

# **The World Bank Conditionalities**

## **A Persistent Problem**

**Civil Society Position Document in the context of the Bank's  
Consultation on its Conditionalities**

**Maputo, August 2007**

## **Thesis**

Bad conditionalities hinder the country's development through the reduction of the efficacy and efficiency of external aid.

Bad conditionalities should be eliminated.

## **Justification**

The main concern that we would like to share with the World Bank is that the major problem of this country (Mozambique) is the high level of external dependency. The development model that is being constructed is purely a model founded in external dependency and donors, including the World Bank, have a big responsibility in this, being conditionalities the principal instrument for the perpetuation of this dependency.

Today, we are in a situation in which any investment that we intend to undertake, we do so, relying on external aid. While this scenario prevails it will be very difficult to strengthen our own public administration capacity.

Therefore, it creates a vicious dependency cycle that does not allow for the creation of a sustainable basis for growth and development, by either lack of own and realistic vision or nourishment of forces that perpetuate bad governance, an ill that creates lack of interest and induces to bad resource allocation and disintegrates the system.

The link between the Bank and the country has to be the one that contributes to strengthening of the country and not dependency. All that makes external debt painful, reducing its result and impact, should be removed.

Hence, bad conditionalities should be banned.

## **The Dynamic of the Bank Assistance to the Country**

The World Bank support to poor countries grew. In the last years, about half of the Bank's assistance was directed to Sub-Saharan African countries, where Mozambique had a considerable share.

In Mozambique, currently providing support to the State Budget of approximately 70 million US dollars per year, which represents about 40% of its total annual portfolio to the country, the Bank is one the main country's financier, with a yet increased responsibility over big projects, regarding necessary disbursements, such as infrastructures, with notability to roads, but also to key areas such as agriculture, and the fight to HIV/AIDS, to name a few, considered as key to the promotion of sustainable economic growth and prosperity.

The experience that the country has shows that the World Bank always had a less harmonized position with other donors and creditors, regarding the criteria and conditions for the deliberation of support. However, it has been taking large steps towards harmonization of the procedures and improvement of public management efficiency (timely response to deadlines and notable improvements in foreseeability); the emergence of PARPA/PRSP and its indicators matrix, the emergence of General Budget Support (GBS) initiative and its mutual accountability through the Performance Assessment Framework (PAF) contributed decisively for bringing together the criteria, procedures, and conditions between the Bank and other donors/creditors. One more example of this, contrary to other institutions with higher influence and American base, there is approximately 1 year that the Bank has begun to support fiscal obligations derived from VAT and custom rights in its support to the country, particularly the one provided in kind. Despite the Bank being one of the main actors in direct support to the budget, there has been an effort geared to reduce transaction costs through adherence to SWAPS (the case of PROAGRI)) and other common sector funds (common basket funds – CBF).

The perception that these developments nominally allowed to evolve from a situation in which the conditionalities were individual by donor to common conditionalities assembled in QAD/PAF, is consensual.

Another positive aspect that we recorded from the World Bank is the increasing openness to different actors and stakeholders. Today, the Bank has more accessible mechanisms of relationship with partners; Civil Society has benefited from significant attention.

We vehemently recognize the continued improvements of the Bank's support to the country, which we salute and encourage. However, there are constraining aspects, some in the framework of common conditionalities with other donors/creditors, others constituting mere unilateral practices (which from now on and for the purpose of this position document we shall call them *Backward Conditionalities*, meaning that they are conditionalities resistant to change and hurtful).

## **Main Problems**

Backward Conditionalities from the Bank comprehend the following aspects:

### 1. Relationship with the Bank and Political Space for Nationals

The first issue relates to the Bank thinking for us through the elaboration of strategies for our country. Both PRSC and Country Assistance Strategy (currently CPS) are Bank's documents/strategies. These purely reflect Bank's interests, from "philosophy" to indicators. Even the PARPA is also a document

with strong influences of multilateral institutions, and this was obvious when PARPA I had to go through the completion point, which determined whether the plan fully responded to the interests of those institutions. It was easier to adjust PARPA II once the boundaries were created in PARPA I (ex. the standard of macroeconomic discipline required, the discrimination of relevance between sectors, amongst others).

If we had to categorise the plans according to the level of sovereignty, the Government Five Year Plan would be, perhaps, the one that would most capture our visions as a nation.

