

masters of their own
development?

PRSPs
and the
Prospects
for the
Poor

Edited by Alan Whaites

Introduction by Ann Pettifor

World Vision



“**A**rmed with poverty reduction strategies, countries become masters of their own development, with a clearly articulated vision for their future and a systematic plan for achieving their goals.”

- World Bank/IMF
*A New Approach to Country-Owned
Poverty Reduction Strategies*
January 2000

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Ann Pettifor

Introduction

In 1998, as director of Jubilee 2000, I joined thousands of peaceful demonstrators who had gathered around the G8 summit in Birmingham, UK, to call on the richest governments in the world to act against the intolerable burden of debt faced by developing countries. Ordinary people in developed countries wanted to protest against the scandal of poor states sending more money to donors in debt repayments than they received in aid. They wanted to have a voice on the issue of debt taking up more resources than education, health and social protection. The many supporters of Jubilee 2000 understood that it was time to stop putting the interests and ideology of institutions in the North ahead of the task of poverty reduction.

Those demonstrators were concerned not just by the damage done directly by debt itself but also by the associated impact of the structural adjustment programmes imposed by lenders. Structural adjustment is inseparably associated with the poverty experienced by the people of the world's most indebted countries. There has been an increasing consensus among economists in recent years that structural adjustment has done little to improve the economic fortunes of the countries involved, although it has contributed to two decades of lost development potential.

The call of Jubilee 2000, therefore, was for debt relief to be linked to poverty reduction in a way which would ensure the poor would no longer be the subjects for experiments in neo-liberal theories. The resources freed by debt relief should instead make a genuine contribution to poverty

reduction. OECD (Organisation for Economic Co-operation and Development) governments while accepting the logic of Jubilee 2000's, argument left it to the IMF (International Monetary Fund) and the World Bank to design a framework to make this happen, the result was PRSPs. At the time Bread for the World, as a member of the Jubilee 2000 movement, commented:

The PRSP represents a new development in Bank and Fund lending policy with some potential, but only to the extent that certain conditions are met. First of all, civil society in the borrowing countries needs information and transparency about the new process. . . . Secondly, consultation with civil society must go beyond information dissemination, to a genuinely participatory process in which the recommendations of non-governmental actors can influence policy.

This takes us beyond process to content. The World Bank and IMF have been directed by their member governments to work in new and promising ways. . . . The World Bank and IMF documents describing PRSP show some evidence – albeit very slender – of willingness to be flexible in making macroeconomic prescriptions. But the question, “how flexible?” will be answered as the process unfolds country by country.¹

In many highly indebted nations groups like Jubilee 2000 have been encouraged to participate in the development of IMF-sponsored poverty-reduction strategies. Opening up and democratising the process of economic policy-making is vital not only for the health of indebted nations but also for the global economy as a whole.

But have the Bank and the IMF really changed since the peaceful demonstrators gathered in Birmingham? If the experience of many civil society groups of PRSP participation is anything to go by, then clearly the original vision of debt relief and poverty reduction is being lost in the institutional morass. This report by my colleagues from World Vision has outlined many of the problems that have been encountered with PRSPs since 1999. Their analysis is all the more interesting because World Vision has tried to support the idea of PRSPs from the start. It is clear from their research that even those who have stood by PRSPs are finding the experience increasingly frustrating.

In the light of the problems that are being experienced so widely, it is no wonder that many Jubilee 2000 partners have come to believe that PRSPs may be little more than a fig leaf for the implementation of IMF and World Bank macro-economic policies – mainly designed in secret in Washington by unaccountable civil servants on “one-size-fits-all” templates.

These policies are designed in the tradition of a now-much-discredited school of economic thought; namely, that an economy really can become an interlocking system of markets that automatically adjusts supply and demand through the price mechanism. As Fred Block has argued, “Even when economists acknowledge that the market system sometimes needs help from government to overcome market failure, they still rely on this conceptualisation of the economy as an equilibrating system of integrated markets.”² There is little room here for people as involved citizens, democratically participating in shaping the forces that affect their lives.

This economic worldview clashes with, and often contradicts, the new poverty-reduction policy framework and lending facility imposed on the IMF in 1999 by a group of, as it happens, European women development ministers. The European ministers had, in turn, come under huge pressure from the international Jubilee 2000 movement to turn away from the “Washington Consensus” and to work instead to democratise economic policy-making and reduce poverty in the most indebted nations. How this could be done had already been demonstrated by Uganda, which had established a Poverty Action Fund in 1998 into which debt-relief resources were directed, and which provided mechanisms for civil society (including Jubilee 2000 in Uganda) to monitor spending and check corruption.

The final review of PRSP documents is undertaken by the international financial institutions in Washington rather than by domestic governments. This makes the process unduly skewed towards meeting the requirements and the policy agendas of those institutions. There seems little point espousing the need for participation when the policies imposed are directly designed to *undermine* participation. As one finance minister said recently of his country’s poverty-reduction strategy: “We do not want to second guess the Fund. We prefer to pre-empt them by giving them what they want before they start lecturing us about this and that. By doing so, we send a clear message that we know what we are doing – i.e., we believe in structural adjustment.”³ In other words, he was more concerned to please and appease officialdom in far-away Washington than to respond to the

needs and democratic mandates of his own people – and Washington actively encourages him in that approach.

But while there are many weak and unaccountable finance ministers in debtor nations that are effectively enslaved to their creditors and donors, this is not true of all. Again, Uganda provides contrary evidence. While the Ugandan PRSP contains a strong emphasis on trade liberalisation and privatisation, this contrasts sharply with recent public assertions by President Museveni, who has argued that trade liberalisation has done little to benefit Uganda and has called for strong public intervention in the export sector.⁴ It also contrasts with the views of elected parliamentarians, who recently threatened to censure the minister of finance over privatisation of the Uganda Commercial Bank. If PRSPs do not reflect the views of political leaders, whose views can they claim to represent?

The absence of democratic participation in the development of macro-economic policies is often justified on grounds of “capacity.” But the reason goes further than this. Most of those who support minimum government intervention in the economy do so not necessarily on strict economic grounds, as is often claimed. In fact, in areas such as trade liberalisation, most economists would agree that total liberalisation does not result in the greatest level of growth or development. The main rationale behind minimum intervention is that debtor governments, and the poor as a whole, are not trusted to intervene in the economy. They are assumed to be wholly corrupt and to use any leverage they have in the economy to “buy off” political opponents. While such practices and behaviour might even be accepted as part of the democratic process when it is practised by OECD governments, it is considered unacceptable in a poor, indebted nation. This is just another form of discrimination by those who run the international financial institutions.

Conclusion

Without genuine democratic participation by ordinary people in the development of economic policy, no economic policies can be made to stick. We have to re-learn the lessons so ably outlined by Karl Polanyi in his book *The Great Transformation*; namely, no economy can be autonomous of the people. It is this ridiculously utopian approach of much economic theory that makes it so difficult for IMF economists to come down to earth and to integrate

civil society participation and poverty reduction into their economic templates. Only if economic policies once again become embedded in societies and are subordinated to democratic institutions and social relations can we expect genuine participation in the development of economic programmes. And only then can we hope for economic programmes that will genuinely reduce poverty.

Notes

1. Sara Grusky, Ph.D., "The IMF and World Bank Initiate a New Reform Package *The Poverty Reduction Strategy Papers: An Initial NGO Assessment*," Bread for the World Institute Debt and Development Dossier (April 2000), issue no. 3.

2. Fred Block, Introduction, in Karl Polanyi, *Great Transformation*, new ed. (Beacon Press, 2001). Dr. Block is a professor in the Department of Sociology, University of California, Davis.

3. F. Cheru, quoted in World Development Movement (WDM), *Policies to Roll-back the State and Privatise?* (London: WDM, April 2001), 10, full text available on the WDM website.

4. For example, during the consultative group meeting of May 2001 or the reading of the budget speech in June 2001.



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Alan Whaites

Making PRSPs Work:
*Can Rhetoric
and Reality Coincide?*

Soon after the launch of Poverty Reduction Strategy Papers (PRSPs) and while still in the full flight of their most optimistic rhetoric the International Monetary Fund (IMF) and the World Bank stated:

armed with poverty-reduction strategies, countries become masters of their own development, with a clearly articulated vision for their future and a systematic plan for achieving their goals.¹

In an historic about-face, the IMF and the Bank were promising debt relief for heavily indebted poor countries in exchange for their governments' commitment to spend resulting savings on health and education. Like many other NGOs, World Vision welcomed the arrival of the PRSP concept and praised the bold promises that were made by the Bank and the Fund.

In the time that has elapsed since the inception of PRSPs, World Vision has been constructively involved at consultation meetings in Washington, D.C., local participatory exercises in communities and at the national level in Africa, Asia and Latin America. The experience of working with PRSPs at the local level is shared in the four case studies that follow. There have been some very welcome signs of progress: the concept of participation within policy-making has gained ground, donors have moved towards a common framework for assistance and, most important, poverty reduction has edged more firmly into the centre of policy.

The progress that has been made to date represents steps in the right direction, but much remains to be done. PRSPs have not yet fully lived up

to the original rhetoric that surrounded their birth. World Vision believes that with appropriate action on the part of the World Bank, IMF and donors, PRSPs could more convincingly reflect their originally stated aims.

World Vision's concerns regarding the PRSP approach are grouped around the areas of *process*, *content* and *resources*. The report also outlines four wider contextual issues that could still constrain even the best strategy if action is not taken. These findings are based on four case studies from Ethiopia, Cambodia, Senegal and Latin America. Arising from these concerns is a growing sense of unease regarding the political baggage with which PRSPs were originally endowed. The legacy of the past seems to have pushed the Bank and the Fund towards actions that sacrifice effectiveness for the sake of organisational interest.

To date, and in light of the new and innovative nature of PRSPs, World Vision has taken a view that PRSPs are a work in progress; some mistakes will be made, but the potential benefits make perseverance worthwhile. In a sense this view has been best summarised by the World Bank and IMF when they state:

All concerned – countries, civil society and their external supporters (including the Bank and Fund) – are learning by doing in the PRSP context, and strategies will evolve in the light of experience. The numbers (and even the initial quality) of strategies prepared are only a preliminary indicator of success; the program will stand or fall on the basis of persistent poverty-reduction efforts at the country level and their measurable outcomes in the lives of poor people.²

Sustaining continued belief in PRSPs will become increasingly difficult if action is not taken to address the issues outlined below.

Adjustment and Social Conditionality

The official launch of PRSPs at the annual meetings of the World Bank and IMF in September 1999 marked a major event in the relationship between international financial institutions and developing states. The fact that PRSPs were a new instrument of conditionality was sometimes downplayed amidst the talk of participation and pro-poor policy. Yet this was a significant evolution in the lineage of conditions that have been laid down for borrowing states since the early 1980s.

