

## **Sustainable Development and International Development Cooperation No. 11**

### ***Part 3: Theory and Practice of International Cooperation***

#### **1. PRSP, MDGs, and Paris Declaration**

1945 Marshall Plan: European Recovery Program

1950s • 1960s Big push

1970s • 1980s BHN: Basic Human Needs Approach, Washington Consensus

1989 End of Cold War

1990s Aid fatigue, New direction of aid → Social development, Human development, Sustainable development,

Capacity Development,

Human security,

World Bank; CDF → PRSP

2000 MDGs

2003 Rome Declaration : Aid Harmonization,

2005 Paris Declaration : Aid Effectiveness

#### **1.1**

#### **About Comprehensive Development Frameworks**

James D. Wolfensohn, president of the World Bank from 1995 to 2005, in a speech entitled "The Challenge of Inclusion" at the Annual Meeting of the World Bank Group and IMF in Hong Kong in autumn 1997, advocated the importance of building a system of close cooperation with other institutions to boost the effectiveness of development. Acting on this speech, the World Bank held talks in the summer of 1998 with governments, bilateral and multilateral aid institutions, academics, NGOs, civil society and the private sector based on the discussion paper, "Partnerships for Development: Proposed Actions for the World Bank."

President Wolfensohn picked up this theme again at the October 1998 Annual Meeting, asserting that we should take a more comprehensive approach via a framework in which respective countries take ownership of, and more actively participate in, their own development. This was the thinking that formed the basis of the current Comprehensive Development Framework system.

#### **Basic Concepts of the CDFs**

- The fundamental principle of Comprehensive Development Frameworks is that developing countries devise their development agendas themselves and take ownership of them. The World Bank and other partners participate and provide strategic assistance under the shared operating plan.
- The frameworks emphasize the building of powerful partnerships with governments, donor countries and institutions, civil society, the private sector and other development related entities.
- CDFs are basically processes that are tools for achieving more effective development.
- While recognizing the importance of the macroeconomic basis, the CDFs take a comprehensive approach that gives equal weight to the powerful systemic and structural basis of the market economy and society.

## **CDF Matrix**

The Comprehensive Development Framework Matrix is one of the approaches whereby the CDF rapidly and clearly enables the governments of affected countries to grasp each player's role. The objective is a comprehensive and strategic plan that makes it easy to understand what is going on in a given country and what is required both now and in the future. The CDF Matrix chart below clearly lists the items required for sustainable growth and poverty alleviation on the horizontal axis, and the key players involved on the vertical.

### **1.2**

#### **About Poverty Reduction Strategy Papers (PRSP)**

Poverty Reduction Strategy Papers, created by developing countries themselves in participation with development stakeholders and donor countries, are comprehensive, long-term strategies and policies to realize real decreases in poverty. The creation of PRSP was requested at the Annual General Meeting for the World Bank and IMF in 1999, based on the debates concerning poverty reduction and debt reduction at the G-7 Summit in Cologne earlier the same year. PRSPs are aimed at Heavily Indebted Poor Countries (HIPC) and all countries targeted by IDA financing, with the overall objective of speeding up poverty reduction in low-income countries.

PRSPs are in fact Comprehensive Development Framework (CDF) plans, modified so that CDF concepts can be operationalized. PRSPs clarify the primary obstacles to poverty reduction and, because they are devised as plans to overcome these obstacles, come with mechanisms to generate and monitor progress toward poverty reduction goals. The most significant aspect of the PRSP is that the debtor country takes the lead itself, formulating and directing its own strategic agenda on the basis of widespread consultation with development stakeholders, civil society and those affected by poverty.

The PRSP program advanced tremendously in fiscal 2001. A total of 29 countries presented Interim PRSPs (IPRSP) and the majority of these countries met the qualifications for preliminary HIPC debt relief. In that year alone, three countries presented official PRSPs for the first time. Over the past year, the World Bank has endeavored to help each country progress toward the vision and priorities set down in its individual country aid plan and PRSP.

In fiscal 2001, Poverty Reduction Support Credits (PRSC) were introduced to aid the implementation of poverty reduction strategies in support of the policy and system reform programs of IDA debtor countries. PRSCs are a lending instrument based both on the principles of the CDF and international development objectives. They are derived from PRSPs, backed by individual country aid strategies and appropriate analyses of the environment, society, structures and trustees. PRSCs are expected to become an important IDA financial assistance tool in the World Bank's comprehensive support for poverty reduction strategies in low-income countries. They are still in the early stages of implementation. The techniques were designed to be useful in improving aid coordination, and provide an extensive framework to promote cooperation and participation by external development partners and concerned parties in the country. Regional development banks, UN development institutions, bilateral donors, the European Union and numerous NGOs have endorsed these techniques and expressed their intent to cooperate with countries

implementing PRSPs. However, these processes will require concerted efforts over the long term. Only when debtor countries achieve reductions in poverty?results achieved after perhaps many years?can we then say that PRSPs have succeeded.