Formulating strategies for us means guiding our choices, adjusting them to the Bank's interests. It means putting us in an inferior position, it means putting us in a total dependency position (institutional dependency, philosophical dependency, intellectual dependency, etc). Lastly, it means to withdraw our fundamental political space for the realization of our own choices.

The second issue is linked to the first one and has to do with the direct interference in our choices, specifically the choice of certain indicators of Social and Economic Plan (PES) for the Bank's individual strategies such as PRSC and CPS. For example, we do not find due consonance (although there is a significant recovery of QAD/PAF indicators) between the potential result indicators by pillar proposed in the matrix of the new Country Partnership Strategy – CPS – *results framework*) and the matrix of indicators of PARPA reflected in PAF.

The more hurtful conditionality is disguised in the selection by the Bank (and other donors) of PES indicators and consequently of QAD/PAF and place on them their strategies of assistance. Since the Bank (and other donors) has chosen a determined number of indicators (for the Bank, between 9 to 12) this means guiding the countries policies and destiny, it means making the country do what the Bank (and donors) want. The question is: what ensures that what the Bank chooses is the most correct and desirable to the country? We are in the presence of a clear violation of the principle of Ownership and Alignment advocated by the Paris Declaration.

We want to make it clear that, we are very unsatisfied with this practice. It is said, on the other hand that unilateral conditions finished and that there are only the common ones that are resumed in PAF. If this is true, the conditionality assumed other forms less obvious, and thus, more difficult to stop. They are conditionalities that come in a camouflaged form.

We demand that our political space be returned. Yes to the support that you provide, but if this support is meant to help us exit from the current dependency situation, then it should be channelled in a way to construct and consolidate our capacities.

*If you intend to help us with efficiency, then support our visions so that we can grow – take the Economic and Social Plan, in its entirety, as the basic instrument for assistance. No to individual strategies, no to the selection of indicators.*

## 2. Evaluations for the deliberation on effective assistance to the country

Another problem for us apart from coming up with the strategies and the selection of indicators based on individual interests is related to the evaluations. Even with the choice and imposition of policies for us an effective deliberation of assistance depends on the evaluation of the level of compliance of the impositions by the country. The Bank is currently, perhaps, the strictest. Apart from the joint review, that is believed should be the basis of the decision on the assistance of the country, the Bank makes other evaluations of its own, of which one should highlight: the evaluation of the country's situation in the current year for the board's deliberation of effective assistance for the following year and the CPIA evaluation for the deliberation of the entire portfolio of the resources (general budget support + projects) for the years after that. Another evaluation, which does not directly influence the portfolio of resources, but does have a negative impact on the movement of capital on an international level, is related to the business environment (Doing Business). Here the problems are: *picking the indicators is subjective and it is not consensual, the Bank even evaluates periods and issues apart from those foreseen in the Memorandum of Understanding of the PAP group and, above all, the effective deliberation depends on the final word of the board.* We are in a situation of perpetuation of the unforeseeability of aid, which goes against the Paris Declaration.

We are very unhappy with this. We urge the Bank to make the Joint Evaluation the only evaluation framework for the effective deliberation of assistance; we also urge an amendment of this evaluation in the sense of resuming to the dialogue and the exercise of accountability between national actors (Government, Civil Society and Parliament), leaving to the Bank and other partners the role of observation and opinion giving.

## 3. Rules of procurement in the implementation of projects

Another problem relates to the Bank not accepting the government's rules of procurement and the application of its own rules in the different projects supported by the Bank, that consume the bulk of its aid in the country (around 60% of the total portfolio).

We acknowledge that the government's recent procurement regulation can present some insufficiencies, in both the content as well as in the process of implementation. Nevertheless, we wish to bear in mind that everything takes its time and furthermore we feel more assured knowing that this is the fruit, as

always, of contributions of international partners themselves, including the World Bank. The question is: why opt for unilateral rules if a guiding framework already exists that we all (including the Bank) push for and believe to be the most adequate?

This practice is, once more, an act beyond the principle of appropriation and alignment of aid and has as implications, not only the elevation of the cost of transaction to the country by the adoption of the parallel processes, but also decreases the possibility of adoption of national factors, also reducing the potentiality for the promotion of empowerment of local actors, and bringing forth the sustainability of the productive base with a long term perspective.