The idea of social conditionality was not new; the concept had been around in a negative sense since the insistence on fiscal restraint that

marked the IMF/World Bank response to the debt crisis of the early 1980s (perceived at the time as a short-term liquidity problem). Fiscal restraint in turn had meant the curtailing of social provision and the introduction of practices such as user-charges.³

Following the UNICEF report *Adjustment with a Human Face*⁴ the World Bank in particular moved quickly to introduce social safety-net activities within structural adjustment programmes, and as a result true social conditionality was born.⁵ The Bank also undertook several studies of development experience in Southeast Asia that underlined the positive role played by state social intervention and the importance of education and good income distribution.⁶

The lessons drawn from some of these experiences were embedded within the Comprehensive Development Framework (CDF) launched by World Bank President James Wolfensohn. The CDF was the heir to the Bank's own analysis of the lessons of development, and initially there was puzzlement as to how the new idea of PRSPs would relate to this existing approach. The need for a CDF/PRSP discussion was indicative of the fact that PRSPs owed as much to external political pressure as to the evolution of internal thinking.

The Political Origins of PRSPs

The origins of PRSPs actually lie substantially with the civil society movements that in the late 1990s forced the issue of debt reduction onto the international agenda. When Jubilee 2000 organised human chains to surround the Birmingham G8 meeting, it called not only for debt relief but also for the resources released to be devoted to poverty eradication. Changes of government in the UK, France and Germany were gradually creating a more receptive international policy-making environment for such calls. Early in 1999 the IMF, in essence reading the writing on the wall, began a consultation on social conditionality. Then, in June, at the Cologne G8 meeting, the political leaders of the West announced not only an enhanced Heavily Indebted Poor Countries initiative (HIPC2) but also a clear link to poverty reduction.

The political nature of the origins of PRSPs and their link to the Jubilee 2000 campaign invested in the idea tremendous significance beyond their immediate impact on national policy. One result was the welcome adoption of the terminology and concerns of many of the erstwhile critics of

the Bretton Woods institutions. PRSPs were to embrace a high level of civil society participation along with a strong degree of national ownership. The latter was to be underlined by the fact that PRSPs would be drafted by national governments, initially as interim-PRSPs (I-PRSPs) and then as comprehensive full PRSP documents.

Donors would adopt the new strategies as their blueprints for aid and lending, while governments would single-mindedly focus national resources and energies on the task of poverty reduction. Nursing these processes along would be the traditional medic of failing economies (the IMF) and the would-be midwife of poverty reduction (the World Bank). For the IMF, the launch of PRSPs itself marked a significant moment, with the Fund for the first time explicitly adopting (with Board approval) poverty reduction as a formal objective of its activities.

Poverty Reduction or Public Redemption

For the World Bank and the IMF, the introduction of positive social conditionality was a chance to escape their image in some quarters as poverty makers. For the IMF, for example, the stinging criticism of the Asian economic crisis was fresh in corporate memories. There was also in some quarters recognition that the empirical evidence on structural adjustment experience has been mixed. The Bank and the Fund and some academics argue trenchantly that countries faithfully applying adjustment programmes have tended to do well on poverty reduction, but the methodologies used have been debatable (primarily due to the criteria for the samples).⁷

The Fund's image problems have been exacerbated by academic studies that have suggested that although the introduction of "adjustment with a human face" had avoided some of the worst excesses of the 1990s, real harm to human development was still being done.⁸ By the late 1990s the debate had moved beyond mere accusations from extremists that the Bank and the Fund cared little for the poor. Economists such as Dani Rodrik, Jeffrey Sachs and even the Bank's own Joseph Stiglitz were questioning whether the stabilisation-based economic prescriptions of the Washington Consensus were appropriate for the development arena.⁹ Ravi Kanbur has painted a revealing picture of the puritanical zeal with which the Bank and the Fund pursued the original policies and the growing realisation within the Bank, at least, that evidence did not support the approaches taken.¹⁰

As a result of the empirical evidence produced by some of the critics, economists have been able to argue that the Fund's failure to achieve even its own stated objective of growth was indicative of an overall inability to perform.¹¹ As Graham Bird has commented: "There would be less debate about the future of the Fund and its role in developing countries and emerging economies if its programmes had been perceived as successful in the past. This is not the general perception, hence the debate."¹²

The Fund might have shrugged off the criticism of economists who questioned its technical competence, but it also faced the politically worrying Meltzer report from the U.S. Congress.¹³ PRSPs were therefore partly an opportunity for public redemption and also a way to prove the ideologically held belief within the Fund that its macro-economic prescriptions could eventually bring poverty reduction. David Craig and Doug Porter see these dual imperatives as akin to a "Third Way philosophy," or a "remorphing of neo-liberal approaches."¹⁴

Inevitably, however, there have been those, particularly within the Fund, who have clung to the traditional view that social conditionality is at best a distraction. As C. S. Adam and D. L. Bevan found in their interviews with Fund staff:

There is evidently a wide variety of attitudes among staff as to the intrinsic desirability of these changes. For some, they represent a welcome validation of a perspective they were already effectively trying to implement under the ESAF [Enhanced Structural Adjustment Facility]. For others, they threaten to compromise the future quality of Fund programmes.¹⁵

For a vocal group inside the Fund the traditional belief that economic growth alone is the key to poverty reduction continues to hold sway unencumbered by issues such as the "quality of growth."¹⁶ The ideological hold of the past on some within the Fund has predictably proven to be seminal in the development of PRSPs and may ultimately deny to the Fund the very redemption that it seeks. As the case study of Senegal demonstrates below, the Fund also finds it difficult to break the habit of loan conditionalities divorced from the idea of poverty reduction. Not surprisingly, Adam and Bevan also found that attitudes within the Fund were obstructing the new division of labour with the Bank.¹⁷

The Promise to the Poor

The true importance of the PRSP approach lies, of course, not with the heavy political investment on the part of the IMF and World Bank, but rather with the opportunity it brings for the poor. Development has been blighted by a failure to understand the role of the poor, the human capital of developing states, in creating sustainable economic growth. Equally, the ultimate end of development must be the betterment of the human condition, and some contexts (Kerala in India, Sri Lanka, Vietnam) have already shown that much can be done despite the resource constraints of a limited gross national product.¹⁸

The lessons of the last three decades are that education, primary health care and resources for income generation can have a profound impact on local poverty reduction. Coupled with economic stability, good income distribution and stable aid flows these factors can lay the foundations for both economic and social progress.¹⁹ Indeed, one of the common features of the case studies below is the pre-eminence of the rural economy to the majority of poor people and the central importance of issues such as gender.

For countries like Senegal, Cambodia, Ethiopia, Bolivia, Honduras and Nicaragua, PRSPs offered the prospect of a renewed commitment to education and health care at the local level, coupled to the provision of new resources from donors and the release of debt servicing funds for the implementation of long-term strategies.

The World Bank's ground breaking *Voices of the Poor* study had also shown the desire of the poor for effective local services,²⁰ a wish that has been underlined by World Vision's own research.²¹ Weak service provision is exacerbated by daily problems of governance, by which the poor are made vulnerable to arbitrary and corrupt officialdom.

Many of these problems have been aggravated by the erosion of the state that has accompanied structural adjustment. Fiscal restraint drove away the best staff and kept wages low, while privatisation created a ripe environment for corrupt practices.²² The discussion of experience in Latin America, Senegal and Cambodia below point to the problems that have steadily accrued through lack of government capacity. Latin America has also highlighted the growing corruption that has plagued some areas of economic reform, such as privatisation.

The emphasis within PRSPs on state policy, national leadership and accountability through participatory processes offered a prospect for genuine change. The capacity-building of the state in co-operation with civil society could do much to transform the local environment of the poor.

The promise of PRSPs was always, however, at the mercy of the surrounding policy context, largely shaped as it was by OECD (Organisation for Economic Co-operation and Development) states (both directly and through a range of multilateral institutions). PRSPs have also been vulnerable to the political imperatives of the IMF and to a lesser degree the World Bank. The most important stakeholders involved, the poor, are, as so often, also the least powerful.

Where the Fund is concerned, the need to placate vociferous civil society in both North and South, and also to appease the political leadership of the West, created dynamics in which best policy practice might not be the option pursued. The IMF has also ensured that relations with developing state governments have been prioritised along traditional lines. The case study of Senegal provides a perfect illustration: while reluctant to create conflict around issues of social policy or participation the Fund has retained its dogmatic approach on economic policy.

The governments of the South have therefore been left in an impossible position; that is, required to develop new policies with little capacity while still hamstrung by the economic prescriptions of the past. World Vision has increasingly come to regard the current international system of conditionality as inherently flawed. That PRSPs were introduced within the framework of existing conditionality and without a reform of the underlying structure is centrally important. Although no new initiative emerges into a policy vacuum, the family of policies into which PRSPs was born brought more negative baggage than most.

The Experience so Far: Process, Content and Resources

Unfortunately, PRSPs have had a short but problematic life, perhaps exacerbated by the high expectations that were raised at their birth. The pressures faced by the World Bank and IMF, the impossible task handed to national governments and the lack of support for traditional macro-economic prescriptions all threatened to create a short window of opportunity in which some form of credibility could be built.

With hindsight, the first cycle of PRSPs should perhaps have been seen as a “learning cycle.” Instead, the Bank and the Fund sought to have PRSPs up and running as quickly as possible. As a result, it was clear that the IMF would have to play its PRSP hand well. The Fund would need to ensure that the quality of the process and the integrity of the approach were sufficient to convince even the most ardent doubter that the intentions as well as the rhetoric were right.

The promise of PRSPs is potentially so great that World Vision has consistently wanted the Fund to defy its critics and produce an undeniable success. If PRSPs ultimately succeed in reducing poverty, much could be forgiven. Despite some limited progress to date, however, the overall experience gives considerable grounds for concern.

World Vision has distilled a number of issues from its experience in developing countries that are at the heart of those concerns. These issues can be grouped together into three broad areas of *process*, *content* and *resources*:

Process

Timing – The conditionality element within the genesis of PRSPs has created an impetus on the part of governments to seek rapid completion of their PRSP processes. As Adam and Bevan state:

Countries are very loath to settle for interim relief (obtainable at the decision point), reached, *inter alia*, when they have produced the more limited I-PRSP without moving rapidly on to the “completion point” at which the relief is locked in, and which requires implementation of a full PRSP for a year. The HIPC thus creates considerable pressure to speed up the transition to a full PRSP.²³

This tension has also been reported in numerous academic and NGO papers²⁴ and was recognised by the World Bank and IMF in their September 2000 progress report.²⁵ There is therefore an underlying question as to whether Bank/Fund thinking on the timetable for PRSPs was ever practical. The US General Accounting Office has pointed out that those countries seen as developing best practice in this area have taken up to five years to construct an adequate poverty-reduction strategy.²⁶

It has been argued consistently that the rapid development of comprehensive national plans for poverty reduction mitigates against quality, a dilemma that has surfaced in relation to both Senegal and Latin America.

It has been suggested that time pressures could be eased by de-linking PRSPs from the HIPC process, with greater reliance on PRS-linked ODA funding and further debt relief as incentives for the development of the strategies.

Certainly options to create a longer time frame for PRSPs should be considered, including much deeper levels of interim debt relief. Without longer time frames PRSPs will continue to encounter basic quality problems. As one of our case studies states: “Among a sample of participants in the PRSP process in Senegal, government, civil society and donors alike, time constraints were identified as the most restricting factor in the formulation of Senegal’s PRSP.”

Ownership (governmental commitment) – An initial response to the launch of PRSPs was for some observers to question whether governments would ever fully own a policy or process that was itself a product of conditionality.²⁷ Yet most actors accepted that without some degree of ownership the sustainability of PRSPs and their successful implementation would be in doubt.

