Overview of Development Policy
Multilateral aid: Linking Debt Relief and Poverty Reduction.

1960s	With donor support, developing governments displace private sector: nationalization, government led industrialization
1970s	Donors displace government: donor driven projects with management structures outside government
1980s	Donors ask governments to change policy by responding to 'conditionality', return of the private sector.
1990s	By late 90s, move toward partnership with government, attempts to ensure government buy in
2000s	Increased emphasis on participation, accountability, decentralization both in terms of donor –government and also within nations.

(modified from Christiansen and Hovland, 2003)

If I had to extend to present I would think of performance monitoring indicators, impact evaluations, Millennium Development Goals, Randomized Control Trials…..A quantification.

By the late '90s, a set of issues came together.

1) IMF being criticized for the role played in the 1997 Asia Crisis, internal and external reviews of the 'Enhanced Structural Adjustment Facility' (ESAF). Camdessus since 1987. 'social dimension of structural adjustment' approach is not seen as sufficient.

2) World Bank being criticized for the growing sense that their Structural Adjustment Programs, particularly in SSA, were not working. Things seemed to be getting worse if anything. Wolfensohn's arrival in 1995.

3) IMF and World Bank falling out of coordination around the previously used Policy Framework Paper / introduction by Wolfensohn's Comprehensive Development Framework (WB arguably started moving first, IMF came along after). Both sensing a need for more country 'buy-in' of policy.

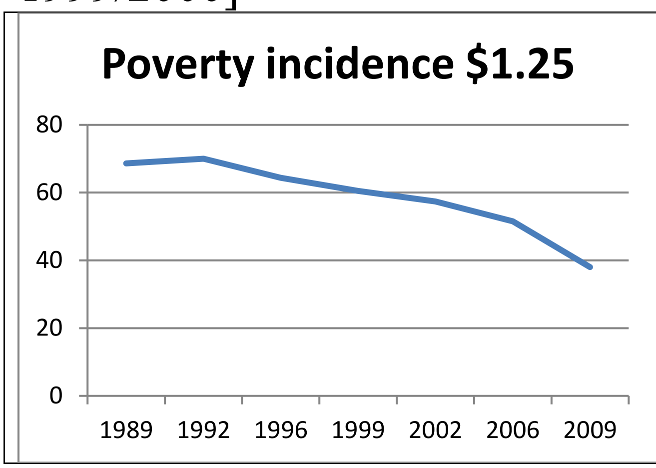
4) Heavily Indebted Poor Countries Initiative (HIPC) launched in 1996/7 but encountering some problems.

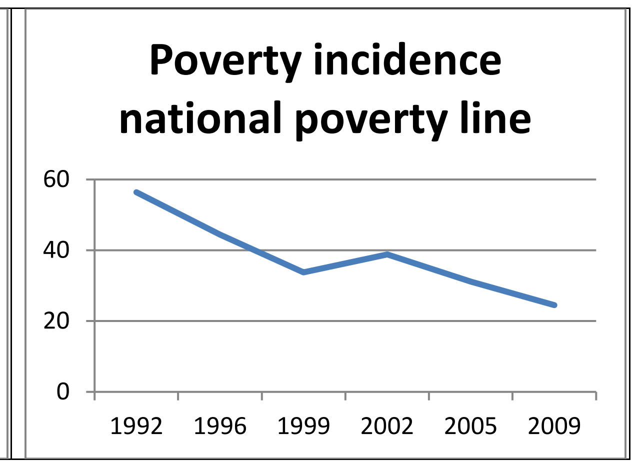
5) DFID with a focus on poverty reduction following 1997 election, with DFID being elevated to separate ministry. DFID had been developing a focus on poverty reduction, sustainable livelihoods, participatory methods…Strong research component.

6) Jubilee 2000 focus on debt relief, NGO critiques, anti-globalization protests….Wolfensohn and Camdessus getting a lot of heat.

The Uganda experience is one of the key elements of this development. 1997 publication of the Poverty Eradication Action Plan, following a negative reaction to the 1994/95 WB 'trickle down' kind of strategy suggested.

