

The IMF, World Bank And Technical Assistance: A Background Briefing For UK NGOs

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Introduction

For several decades, campaigners have been raising concerns about IMF and World Bank programmes and their impacts in poor countries. We have highlighted harmful projects and neo liberal policy conditions and identified their impact on poor people.

Less attention, however, has been paid to some of the subtler forms of IFI influence, or 'soft conditionality', through which southern governments are persuaded into certain policy choices without this persuasion ever registering as a formal conditionality.

Examples of such influence include:

- Influencing the discourse on development, through IFI friendly research, conferences, and seminars.
- Posting advisors (TAs) within southern governments
- Studies and research carried out as part of project and programme preparation (economic and sector work etc)
- Policy 'dialogue' in country

Such forms of soft conditionality can interact with 'hard' conditions (e.g. formal conditions included in IFI programmes) in different ways:

- *Substituting for conditionality*: TA can be used to replace formal conditions, as an attempt to promote particular policy agendas through the back door.
- *Reinforcing conditionality*: TA can be used to reinforce conditions, to ensure that they are met.

In both cases, TA tends to be used where the donors have identified a lack of country ownership and are keen to ensure that particular policies are implemented.

Examples

There are many examples in which the IFIs have used 'soft' forms of influence to either substitute or reinforce conditionality:

- In Uganda in 2000-02, key decisions about whether to reject Global Fund aid for HIV/AIDS through fear of breaking IMF macroeconomic targets were heavily influenced by a donor funded macroeconomic advisor. At that time, virtually all the key documents needed by the WB for project and programme approval were written by WB funded consultants (e.g. Letter of Development Policy, PRSP)
- In Cambodia, until recently there were two different supposedly 'government owned' strategies: one written by an ADB consultant and funded by the ADB, one written by a World Bank consultant and funded by the World Bank.

- In Tanzania, World Bank project documents relating to the failed Dar es Salaam water privatisation raise concerns that government ownership of the project may not be high, noting that:
 - ‘the risks of wavering government commitment to an efficient and transparent divestiture process...must be considered as significant...these risks are to be addressed to the extent possible principally through the provision of considerable technical assistance.’
- In Sierra Leone, DFID is funding a privatisation advisor in the National Commission for Privatisation to advise on water privatisation, a condition for a number of World Bank and IMF loans and HIPC debt relief.

IFIs, knowledge dominance and bilateral donors

This issue is not only important for the IFIs. The IFIs influence the policies and strategies of the bilateral donors through their research outputs and their funding of major conferences and events. Bilaterals are also heavily influenced in country by IFI led analytical work. Meanwhile, bilateral donors also reinforce IFI conditions by funding TA projects to back up IFI conditions, and by formally aligning their aid programmes to those of the IFIs, especially PRSCs and PRGFs.

Why should we be interested?

There are several reasons why NGOs should be tracking, and lobbying on, issues of ‘soft’ conditionality:

- Soft conditionality is like ‘hard’ conditionality: it is unfair, undemocratic, undermines domestic accountability processes, and often imposes harmful neo-liberal policy prescriptions.
- Soft conditionality is less transparent and harder to identify than hard conditions. This makes it extremely hard for CSOs either in the North or the South to track.
- Accountability processes are particularly skewed, particularly in the case of donor funded advisors: it is often unclear who they report to, and even when they don’t officially report to donors they are often closely linked informally. Advisors are also rarely held to account for their poor policy advice.
- The use of soft conditionality, including advisors, makes it easier for the IFIs to promote policies which are not ‘owned’, by bringing in their own people to undertake the necessary preparatory work.

Other issues to consider

As with many issues, campaigning on TA and the IFIs also raises questions:

- Many recipients do need capacity building. We need to be clear on what the alternatives are, if we are not proposing TA.
- Some of the things we are advocating for, in particular PSIA, rely heavily on donor funded TA.
- There is a growing trend towards providing TA to strengthen Public Financial Management (PFM) systems, an area which many NGOs are likely to support. We need to be clear about what we think of this kind of TA.