



IDA14

**Comments Received from NGOs
on Draft IDA14 Report**

**International Development Association
December 2004**

Subject	Comments (transcribed directly from original)	Source/Date
Introduction:	<p>The draft IDA-14 document seeks to build partnerships to achieve the Millennium Development Goals (MDGs) through utilization of the twin pillars: fostering investment climate for sustainable growth and empowering the poor to take advantage of the growth. In pushing for investment and growth, the document fails to adequately address the underlying institutions and public infrastructures needed to build citizens' empowerment and thus helps the poor to capture any gains that growth may bring. World Vision's comments will highlights pro-poor areas that have been omitted from this draft document. We would like to see the new draft of the IDA-14 document address the following areas: the underlying assumptions that growth would lift the poor out of poverty, governmental accountability to their citizens not just the financial institutions and donors, the missing partners in meeting the MDGs, coherence of aid, debt and trade, and addressing the needs of orphans and vulnerable children.</p>	<p>Haidy Ear-Dupuy Policy Advisor, Global Economics International Policy and Advocacy World Vision International Washington DC 20002</p> <p>December 7, 2004</p>
Assumptions:	<p>The IDA-14 draft document strongly assumes that donors can singularly utilize the market to achieve economic growth and development. Paragraph 10's concluding statement assumes that economic globalization is entirely beneficial and that the market's power can be harnessed to help the poor, without taking into account any market failures that are widely recognized by economists¹. Omitting to mention that market failures exist sets up the document to address only the power of the market and that of the private sector, without much consideration of the public sector and the governments' role. The public sector is even missing in the partnership section of paragraph 35.</p> <p>Without recognizing the role of the public sector, the draft also assumes that the economic growth generated by the private sector would be pro-poor. Numerous researches have illustrated that there is a strong distinction between growth and pro-poor growth². The document fails to focus specifically upon pro-poor growth. Without</p>	

¹ Areas of market failures include: externalities, public goods, market power that capture benefit at the expense of others, equity, and macroeconomic stability.

² See the British Aid Agency Dfid's researches on pro-poor growth <http://www.dfid.gov.uk/search/proxy/query.html?col=dfid&qt=pro-poor&charset=iso-8859-1>, IMF's Macroeconomic Policy and Poverty Reduction, 2001 paper addressing that compositions and distribution of growth also matter. Also see UN's work on pro-poor growth.

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	<p>addressing pro-poor growth, IDA would miss the opportunity to help the poor by targeting growth in the most labor-intensive sectors such as the rural agriculture or the urban informal areas. Paragraph 22 speaks about empowering the poor and investing in them without specifying who would be responsible for bringing about the changes. While strongly recommending that IDA focus on helping the private sector because it helps to produce growth that would lift the poor out of poverty, the document admits in paragraph 24 that “more work needs to be done to understand the determinants of poverty-focused growth in IDA countries.”</p> <p>Though the private sector is the solution, it can also be the contributor to the creation of poverty, not all jobs created by the private sector are accessible to the poor. Creation of more employment such as that in the high technology sector can contribute to the exacerbation of the gap between the poor and the middle class. With that understanding, IDA should require impact assessments (PSIA—Poverty Social Impact Assessment) for use of IDA funds in support of Private Sector Initiatives.</p> <p>Amendments</p> <p>Paragraph 58 should be amended to include poverty impact assessments as a tool to ensure that the stated goal of empowering the poor is achieved through initiatives that receive support from IDA allocations.</p> <p>Paragraph 64 on encouragement of the private sector role in provision of basic services should be amended to include a poverty impact assessment of all proposals to ensure that the poor are empowered and that all project receiving IDA support contribute to progressive realization of a country's commitment to the economic and social rights of the poor.</p> <p>As it stands, the document draws connections between the private sector, economic growth and poverty reduction without acknowledging that the poor in IDA countries are often without education and do not have the necessary skills to enter the job market. Thus, increasing employment in the private sector does not mean the poor and the unskilled would be the beneficiaries of IDA funding to private sector. Though social</p>	

