

At issue: Harmonisation and coherence: White knights or Trojan horses?

In recent months, the World Bank has been leading the charge to increase the harmonization of donor policies and further coherence between the Bank, the IMF and the WTO. But does harmonisation risk 'one-size fits all' solutions? And will moves towards increased coherence at the next round of trade negotiations in Cancun mean locking-in policies which are in fact incoherent for development?

'Harmonisation' and 'coherence' have become the motherhood and apple pie of development-speak. But any action can be coherent with another - the term says nothing about its value or who will benefit. Harmonisation can describe manipulation as easily as it can cooperation for the greater good. Added to the lack of clarity over the value of these terms is confusion over how and where they are to be applied. Should they relate to both policies and procedures? Do they refer to the organizational, the national or the international level? Can they bridge the gulfs between the development, trade, finance and security communities?

Old wine in harmonious bottles

In various forms, the clamour for increased cooperation between aid agencies is as old as the development industry itself. As far back as 1949, President Truman declared that post-war development efforts "should be a cooperative enterprise". Fifty years on, the OECD, the G-7 and the UN have all called for renewed efforts towards improved coordination.

For its part, the World Bank has had harmonisation with the IMF and other multilateral development banks (MDBs) on its agenda since the 90s. This work was a perfect fit with the Bank's Comprehensive Development Framework (CDF), unveiled in 1998. Originally called the New Development Framework, the CDF 'holistic approach' offers everything to everybody all at once. In February 2001, the Bank hosted a forum on harmonisation including representatives of the MDBs and the OECD's Task Force on Donor Policies. After receiving an official mandate from its governing body, the Bank convened a high-level forum in April 2002 where officials of donor organizations and countries could review progress on harmonisation. This forum has become an annual event.

Key elements of the harmonisation agenda include: reducing the administrative burden for recipient countries, disseminating good practices, encouraging results-based management, streamlining conditionality and harmonising policies. The Bank's harmonisation activities are summarised in table 1.1.

The struggle for coherence

The issue of coherence first surfaced in the ministerial declarations preceding the Uruguay Round of trade negotiations in 1993. Among the goals of the declaration was "the need to improve the 'coherence' of international policymaking by establishing better linkage mechanisms between the GATT and the Bretton Woods institutions".

At the 1995 UN Social Summit, delegates threw the UN into the mix, urging the "coordination of UN activities, the BWIs and the WTO at the global, regional and national levels, including coordination with the Economic and Social Council (ECOSOC)." Bank President Wolfensohn was cagey about the details of working with the UN. "But what does coordination mean? I have a job to do and I don't want to be instructed by someone else, unless my shareholders ask me to." In 1998, annual reporting meetings between the BWIs and ECOSOC were initiated.

A formal cooperation agreement was reached between the Bank and the WTO in 1996. Further expansion of the coherence mandate at the failed Seattle trade summit in 1999 was opposed by developing countries

due to fears that conditionality would be used as a prod in trade negotiations and concerns that language referring to "other international organizations" was an attempt to bring labour standards into the WTO.

Table 1.1: Selected Bank activities on harmonisation and coherence

Level	Harmonisation	Coherence
Global	Participation in MDB roundtables, Rome Forum, OECD Task Force on Donor Practices Work on codes and standards with IMF	Research Trade capacity building Meetings with IMF, WTO
Corporate	Operations Policy & Country Services integrates policy development, dissemination and oversight functions with country service functions	Creation of Trade and Private Sector Dvlpmnt Departments Staff and data exchange with IMF and WTO
National	Country Analytic Work PRSP - CAS alignment Staff decentralisation Capacity building Public financial mgmt tools	Trade diagnostic studies PRSP / CAS under CDF Article IV consultations (IMF) Trade Policy Review Mechanism (WTO)

Despite this setback, WB-IMF-WTO coherence was in the declaration adopted by WTO Ministers in Doha in November 2001. Since that time, two meetings on coherence have been held with the General Council of the WTO, and regular meetings have been instituted both between the heads of the agencies and at the staff level.

A renewed call for coherence of the BWIs with the UN was made at the Financing for Development conference in Monterrey in March 2002, with the suggestion that the annual meeting with ECOSOC include "a dialogue with civil society and the private sector." Two meetings have taken place and progress is to be reviewed this October.

The key elements of the current coherence agenda include: supporting the Doha work program (liberalisation in goods, services, and investment), trade-related capacity building, improving global financial stability through capital account liberalisation and channeling increased investment to developing countries and assisting borrower countries to improve coherence in policies at the national level. Selected World Bank coherence activities are listed in table 1.1.

Harmonisation or "cartelization"?

Much of the harmonisation agenda is long overdue. Developing countries have been drowning in donor bureaucracy for decades. However unlike the harmonisation of procedures, the standardization of donor policies raises alarm bells for many observers.

Despite the BWIs' penchant for market solutions in all aspects of their operations, competition is eschewed when it comes to the provision of aid. Devesh Kapur, lead author of a study of the first fifty years of the Bank, argues that "'forum shopping' allows borrowers to have at least a modicum of choice between a regional development bank and the World Bank and harmonisation can be a slippery slope to cartelization."

