be used, but how the developing nation's national policy is attempting to fight poverty in general: **PRSP > HIPC!** The mathematical formula **PRSP > HIPC** also applies in another sense: around 50 countries have been invited to draw up a PRSP; but only 20 to 25 of them are taking part in the HIPC II initiative. Kenya, for example, is not sufficiently indebted to qualify



Photo: GlobalAware

for HIPC II money, but is still obliged to produce a poverty reduction strategy paper. At the same time, the PRSP offers a platform on which to discuss the theme of poverty and political priorities with a wide number of societal forces. However, the preparation, approval, implementation, monitoring and upgrading of a PRSP all take place within a quite formal process, almost a body of rules in its own right.

### Programme aid and what it aims at

Today, large sums of financial assistance from several donors are being pooled to support PRSPs and sector programmes, i.e. they are being spent on jointly agreed objectives and activities and monitored accordingly. All forms of this new financial support lumped together could be dubbed programme-based co-financing (PBCF), the most important kinds of which are PRSC and PRGF, special loans provided by the World Bank and the International Monetary Fund respectively, complemented by the EU's PRSP-related budget support mechanism.

However, bilateral donors wishing to embrace the new spirit and become involved in co-financing of these programmes have, much to their chagrin, had to acknowledge the fact that the PRSC and PRGF in particular are not really common funding options in the true sense. In



PRSPs are severely criticized for failing to include stakeholders, and women in particular.

### The P-Test

<b>PRSP:</b>	Poverty Reduction Strategy Paper
<b>PRSC:</b>	Poverty Reduction Support Credit (World Bank)
<b>PRGF:</b>	Poverty Reduction and Growth Facility (IMF)
<b>PBA:</b>	Program-Based Approach
<b>PPG:</b>	Pro-Poor Growth
<b>PSIA:</b>	Poverty and Social Impact Analysis
<b>PFM/PEM:</b>	Public Financial/Expenditure Management
<b>PBM/RBM:</b>	Performance / Results Based Management
<b>PEFA:</b>	Public Expenditure and Financial Accountability
<b>PAF:</b>	Performance Assessment Framework
<b>HIPC:</b>	Highly Indebted Poor Countries (Initiative)
<b>ASIP/SIP:</b>	(Agricultural) Sector Investment Program
<b>SWAP:</b>	Sector Wide Approach (= SIP)
<b>PJF</b>	Programme-based joint financing

the beginning at least, the World Bank and IMF disbursed them simply as they saw fit, with just a formal reference to PRSPs, whereas the EU and the bilaterals worked harder to ensure that the objectives and means of achieving them were based on a joint effort. The regional banks were situated somewhere in-between. However, in the wake of strong criticism, things are now moving on a broad front and in many countries today serious efforts are underway to harmonize the conditions and targets for PRSC with those for the multi-donor budget support. Two countries that have made much progress in this kind of matrix alignment are Ghana and Mozambique.

Programme-based joint financing (PJF) is budget or basket funding, which on the German side is mostly provided by the KfW development bank (cf. article by Nassir Djafari in this issue). Budget aid is transferred directly to the host country government. In basket financing on the other hand the contributions from development cooperation are collected and managed separately, i.e. they are not channelled completely into the national budget. The German debate took a while to clarify a key distinction here: this kind of co-financing is merely part of broader programme aid (PBA), but this is not everything, because technical assistance for policy formulation and implementation as well as special training programmes are also integral to this approach. PBA is thus a matter

for everyone, in the German system: the GTZ, InWent and also the German Development Service (DED).

Proof of this are the ongoing attempts within the framework of PBAs to pool some of the technical assistance; in other words to have partner governments fund at liberty German, British or Japanese experts from special baskets which the donors have provided specifically for technical back-up programmes. This generally is of limited use though, because the international «market» for technical consultancy is incomplete, the partner governments have little overview and the various offers – differing in technical and political content – are not to be ironed out to produce a spurious homogeneity. Nonetheless, organizations involved in technical assistance still have to face up to this challenge.

Right at the outset, GTZ already counted the trade-offs and risks built into the PRSP approach, arriving at a total of eight in all. One of these is the void looming between the partner country's need for large-scale programme aid and its capacity to competently steer such complex programmes. Historically, it is a developmental paradox that the more advanced countries are able to get along fine with targeted, selective project assistance, which they now steer expertly. Somewhat analogous to Rostow's stades theory, this latter phase of mature development, as has taken hold in China, India, Thailand, Brazil, and in South Africa too, is referred to as «Beyond ODA» (Official Development Assistance).