World Vision’s experience illustrated in the case studies is that much work remains to be done to create an atmosphere of ownership rather than conditionality. In-country discussions with government, donor and multi-lateral officials were particularly useful in highlighting the lack of consistency in this regard. The case study on Cambodia below illustrates some of the unnecessary pressures that have been placed on governments and that can only serve to reduce ownership. It is not surprising, given the Cambodian case, that the Asia Development Bank’s submission to the PRSP review was both unenthusiastic and sceptical on this key point.²⁸

World Vision’s experience accords closely with the SPA-funded study undertaken by ODI (Overseas Development Institute) which states: “In several countries, stakeholders perceive the PRSP exercise as being overwhelmingly motivated by getting access to debt relief and having little further significance.”²⁹

More positively, the institutionalisation study found that PRSPs had already been beneficial in bringing poverty reduction into the mainstream of national policy-making.³⁰ This movement of the responsibility for poverty reduction into finance ministries has, however, had an effect in some countries of marginalising the sectoral ministries who will be responsible for implementing PRSPs. The weakness of the civil society participatory processes (see below) has therefore sometimes been matched by weak intra-governmental participatory dialogues.

Language – The Latin American and Cambodian case studies below both provide startling illustrations of one of the most frustrating aspects of the PRSP experience to date. In both instances key PRSP documents, including the draft PRSP itself, have only been available to civil society groups (including local NGOs) in English. In Cambodia, for example, key documents had to run through half a dozen drafts before they were finally made available in Khmer. The concept of a participatory process in which the essential materials appear only in a foreign language is nonsensical, and this basic problem has devalued much of the rhetoric surrounding PRSPs.

Participation – The four case studies below point very firmly to the wider truth that World Vision has not yet encountered what might be termed a satisfactory participatory process. In several contexts the process was limited to a select group of NGOs invited to events at which the intentions of a government were outlined for their agreement. Elsewhere, World Vision has witnessed poor dissemination of documentation and information, and inadequate explanations of the processes for the constituencies whose views were being sought.

The dynamics involved were explored in a review of civil society participation in PRSP processes by SGTS & Associates, which also found that the speed of transition from I-PRSPs to full PRSPs mitigated against “good” participation.³¹ The decision to make participation compulsory but not a part of the final approval process did raise suspicions early on that commitment to this area was weak.³²

World Vision, as a member of civil society, also recognises the difficult place in which governments have been placed. An inherent tension exists between the pressure to produce PRSPs that are, in essence, repackaged versions of existing plans and the external emphasis on a participatory process that could result in radically different strategies. The former allows a government to build on what already exists and to limit the stretch on limited capacity. The latter might produce a better strategy in the long run but will demand a great deal more from those involved in the process.

Not surprisingly, several PRSPs and I-PRSPs are, in effect, existing plans that have been woven together within a PRSP framework. This approach is understandable. It allows governments to deal with known quantities and can also have benefits for national ownership, particularly where some

form of participation was involved in the development of the original plans. Elsewhere, however, the use of existing sectoral plans put in a PRSP format suggests limited room for participation to lead to real innovation and change.

In light of these dynamics it is not surprising that a frequent complaint from civil society has been the tendency of governments to call them together for meetings intended to provide an endorsement of an already formulated approach. Such experiences have been on a scale sufficient to allow some critics to produce extensive tabulations of negative reactions from national coalitions and southern NGOs.³³

Timing was also clearly a factor that affected participation, with some countries attempting processes in a limited time frame (as the Ethiopia case study below highlights, with 100 districts being targeted over three days). The experience on the ground led DFID (the Department for International Development) to state:

Our country programmes report that initially, the Bank seemed to view participation as something that could be achieved technically, through the application of a set of tools or methods, rather than a lengthy process with its own, sometimes unpredictable, dynamics. The result is that the Bank has not always made a positive contribution to maximising the impact of consultation and participation on PRS policy.³⁴

Ultimately, lack of participation will erode public commitment and weaken the quality of information and advice available in the drafting of the strategies. Participation by clique is not only ineffective but is also likely to be counter-productive. Wendy Phillips points to some of the groups typically ignored when she states in her case study that

in Senegal, the limited inclusion of traditional groups and village level participation was an element of concern raised by both donors and CSOs [civil society organisations]. Others commented that civil society participation should not stop at NGOs, who seem to make up the bulk of the participants. In addition, elected officials also appear to have played a very limited role during the formulation stage. Parliamentarians will only be officially included in the final ratification of the PRSP.

Content

Data – Economic changes dictate that communities may enter and leave conditions of poverty over relatively short periods (a sudden market crash for the main local produce or a bumper harvest can have very different impacts). Data is therefore crucial to constructing an effective strategy against poverty. A key part of civil society experience has been the importance of accurately mapping poverty in order to plan effective programmes.

World Vision has been surprised by the lax approach to data taken within PRSPs. Overall, data has played an inadequate role, with only limited attempts at poverty mapping or thorough research prior to the completion of the strategies.³⁵ This problem has been common to almost all of the countries in which World Vision has been actively involved in the PRSP process. One of the earliest full PRSPs to be given the official seal of approval by the World Bank and IMF was that of Tanzania. The data used for much of the planning within the document was, however, based on a ten-year-old household survey.

After their review of African PRSPs, Thin, Underwood and Gilling concluded: “Even full PRSPs have significant deficiencies in their poverty profiles, including lack of specificity about key categories of poor people, and lack of explicit linkage between the means and process of identifying the poor, and specific dimensions of anti-poverty strategies.”³⁶

Poverty Reducing Policies – There is a continuing debate concerning the policy mix that offers the best prospects for sustainable poverty reduction. Clearly the policies within PRSPs are heavily influenced by World Bank and IMF advice, and, while not wanting to increase conditionality on developing states, World Vision must wonder whether the guidance given could be improved. Much is known about what does and does not work, and this is reflected within Stephen Klassen’s review of the papers involved. Klassen concludes:

Three obvious policy messages follow from these findings. First, policies to promote growth should help the poor although they could do so more if they made growth pro-poor rather than neutral as it is in most places. Second, reducing initial inequality, particularly asset inequality, should receive highest priority, due to its triple effect on poverty. Third, reducing gender inequality should equally be of highest concern to policy makers that want to achieve pro-poor growth.³⁷

It is deeply disturbing that the PRSPs (and I-PRSPs) produced to date are notably weak with regard to policy prescriptions to address each of these three areas. The case studies presented by World Vision point to lack of attention being given to some key aspects of rural development, and one of the most obvious of these is the reduction of inequality. Indeed, as the case studies show, asset redistribution, such as land reform, is almost studiously avoided within most PRSPs and I-PRSPs. Klassen addresses the reasons for this when he discusses the previous caution and ambiguity of World Bank policy documents on land redistribution.³⁸

The net result, as Marcus and Wilkinson found from their desk study of six full and seventeen interim PRSPs, is that policy prescriptions for areas central to the task of poverty reduction are largely absent:

While the depth of poverty analysis varies considerably, in all cases, the dimensions and distributions of poverty within a country was described in more detail than policies to tackle these issues. . . . Surprisingly, only a quarter of these PRSPs and I-PRSPs use the term “pro-poor growth” or contain statements about ensuring growth is equitably distributed, suggesting a continuing faith in the power of growth alone to reduce poverty without significant attention to equity.³⁹

Policies that have given considerable cause for concern in the past are still very much in evidence, including user-charges. David Hulme of Manchester University has pointed out that this is inconsistent with the projected rates of economic growth for the countries involved, a factor that would suggest an ability to cut such charges.⁴⁰ DFID studies have already demonstrated the very real impact that such fees can have in reducing access to key services and the frequent problems encountered with schemes nominally intended to provide exemptions for the poorest.⁴¹

An equally unwelcome continuation of the past is the presence of privatisation plans within some PRSPs. Experience suggests that privatisations have more often been mechanisms for corruption and cronyism than poverty-reducing measures. Patricia Forner in the case study on Latin America points to problems encountered in this regard.

Perhaps both the common absences and inclusions are simply reflective of the overall approach that has been taken to content development. Neither should be surprising. Craig and Porter state:

A flick through PRSPs from starkly different countries reveals great universality in vocabulary, process, form, content and even prescription. This paper joins others in the critical recognition of a globalised, one-size-fits-all orientation to PRSP and related programmes.⁴²

Social Impact Assessments and Monitoring – World Vision has found the limited and late planning for social impact monitoring of PRSPs disturbing. Processes for assessments and monitoring must be built in during the planning stage of poverty-reduction initiatives if they are to give an accurate picture of results. As a general rule this has not happened within PRSP design processes. One DFID-funded study was particularly scathing, stating:

A blind eye is being turned to well-known facts about the unreliability of the official reporting systems and administrative data on which implementation monitoring depends. This is not picked up even in JSAs [joint staff assessments – by the Bank and the Fund]. The potential for using known shortcut techniques, such as participatory beneficiary assessments and facilitated staff self-assessments, to provide quick feedback on critical implementation issues is not being explored creatively enough.⁴³

Gender – Within the dialogue processes so far undertaken, gender has rarely been accorded sufficient weight. This is perhaps not surprising, since poor data often masks the centrality of the role of gender in development. The lack of disaggregated statistics is, however, only part of the story. There is also a failure to learn the lessons for human development of girl-child education and tackling issues such as FGM (Female Genital Mutilation), early marriage and exploitation.⁴⁴

Each of the four case studies below points to the fact that gender has been under-addressed as a key poverty-reduction issue. In the case study on Ethiopia Joe Muwonge points out that this issue has been raised clearly by civil society coalitions (as it has also in Cambodia). Not surprisingly one of the most compelling submissions to the IMF/World Bank Review of the PRSP Approach was that made by the UN agency for women, UNIFEM. The UNIFEM paper argued that gender is not addressed as a cross-cutting issue, nor is it adequately dealt with in relation to macro-economic and structural policies.⁴⁵

A Rights-based Approach – Throughout its short history, the PRSP initiative has lacked an explicit commitment to the principles of rights-based development. The identification of areas for intervention is intimately connected to the fulfilment of key instruments, not least the Convention on the Rights of the Child. The fulfilment of basic rights is therefore both an obligation on the part of donors, lenders and states and also an effective tool in the formation of policy itself.

A related problem is the relative absence of the issue of human rights from those sections of PRSPs that deal specifically with governance, judicial and law-enforcement reform. World Vision welcomes the inclusion of issues relating to the Rule of Law within PRSPs but is disappointed that this seems to be primarily orientated towards creating an improved climate for investment. Reform of legal processes should also include improved ability for the poor to have recourse to the law (particularly on issues such as land title). In addition, law-enforcement agencies should be the focus for human rights training, including education in dealing with issues relating to the legal protection of children in especially difficult circumstances.

Macro-economic Content – The Bank and the Fund have long argued that the most critical factor in poverty reduction is the achievement of economic growth. More recently this position has been nuanced by an emphasis on “quality” growth (for example, better income distribution). To a large extent, therefore, PRSPs will be dependent on their surrounding macro-economic context. This was accepted by the Bank and the Fund when they initially suggested that trade liberalisation in northern countries was an essential ingredient in achieving success.⁴⁶ Wendy Phillips’s case study below indicates that for the farmers of Senegal few issues will be quite so important as whether this northern trade liberalisation transpires.