As of the end of January 2005, 35 countries had created PRSPs. A further 40 countries have PRSP preparations underway. PRSPs are disclosed in full on the World Bank headquarters website.

### 1.3

#### MDG

International Development Goals objectives for poverty reduction, health care and education improvements and environmental conservation were formulated by the UN, the Organization for Economic Co-operation and Development (OECD), International Monetary Fund (IMF) and the World Bank, based on discussions at summits and a series of UN conferences in the 1990s. Later, at the UN General Meeting in September 2000, these respective goals were further expanded and adopted by the heads of state of 149 countries as the Millennium Development Goals (MDG).

The international community presently faces these problems:

- One person in five in the world lives on less than \$1 per day
- In 1999, almost 10 million infants under the age of five died from preventable diseases
- More than 500,000 women die each year while pregnant or giving birth
- Approximately 113 million children do not attend primary school

MDGs call for the international community to, by 2015, make a concerted effort to rescue more than 300 million people from poverty, prevent more than 55 million infants from dying, prevent more than 4 million pregnant women from dying and to send at least 128 million children to primary school for the first time. While some progress has been observed over the 10 years up to now, further cooperation and action is required from the international community to reach these goals. In February 2002, prior to the March 2002 UN International Conference on Financing for Development held in Monterrey, Mexico, the World Bank announced its calculations that \$40-\$60 billion in funds will be needed as supplementary support over the next 15 years to reach the MDGs. Moreover, the World Bank stressed the point that while supplemental support is a necessary element to reach the MDGs, money alone will not guarantee their attainment. However, the World Bank is of the opinion that supplemental support can play an important role in accelerating progress toward achievement of the 2015 goals in countries that have the mechanisms and systems in place and have prepared the appropriate economic and structural policies to make aid more effective.

#### [Goals]

1. Eradicate extreme poverty and hunger

2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

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### **Goal 1. Eradicate extreme poverty and hunger**

- Halve the proportion of people living on less than a dollar a day
- Halve the proportion of people who suffer from hunger

The goal is to reduce the proportion of people living on less than \$1 per day in low- and middle-income countries from 29% of the 1999 level to 14.5% by 2015, and, by attaining this objective, reduce the number of people suffering from extreme poverty from 890 million to 750 million.

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### **Goal 2. Achieve universal primary education**

- Ensure that all boys and girls can complete primary education without discrimination and on an equal basis

Education reduces poverty and inequality, improves health and welfare, and creates the foundation for sustainable economic growth. Enrollment rates in primary schools are significantly below the target. This trend has strengthened, particularly in East Asia and parts of Africa from the Sahara southward. There are problems with the quality of education even in countries that have raised enrollment rates.

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### **Goal 3. Promote gender equality and empower women**

- Eliminate gender discrimination at all stages of education

In many low-income countries, there is a greater tendency for women rather than men not to attend school. The goal is to eliminate gender disparity in elementary and middle school education by 2005 and to secure equal opportunity for men and women at all stages of education by 2015.

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### **Goal 4. Reduce child mortality**

- Reduce mortality rates for children under five years old by two-thirds

Over the past 25 years, infant mortality rates have fallen substantially. This is the result of the spread of vaccinations and antibiotics for treating pneumonia as well as improvements in the economic and social environment. However, from the 1990s onward, the rate of decline in infant mortality rates has slowed worldwide, and in parts of Africa mortality rates are actually on the rise.

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#### **Goal 5. Improve maternal health**

- Reduce maternal mortality by three-quarters

Improvements in health care are required to sustain the health of pregnant women. Although data for measuring maternal mortality trends is inadequate, according to world estimates more than 500,000 women died as a result of birth complications in 1995. If a doctor or nurse had attended 90% of births, the number of fatalities could have been substantially improved.

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#### **Goal 6. Combat HIV/AIDS, malaria and other diseases**

- Reverse the spread of HIV/AIDS, malaria and other infectious diseases

AIDS presents unprecedented challenges in terms of public hygiene, economy and society. Since it was first identified, AIDS has infected approximately 40 million people and killed as many as 20 million. Malaria is rife in more than 100 countries and every year approximately 300 million people are infected. Tuberculosis is the greatest cause of death for adults in developing countries.