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	<p>protection is referenced in paragraph 22, section 3, it mostly addresses what communities can do to protect themselves without carving out a role for the government to provide insurances or welfare systems that help the poor and the vulnerable such as those that exist in IDA donor countries.</p>	
<p>Governance, Accountability and Rights of the Citizens:</p>	<p>Though the document recognizes the importance of good governance and accountability, it fails to address the relationships between governments and the citizens. Without government accountability to the people, good governance is just a score that donors allocated to the CPIA (Country Policy and Institutional Assessment) without significantly addressing the core development problem. Thus making the CPIA scores a powerful instrument for donors to hold over governments while the citizens are powerless vis-à-vis their governments.</p> <p>Since it is the CPIA that determines allocations of IDA resources, the narrow scope of governance does not adequately address government accountability to citizens. Under the current formula, this gives arbitrary power of in-country International Financial Institution (IFI) officials over governments whereas citizens are left out. The document's call for more transparency is an improvement, but only the final rank of the CPIA scores will be published, not the determinants. This further enshrines IFI control over the allocation process, making the CPIA superior to the poverty reduction strategies (PRS). The role of the CPIA relative to the PRSP undermines any notion of local ownership of the PRS process.</p> <p>The definitions of sustainable growth and empowerment of the poor should include a country's progressive realization of its commitments to recognize rights of its citizens as individuals. The role of the state is not only to facilitate the private sector but also to provide an important balancing factor to ensure that rights of citizens are also protected and enhanced.</p> <p>Property rights are the only rights recognized in the document. There needs to be a balance of rights between the state recognizing the rights of the individuals to owning properties as well as their rights as the citizens. The meaning of sustainable development</p>	

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	<p>must be inclusive of the rights of the individuals to other aspect of development, not just in the economic arena.</p> <p>This document promotes property rights in several places. If IDA has a role in promoting respect for property rights, it also has a role to support progressive realization of existing country commitments to other rights.</p> <p><i>Amendments:</i></p> <p>Paragraph 19, definition of sustainable growth to include a country's progressive realization of its commitments to respect, protect, and promote the rights of its citizens, as recognized in existing international conventions.</p> <p>Paragraph 22, social protection should promote legal protection of poor people's right to assets, with specific mention of women's right to property. If IDA has a role in promoting respect for property rights, it also has a role to support country initiatives to support progressive realization of other economic and social rights, as recognized in a country's adoption of international conventions on economic, social, political, and cultural rights. Social protection should be amended to include support for a country's initiatives to achieve progressive realization of all rights.</p> <p>Paragraph 23, includes governance as a cross-cutting issue. Definition of governance should include accountability to citizens and respect for human rights, as well as fiscal accountability.</p> <p>Paragraph 53, on governance should contain clear statement about government accountability to the public.</p> <p>Appendix 1, Box 2, the criteria for the CPIA must include accountability to citizens within the country.</p>	

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The Missing Partners	<p>Although the document seeks to address building a joint partnership to work towards meeting the MDGs, it is strongly silent on the role of the IDA countries' governments. An example of the missing governmental and public sector is evident in:</p> <p>Paragraph 35. All stakeholders were listed, including Civil Society (though a very small section). The missing components are the IDA borrowing countries governments who are the main constituents of the IDA. The many types of unions are also missing from the partnership list.</p> <p>While it is important to recognize the role of the various donors to IDA and the development implementing agencies, the document needs to express the role that regional and global rule-making organizations can play to help in facilitating global developmental objectives such as in furthering the MDGs. Crucial to the discussion on helping the IDA countries to generate growth is the World Trade Organization (WTO) and other regional trade blocks that may exist in the various regions. It is not enough to focus on what the global community can do in terms of helping to finance development in the IDA countries, but also the role that donors, recipients, and rule-making bodies can do to create the right international climate that would be conducive to growth and are receptive to receiving goods produced by the poor.</p>	
Aid, Trade and Debt	<p>With respect to trade, the missing partners such as the WTO should have a role to play in helping to create a favorable environment for fair-trade goods as well as goods produced by IDA countries. Paragraph 55 addresses the trade and poverty reduction connection, complementing the Bank's creation of the Trade Department in 2002 to help IDA countries develop trade-negotiating skills. However, the financial, technical, and political gap between the developed/donor countries and the IDA countries are so broad that bridging the distance would take more than capacity building. A comprehensive package that looks at the three dimension of development such as aid, trade and debt is needed in order to achieve the MDGs as the draft document desires.</p> <p>Food security is hardly discussed under the section on trade. Trade liberalization is assumed to be good without reference to its side-effects, such as that of increasing the</p>	