Attaining higher rates of growth for many of the countries involved depends upon the success of the advice they are receiving from the Bank and the Fund. Yet the track record of IMF macro-economic advice is not impressive. Patricia Forner’s study of Latin America below recounts many of the problems that have frequently been seen as rooted in conditionality applied by the Fund.

Despite these problems the basic ingredients of PRSP macro-economic packages seem to be traditional adjustment policies with little substantive

innovation or learning from elsewhere. World Vision studies have pointed to the inappropriateness of some key aspects of IMF macro-economic advice for developing countries.⁴⁷ Although market-led growth and trade reform are important for reducing poverty, the evidence is mixed as to whether IMF advice helps to achieve these goals. This issue is discussed further below with regard to the contextual factors that also threaten to de-rail even the best PRSPs.

The continued failure to absorb new economic knowledge within the macro-economic framework is profoundly disturbing, as is the frequent failure to include basic pro-poor policies such as real and effective action to improve income distribution (for example, through land reform). The author has discussed effective policies for poverty reduction elsewhere⁴⁸ and would recommend that the Bank and the Fund open themselves to a serious debate with civil society and academics on these issues.

In the meantime, as the Senegal experience shows, the dominant importance of adherence to traditional macro-economic prescriptions is the definitive characteristic of PRSPs – a factor underlined by the decision to make macro-economic policy a decisive issue in the determination by the Bank and the Fund of whether to accept a completed PRSP.

Action should be taken by the Fund to expand the range of policy options considered and available to developing states in the construction of the macro-economic framework. The section on financing below also discusses the related need for developing states to avoid overly optimistic projections for growth and tax receipts that might only serve to undermine PRSPs once implementation is under way. Macro-economic frameworks must both be informed by the full range of development experience and also ideally include an appraisal of how policies might change and adapt in the light of better or worse economic performance.

Economics and a Safer World for Children – The Asian crisis of 1997 underlined the speed with which economic problems can translate into child exploitation. The rapid movement of hundreds of thousands of children out of school was accompanied by a rise in children entering the informal workforce. At its worst, the crisis also led to a sharp increase in child trafficking and prostitution. Children are acutely vulnerable to the fluctuations of their economic context, and both poverty and the process of development can bring their own dangers (as a recent World Vision/Royal Government of Cambodia report on sex tourism has shown).⁴⁹

Building a safer world for children means taking deliberate steps to address issues of violence against children, child abuse and child exploitation. Yet outside the realms of education and obvious areas of health care (for example, immunisation) PRSPs often discuss children without policy prescriptions being defined. Previous experience has shown that safety nets for families must be built during times of economic growth to avoid problems during crises, and investments must be made in social provision, law enforcement and awareness-raising among children.

World Vision does not wish to see further conditionality added to the PRSP process, but it must be asked whether the advice offered by the Bank and the discussions surrounding joint staff assessments have included reference to this issue. Sadly, the World Bank has a weak track record on child protection. It has been slow to act during economic crises and also slow to appreciate the need for government capacity-building on protection issues. It should not be surprising, therefore, that the PRSP approach fails to stress sufficiently the need for national level action for child safety. Marcus and Wilkinson comment: "It is notable and surprising that not one country in this sample mentions child labour as an issue of concern other than in passing."⁵⁰

PRSPs also fail to respond to the fact that children forced into prostitution or the informal economy are often criminalised by the legal system (instead of receiving the care and support that is due to victims). As has been mentioned above, it is encouraging that some currently approved PRSPs do give space to the concept of institution building, with several devoting sections to judicial reform and the Rule of Law. Proposals for reform of the police and judiciary should specifically include improved responsiveness of legal systems to the needs of children.

In a new report, *A Safer World for Children: Ending Violence, Abuse and Exploitation*, World Vision has highlighted a series of practical steps that can be taken within developing countries and internationally. Where children are concerned, the PRSP approach risks becoming stereotyped as simply a new strategy for health and education if it embraces such steps in order to take a more comprehensive view.

Resources

NGO Capacity –The gradual progression towards new initiatives such as participatory budgetting has highlighted a substantial capacity problem among NGOs. This is an issue that is highlighted within the Cambodia,

Senegal and the Ethiopia case studies below. By expecting PRSPs to be developed in a short time frame, the World Bank and IMF assumed too much in regard to NGO capacity. Both Bretton Woods institutions were late to react to the capacity problem on the part of civil society groups, although they eventually responded.

The Bank in particular has tried to help address these concerns with some capacity-building initiatives, followed more recently by the welcome introduction of a multi-stakeholder approach in which civil society can help to set priorities.⁵¹ As more PRSPs move into their implementation phase, such initiatives will become increasingly important and further action should be taken, particularly with regard to participatory monitoring and evaluation (PME).

Resource Siphoning – The original suggestion by the World Bank and IMF that resources freed by debt relief would be complemented by those released from unproductive areas entailed a considerable assumption that such a process was politically possible.⁵² Yet the focus during the development of PRSPs has been strongly on two specific areas of social policy: health and education. Governments may feel pressured to divert funding from lower profile areas of social policy into the health and education sectors.

This problem is likely to challenge particularly countries such as Honduras and Nicaragua, that already devote high levels of government budget to social sectors. Nicaragua projects an increase in social spending as a part of the government budget to 62 per cent, yet HIPC does not guarantee debt savings until 2003, after temporary post-Hurricane Mitch debt relief ends. Other budgets inevitably will be squeezed.

One solution that has been put forward is that public expenditure reviews will ultimately enable governments to identify unproductive expenditures, thereby reducing the threat of siphoning funds from pro-poor areas. With effective public expenditure reviews, budget savings might then go some way to bridging the funding gap.

Improved public expenditure reviews would be welcome. Nonetheless they do presuppose the existence of effective systems for public expenditure management and for participatory monitoring and evaluation. Both help address the issue of determining where money is actually spent, rather than just where it is allocated. The Bank and the Fund have been frank in admitting problems with public expenditure management systems, and

by extension this implies significant obstacles to successful public expenditure reviews.

Paying for the PRSPs – The Bank and the Fund were clear at the start of the PRSP initiative that new funding would be required, particularly from OECD donors.⁵³ Although some donors have agreed to organise their existing aid flows around the PRSP concept, few have actually committed to increase volumes of aid substantially. Yet some PRSPs read almost like a shopping list of new social interventions, replete with programmes of school building, health clinic opening and infrastructural improvement.

The short sections within PRSPs on possible financing of these lists rest heavily on the need for new funding. One West Africa PRSP, for example, estimates the cost of its PRSP at US\$475 million (the most essential items being US\$282 million) yet only US\$108 million will be available from HIPC and US\$54 million from budget savings. Tanzania calculated that providing proper health care to its citizens would cost US\$9 per head, but budget realities forced government to constrain expenditure at considerably less than this level. Even should Tanzania continue to increase expenditure on key social sectors by 25 per cent per annum, it will only be able to fund 80 per cent of the cost of its PRSP.⁵⁴

The PRSP documents point to the savings from HIPC (see below), but there is also a considerable reliance on projected increases in tax receipts and the benefits of economic growth. Given the previous problems encountered with efforts to increase tax receipts substantially in countries with large informal economies, this seems a challenging assumption on which to pin spending plans. The West Africa country mentioned above projects tax revenue increasing faster than gross domestic product (GDP) due to an expanding tax base, while the proportion of public consumption within the economy decreases – a balancing act that is premised on projected growth rates of 7 per cent of GDP.⁵⁵

The inclusion of relatively good rates of growth within the financing mix of some PRSPs might also be seen as optimistic, yet several states rely in their estimates on achieving faster growth than during the 1990s. Some governments are not concerned that the reliance on healthy macro-economic performance leaves them extremely vulnerable to negative fluctuations in the terms of trade. The IMF and the World Bank, for their part, are clearly uneasy:

Lack of realism in the projected macroeconomic program. Sometimes the PRSPs assume unrealistically high rates of growth of overall GDP, fiscal revenues, and/or exports. This may reflect weaknesses in the analysis of the likely sources of growth. In that event, the set of priorities may be unrealistic in light of likely fiscal resources, and projected targets for poverty reduction will likely prove to be too ambitious. Also, the programs sometimes do not analyse macroeconomic risks or alternative scenarios and do not present contingency plans to respond to economic shocks.⁵⁶

Some within the Bank and the Fund hope that bilateral donors will step forward to bridge the funding gap, and initially, with the first completed PRSPs, there has been some success in this regard. As more PRSPs are finalised, however, reliance on ODA may prove to be inadequate, particularly in light of both the stagnant nature of aid levels and the politicisation and tying associated with its allocation.

Ultimately the quality of PRSPs may prove to be academic if sufficient resources are not available to allow them to be fully implemented.⁵⁷ The question of funding needs to be addressed more substantially by OECD donors. This is an issue that is drawn out in the case study on Latin America below but also has been encountered by World Vision in many other contexts.

The Poverty Reduction and Growth Facility (PRGF) – The PRGF is supposed to make up one part of the funding for poverty reduction, but it has proved to be problematical as a component within the PRSP framework. It has remained primarily a means to support monetary policy and fiscal reform. Indeed a “stocktaking exercise” of the PRGF by Adam and Bevan found that PRGF loans did not differ dramatically from PFP (Policy Framework Papers).

The same study also found that concerns over the quality of PRSPs had in some cases “led to Fund staff feeling that they could not realistically base the PRGF on the PRSP.”⁵⁸ This divorcing of the PRGF and IMF lending from the PRSP process is reflected in the discussions of Latin American and Senegalese experiences below. This disjuncture has created parallel processes in which conditionality surrounding the PRGF has superseded and overridden the policy-making process of the PRSP.

The stocktaking exercise also found that the IMF has been reticent in assisting countries to explore the new fiscal flexibility that the PRGF is supposed to entail.⁵⁹ In addition to problems applying PRGF to PRSPs, Adam and Bevan concluded that the PRGF, while suitable for stabilisation as a non-concessional loan, is an expensive way of financing development.⁶⁰ The World Bank has introduced a new financing system of its own termed poverty reduction support credits.⁶¹ In both cases the levels of finance available are not sufficient to finance fully a major PRSP.

Government Capacity – An issue that has affected the PRSP process in every country and will ultimately have a determining effect on successful strategy implementation is government capacity. The impact of structural adjustment programmes was to erode and shrink state sectors, and often this shrinkage was felt keenly in the social policy arena.⁶² Not surprisingly, government capacity has been a key factor in producing problematical design processes (poor participation, inadequate data, and so forth).