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#### **Goal 7. Ensure environmental sustainability**

- Ensure that sustainable development is incorporated into the policies of every country and curb the destruction of natural resources
- Halve the proportion of the population without access to drinking water
- aim to significantly improve the lives of at least 100 million inhabitants of slums in rapidly growing cities

Improve the income and nutrition of poor people through better management of natural resources and reduce disasters caused by flood. Improvements in water and sanitation management reduce infant mortality rates and better waste water treatment reduces the incidence of malaria. Sound policies and economic growth improve peoples' lives and contribute to a cleaner, safer environment.

## Goal 8. Develop a global partnership for development

- Increase government development aid
- Expand access to markets
- Strengthen countries' sustainability through debt management

### 2005 Paris Declaration : Aid Effectiveness

OWNERSHIP		TARGETS FOR 2010
1	<i>Partners have operational development strategies</i> — Number of countries with national development strategies (including PRSs) that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets.	At least 75%* of partner countries
ALIGNMENT		TARGETS FOR 2010
2	<i>Reliable country systems</i> — Number of partner countries that have procurement and public financial management systems that either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	Target for improvement to be set by September 2005
3	<i>Aid flows are aligned on national priorities</i> — Percent of aid flows to the government sector that is reported on partners' national budgets.	85%* of aid flows reported on budgets
4	<i>Strengthen capacity by co-ordinated support</i> — Percent of donor capacity-development support provided through co-ordinated programmes consistent with partners' national development strategies.	Target for improvement to be set by September 2005
5	<i>Use of country systems</i> — Percent of donors and of aid flows that use partner country procurement and/or public financial management systems in partner countries, which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	Target for improvement to be set by September 2005
6	<i>Strengthen capacity by avoiding parallel implementation structures</i> — Number of parallel project implementation units (PIUs) per country.	Target for improvement to be set by September 2005
7	<i>Aid is more predictable</i> — Percent of aid disbursements released according to agreed schedules in annual or multi-year frameworks.	At least 75%* of such aid released on schedule
8	<i>Aid is untied</i> — Percent of bilateral aid that is untied.	Continued progress
HARMONISATION		TARGETS FOR 2010
9	<i>Use of common arrangements or procedures</i> — Percent of aid provided as programme-based approaches <sup>5</sup>	At least 25%*
10	<i>Encourage shared analysis</i> — Percent of (a) field missions and/or (b) country analytic work, including diagnostic reviews that are joint.	Target for improvement to be set by September 2005
MANAGING FOR RESULTS		TARGET FOR 2010
11	<i>Results-oriented frameworks</i> — Number of countries with transparent and monitorable performance assessment frameworks to assess progress against (a) the national development strategies and (b) sector programmes.	75%* of partner countries
MUTUAL ACCOUNTABILITY		TARGET FOR 2010
12	<i>Mutual accountability</i> — Number of partner countries that undertake mutual assessments of progress in implementing agreed commitments on aid effectiveness including those in this Declaration.	Target for improvement to be set by September 2005

## 2. Assessing Aid and environment

### 2.1

**Easterly, W. (2007), Are aid agencies improving?, *Economic Policy*, October 2007, pp.633-678**

There is a long debate about how effective is foreign aid at creating economic development and eliminating poverty, going back to Rostow (1960), Chenery and Strout (1966), Bauer (1972), Cassen (1987), World Bank (1998), the UN Millennium Project (2005a), Sachs (2005), and Easterly (2006).