Whereas development agencies may act as a cartel, the IMF has a monopoly. In its role of key signaler, the Fund precipitates donor flight

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when it declares a borrower 'off-track'. During the Asian financial crisis, the IMF vigorously attacked proposals for the creation of an Asian Monetary Fund, arguing that the presence of another Fund might allow countries in crisis to avoid taking the 'necessary medicine.'

We lead, you follow

Increasingly the policies and procedures of MDBs, governments and even private banks are being harmonised with those already developed by the Bank and Fund. This process is a dual-edged sword. In some instances 'ratcheting up' the policies of other financial institutions to meet those of the Bank and Fund results from NGO pressure. A recent example was the adoption by a number of private banks of the safeguard policies of the Bank's International Financial Corporation. On the other side of the sword, trade groups worry that the universal spread of Bank-led diagnostic trade studies will allow biases towards rapid unilateral trade liberalisation to enter national development plans through the back door.

The key process through which the Bank hopes to 'harmonise' development is the Poverty Reduction Strategy Paper (PRSP). From the outset, country ownership has been the central tenet of PRS formulation. However, as long as the PRSPs have to pass the Boards of the Bank and Fund to obtain funding, governments produce remarkably similar outputs. Jubilee South reports that "in some cases, the rush was such that the IFIs simply took over the task of writing the PRSPs in a way that it would meet the approval of the Boards in Washington."

Contested coherence

Critics of the Bank and Fund argue that the BWIs' own policies are not coherent with the notion of human development. For example:

- On finance: the conditions of support contained in the IMF's Poverty Reduction and Growth Facility (PRGF) loans have conflicted with national development strategies
- On debt: repayments do not consider the impact of liberalisation or commodity price shocks on debt levels
- On trade: developing country negotiating positions are undermined by prior compliance with BWI conditionalities
- On governance: the World Bank has just 2 seats out of 24 for the entire continent of Africa

Looking more closely at trade, while 'coherence' is spoken of in reference to trade and finance, 'mainstreaming' is used for trade and development. This suggests that there are no 'incoherencies' between the current trade system and the development agenda. Addressing the issue, Martin Khor of Third World Network argues that "a distinction between 'mainstreaming development in trade' and 'mainstreaming trade in development' should be carefully kept in mind."

The Bank has conceded that trade is still missing from the joined-up approach of the PRSP. The question will be whether trade is 'mainstreamed' into the PRSP process or whether the incoherence of the existing trade system with development priorities will be examined. A study of the trade policy content of PRSPs by the British Overseas Development Institute concluded that "the current asymmetrical power relationship between donors and poor countries...would mean that if trade-poverty analysis was incorporated into PRSPs it would probably be neither independent nor country-specific."

NGOs have responded to moves by the WTO towards increased coherence with the Bank and Fund:

- Questioning the role of the BWIs in trade - why should these agencies take a lead role in capacity building when developing countries question their independence?
- Defending the role of the UN as the forum for consultation, rather than the creation - as suggested by the WTO - of a "separate institutional vehicle" for consulting with the Bank and Fund
- Demanding that assessment of the impacts of developed countries'

trade policies, previous WTO agreements and BWI conditionality be factored into policy advice to developing countries.

Moving forward with coherence

Coherence lies on contested terrain. Possible outcomes include development policies being made coherent with unfair trade policies or even the security objectives of the economic powers. The objective of the coherence work of the Bank, Fund and WTO is ambiguous - coherence for "global economic policy making". In contrast, coherence for development would explicitly place as its goal the maximisation of policy space for developing countries to take steps to reduce poverty. This framework must be applied to the policies of the industrialised nations and the multilateral economic organisations where they create unfair trade and global financial instability. Table 1.2 sets out some discussion points of what such a framework might look like.

Table 1.2: Mainstream coherence vs. coherence for development

	Mainstream Coherence	Coherence for development
Finance	Millenium Development Goals MDB collaboration WB manages trust funds under single set of principles 'Results' based lending	Enforcement measures for financing to reach MDGs MDB competition Bank revenue-sharing plan Stable development finance from an international tax
Debt	Repayment of debts based on HIPC formula	International debt tribunal Link repayment to commodity prices, impact of liberalisation
Trade	Integration into rules-based trading system Donors abide by WB's CDF principles	Rules include retaliatory measures against countries which fail to make aid targets Recipient countries set guidelines
Governance	Dissemination of WB 'good governance' best practices and assessments	Bringing the BWIs under jurisdiction of UN (ECOSOC) and treaties signed by a majority of members
Security	WB may comment in Security Council on relationship to development ... some public noises since 9/11 but little action	Coherence between development principles and policies of arms exporting countries

Discussion of how to elaborate these concepts has been dominated by a select group of multilateral agencies working in conjunction with the more powerful donor countries. It should instead be led by elected ministers - especially those in the South - and not unelected secretariats of international institutions. Where appropriate, the circle should be widened to include the specialized UN agencies, Southern intergovernmental agencies such as the G-77 and the South Centre, and Southern civil society.

Those who are familiar with these debates will point out the great difficulty in 'widening the circle'. However, we must not shy away from the political debates that the implementation of these terms involves. The development community risks creating self-selected cliques where - brought in within the Trojan horse of the worthy concepts of harmony and coherence - the most powerful pass off their own self-interest for the common good.

For a full list of references with web links see the html version: brettonwoodsproject.org/harmonycoherence

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