Other countries, including Cambodia, have been emerging from long periods of conflict and political instability that have also eroded capacity. PRSPs may eventually bring greater resources from donors to rebuild such capacity, but initially they also bring some daunting challenges, including demands in relation to public expenditure monitoring or participatory monitoring and evaluation. In addition to these areas of activity PRSPs themselves increase the transaction costs for developing states of doing business with their donors.⁶³

The same capacity issues could have a more damaging effect as governments seek to expand education, health, or other provisions based on weak departmental infrastructures. One PRSP document recounts from experience the problems involved, with hasty growth of secondary schools leading to an inability to maintain consistent standards.⁶⁴ The shopping lists of new social interventions need not only to be funded but also implemented, and this poses challenges that are just as great for governments who have faced prolonged periods of retrenchment. One government, Mauritania, has provided a clear summary of the potential problems:

The second risk is linked to the implementation of such an ambitious programme. The simultaneous attainment of all objectives of the poverty alleviation strategy obviously presupposes the existence,

in all departments, of the institutional capacities needed to carry out the selected reforms, to implement projects within a timetable, and to mobilise a satisfactory amount of external aid. However, the capacity for intervention of the state in the broad sense, i.e., the Administration, private sector and civil society remain limited.⁶⁵

Public Expenditure Management (PEM) - Capacity problems may exist within essential parts of the central financial administrative system.⁶⁶ One area that has clearly concerned the Bank and the Fund is budget tracking and public expenditure management, something the two institutions have identified as an urgent area for strengthening.⁶⁷ The problems in this regard have now become an increasing area of focus for the various parties involved (governments, civil society and multi-laterals). Perhaps this is not surprising in that the Bank and the Fund frankly recognise that

Current PEM systems in many countries are too weak to support a meaningful presentation of the overall public expenditure program in the PRSP. For HIPC2s, these common weaknesses in current PEM system have been confirmed most recently by a Fund-Bank study of their capacities to track poverty-reducing spending, including the use of debt relief funds. Most PRSP country governments do not yet have a comprehensive budget with meaningful functional classifications of expenditures, and, where functional classifications exist, they seldom provide sufficient detail about allocations to programs that are targeted toward poverty reduction. . . . Auditing systems are extremely weak. . . . However, despite the fact that measures to improve PEM systems have been built into Bank and Fund programmes, PRSPs to date have sometimes included only broad references to the need to improve PEM systems but not specific measures or credible plans for doing so.⁶⁸

Is HIPC2 Sufficient? – A major assumption within the PRSP initiative is that HIPC2 will reduce developing country debt to sustainable and manageable levels. If this is not the case, those countries involved face the prospect of seeking to implement PRSPs while still carrying high levels of debt that demand considerable resources for repayment. Phillips and Forner suggest that for some of the countries studied in this report this will become a crucial issue in determining the success of PRSPs.

EURODAD suggests that for many HIPC, debt-to-export ratios will remain above the IMF/Bank threshold.⁶⁹ This was acknowledged in an IMF/International Development Association (IDA) paper in August 2001 which suggested the need for options to increase debt relief at completion point.⁷⁰ Other critics, such as Oxfam point to the fact that debt repayments for countries benefiting from HIPC still exceed the level of social budgets.⁷¹

Are the Bank and the Fund Learning the Lessons?

In the past World Vision has been impressed by the open and constructive approach taken by the Bank and the Fund to dialogue on the issue of PRSPs. The Bank and the Fund have also shared much of the research and learnings that have become apparent as national level experience has unfolded. The open nature of the PRSP discussion promised that the PRSP review, built into the original launch of the process and due in 2002, would be a key opportunity to refine the approach.

It is difficult not to conclude that some of the opportunities offered by the review were under-exploited, perhaps as a consequence of the political needs of the IMF being pushed to the fore. The experience of the review suggests that in an attempt to avoid exposing the growing disillusionment of some within civil society, there was an attempt to orchestrate key aspects of the process. For this reason the comprehensive review of the PRSP approach, particularly at the regional level (see below), was sadly indicative of some of the problems that have been experienced in a number of individual national PRSP processes.

The original terms of reference for the review were limiting. The emphasis was on the small number of completed PRSPs, which by their nature are likely to have been processes with relatively fewer problems than countries where final decisions have been postponed or drafting has been delayed. The terms of reference were not extensively shared with participating civil society in the South. In contrast, the Bank and the Fund at times gave the impression of almost seeking to steer input into the process into a format that addressed a narrow range of issues based around experience of participation.⁷²

Most disturbing, however, was the experience of the review process in relation to the regional consultation seminars. These conferences were organised by the World Bank and IMF Institutes. World Vision found the process of trying to participate in these events extremely difficult, even

for a large NGO. In Asia, World Vision staff were informed that development workers were specifically not wanted at the regional consultation event.

Those NGOs who did manage to gain admittance to the Hanoi meeting found the event organised around governmental input, with no real opportunity for civil society comment. Only three international NGOs were represented at the meeting. One of these NGO participants reported:

My feeling about the meeting went through big ups and downs from not understanding what input was required from INGOs (as group moderators, who I'd never met before, on occasions interrupted me and constrained me from speaking) to being extremely glad I was there, because there would not have been a pro-poor approach given so consistently and clearly, which was my feeling at the end. . . . The level of discussion was at a very superficial level and so many of the detailed points regarding processes in each country were not able to be addressed.⁷³

The Latin American event was similarly problematic. World Vision did have a registered participant for the Bolivia meeting and was therefore surprised to find that the process for civil society representation was structured so that actual participation was almost impossible (including failure to give details of location, timing, or registration).

Civil society has much to contribute to the successful design and implementation of PRSPs, but that contribution can be effective only if participation is genuine. In the same way the regional PRSP meetings of the review were limited by the decision not to embrace the widest possible spectrum of views on the experience so far.

Despite the problems with the regional review meetings World Vision was encouraged by the issues paper prepared by the Bank and the Fund from the wider input received. The issues paper was a key document at the review conference in Washington, D.C., in January 2002. It was marked by a frank recognition of some well-known problem areas, including public expenditure management and the lack of realism in some projected growth rates. Surprisingly, the paper did not mention country ownership, the increasing possible disillusion of some parts of civil society, or the appropriateness of the macro-economic framework.⁷⁴

Can PRSPs' Rhetoric and Reality Coincide?

Can the original aims of PRSPs be achieved and the imperative of poverty reduction replace the policy intransigence of the IMF and richer states? The salvaging of PRSPs will hinge on the willingness of international financial institutions and donor governments to deal with the flaws that have been identified to date. The problem areas outlined above are central to the continued improvement of the PRSP initiative. The successful evolution of PRSPs to a point at which consistently high quality processes can lead to effective strategies for poverty reduction will revolve around these questions. World Vision offers a series of recommendations below that would help the Bank and the Fund address these problem areas.

Sadly, however, even solving problems of process, content and resources still leaves the implementation of PRSPs vulnerable to wider contextual constraints. In some ways the World Bank and the IMF are themselves the victims of the failure of OECD states to couple the political instructions of the Cologne summit with steps to create a more conducive context for development. The result of this contextual failure is that four long-standing obstacles to development threaten to de-rail PRSPs, just as they have previous innovations. These wider contextual issues continue to be rooted in the policies of OECD states, although they are in some cases most apparent in the form of the application of that policy by the international financial institutions.

Economic Conditionality Framework – The weak track record of the IMF in enabling economic growth and poverty reduction stands in stark contrast to the experience of countries in Southeast Asia. Yet the Fund's conditionality framework reflects a model and a concept of development that continue to be supported by the IMF's OECD-dominated board. The fact that the IMF has failed to absorb economic learning, choosing instead to persist doggedly and in increasing intellectual isolation with a set of ill-conceived prescriptions, should be a concern to OECD states.

The Fund's framework of macro-economic conditionality remains more suited to crisis management than to sustainable human development, although even here it has underperformed. According to Joseph Stiglitz:

The precepts of countercyclical fiscal and monetary policy have come to be taught as part of standard macroeconomics in universities

around the world. Yet remarkably, if we look at the data, we see that governments in less developed countries regularly engage in pro-cyclical fiscal policies. Worse still, we have seen how the IMF has advocated fiscal and monetary tightening in the face of an impending recession. . . . It has put in place strategies for financial market restructuring which too have adversely affected macro-economic performance. In its structural adjustment programs, it has often combined trade liberalization with interest rates so high that job and enterprise creation would have been impossible even in the best of economic circumstances, let alone in the more adverse circumstances prevailing in most developing countries.⁷⁵

The economic policy prescriptions that have long characterised IMF conditionality have been reviewed at length now by a range of economists.⁷⁶ The evidence surrounding the traditional mantra of the IMF – privatisations, capital market liberalisation, import liberalisation, fiscal restraint, state shrinkage, etc. – makes unhappy reading and has underlined the comments of substantive critics such as Stiglitz.⁷⁷ In applying this reality to PRSPs, Craig and Porter have commented:

PRSPs continue to impose a narrow neo-liberal economism that seems unacceptably hard and sharp in the face of growing empirical evidence that the much hoped for general and robust relations between its precepts and growth, equality and poverty reduction may simply not be there. Given the uncertainty of the evidence, a less doctrinaire and more cautious, diverse approach would be more prudent.⁷⁸

The continued adherence to these policy prescriptions detracts from one of the most encouraging areas of progress for PRSPs – the goal of making poverty reduction the centre of economic policy. Indeed, Craig and Porter have suggested that PRSPs only serve to mask the inherent neo-liberalism underneath. They argue that the IMF and the World Bank seek to “build inclusive public social policy around a basic neo-liberal framework, and to position it as a new way forward that transcends ideological divides.”⁷⁹

Development organisations working alongside the poor can only view with profound concern the danger that PRSPs will become a rehashed framework for traditional and usually failed solutions to economic problems

albeit roughly tacked to the increasing of resources for health and education. Expanding the range of macro-economic policy options considered within PRSPs is therefore an essential part of increasing the potential for successful growth while also enabling PRSPs to become fully country owned.

Northern Trade Policy – While OECD states spend around US\$350 billion per year on agricultural subsidies and deny their markets to developing-country producers, progress will be constrained. World Vision has joined with other NGOs, members of the food industry and institutions such as the World Bank in stating:

Trade is a means to an end, not an end in itself, and putting an end to hunger and poverty is perhaps the greatest challenge of the 21st century. A fair trading system, coherent international and national policies and targeted investment are all required if the world is to feed all its people. Trade reform which furthers this goal is both possible and of the utmost priority.⁸⁰

Northern protectionism is perhaps the greatest single barrier to economic growth in poorer states, costing an estimated US\$150 billion in potential income.⁸¹ Rich states must accept the logic of the arguments that have consistently been made to the poor regarding the role of comparative advantage and the benefits of trade. World Vision's report *Why Poor Children Stay Hungry* has detailed the impact of the current agricultural trade system for communities in the developing world. Addressing this issue will be central to the chance of success for PRSPs.⁸²

Capacity Building - Imposing constructive social conditionality on developing states to some degree runs contrary to the overall pressure applied by multi-lateral lenders over the last two decades. The result is that major demands are being made of government departments that do not have the resources to cope. The World Bank has a particularly important role to play in capacity-building states for PRSPs, but much of this effort should have taken place prior to the launch of the process. Seeking to undertake capacity-building amidst the competing time-line pressures of debt reduction mitigates against success. It has been suggested that in some ways the provision of "technical assistance" by the Bank during national PRSP processes –

the sending of consultants and advisers – has acted as a substitute for genuine capacity-building.

The Bank must rethink its overall commitment and approach to capacity-building if PRSPs are to succeed, and that may also entail rethinking attitudes towards the state. Ironically, three of the World Bank's most prominent names (Paul Collier, David Dollar and Nicholas Stern) have suggested that "with the macro battle increasingly won, attention has shifted to the importance of institutions and governance for creating a good investment climate."⁸³ This view pre-empted the World Development Report for 2002. Yet the realisation that institutional weakness at the local level affects everything from investment to social safety-net initiatives sits uneasily with the World Bank/IMF idea of a small state.