**Table 1. Chronic problems in aid, past and present**

Aid problem or idea	Pearson Commission (1969)	Contemporary statements (2005–2006)
More aid to poorest countries	‘IDA [International Development Association of the World Bank] has decided to make a special effort to assist the poorest members in project preparation so that they can benefit more fully from IDA financial assistance’ (p. 226). <sup>a</sup>	The Commission for Africa (2005, p. 99) calls for ‘allocating aid to countries where poverty is deepest’.
Donor coordination is a problem	‘the present multiplicity of agencies and their lack of coordination leads to much unnecessary duplication of effort’ (p. 228).	UNDP (2005): ‘weakly coordinated donors, many of them operating overlapping programmes’.
Be selective about to whom you give aid	‘increased allocation of aid should be primarily linked to performance’ (p. 133).	IMF and World Bank (2005, p. 168): ‘Broad consensus has emerged that development assistance is particularly effective in poor countries with sound policy and institutional environments.’
Aid tying is a problem	‘aid-tying imposes many different costs on aid-receiving countries . . . [costs] frequently exceed 20 per cent’ (p. 172); the donors should ‘consider the progressive untying of bilateral and multilateral aid’ (p. 189).	The IMF and World Bank (2005, p. 172): ‘Untying of aid significantly increases its effectiveness’ and ‘donors agreed to continue to make progress on untying aid’ (p. 173). UNDP (2005, p. 102) notes ‘price comparisons have found that tied aid reduces the value of assistance by 11%–30%’.
Move away from Food Aid	‘one of the most conspicuous forms of tying aid has been food aid . . . it has sometimes also allowed some low-income countries to neglect agricultural policy’ (p. 175).	The IMF and World Bank (2006b, p. 83): ‘transfer of food in kind was found to be about 50 percent more costly than locally procured food and 33 percent more costly than food imports from a third country’.
Technical assistance is a problem	‘technical assistance often develops a life of its own, little related in either donor or recipient countries to national or global development objectives’ (p. 180).	The IMF and World Bank (2006b): technical assistance ‘is often badly coordinated among donors and poorly prioritized’.
Debt relief	‘There has already been a sequence of debt crises . . . debt service problems of low income countries will become more severe (p. 72). ‘We recommend that debt relief avoid the need for repeated reschedulings’ (p. 157).	Commission for Africa (2005, p. 328): ‘For poor countries in sub-Saharan Africa which need it, the objective must be 100 per cent debt cancellation as soon as possible . . . the relief provided under [recent initiatives] has not been wide enough, or deep enough’.

<sup>a</sup> IDA is the pure ‘aid’ part of the World Bank. It was set up in 1960 to provide highly concessional loans to the poorest countries. The rest of World Bank lending is not considered aid, since it is loans at market interest rates to middle income countries.

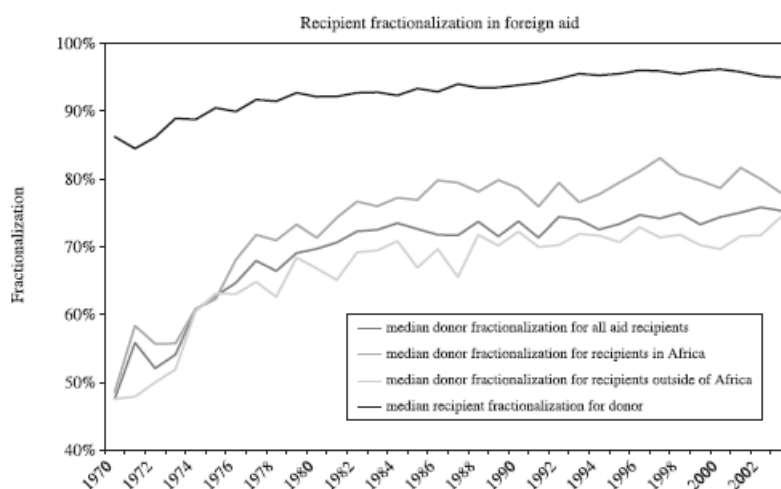
This paper takes a different tack – it adopts as the benchmark what the aid agencies (and consultants to the aid agencies) themselves state to be desirable behaviour. The paper is thus investigating the gap

between what aid agencies say would be good behaviour and the way they actually behave; ‘progress’ is defined as closing this gap.

Learning could come at least from three sources: (1) cumulative experience at dealing with some of the chronic problems of foreign aid, (2) reacting to new knowledge in economic research, and (3) reacting to failure. The paper will analyse changes in response to experience to analyse (1), and draw on well-defined episodes of new knowledge and failure to analyse (2) and (3).