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	<p>gaps between the rich and poor. The draft document needs to address not just the positives but to also seek ways to mitigate the negatives of trade liberalization. The closet support the document comes to address the needs of poverty impact assessment is to mention “further work on poverty impact of open trade policies.” There is a need to have the PRSPs be the documents to lead trade, not the other way around as suggested by the IDA-14 draft.</p> <p>Utilizing IDA funds to create joint IFC and private sector initiative would allocate funds to strengthen areas that might not be generating pro-poor growth. For instance, by prioritizing private sector investment over that of the public sector would undermine the ability of the country government to choose its own path in service provision. This process also takes the decision-making process out of the hands of governments and their citizens into that of the IFIs.</p> <p>Poverty impact assessment of trade policies should replace blanket assumption that liberalization always benefits the poor, with an emphasis on fair trade rather than open trade and the role of IDA sponsored programs to help ensure trade benefits the poor, rather than promote liberalization in all circumstances.</p> <p><i>Amendments:</i></p> <p>Paragraph 55, on trade, growth, and poverty reduction only mentions poverty reduction at the very end. It should be amended to include as a first step the implementation of poverty impact assessments for proposed trade agreements to ensure that they do benefit the poor.</p> <p>Paragraph 40, should add poverty impact assessments of new trade proposals, along with trade access, as critical for sustainable growth.</p> <p>Paragraph 68, should include food security as one of the outcome indicators.</p> <p>While we welcome the Bank’s and the IDA Deputies’ review of the Debt Sustainability Framework (DSF) and would like to encourage analysis that would help reduce</p>	

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	<p>unsustainable debt by the IDA countries. The use of more grants for development is preferable provided that donors calculated and plan for future additional financing needs to help IDA countries. The effectiveness of a new DSF would need to also address past debts owed to the multilaterals from IDA countries. As a coherent response to helping IDA countries to realize the MDGs objectives, donors should work towards a package that would include debt cancellation, favorable trade terms and more development assistances to IDA countries.</p>	
<p>Orphans and Vulnerable Children:</p>	<p>Paragraph 22, 2nd sub-section; "Education priorities include working to ensure that all children have access to a good quality basic education, with a specific focus on education for girls, orphans and other vulnerable children".</p> <p>Paragraph 31, 2nd sub-section; "Developing human resources, including the fight against HIV/AIDS and other communicable diseases, social protection, and education, particularly for girls, orphans and other vulnerable children".</p> <p>Paragraph 33, No mention of the IDA countries' governments, regional governmental organizations in the IDA countries and the trade unions.</p> <p>Paragraph 51, bottom sub-section; "While IDA has been the largest long term investor in the prevention and mitigation of HIV/AIDS the progress that IDA has enabled in the social sectors remains at risk of being reversed by the HIV/AIDS pandemic. Participants stressed that continued progress in the social sector is a critical element of the growth agenda, and will require addressing a combination of factors, including weak borrower policies, inadequate capacity and gaps in donor funding, as well as increased commitment to support and protect orphans and other children made vulnerable in a world of HIV/AIDS".</p> <p>Paragraph 68, Addition of "Food Security" to the list of core outcomes and the word "affordable" to the phrase "proportion of the population with access to an improved [affordable] water source"</p>	

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	<p>IDA 14 Country Outcome Indicators, Annex 2, Table 1, be amended to include an indicator for food security and replacement of "sustainable" access to water with more clear term such as "affordable" access to water.</p>	
<p>IDA's Overall Strategy: Standing on One Pillar?</p>	<p>As the largest alliance of U.S.-based international development and humanitarian nongovernmental organizations, InterAction welcomes the opportunity to comment on draft IDA text "Working Together to Achieve the Millennium Development Goals."</p> <p>IDA's Overall Strategy: Standing on One Pillar?</p> <p>In the opening (Paragraph 18) the text cites that IDA's strategy rests on two interdependent pillars, (1) "Fostering a climate and conditions for sustainable growth, investment, and jobs" and (2) "Empowering poor people to participate in development and investing in them."</p> <p>(1) Defining growth as pro-poor growth: InterAction recognizes the importance of economic growth in helping developing countries meet their development objectives. However, our experience has shown that the kind of economic growth makes all the difference on how it impacts the poor. For example, over the past 18 years Bolivia has implemented far-reaching reforms that have tamed hyperinflation and produced nearly a decade of 4% economic growth. Yet, since Bolivia's growth has not been effectively pro-poor, this improvement has not translated into satisfactory levels of poverty reduction. Paragraphs 24 and 41 recognize this issue and state a commitment to doing more to "understand the determinants of poverty-focused growth in IDA countries". Given the World Bank's stated mission of poverty eradication, rather than growth, we are puzzled and concerned that neither Paragraph 19 nor the entire sections IIA and IIB of the draft text make this distinction very effectively nor put this work plan higher on IDA's agenda. We suggest editing Paragraph 19 and sections IIA and IIB of the draft text to reflect latest understanding of pro-poor growth as growth that also addresses the needs of the poorest segments of society. A commitment to strengthening IDA's analytical work in evaluating pro-growth strategies is also encouraged.</p>	<p>Lenny Sapozhnikov Interaction December 7, 2004</p>