The Bank's view of institutional reform has therefore focused more on the nature, scope and role of the state than on strengthening its implementation capacities beyond "essential" areas such as treasuries (finance ministries) and tax collection. Institutions were also at the centre of the *World Development Report 1997* on the state.⁸⁴ Even by 1997, however, the World Bank vision of the state was extremely limited, its role being a minimalist regulatory body rather than the developmental engine of growth described by observers of Southeast Asia such as Chalmers Johnson.⁸⁵

Seeking more from government after two decades of adjustment-led down-sizing and erosion has actually increased the risk of failure, corruption and criticism. A minimalist view of institution-building will achieve little, and the Bank cannot rely on cure-alls such as social capital as a means to side-step the state.⁸⁶

Official Development Assistance – Current levels of OECD aid are woefully inadequate if PRSPs are to have any prospect for success. Funds from other sources (unproductive government expenditures, PRGF, or PRSC [poverty reduction support credit]) will not be sufficient, and the insufficiency of HIPC will greatly exacerbate the problem. Some help can be provided by further and much deeper debt relief, but greater levels of budget support will also be needed. Indeed, expanding the proportion of government-to-government aid devoted to budget support rather than project-based assistance would be an important step forward.

Problems with the effectiveness of aid caused by unhelpful aid policies in the North must also be addressed, in particular the politicisation,

inconsistency and tying of aid must all be ended. Measures to reform ODA proposed by commentators such as Michael Edwards should be seriously considered.⁸⁷ Central to reform is the need for steps to prevent the misapplication of aid by investing responsibility for its use in a new global development fund. Rather than creating a new aid bureaucracy complete with further conditionality, any global development fund should focus on provision of budget support for developing states evaluated by progress towards medium-term targets for poverty reduction.

Summary and Recommendations

The PRSP process is an important opportunity to introduce a new approach to poverty reduction that will focus energies and resources on the poor. The PRSP concept is itself fundamentally sound. If steps are taken to address the four structural problems that currently prevent the rhetoric and reality of PRSPs from coinciding, then the potential is real.

Even so, dealing with the four issues of economic conditionality, liberalisation of northern markets, government capacity and aid levels still leaves us with the more detailed questions of process, content and resources discussed above. Indeed, the context problems that surround PRSPs are made worse by the weaknesses identified within the process itself. Given the problems of funding, participation, data and capacity, it might have been preferable to have launched PRSPs with a less ambitious agenda for the first cycle of strategies. The realities of funding are likely to undermine the original comprehensive vision, while the limited progress on participation has in some sense been devalued by the original hyperbole that surrounded this area.

Many of these issues realistically should have been predicted by the World Bank and the IMF, with programmes put in place to address the issues involved. The unfolding of PRSP processes has included action to deal with some of the most obvious issues, indicating a welcome degree of flexibility and a willingness to hold workshops, produce papers or change the sourcebook. Too often, however, the impression has been one of closing the stable door after the horse has bolted. The Bank and the Fund are solving problems after the issue has compromised many of the PRSP processes already under way.

World Vision believes that action does need to be taken to improve the framework being used for ongoing PRSP processes and to address some of

the deeper flaws within the conceptual approach being used. This latter need is particularly acute in relation to the macro-economic framework, although a fuller appreciation of the need for capacity-building is also critically important. World Vision would therefore make the following recommendations for the continuing evolution of PRSPs:

Process

Timing – The implicit motivators for a rushed process should be explicitly counteracted with clear recommendations that PRSP design processes must be focused on good design practice rather than speed. As a result, data gathering and participation should not be compromised in order to produce a draft paper more quickly. The continuing linkages between PRSP development and debt relief timing needs to be urgently reviewed.

Data – The quality of data gathering and poverty mapping must be drastically improved.

Participation – Participation must not be only part of the public relations process of the PRSP initiative; it must also be a genuine attempt to develop the most effective strategies possible. Capacity-building for participation is perhaps the most effective contribution that can be provided by the Bretton Woods institutions, both for the governments involved and also civil society organisations. Urgent areas for action continue to be participation in relation to (1) budgets and public expenditure management and (2) monitoring and evaluation.

Much could be done to make the process of making a PRGF participatory, and there is no reason why some element of participation should not also be brought into joint staff assessments. A sign of good intentions, regarding participation, would be to ensure that essential documents are at least available in the major languages of the countries involved. A further step would be to encourage not just the greater involvement of civil society but also the inclusion of relevant sectoral line ministries and the strengthening of Parliamentary scrutiny of the PRSP process.

Content

Pro-Poor Policies – The policy content of PRSPs is unquestionably guided by the advice of the World Bank and the IMF. It would therefore be possible to improve the pro-poor content of PRSPs without increasing conditionality

by expanding the range of policy options included within the framework of advice. World Vision therefore believes that cross-cutting issues such as land reform, HIV/AIDS interventions and gender should feature more strongly within that advice. Expanding the range of policy options should also include exploring alternatives to policies that have proven to be unhelpful in the past, particularly user-charges and privatisation.

Rethinking the Macro-economic Framework – The IMF review of its streamlining of conditionality was remarkable for the fact that the streamlining has addressed only the quantity rather than the quality of conditionality (and even in this regard it has not been a great success). The IMF should move to a target-based approach to conditionality based on medium-term policy rather than short-term attempts to direct the main instruments of economic policy.

The international financial institutions must also prove themselves willing to support, politically and financially, heterodox approaches to pro-poor development, drawing on experiences in areas where poverty has successfully been reduced. The range of policy options available to developing countries must not only be increased but also the greater freedom that is created should be clearly communicated to the states involved.

Rights – PRSPs should be rights based. As a step towards this goal, all PRSPs must recognise the role of rights within governance and institution building. PRSPs addressing the issue of judicial and law-enforcement reform should specifically include objectives relating to improved ability for the poor to have recourse to law. Training for law-enforcement agencies in the needs of children in especially difficult circumstances should also be a feature of all PRSPs.

Resources

Immediate Action on Government Capacity – The World Bank and the IMF have a clear responsibility to be more active in capacity-building key parts of state structures. This should also be extended to organised capacity-building for national level civil society that goes beyond occasional workshops and specialist websites. The need to strengthen public expenditure management systems also means that public expenditure reviews and the pressure to identify “unproductive” resources should in the short term be treated with extreme caution. Further work is also needed to assist with

participatory monitoring and evaluation. Equally, governments should be encouraged to use realistic growth and tax receipt projections that include some alternative policy options to enable adaptation to better or worse performance.

Advocacy on Resources – The IMF and the World Bank must greatly increase their advocacy for increased development resources from the North. Continued calls for northern trade liberalisation are also important. The World Bank and the Fund should also make clear the insufficiency of HIPC and the need for substantial increases in the level and extent of debt relief. Debt relief should be increased based on a realistic analysis of economic conditions in a country, not simply “cookie cutter” donor prescriptions such as debt-sustainability analysis.

The PRGF - There is a serious question as to whether the IMF is equipped to manage effectively a lending instrument such as the PRGF. Early signs are that action is needed to make the PRGF concessional, more appropriate for development, better linked to PRSPs and less focused on stabilisation; without such action the PRGF will be no more successful than approaches (such as PFP and ESAF). Increased accountability and transparency are also needed at the World Bank and the IMF to foster public confidence in their commitment to participatory processes and country ownership.

With action on these problems of process, content and resources, substantial further progress can be made in the development of PRSPs. The steady production and implementation of high-quality and high-impact strategies will do much to allay an array of critics. The chances of success for even the best PRSPs will continue to be undermined by OECD states, however, if they do not face up to their own responsibilities with regard to the surrounding context issues. OECD countries need to ensure that macro-economic conditionality is reformed, northern markets are opened, capacity is built and resources are made available.

Notes

1. World Bank/IMF, *A New Approach to Country-Owned Poverty Reduction Strategies* (Washington: D.C.: World Bank/IMF, January 2000).

2. IMF/World Bank, "PRSPs – Progress in Implementation" (Washington, D.C.: IMF/World Bank, April 20, 2001), 4 (point 6).

3. In its *Adjustment Lending Retrospective* (Draft Final Report) the Bank accepted that mistakes had been made (Washington, D.C.: World Bank, April 2001), 26–27. On user-charges, see DFID (the Department for International Development), *Planning and Financing Sustainable Education Systems in Sub-Saharan Africa*, Education Research Paper no. 7 (1993); idem, *Cost Sharing in Education – Public Finance, School and Household Perspectives*, Education Research Paper no. 27 (1998), section C.

4. Giovanni Andrea Comia, Richard Jolly and Frances Stewart, *Adjustment with a Human Face* (London: Oxford University Press/UNICEF, 1987).

5. See World Bank, *Treatment of the Social Impact of Adjustment* (Washington, D.C.: World Bank, Policy and Review Dept, 1990).

6. See, for example, *The Lessons of East Asia: An Overview of Country Experience* (Washington, D.C.: World Bank, 1993).

7. An example is *Structural Adjustment and the Poor*, from the Operations Evaluation Department of the World Bank (Washington, D.C., 1995), which uses a hopelessly diverse sample of countries. The Fund also tends to study "successful" adjusters, that is, those completing structural adjustment programmes (SAPs), yet this ignores the political instability caused by badly designed SAPs that often derails the implementation process.

8. See Paul Mosley, Jane Harrigan and John Toye, *Aid and Power: The World Bank and Policy Based Lending* (New York: Routledge, 1991); Frances Stewart, *Adjustment and Poverty* (London: Routledge, 1995); Glopal Garuda, "The Distributional Effect of IMF Programmes: A Cross-Country Analysis," *World Development* 28/6 (2000), 1031–51.

9. Sachs, for example, produced papers for and spoke in support of Jubilee 2000. Rodrik, in papers such as "The New Global Economy and Developing Countries: Making Openness Work," Policy Essay no. 24 (Washington, D.C.: ODC, 1999), questions the worldview of IMF economic prescriptions. And Stiglitz launched an attack on IMF failures to absorb new economic thinking in "An Agenda for the New Development Economics," paper for an UNRISD meeting (September 2001), 7–8. Also see Stiglitz, "More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus," WIDER Annual Lecture (1998), full text available at <<http://www.wider.unu.edu/events/annuel1998.htm>>.

10. Ravid Kanbur, "The Strange Case of the Washington Consensus: A Brief Note on John Williamson's 'What Should the Bank Think About the Washington Consensus?'" (Ithaca, N.Y.: Cornell University, 1999).

11. For a summary, see Stephen Klassen, "In Search of the Holy Grail: How to Achieve Pro-poor Growth?" Department of Economics, University of Munich, paper commissioned by GTZ for the SPA, draft (July 1, 2001), 13.