## 2. LEARNING TO RESOLVE CHRONIC PROBLEMS IN FOREIGN AID

### 2.1. Donor coordination

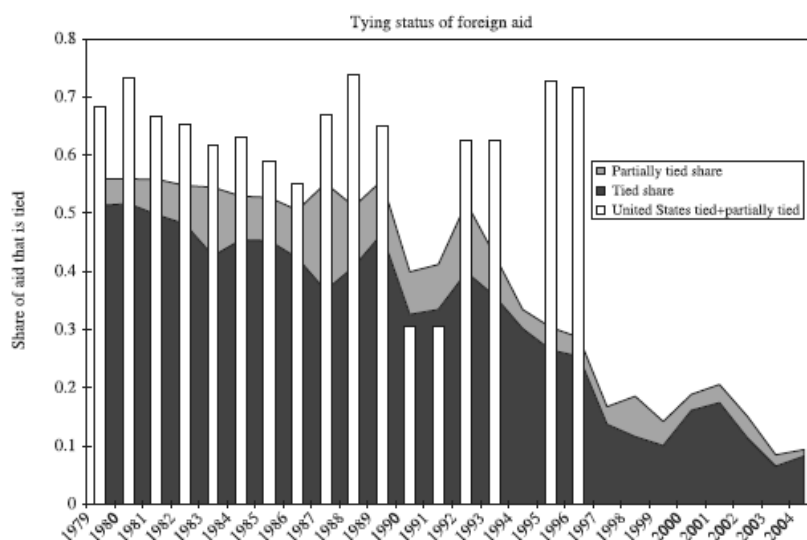


**Figure 1. Is there decreasing fragmentation in aid giving?**

*Notes:* Donor index is median for 15 bilateral donors, it is  $1 - \text{Herfindahl}$  for recipient country shares of Overseas Development Assistance (ODA) in donor's total. Recipient Index is  $1 - \text{Herfindahl}$  for shares of donors' ODA in recipient country total ODA.

*Source:* OECD Development Assistance Committee (OECD DAC) database. Recipient sample is 103 countries with complete data from 1970 to 2003. Africa sample is 42 countries with complete data over the same period.

### 2.2. Aid tying



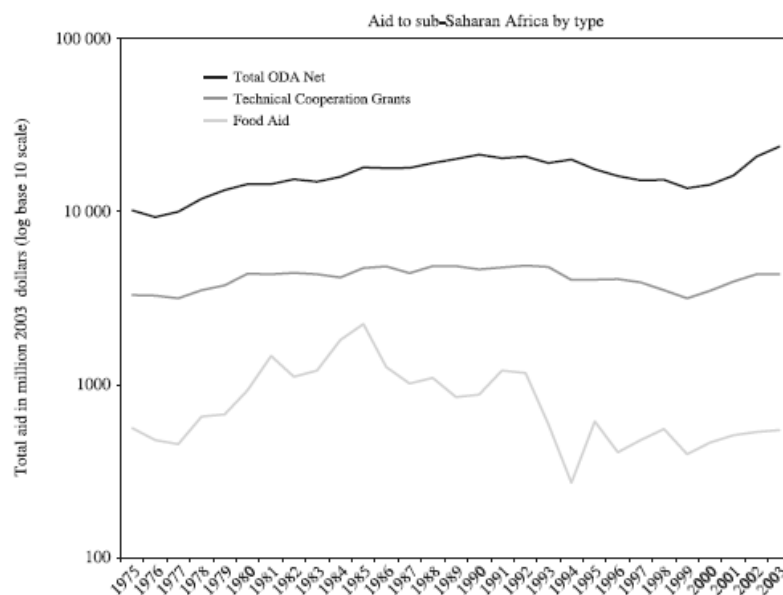
**Figure 2. The decrease in aid tying**

*Source:* OECD (various years), Development Assistance Committee, Tying Status of Bilateral Official Development Assistance Commitments (Table 7b).



### 2.3. Food aid and technical assistance

**Figure 3. Is there a shift away from food aid and technical assistance?**



**Figure 3. Is there a shift away from food aid and technical assistance?**

## 3. LEARNING NEW THEORIES OF DEVELOPMENT

The new approaches in the 1980s suggested that individual projects would have high returns only if national government policies were favorable, and then beginning in the 1990s only if institutions were supportive.

the World Bank's Assessing Aid in 1998

How much did aid agencies learn from these new waves of thinking about development? How is such learning reflected in their behaviour? It is indisputable that the aid agencies gave different advice to poor countries based on progress in development economics, and so in this respect at least there was definitely learning.

### 3.1. Responding to need

With the US, the post-Cold War expectations are confirmed, while for IDA and the other donors they are not.

### 3.2. Importance of government policies

The overall picture is that there is little evidence that donors are learning to be increasingly selective with respect to policies in the recipient countries.

### 3.3. Importance of institutions

The bottom line is that there is evidence for some sensitivity to corruption, but there is no evidence for learning by the aid agencies in response to new emphases in the literature about corruption.