In contrast, the PRSP countries in Africa will not have fulfilled all of the administrative preconditions for large scale aid until at that historical moment in time in which they no longer require it. There is hardly any other explanation for the fact that, parallel to the P-wave, this same group of countries is subject to an onslaught of demands for good govern-

nance. Only in the case of a few, more advanced PRSP countries, such as Vietnam, or in the case of sector programmes in larger countries in the middle-income bracket are the lines somewhat blurred; attempts to introduce PRSPs in post-conflict countries such as Sierra Leone or the Congo tend more to highlight these contrasts.

Special organizational advice for administrations having to implement such strategies and programmes (capacity building for PBA) has been late in getting off the ground. By far the most important field of activity is that of strengthening public financial management, thus heightening the transparency and efficiency of the entire revenue and spending cycle, from budget planning down to internal and external audits.

This is a major task in its own right in every development scenario in which a system is to evolve from a state of deeply embedded corruption through to one of political accountability. It has become particularly urgent with the advent of large-scale programme funding that is to be channelled through the budgets of the recipient countries. Swift improvements have become a priority. A special multi-donor working group in Washington (PEFA) is therefore working on common diagnostic standards. In this way, the P-wave can sustainably promote progress in this sector because, unlike with former World Bank/IMF loans, it is the transparency of the entire state budget, along with knowledge as to the whereabouts of the money within this system, that is now suddenly at the forefront.

### Conclusions after five years

Five years on, what stage has the entire construction now reached? Supported by metre-high piles of critical studies on the PRSP approach and, not least, by the latest, very frank reviews from the World

Bank and IMF evaluation offices, a rough consensus can be arrived at quite quickly. The fact that PRSPs attempt to mainstream the poverty-reduction paradigm in all areas of policy-making, and thus to review all sector policies accordingly, is fine. However, in practice, this has led to the neglect of the more important, reverse operation: owing to a lack of prioritization across the broad range of sector policies, from fishing through to tourism, PRSPs as such are virtually useless as operational road maps.

The upshot: a second prioritization process is taking place everywhere now in an attempt to make up ground, but shifted into the negotiations on PRSC, PRGF and EU budget support where the key economic scenarios, priorities and conditionalities are laid down. This however is virtually a non-participation zone dominated by the Ministry of Finance and donors, which is reminiscent of the era of structural adjustment programmes. Examples in Africa include the negotiation processes revolving around the documents that detail the objectives, activities and yardsticks of government policy (Performance Assessment Frameworks in Mozambique, Tanzania and with similar names in other countries): on the one hand, donor-recipient coordination is better harmonized than it used to be, but it is, on the other hand, usually cut off from broader participation even of institutional partners in the country (parliaments, unions, churches).

Thus, contrary to appearances, it is not the PRSPs themselves that are being implemented, but their derivatives that are tied to multi-lateral loans. We are therefore witnessing an implementation gap in the case of PRSPs in many countries.

The broad-scale and very lively participation processes from the initial phase have more or less all broken down, partly due to the practical difficulties of maintaining consultations with dozens or even hundreds of social groups and partly due to a

lack of political will. We had already coined the term «participation gap» for the World Bank/IMF PRSP implementation report of 2003. The PRSP progress reports by the various governments often fail to include any mention whatsoever of further political participation in the implementation of the paper. PRSP ownership is thus often limited to the relatively small circle made up of a few usually committed and highly qualified decision-makers.

Where qualified, other political actors make an effort to get involved again through PRSP monitoring, but (as described), there is not yet much that needs to be monitored, either.

The lack of conceptual renewal in the field of economic policy is felt by all sides to be particularly striking. Initial participation was anyway divorced from discussions about economic alternatives: at play, in Africa and elsewhere, were what Action-Aid defined as the «dynamics of self-censorship». PRSP say next to nothing about pro-poor growth. The World Bank and IMF evaluation reports add that the focus was more on timely delivery of the uniform documentation requested. For this reason, any comparative study of literature on PRSPs in Africa really does not make for exciting reading. And PRSP approval by the Bank and IMF clearly ran contrary to any national sense of ownership of the strategies. Countries whose national policies had to be approved in Washington find hardly anything in them they can identify with. Fortunately, this procedure is now being changed.

When all is said and done, what has the P-wave that has swept over some 30 countries in Africa actually produced in terms of hard facts? The answer is: fairly little as yet.