For cases that have specific demands in terms of technology and know-how, the creation of assistance in capital and in the establishment of strategic partnerships between nationals and foreigners can permit, inclusively, the transferral of skills to national and local actors, which would consolidate the basis for our sovereignty in the long term.

#### 4. The State cost sharing in the projects

Another problem that has come to put the public projects financed by funders at risk, specifically by the Bank, is the demand of cost sharing of by State with a minimum requirement (between 10% and 15% of the total cost of the project), of which the disbursement is conditioned. The government isn't always immediately able to collectively participate, which in addition to committing to the periods of execution of the projects and, consequently, all the waste of time that comes from it, takes the Government's issuance of the notes of accounting, as a counterpart, which later complicates the programming and public financial management. These notes are accounted as income, that in real terms do not exist and that forces the creation of compensational schemes. Subsequently, the higher the cost is, the greater the need for collective participation will be.

The cost sharing should not be a condition of the disbursement, even if it appears to be a form of demonstrating the government's responsibility. Contrary to this, a mechanism of increment of responsibility and leadership of public institutions should be created, through the consistent application of reforms and assistance to the development of internal capacities.

#### 5. Technical Assistance

Another aspect that we would like to bring to the Bank's attention is the persistent elevated cost of technical assistance. The government has found itself in financial constraints and a consequent reduction in the net effective aid to the country, due to the expenses of technical assistance paid through the same resources disbursed by donors.

Yes, we think that assistance is valuable, but the donors (the Bank in particular) should, as a part of the support to the country, take control of the charges derived from technical assistance, permitting not only a good management of resources that are disbursed, but also a visualization of the real size of the assistance to the country.

The Bank should take this into account and, in the same way, taking its agenda as an intrinsic part of the improvement of the quality of assistance, also influencing the other donors/creditors by way of its strategic positioning of leadership in the way of donors/creditors.

## 6. Transparency and communication

Another problem (apart from backward conditionalities and that relates with its own transparency) is the limited access to information that continues to be heavily felt, especially for the organizations in the Civil Society.

The actors of the Civil Society demand material to monitor the public process and development of agendas consistent with advocacy. But, key information such as assistance agreements/ memorandums and bilateral conditions are not easily accessible. An example of this is the lack of access to the Poverty Reduction Support Credit (PRSC), an important document to the monitoring of financial assistance of the Bank to the country.

We also feel a great constraint when we are invited to participate in processes when they are already taking their course; the invites are made at the last minute and there is no time for preparation. A very ridiculous example of this, is the way with which this process of consultation on the Banks conditionalities was conducted, in which we the members of the Civil Society had to ask the Bank to clarify what was happening and to say that we had very poor information from outside the country. The first contact with the Bank was only possible on the twelfth of August of the current year, when it was said that the consultancy should be by the end of the month. This consultation is about a process of delicate issues that relate to people's lives, and it is not something that is done without material or in a few hours.

It is also important to mention that of all the times that we are consulted we noticed that we were consulted on matters which we did not have any involvement in the planning and implementation phase, which demands from us ceaseless work on the collection of information, perception of the state of things to later give our opinion and in such little time. This is not mediocre it is bad and demonstrates lack of responsibility.

As a result, it is important to involve the people from the outset, it is important that the essential documents that support the commitments are shared with all the stakeholders in order to permit a monitoring of actions by all parties.

In remembering that transparency (and, consequently, the involvement) is one of the consensual principals about the Effectiveness of Aid founded in the Paris Declaration.

### **Final Considerations**

We, organizations of the Mozambican Civil Society, urge that the assistance to the country is provided with quality to promote a sustainable economic growth and an increment in a reduction of the levels of poverty. For such, we appeal that the assistance has the desired quality, by the prioritization of investments that create a base for sustainable growth, all-encompassing and inclusive of the country, through the intensification of the alignment of this assistance to the instruments of planning and macroeconomic management of the country, harmonization of the procedures with other donors and the increase in transparency and mutual accountability, in terms of the Paris Declaration and, at the national level, the Memorandum of Understanding (MU) with the PAPs and the respective Performance Assessment Framework (PAF). Most importantly is that with this we want to call attention to the pressing need of the elimination of conditionalities and unilateral practices that raise the cost of the transaction of assistance and incite pressure in other loyal donors to the MU and PAF