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Funding Priorities and Modalities for Poverty Reduction (CIDA): A Presentation by Roger Ehrhardt

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I. Introduction

As the title of my presentation suggests, unlike other speakers in today's session, I do not have specific responsibility for development policy or for Asia programming within my organization--the Canadian International Development Agency. While I have previous experience in both of these areas, my current and most recent responsibilities have been with respect to multilateral development institutions - both the United Nations and the international financial institutions.

In my remarks, I will thus take a somewhat broader approach to this topic, which I hope can provide some "added value" to the discussions of a poverty-reduction focus. I plan to organize my remarks around two broad themes: (i) opportunities created by the emerging international consensus and (ii) challenges of coherence.

II. The Opportunity from Consensus

It could be argued that we now have an historic opportunity in that there is a clear consensus emerging on the "what" of development, that is-- what are we trying to achieve and at least the broad outlines of the "how" we can achieve it.

In terms of the "what," of course, there are international development goals - a compilation by the Organization for Economic Cooperation and Development/Development Assistance Committee (OECD/DAC) of some key targets that emerged from the Global UN Conferences of the early 1990s, that have in a sense come full circle and have now been endorsed as the Millennium Development Goals by the United Nations.

An overarching concept behind these goals (and indeed one of the goals) is the theme of poverty reduction. As we heard at our opening sessions on Monday (and will likely hear in this panel), nearly all development institutions whether it is the World Bank, the Asian Development Bank, the United Nations Development Programme (UNDP), or bilateral donor agencies have endorsed the reduction of poverty as their fundamental priority. As we have also seen in discussions these last four days, it is not clear what works, or how, but at least we are all moving toward a common goal. As an aside, I would note that I am impressed by the broad approach of ADB to poverty reduction, with its three pillars of pro-poor economic growth, good governance, and social development.

In terms of the "how," I would highlight the broad acceptance of what have become known as the Comprehensive Development Framework principles. These are:

- a long-term vision and strategy
- enhanced country ownership, including participation of all segments of society
- stronger partnership between government and all donors
- accountability for development results.

All of us in this room are well aware that these principles have been discussed in various ways for a number of years. As an example, I would refer you to the "partnership principles" in the DAC's *Shaping the 21st Century*. We must, however, acknowledge the important role that World

Bank President Jim Wolfenson has played in giving these principles the high profile needed to advance and sustain them.

III. The Challenge of Coherence

The second theme I would like to discuss could be called partnership or coordination; but I prefer to refer to it as coherence: the reason being that this broader concept can be addressed at a number of levels. This is also an issue that has not, in my view, received sufficient attention in the sessions this week, at least not in those that I have been able to attend.

Because of where I sit within my organization, I would like to start the discussion of coherence at the level of shareholders. All of you in the room (except those who work in these institutions) are in one fashion or another shareholders or members of a broad range of multilateral institutions. Some, like me, may be involved in establishing government policy toward these organizations. In terms of coherence, this is an area where I believe there is much room for improvement. While we often spout rhetoric of having the multilateral institutions specialize using words such as selectivity, focus, comparative advantage, or division of labor our deeds seldom match our words. To be more specific: what we state as a broad policy thrust, we seem to lose sight of when it comes to our behavior at individual institutions. Instead of promoting selectivity and focus, we -- and by "we" here I would refer principally to OECD country members of various institutions -- tend to want to make all institutions of which we are members be all things to all countries. We seem to want each institution to address all the key issues on the agenda.

Let me give you two concrete examples: (i) During negotiations of the recent replenishment of the Asian Development Fund, which was completed in September of last year, donor members often raised the concept of the value added of ADB, and its need to focus. Yet when you read the Replenishment Report, which was based on what shareholders said, there is no sense of priority or focus. The list of issues which ADB is expected to address seems endless. One participant described the list as a Christmas tree, on which each donor added its favorite decoration. As an aside, I would add that there are of course positive aspects of the replenishment report. Two I would highlight are the decision to develop a performance-based allocation system, and the emphasis on improving working relations between ADB and the World Bank. (ii) A second (and broader) example is the issue of HIV-AIDS. There is no doubt that greater resources are required to address this issue in all regions of the world. Because of growing concern about the impact and spread of HIV-AIDS, all countries are calling for enhanced efforts. This concern has been translated into a call by shareholders and members of international institutions for them to do more. Perhaps a logical position, but this position has tended to mean that each institution has developed its own expertise, its own policies, and its own programming on this issue. Is this potential overlap not a waste of scarce intellectual resources? Would it not be more sensible to suggest that technical skills of the World Health Organization (WHO) or United Nations Children's Fund (UNICEF) and the coordinating mechanism of the Joint United Nations Programme on HIV/AIDS (UNAIDS) be used to lead the programming even if resources are being channeled through another international institution?