- The PRSP have created a good «viewing platform» for social dialogue. But, as with the NEPAD initiative, there is usually still little activity on the platform.
- The fact that the donors are now better coordinated than they were a few years ago, both amongst themselves and with partner governments in Tanzania, Uganda, Mozambique, Ethiopia and Ghana etc. is undoubtedly a great step forward and in no way contradicts the first statement.
- Happily the number of political conditionalities that the World Bank and IMF impose on the recipient countries has gone down.
- The percentage share of public spending on primary education and health in the PRS countries has increased measurably. In many of these countries, more children now attend school and have better medical care. This improvement should not be played down, but in

A great deal of time is needed to implement the many programmes and related initiatives. Maybe the children of today will benefit from them tomorrow.



Photo: Wicke

The agricultural sector has more or less been bypassed by the P-wave, even though the agricultural sector investment programmes sparked off the process in the mid-1990s.

the end this means that almost all actual progress in the system lies with the Health and Education Ministries.

## And what about development in rural areas?

The agricultural sector has been virtually untouched by the P-wave. And yet the whole wave started in Africa in the mid-90s with the introduction of Agricultural Sector Investment Programmes (ASIP), albeit in the unfavourable environment dominated by tough agricultural structural adjustments. In the meantime, PBAs in agriculture have become similar to certain objects of modern quantum physics: work is being conducted on an object whose existence is not absolutely certain. In an almost Einstein-like manner, it can be deduced that the object ought to exist in rural areas in developing countries too, but it has seldom been seen and the occasional sighting that has been made was unstable and fleeting.

The sector programme tracking of the Strategic Partnership with Africa (SPA) – the only regular survey on this theme – demonstrates year in year out that sector programmes predominantly exist in the sectors of social and physical infrastructure, whereas the number of such programmes in the productive, rural sectors, such as PROAGRI (Mozambique) and PMA (Uganda) in Africa, can be counted on one hand, and one should not look too closely at effective outcomes.

The multi-sectoral nature of rural development and the plethora of stakeholders

**Poverty Reduction Strategies are the overarching concept of new development programmes whose prime aim is to reduce poverty. Simultaneously, they seek to harmonize financial assistance from bilateral and multilateral donors.**



Photo: Wilcke

are repeatedly stated as the reasons why hardly any sector programmes exist in agriculture. It may well be, however, that on digging deeper another reason comes to light. For a long time, there was absolutely no impetus for broad-scale support to agriculture in general, at least not in Africa. The best option is thus probably to combine new modes of delivery for development cooperation with substantial aspects of agricultural promotion, so as to revive interest in ASIPs or similar programmes amongst the many stakeholders involved – especially those in the private sector.

Another instrument from the new arsenal could be of help here: Poverty and Social Impact Analysis – PSIA for short. PSIA is a method for assessing the social implications of key structural reforms in developing countries. Its regular use is now prescribed prior to the launch of a reform, in order to clarify whether and how privatization of say cotton marketing in Chad or the Agricultural Marketing Cooperative (ADMARC) in Malawi can be given a poverty-reducing angle. Former World Bank President James Wolfensohn has committed his institution to implementing this instrument across the board – thus making yet another step towards the realization of something many critics have been demanding since the days of structural adjustment. If PSIA results are raised to the PRSP and ASIP platform, they could provide a good means of reviving the agropolitical dialogue – provided a link exists between

PRSP, sector programmes and PSIA, at all; often the PSIAs have not even been discovered yet.

## What conclusions can be drawn from these findings?

Such a far-reaching process of system change like the one set in motion by the P-wave needs time, a lot of time, and patience. Calling it to a halt after just five years would pander to deep-seated conservatism within the world of development cooperation which is now sitting tight and riding out the wave, a phenomenon it only really regards as yet another fad that will pass. Like this, we would simply be playing into the hands of reform opponents in the aid machinery who will be increasing in number in Washington anyway now.

On the other hand, we can see from the systemic nature of the cracks and faults in the new architecture that construction errors do exist that will not rectify themselves just in the course of time. Deliberate action – also by sensitized bilateral donors – is needed to mend them, otherwise the P-wave will lose momentum after all. Thanks to the evaluations mentioned above, a quite radical re-structuring of the PRSP architecture is now on the agenda. The architectural bidding procedure has been opened; even blue prints can be submitted. German development institutions should become heavily involved, first, because their technical assistance for PRSP processes in well over a dozen African countries means they have first-hand experience and conceptual advice to contribute and second, because the new architecture will not construct itself of its own accord in Washington but will, more likely than not, run up against new obstacles.