It appeared to be relatively effective in improving things in Uganda. [poverty rates dropped from 56% in 1992 to 35% in 1999/2000]





This had a plan in place that seemed relatively successful. There was a sense that something that merited wider expansion had been identified.

World Development Report “Attacking Poverty” 2000/ 2001

This is the second take at this issue: 1990 WDR was “Poverty”

“Voices of the Poor” 3 volumes, first published in 2000.

Poverty Reduction Strategy (began December 1999)

Four core principles:

1) Country driven
    a. Participatory approach to definition
    b. Assurance of ‘buy-in’
2) Medium to long term in perspective
3) Comprehensive and results-oriented – focus on outcomes that will benefit the poor.
4) Partnership oriented – involving coordinated participation of bilateral, multilateral, NGO, government, and civil society.

You can find these documents on the IMF site.

Poverty Reduction Strategy Papers (PRSP)

https://www.imf.org/en/publications/cpid/poverty-reduction-strategy-papers

These were in effect up until around 2015.

An evaluation of the effectiveness of this strategy.
http://www.nottingham.ac.uk/economics/documents/discussion-papers/sdp15-02.pdf

Interim PRSP was often the start. This was the basis for a participatory exercise (sometimes a Participatory Poverty Assessment)

IPRSPs were enough to get access to some funding / debt relief if approved.

Then the final PRSP was submitted to the boards of the IMF and WB for consideration.

If it is approved, makes you eligible for funds.

Then there are updates and progress reports. There is an associated M&E capacity building, and an associated sense of accountability.

The IMF funded through accounts which were in the Poverty Reduction and Growth Facility (PRGF) initially.

Terms of the PRGF

- As of August 2008, 78 low-income countries are eligible for PRGF assistance.
- Eligibility is based principally on the IMF's assessment of a country's per capita income, drawing on the cutoff point for eligibility to World Bank concessional lending (currently 2007 per capita gross national income of $1,095).
- Loans under the PRGF carry an annual interest rate of 0.5 percent, with repayments made semiannually, beginning 5½ years and ending 10 years after the disbursement.
- An eligible country may normally borrow up to a maximum of 280 percent of its IMF quota under a three-year arrangement, although this may be increased to 370 percent of quota in exceptional circumstances.

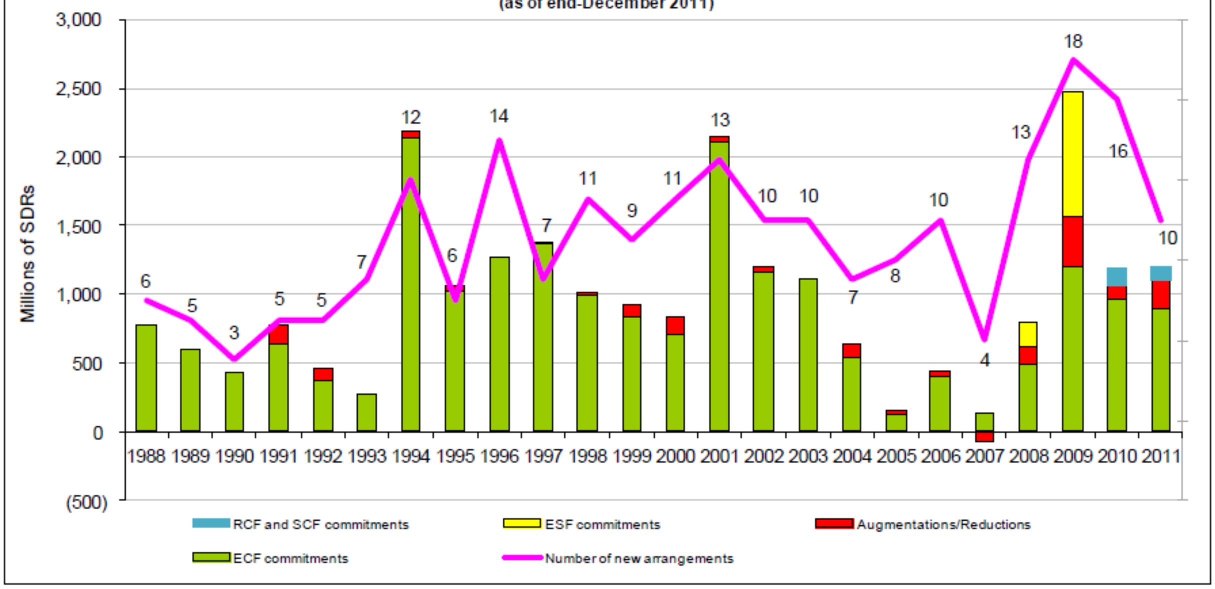


Figure 2. PRGT Commitments to LICs, 1988–2011
(as of end-December 2011)