**Table 10. Results of selectivity tests differentiated by donor****Table 10. Results of selectivity tests differentiated by donor**

Exogenous event	Donor most affected	Prediction of shift	Increased sensitivity to:	Predicted effect on donor most affected?	Predicted effect on all donors?
World Bank president McNamara initiative towards emphasizing poverty more, 1973	World Bank (IDA)	One-time shift	Need	Yes	Yes
Increased emphasis on policies after 1980	World Bank (IDA) because of structural adjustment lending	One-time shift	Inflation Openness	No No	No No
End of Cold War, 1990	USA	One-time shift	Need Democracy Corruption	Yes No No	No No No
Increased awareness of corruption, World Bank President Wolfensohn speech, 1996	World Bank (IDA)	One-time shift	Corruption	No	No
Steadily increasing selectivity with respect to need, policies, institutions	UK	Trend	Need	No	Yes
			Inflation	No	No
			Openness	No	No
			Democracy	No	No
	France	Trend	Corruption	No	No
			Need	No	
			Inflation	No	
			Openness	No	
	Japan	Trend	Democracy	Yes	
			Corruption	No	
			Need	No	
			Inflation	No	
			Openness	No	
			Democracy	No	
			Corruption	Yes	

## 4. LEARNING FROM FAILURE

### 4.1. Structural adjustment

Despite the accumulating evidence of failure and the problem of repetition, very little change in structural adjustment lending happened from 1980 to 1999. Finally, in 1999 the IMF and World Bank changed the name of the SALs for low-income countries to Poverty Reduction and Growth Facilities (PRGFs) for the IMF and Poverty Reduction Support Credits (PRSCs) for the World Bank. This did not explicitly address the repetition problem; instead, it was advertised at the time as a shift towards more emphasis on poverty reduction, which apparently was a reaction to the criticism that adjustment programmes did not try hard enough to protect the poorest part of the population.

### 4.2. Debt relief

The cycle of repeated adjustment lending, repeated debt relief, and over-optimism on growth rates in recent years does not seem to promise any escape from the aid syndrome noted way back in 1972 by P.T. Bauer: 'Concessionary finance used unproductively leads to indebtedness which is then used as an argument for further concessionary finance.' Here, there seems to be some combination of political pressure and lack of perspective that prevents any real learning to be implemented in escaping the debt cycle.

## 5. CONCLUSIONS

The record of the aid agencies over time seems to indicate weak evidence of progress due to learning or changes in political support for poverty alleviation. The positive results are an increased sensitivity to per capita income of the recipient (although it happened long ago in the 1970s), a decline in aid tying, and decrease in food aid as a share of total aid. Most of the other evidence – increasing donor fragmentation, unchanged emphasis on technical assistance, little or no sign of increased selectivity with respect to policies and institutions, the adjustment lending-debt relief imbroglio – suggests an unchanged status quo, lack of response to new knowledge, and repetition of past mistakes.

## 3. References

- Easterly, W. and T. Pfitze (2008), “Where does the money go? Best and worst Practices in Foreign Aid”, *Journal of Economic Perspectives*, 22(2), pp.29-52
- Easterly, W. (2007), Are aid agencies improving?, *Economic Policy*, October 2007, pp.633-678
- Matsuoka, S. and A. Kuchiki eds. (2003), *IDE Spot Survey: Social Capacity Development for Environmental Management in Asia: Japan's Environmental Cooperation after Johannesburg Summit 2002*, Institute of Development Economies
- <http://www.ide.go.jp/English/Publish/Download/Spot/24.html>
- Todaro, M. and S. Smith (2008), *Economic Development*, Longman

## 4. Schedule of Course Work

### 1. Introduction 9/27

#### *Part 1: History, Concept, and Theory of Sustainable Development (SD)*

2. History and concept of SD 10/6
3. Theory of SD: Carrying Capacity and MSY 10/13
4. Measuring and Indicators of SD 10/20
5. \* Students make a short report and presentation about your definition and measuring of SD 10/27

#### *Part 2: Development and Environment in Developing Countries*

6. Development issues: Poverty Trap and Big push 11/10
7. Economy and society of developing countries: Dual society and two sector development model 11/17
8. Development strategy: import substitution and export oriented 11/24
9. Development strategy and environment 12/1
10. \* Students make a short report and presentation about development issues in selected countries. 12/8

#### *Part 3: Theory and Practice of International Cooperation*

11. History and theory of international development cooperation 12/15
12. PRSP, MDGs, and Paris Declaration 12/22
13. Assessing Aid and environment 1/12
14. \* Students make a short report and presentation about aid and development in selected cases. 1/19

#### *Part 4: Toward a Sustainable Global Society (governance)*

15. Sustainable global society, global governance and concluding remarks 1/26