If we, as members of international institutions, believe that some sort of division of labor would improve developmental effectiveness, then we need to be serious about that approach. We

need to come to some agreement among ourselves in terms of what we should expect from various institutions. We have taken some tentative initial steps. For example, there seems to be a consensus that regional development banks are much better placed to address issues such as governance and regional integration because of their greater understanding of the region, but we need to go beyond this consensus.

The second way in which we can address the question of coherence is to look at the institutions themselves. Are the plethora of international institutions that now exist willing to work with each other? Or -- and I would suggest that unfortunately this is too often the case -- are there battles over who will lead, who best understands a country or a region, who has the requisite knowledge on a topic? As we have seen during this week, there is room for debate on which approaches are most effective and there should be room for engagement in policy debates, but there are times when the debate is not about ideas, but about who will lead.

We also see institutions themselves consistently seeking to enhance their fields of competence. While I have noted above the tendency of donors to push all institutions in the same directions, many institutions are willing passengers on this ride. In fact, sometimes they are out in front. At a time when development resources from shareholders are scarce, institutions tend to seek out new fields or to go into new and trendy programming areas because they think that is where donor money will be available. There is an all too common trend of chasing donor resources. Sitting within a bilateral donor agency and having a role in overseeing our work with these institutions, I can attest that there is a seemingly endless string of requests to us to fund this new initiative at this institution or another initiative at a second institution. It strikes me that international institutions (here I am referring to the broad range of institutions) should now seize the opportunity to better define their working relationships to decide how they will work together. We have seen some positive signs: the World Bank and African Development Bank have negotiated a memorandum of understanding on how they will work together; and the World Bank and the Asian Bank are now beginning a similar process. Furthermore, heads of the multilateral development banks now meet on a regular basis to discuss issues and policies. And we have seen the development of a much better working relationship between the United Nations and the Bretton Woods institutions, perhaps best illustrated by their combined work on preparations for the *Financing for Development Conference*, scheduled to be held in early 2002.

In the end, what is required is that all international institutions put a little water into their wine. They must be willing to focus on partnership -- with the country and with each other -- not on leadership.

The third level of coherence is partner countries. It is evident that rhetoric emanating from the headquarters of international institutions is certainly more oriented toward working together than it was in the past. And we can find good examples of where this focus on partnership is working well at the country level. But we still hear too often from our representatives in the field that there are still too many battles over turf, too little sharing of information, too much duplication of effort, and too many demands placed on the partner country. While we are all eager to address poverty reduction and to get a clearer picture of the poverty situation in a country, we each tend to want to do our own poverty assessment, and to prepare our own poverty strategies -- all of course placing demands on local capacity that unfortunately is often quite limited.

With the broad acceptance of the Comprehensive Development Framework principles, and with the preparation of country documents based on these principles (for the International Development Association (IDA)-eligible countries, the Poverty Reduction Strategy Papers (PRSPs) are the best example of such documents), we have the organizational devices to enable a more coherent and integrated donor approach at the country level. What is required to make this integrated approach happen is a commitment on the part of the international donor community to work within this framework, particularly beginning with the concept of country ownership. Donor organizations should also be willing to align their own programming with the priorities that come out of these processes. In specific terms, this alignment would mean that when a PRSP has been prepared by a country through a participatory process, the PRSP should be taken by the donor community as the starting point for preparation of its country programming documents.

In closing, let me apologize for taking a very broad approach to our topic for this session perhaps an approach that was broader than expected. Nonetheless, I hope it will contribute to the discussions today and in the future. The challenge of reducing poverty is so great that we must become much better at working together, in support of a country's own efforts, if we hope to achieve success: if we hope to make progress toward the International Development Goals.