Replaced in 2011 by the Extended Credit Facility

http://www.imf.org/external/np/exr/facts/ecf.htm

Purpose. Like its predecessor the PRGF, the ECF supports countries' economic programs aimed at moving toward a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth. The ECF can also help catalyze additional foreign aid.

Eligibility. The ECF is available to all PRGT-eligible member countries that face a protracted balance of payments problem, i.e. when the resolution of the underlying macroeconomic imbalances would be expected to extend over the medium- or longer term.

Duration and repeated use. Assistance under an ECF arrangement is provided for a three-year period, extendable for up to two additional years. Following the expiration or cancellation of an ECF arrangement, additional ECF arrangements may be approved.

Access. Access to ECF financing is determined on a case-by-case basis, taking into account the country's balance of payments need and strength of its economic program, and is guided by access norms. Total access to concessional financing under the PRGT is limited to 100 percent of quota per year, and total outstanding concessional credit of 300 percent of quota. These limits can be exceeded in exceptional circumstances. Access may be augmented during an arrangement if needed.

A collection of ECF reports:

https://www.imf.org/en/search#q=extended%20credit%20facility%20report

A Resilience and Sustainability Fund was introduced in 2022

https://www.imf.org/en/about/factsheets/sheets/2023/resilience-sustainability-facility-rsf

This report indicates it is facing challenges in 2025

https://www.cgdev.org/blog/reviving-imfs-resilience-and-sustainability-facility-challenges-and-opportunities-ahead#:~:text=The%20International%20Monetary%20Fund's%20newest%20lending%20instrument%E2%80%94the,an%20effort%20to%20forestall%20future%20balance%2Dof%2Dpayments%20strains.

Another program to look at was the Heavily Indebted Poor Countries (HIPC) launched in 1996 by the IMF and the World Bank jointly. HIPC went through a review in 1999 that led to the explicit linking of external assistance, debt relief, and poverty reduction (sometimes see HIPC1 and HIPC2).

Eligibility for HIPC:

- PRGF eligible (and WB eligible).

- Heavily indebted: NPV of debt above 150% of exports or above 250% of government revenues.

- Good track record of reform.

The Joint IMF-World Bank's comprehensive approach to debt reduction is designed to ensure that no poor country faces a debt burden it cannot manage. To date, debt reduction packages under the HIPC Initiative have been approved for 36 countries, 30 of them in Africa, providing US$76 billion in debt-service relief over time. Three additional countries are eligible for HIPC Initiative assistance.

For those who went through the process:

- Debt stocks reduced by 2/3rds in NPV terms.

- Debt service over 2001 to 2006 reduced by about half.

From:
http://www.imf.org/external/np/exr/facts/hipc.htm

Another topic that received interest was fragile states, failed states, difficult partnership countries, post conflict reconstruction

USAID "Fragile States Strategy" (2005)
There are failing, failed, and recovering states. "At least a third of the world's population now lives in areas that are unstable or fragile…so that in 2003, excluding Iraq, almost one-fifth of USAID's overall resources were spent in such settings"

DFID "Why we need to work more effectively in fragile states" (2005) lists 46 fragile states.

World Bank Low Income Countries Under Stress, Fragility and Conflict

An update of where this kind of work stands:

https://www.worldbank.org/en/topic/fragilityconflictviolence

Fragile States Index: https://fragilestatesindex.org/

World Bank Governance Indicators:
https://www.worldbank.org/en/publication/worldwide-governance-indicators

USAID functions now in the Department of State

https://www.state.gov/bureaus-offices/under-secretary-for-foreign-assistance-humanitarian-affairs-and-religious-freedom/

https://www.performance.gov/agencies/usaid/

For those that are not on the list of failed states, a different approach has been used to target who gets funding. The idea is that you look at the stable states, and identify which ones are performing well, and reward them. This is the Millennium Challenge Corporation (MCC) / Millennium Challenge Act (MCA).