12. Graham Bird, "A Suitable Case for Treatment? Understanding the Ongoing Debate About the IMF," *Third World Quarterly* 22/5 (2001), 839.
13. "Report of the International Financial Institution Advisory Commission established by the US Congress" (2000).
14. David Craig and Doug Porter, "Poverty Reduction Strategy Papers: A New Convergence. What Does It Miss, and What Can Be Done About It?" background paper for Asia PRSP review consultation conference, Hanoi (December 4–6, 2001).
15. C. S. Adam and D. L. Bevan, "PRGF Stocktaking Exercise on Behalf of DFID," draft (November 9, 2001), circulated at the Asia PRSP consultation meeting in Hanoi.
16. This is an issue to which the World Bank has devoted some attention. See, for example, Vinod Thomas et al., *The Quality of Growth* (London: Oxford University Press for the World Bank, 2000), 262.
17. Adam and Bevan, "PRGF Stocktaking Exercise on Behalf of DFID," 8.
18. See Govindan Parayil, *Kerala: The Development Experience* (London: Zed Books, 2000).
19. For a further discussion of this, see World Vision, *Ten Urgent Issues for the Children of the New Millennium* (Monrovia, Calif.: World Vision, 1999).
20. See Deepa Narayan, Robert Chambers, Meera K. Shah and Patti Petesch, *Voices of the Poor: Crying Out for Change* (conference edition) (Washington: D.C.: The World Bank, June 2000).
21. Alan Whaites, ed., *Precarious States: Debt and Government Service Provision* (Monrovia, Calif.: World Vision, 2001).
22. *Ibid.*
23. Adam and Bevan, "PRGF Stocktaking Exercise on Behalf of DFID," 5.
24. See, for example, SGTS & Associates, "Civil Society Participation in Poverty Reduction Strategy Papers (PRSPs) Report to DFID" (London, October 2000), 16.
25. World Bank/IMF, "Poverty Reduction Strategy Papers – Progress in Implementation" (Washington, D.C.: IMF/World Bank, September 7, 2000).
26. General Accounting Office, "Developing Countries, Debt Relief Initiative for Poor Countries Faces Challenges, Report to Congressional Committees," GAO/NSIAD-00-161 (Washington, D.C.: GAO/NSIAD, June 2000), 10.
27. Charles Abugre, "Still Sapping the Poor: A Critique of IMF Poverty Reduction Strategies" (London: World Bank/IMF, World Development Movement, February 2001), 16–17.
28. Letter from Cedric Saldanha, Strategy and Policy Department, Asian Development Bank, to Sharon White of the World Bank and Brian Ames of the IMF (November 21, 2001).
29. David Booth, "Overview of PRSP Processes and Monitoring," in *PRSP Institutionalisation Study: Final Report*, ODI report prepared for the Strategic Partnership with Africa (October 15, 2001), 33, full text available at the ODI website.
30. *Ibid.*, viii.
31. SGTS & Associates, *Civil Society Participation in Poverty Reduction Strategy Papers (PRSPs) Report to DFID*, 5–6, 16, 53.
32. Alan Whaites, *PRSPs: Good News for the Poor?* (Monrovia, Calif.: World Vision, 2000), 9.

33. See World Development Movement (WDM), *Policies to Roll-back the State and Privatised?* (London: WDM, April 2001), annex 1, which tabulates excerpts of documents summarising experience from a range of countries.

34. DFID, "DFID View on the PRSP Process," submission to the PRSP Review Conference (January 2002), 6.

35. See Neil Thin, Mary Underwood and Jim Gilling, *Sub-Saharan Africa's Poverty Reduction Strategy Papers from Social Policy and Sustainable Livelihood's Perspective: A Report for DFID* (Oxford: Oxford Policy Management Group, 2001), 4.

36. Ibid.

37. Klassen, "In Search of the Holy Grail," 7.

38. Ibid., 6.

39. Rachel Marcus and John Wilkinson (both of Save the Children Fund UK), "Whose Poverty Matters? Vulnerability, Social Protection and PRSPs," draft 4 (November 19, 2001), 4. From the Hanoi PRSP review consultation meeting.

40. Point made at the Development Studies Association conference in Manchester (September 11, 2001).

41. DFID, *Planning and Financing Sustainable Education Systems in Sub-Saharan Africa*; also *Cost Sharing in Education*. section C.

42. Craig and Porter, "Poverty Reduction Strategy Papers," 26.

43. David Booth and Henry Lucas, *Desk Study of Good Practice in the Development of PRSP Indicators and Monitoring Systems, Initial Review of PRSP Documentation*, commissioned by DFID for the SPA (London: ODI, May 2001), vi.

44. Klassen discusses this issue in relation to agricultural output ("In Search of the Holy Grail," 9).

45. UNIFEM, "Contribution to the World Bank and IMF PRSP Review," (November 26, 2001).

46. IMF, *PRGF – Operational Issues* (December 13, 1999), point 59.

47. Whaites, *Precarious States*.

48. Ibid. See also Alan Whaites, "Can NGOs Learn to Love Economic Growth?" in Whaites et al., *Development Dilemmas* (Monrovia, Calif.: World Vision, 2002).

49. Nuon Rithy Niron, Yit Viriya and Laurence Gray, *Children's Work, Adults' Play: Child Sex Tourism—The Problem in Cambodia* (Monrovia, Calif.: World Vision, 2001).

50. Marcus and Wilkinson, "Whose Poverty Matters?" 22.

51. The World Bank held a workshop in April 2001 in Washington, D.C.

52. IMF, *PRGF – Operational Issues*, point 7.

53. Ibid., point 12.

54. See the PRSP of Tanzania and also the August 2001 progress report for 2000/2001. PRSP reports are available from the IMF at www.imf.org.

55. Figures taken from Islamic Republic of Mauritania, *Poverty Reduction Strategy Paper* (December 13, 2000).

56. IMF/World Bank, "Review of the PRSP Experience: An Issues Paper for the January 2002 Conference" (January 7, 2002), 20.

57. Whaites, *PRSPs: Good News for the Poor?*, 19.

58. Adam and Bevan, "PRGF Stocktaking Exercise on Behalf of DFID."

59. Ibid., 8, 28.

60. Ibid., 22–24.
61. See World Bank, “Supporting Country Development: World Bank Role and Instruments in Low and Middle Income Countries,” paper to the Development Committee meeting of September 2000 (Washington, D.C.: World Bank, September 2000).
62. See Booth, “PRSP Institutionalisation Study,” 26–36.
63. DFID, “DFID View on the PRSP Process,” 7.
64. Islamic Republic of Mauritania, Poverty Reduction Strategy Paper, 33.
65. Ibid., 17.
66. See Booth, “PRSP Institutionalisation Study,” ix.
67. World Bank/IMF, “Poverty Reduction Strategy Papers – Progress in Implementation” (September 7, 2000), 13; also IMF/IDA, “Tracking of Poverty-Reducing Public Spending in Heavily Indebted Poor Countries” (March 27 2001).
68. IMF/World Bank, “Review of the PRSP Experience,” 21.
69. Eurodad, *Debt Reduction for Poverty Eradication* (Brussels: Eurodad, July 2001); Jubilee South, *Pan-African Declaration on PRSPs* (Kampala, May 10–12, 2001), 3.
70. IMF/IDA, *Enhance HIPC Initiative – Completion Point Considerations*, approved by Jack Boorman and Cheryl Gray (Washington, D.C.: IMF/IDA, August 17, 2001).
71. Oxfam International, *Debt Relief: Still Failing the Poor* (Washington, D.C.: Oxfam International, April 2001).
72. A list of suggested questions is posted on the IMF website, but a narrow focus on participation was suggested in individual meetings with NGOs, such as that between the IMF/World Bank and three US NGOs on October 9, 2001.
73. E-mail report on the meeting by Mandy Woodhouse of Oxfam GB (December 10, 2001).
74. IMF/World Bank, “Review of the PRSP Experience.”
75. Joseph Stiglitz, “Employment, Social Justice and Societal Well-being,” key note speech to ILO global employment forum (November 1–3, 2001), 7–8, full text available on ILO website.
76. For an excellent summary of the debates, see Klassen, “In Search of the Holy Grail,” 16–20.
77. For an indication of the strength of Stiglitz’s criticism, see “The Globaliser Who Came in from the Cold,” *The Observer* [London] (October 10, 2001).
78. Craig and Porter, “Poverty Reduction Strategy Papers,” 6.
79. Ibid., 4.
80. Agricultural Trade Task Force, “Communique of Recommendations,” World Economic Forum (Geneva, January 2001).
81. Ibid.
82. Wendy Phillips, *Why Children Stay Hungry: Agricultural Trade, Food Security and the WTO* (Monrovia, Calif.: World Vision, 2001).
83. Paul Collier, David Dollar and Nicholas Stern, “Fifty Years of Development,” Annual Bank Conference on Economic Development (Washington, D.C.: World Bank, 2000), 16, full text available on the World Bank website.
84. World Bank, *World Development Report 1997* (Washington, D.C.: World Bank, 1997).

85. Chalmers Johnson, *Japan: Who Governs? The Rise of the Developmental State* (New York: W. W. Norton, 1995).

86. This led the Bank to launch a social capital section on their website to complement their civil society section. The Bank also launched a social capital initiative at a special conference in June 1999.

87. Michael Edwards, *Future Positive: International Co-operation in the Twenty-first Century* (London: Earthscan, 1999), chap. 7, particularly 137–40.



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Wendy Phillips

All for Naught?
An Analysis
of Senegal's PRSP Process

Located in the hub of West Africa, Senegal is endowed with a rich cultural heritage, significant domestic resources and choice access to foreign markets. Like many other developing countries, however, progress in Senegal has been stunted by over-reliance on the production of a few primary commodities like peanuts. The last three years have produced solid growth rates, averaging around 5 per cent, and relatively low inflation rates. In spite of this, Senegal is one of the poorest countries in the world, with a per capita income of US\$510 in 1999. In recent years international aid to Senegal has declined significantly. This situation is made worse by the growing population, resulting in a steady decline in aid per capita, which in 1999 sat at a meagre US\$57.50 compared to nearly US\$80 in 1995.¹ Social indicators bare the scars of poverty: 53.9 per cent live below the poverty line.² In general, over half the population is illiterate. A closer look reveals that illiteracy rates are significantly higher among women than men: over 70 per cent of women are illiterate compared to just under 50 per cent of men.³

It is important to remember that these statistics reflect the lives of real people. As one member of civil society explained:

The situation in Senegal is hard. Many people are very poor but they are proud and do not want to show their poverty. Often a family owns only one good shirt. One man will go to work in the morning

wearing the shirt, wash it that afternoon, and his brother will wear it out that night.

The task of the Poverty Reduction Strategy Papers (PRSP) is to move beyond statistics in order to define a strategy that will concretely improve the lives of the poor.

Analysing the Poverty Profile

For Senegal, producing up-to-date data for the PRSP that reflected the current poverty dynamics proved a challenging task. In fact, preliminary analysis for the PRSP was based primarily on data gathered in 1994 from the ESAM I (Enquête Sénégalais Auprès des Ménages) comprehensive household survey. Fortunately, however, in some individual sectors more recent data was available. Although the provisional final PRSP⁴ includes up-to-date statistics gathered from comprehensive surveys conducted in 2001 (such as ESAM II), it is significant that this data appears not to have been available through the consultative process. As late as November 2001 the Senegalese government was confronting the possibility that it would have to delay the entire PRSP process because of a lack of funds to complete the second household survey.⁵ Despite these challenges, analysis for Senegal's PRSP does shed light on the significant social, and economic impediments facing the country.