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	<p>Specific areas of concern:</p> <p>Paragraph 52, among others, suggests a renewed focus on lending for infrastructure development, while Paragraphs 20 and 58 encourage private sector expansion in social services provision. From InterAction's work in Central America, we know that there are growing concerns that such projects exacerbate the troubling processes of social exclusion and environmental deterioration. This is a highly contested area that should be approached with caution. Any scale up in infrastructure lending should not be supported without adequate poverty and social impact assessment (PSIA) and strong citizen participation. Any further involvement of the private sector should likewise take into account the World Bank's findings (Reforming Infrastructure - Privatization, Regulation and Competition, 2004) that effective, transparent, independent public regulation is the most critical condition for increased performances.</p> <p>(2) Missing focus on empowering poor people: The multidimensionality of poverty means that economic solutions are only part of the answer. Paragraph 15 recognizes the "complexity of the development process and the need for action on many inter-related fronts." InterAction agrees and supports a strong focus on IDA's stated second pillar "Empowering poor people to participate in development and investing in them." However, the rest of the IDA text appears to disproportionately address the first pillar, with a strong spotlight on the "Special Theme" of growth and private sector development (see above comments) at the expense of the second. Meanwhile, scanty and ambiguous references are made to empowering poor people. We seriously question this heavily imbalanced focus of the draft text and seek specific reactions to our concerns.</p> <p>Specific areas of concern:</p> <p>Despite the statement of purpose to "empower poor people to participate in development," it remains unclear how that is being mainstreamed into IDA's future work. The draft text fails to devote an adequate attention to the participation of civil society on the country level. Paragraphs 42 and 57 stress the importance of giving more attention to growth, PSD, and trade in the PRS. Given that the PRS process aims to be participatory and country-owned, InterAction seeks to clarify what basis the IDA Deputies are using to</p>	

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	<p>mandate these topics to be included into PRS? Consistent with the recent evaluation of the PRSP by the World Bank's OED, InterAction urges a greater space for civil society participation in all IDA programs and policies. Paragraph 28 of the IDA text should explicitly build upon the OED evaluation by incorporating the specific recommendations outlined therein.</p>	
<p>Debt Relief and Debt Sustainability:</p>	<p>In Section III, we remind the Deputies that despite important gains through debt relief, many poor countries today still spend more on debt service than on health and education combined, pointing to the need for increased debt relief and increased grant financing. For example, a recent study found that during the 1990s, 20% of Zambia's GDP went to service debts, while only 2-3% went towards health and education.</p> <p>Section III points to strong support for the HIPC Initiative for providing "broader, deeper, and faster debt relief". InterAction notes that recent findings from UNCTAD (Economic Development in Africa - Debt Sustainability: Oasis or Mirage?, 2004) point to the fact that actual debt service payment reductions have been "quite marginal." After 8 years, only 14 countries have reached the Completion Point. Half of these countries soon found themselves back at an unsustainable level of debt. Costs to "top up" countries that had already reached Completion Point more than doubled from \$800 million to almost \$2 billion in 2004. As a comprehensive response to helping IDA countries realize the MDG goals, InterAction believes that donors should work towards a package that would include 100% debt cancellation.</p> <p>Parallel to addressing unsustainable debt stock, InterAction supports systematic criteria for determining the proportion of grants to be provided under the Debt Sustainability Framework (Section IIC). We are concerned, however, that the new Debt Sustainability Framework raises the thresholds at which countries would be deemed in danger of debt distress to unacceptably high levels, beyond those previously used under the HIPC initiative. We therefore strongly urge Deputies consider a framework with substantially lower level of acceptable debt risk for borrowing countries.</p>	

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	<p>Transparency and Accountability:</p> <p>InterAction supports spirit of Paragraph 37, especially the movement towards disclosure of the CPIA starting in FY 2006. We stand by the specific recommendations on revenue transparency in extractive industries made by the Publish What You Pay groups. However, we remain concerned that important lessons learned from the OED's evaluation of the PRSP are not being mainstreamed into the IDA text (see above). We are eager to learn how the IDA Deputies plan to incorporate the findings in the IDA-14 text.</p> <p>Conclusion:</p> <p>InterAction supports IDA as the world's largest single provider of concessional resources for low-income countries and appreciates the work of the IDA Deputies. Still, we look forward to seeing substantive progress in the areas of development effectiveness, debt sustainability, and transparency as outlined above. We await your responses to our specific concerns.</p>	