"The objective of the MCA is to help support economic growth and poverty reduction in the poorest countries in the world. The program is not designed for humanitarian assistance, to help in post-conflict situations, to further security interests, or to reward political allies." From the mca monitor website.

Millennium Challenge Act, Millennium Challenge Corporation. "the single largest expansion in U.S. foreign assistance in decades".

Announced in 2002. Increase over three years by 50% of core development assistance by 5 billion per year by 2006.

The MCA was initially intended to reach by FY 2006 an annual allocation of $5 billion over and above existing U.S. development assistance.

There have been implementation challenges.

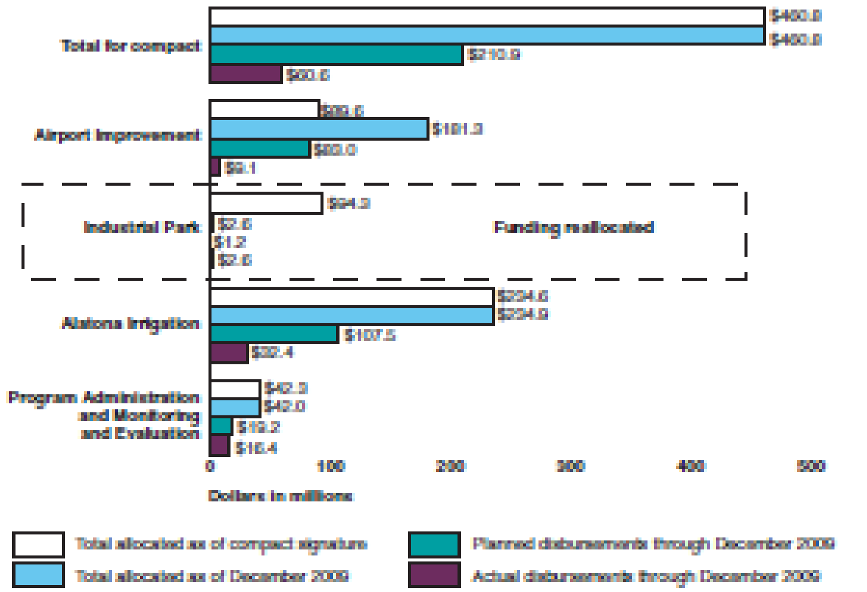
Compact Disbursements

At compact signature, MCC develops a disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of December 2009, MCC had disbursed $60.6 million (approximately 13 percent) of compact funds, compared with the $210.9 million (approximately 46 percent) that it had planned to disburse as of that date.

Although it is not shown in the graphic, in addition to the above disbursements, $110.2 million has been committed under the compact for pending expenses as of December 2009.

Mali Planned and Actual Disbursements



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: We base planned disbursements on MCC's projections for the fiscal quarter ending December 2009. We assume that funds are disbursed evenly throughout each year. Actual disbursements by project may not add up to total disbursements because some disbursements are pending allocation to projects and are reflected in the total but not in the projects.

Set of indicators based on:

Ruling Justly	Encouraging Economic Freedom	Investing in People
1) Civil Liberties 2) Political Rights 3) Voice and Accountability 4) Government Effectiveness 5) Rule of Law 6) Control of Corruption	1) Country Credit Rating 2) 1-year CPI 3) Fiscal Policy 4) Trade Policy 5) Regulatory Quality 6) Days to start a business	1) Public Expenditure on Health as % of GDP 2) Immunization Rates (DPT3, Measles) 3) Public Primary Education Spending as % of GDP 4) Primary Education Completion Rate

https://www.mcc.gov/where-we-work

You get a score in each of these indicators as it relates to the overall distribution of scores across countries.
https://www.mcc.gov/who-we-fund/scorecards

Note ERR studies

https://www.mcc.gov/our-impact/err/

Philanthropy (and remittances)

Hudson Institute from 2012 to 2017

Table 1

U.S. Total Net Economic Engagement with Developing Countries, 2010

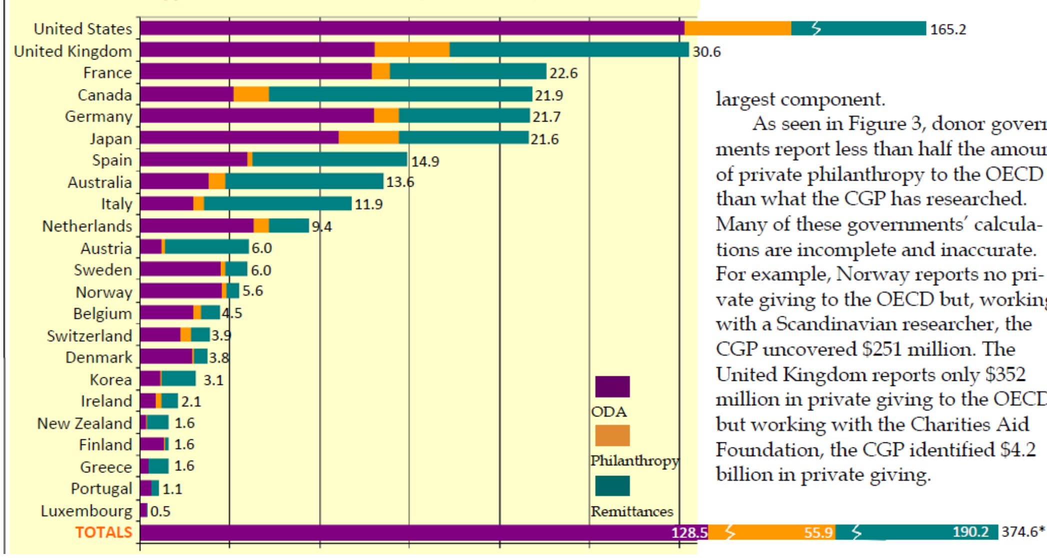
	Billions of $	%
U.S. Official Development Assistance	**$30.4**	**9%**
U.S. Private Philanthropy	**$39.0**	**12%**
Foundations	$4.6	12%
Corporations	$7.6	19%
Private and Voluntary Organizations	$14.0	36%
Volunteerism	$3.7	9%
Universities and Colleges	$1.9	5%
Religious Organizations*	$7.2	18%
U.S. Remittances	**$95.8**	**29%**
U.S. Private Capital Flows	**$161.2**	**49%**
U.S. Total Economic Engagement	**$326.4**	**100%***

*Data from last available year: 2009; *Variation due to rounding

Sources: OECD; Hudson Institute's remittances calculations from DAC donors to DAC recipients based on data from the World Bank's Migration and Remittance Team's *Bilateral Remittance Matrix*, 2010; Hudson Institute, 2012.

Figure 6

Total Assistance from OECD Donor Countries to Developing Countries: ODA, Philanthropy and Remittances, 2010 (Billions of $)



sult of including remittances and philanthropy in the calculation. Of these three, U.S. remittances make up the largest component.

As seen in Figure 3, donor governments report less than half the amount of private philanthropy to the OECD than what the CGP has researched. Many of these governments' calculations are incomplete and inaccurate. For example, Norway reports no private giving to the OECD but, working with a Scandinavian researcher, the CGP uncovered $251 million. The United Kingdom reports only $352 million in private giving to the OECD, but working with the Charities Aid Foundation, the CGP identified $4.2 billion in private giving.

The last report by the Hudson Institute:

https://s3.amazonaws.com/media.hudson.org/files/publications/201703IndexofGlobalPhilanthropyandRemittances2016.pdf

This moves to Indiana University Indianapolis in 2017

https://philanthropy.indianapolis.iu.edu/index.html

https://globalindices.indianapolis.iu.edu/tracker/country-level-a.html

Finally, we have from the Center for Global Development the Commitment to Development Index (Roodman again)

https://www.cgdev.org/project/commitment-development-index

A brief that illustrates changes in this index over time.

https://www.cgdev.org/sites/default/files/cdi-2023-brief-ENG.pdf