Debt: Still a Significant Burden

Debt is a major obstacle in poverty reduction. This is a central conclusion drawn in Senegal's provisional final PRSP. For Senegal, debt relief translated into a mere 18 per cent reduction in the net present value (NPV) of the country's debt burden, equivalent to about US\$450 million. In 1999, even with some debt relief, of a total gross domestic product (GDP) of US\$4.8 billion, Senegal spent US\$237.3 million on debt servicing.⁶ The World Bank and the IMF are among the primary benefactors from Senegal's debt repayment: the country owes about 43 per cent of its debt to these institutions.⁷ Research by Jubilee Plus and the New Economics Foundation has drawn attention to the fact that, even with the reduction, the country will be paying out more for debt servicing by 2018 than it is today.⁸ This situation is unsustainable and points to the insufficiency of debt relief commitments by IFIs (international financial institutions).⁹

Weakened Agriculture and Rural Poverty

Analysis of Senegal's poverty profile presented in the provisional final PRSP suggests that addressing poverty lies in promoting agricultural diversification and related infrastructure development. In 1994, 60 per cent of the people lived in rural areas, and 80 per cent of these live on less than US\$2 per day, most relying on agriculture for livelihood.¹⁰ In-country data produced for the PRSP from the IMF suggests that agricultural production has steadily declined to less than 10 per cent of the GDP.¹¹ Interestingly, World Bank data indicates that agricultural production has not varied significantly between 1980 and 2000 and pegs the value of agriculture production at 18.0 per cent of GDP for 1999. Nevertheless, it remains significant that agricultural production, marked particularly by the plethora of small farmers selling peanuts and a variety of fruits like mangoes and avocados along the roadside, is the main livelihood of the rural poor.

Although addressing the shortcomings in agriculture figures heavily in the country's PRSP, a strategy based on agricultural diversification raises critical questions that are not yet covered in the PRSP:

- Senegal's liberalisation commitments as part of the West African Economic and Monetary Union are likely to have short-term costs for the agricultural sector and will decrease significantly the revenue available to the government.¹²
- Increased competition in the sector that the government is attempting to develop and a decreased revenue base to finance this development should be significant concerns. How is the Senegalese government intending to manage this transition, and how will this be factored into an agricultural development approach?
- Furthermore, at the World Trade Organisation level, agricultural products still face significant barriers when entering foreign markets, particularly processed goods with higher tariffs – the same goods that would likely be at the heart of an agricultural approach to development. How will this critical issue be addressed?

Beyond the weakness of the agricultural sector, the Senegalese profile of poverty makes clear that the rural poor are less educated and have decreased access to clean water and health services. Further analysis reveals that government expenditures do not reach the poorest groups.

In education, in 1994, the poorest 20 per cent of the population, who are responsible for 28 per cent of children between the ages of seven and

twelve, only benefit from 16.8 per cent of public spending. In comparison, the richest 20 per cent, who are responsible for a smaller percentage of children, benefit from more of the public expenditure (17.8%).¹³ This situation has concrete social consequences. Many of the poorest children who do not receive education become beggars who often line the streets of the capital city, Dakar, selling small trinkets or simply asking for money. Some become involved in juvenile delinquency.¹⁴ Clearly if PRSPs are about targeting government programmes to address the needs of the poor, rebalancing and increasing expenditures in education is critical.

The story is similar in the health sector. A woman in rural Senegal is poorer than her urban counterpart. As a result, she has less economic opportunities, tends to marry sooner and receives less education – including education on reproductive health issues. As a result, maternal mortality rates in rural settings are more than double those in urban settings (950 per 100,000 compared to 450 per 100,000).¹⁵ Yet public expenditures highly favour the urban areas. Forty-eight per cent of the health budget is spent in Dakar, where the poverty level is relatively low at 24.7 per cent. In comparison, only 3 per cent of the budget is spent in the region of Kolda, where poverty levels reach 86.6 per cent¹⁶ and 1200 per 100,000 women die from childbirth.¹⁷

Based on the PRSP analysis done in country, a clear priority emerging from this broad stroke picture is that poverty reduction must address the needs of the rural poor. The documentation produced for the PRSP process suggests expenditures that touch the needs of the most vulnerable groups (both rural and urban) and sets goals in key sectors.

Although the emphasis on vulnerable groups is appreciated, there is a lack of detail on how progress towards these goals might be achieved and measured. For example, one educational objective is to correct disparities in gender. The provisional final PRSP goes into detail on related principles to guide its approach to education; it is vague, however, on specific steps and only references large international goals and not specific interim measurable goals differentiated by gender.¹⁸ These types of measurable indicators will be key in monitoring the progress of the PRSP and should be included in the PRSP.

The need to address the disparity between rural and urban areas requires careful consideration in the PRSP. As well as an urgent need to improve the provision of services in rural areas, there continue to be needs in urban centres as well. How will the government manage the need to

improve both simultaneously and reduce the disparity between them? The success of an agricultural approach to development will depend on how this question is addressed, as well as other factors. An agricultural strategy assumes that people will continue to pursue rural livelihoods and not leave rural areas because of better services available in cities. The provisional final PRSP does not fully tackle this issue.¹⁹

A Troubled Process

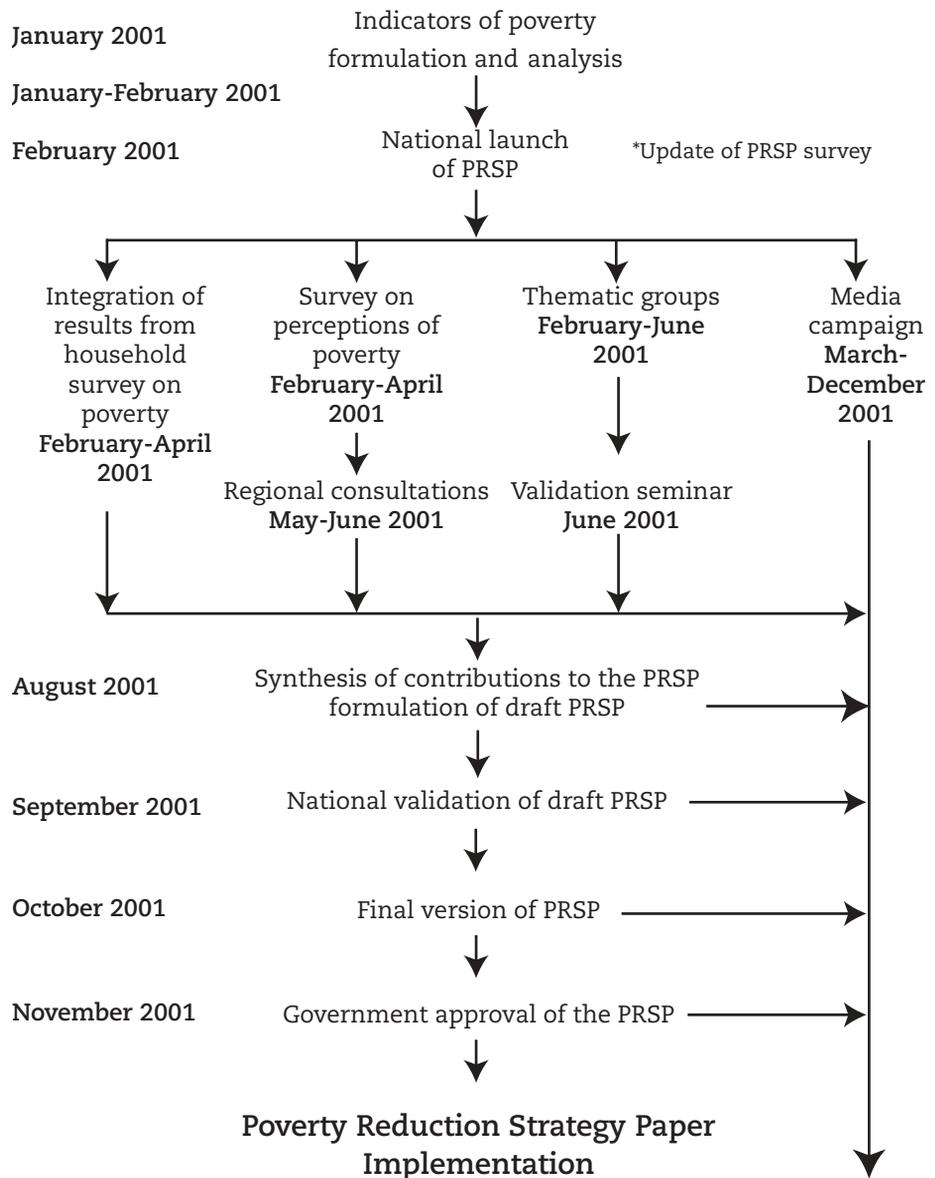
Under Duress: The Role of Time Constraints

Time pressure threatens to undermine significantly the value and quality of the Senegalese PRSP.

Among a sample of participants in the PRSP process in Senegal – government, civil society and donors alike – time constraints were identified as the most restricting factor in the formulation of Senegal’s PRSP.²⁰ The Senegalese I-PRSP (interim PRSP), a remarkably brief document, gained approval from the Bank and the Fund in June 2000, and the suggested date for final submission was December 2001. At the beginning of World Vision’s research project in February 2001, the process was already delayed. At that time an initial framework for the PRSP process was depicted in the following chart (see page 52).

In actuality, this time table was compressed by six months, and the launch of the PRSP process took place at the end of June 2001 instead of in January 2001. As a result, many of the critical components of the PRSP process were condensed into July and August, and the synthesis of all the findings from the process into a draft PRSP was done in a mere fifteen days in November for the final validation seminar in December. Drafting of the PRSP in such a short period of time left significant questions (such as those raised above) unaddressed in the provisional final PRSP.

The delay in the PRSP process has been attributed to a number of factors. An official reason given is “difficulties experienced in funding a number of field surveys”.²¹ Unofficial speculation suggests different reasons. Some highlight the fact that there was a change in government between the submission of the I-PRSP and the beginning of PRSP process, while others suggest that the government struggled to find a department with the capacity to carry out the PRSP. Despite the fact that concerns about the delays were voiced from within and outside the Senegalese government, the government remained committed to the December submission date.



This fact prompts two critical questions: What constraints prevent the government from taking more time? How will these time constraints affect the quality of the PRSP?

Some sources suggest that the Bank and the Fund pressured the government to accept the proposed deadline (December 2001). Others disagree, pointing out that the IFIs have been strict observers of the PRSP process, and that the submission date is flexible. Another hypothesis is that the government's desire to adhere to the deadline resulted from political pressure; as a new administration, the Wade government faced increasing political pressure to bring about change in the country, including pressure to deliver on its promise to address poverty. Some critics may suggest that the IFIs are naive to think that if countries formulate the time line and content of a PRSP themselves the institutions are not influencing the process. The fact is that the political and economic leverage of the IFIs does not give governments, such as that in Senegal, the *unilateral* latitude to extend the process. The impact of the time constraints has touched every level of the PRSP process.

A key component of the PRSP process was the work of four thematic groups responsible for elaborating on key themes relating to poverty reduction. The themes are (1) eradication of the manifestations of poverty, (2) reinforcing the capacity of vulnerable groups, (3) wealth generation and poverty reduction, and (4) the macro-economic framework and poverty reduction. Due to the compressed time frame, each thematic group had only about two months to formulate terms of reference, analyse findings, and submit its final report to the government. Many commented that this amount of time was not sufficient; as a result, the quality of the analysis presented by some thematic groups was not very high. Some wondered if this shortcoming would compromise the government's ability to address some of the challenges presented.

For example, as mentioned above, one of the central conclusions from the PRSP poverty analysis was that transformation of the agricultural industry is key to economic development in Senegal. Several sources commented that, although they did not disagree with this priority, there is a lack of detail on how this is to be accomplished. To paraphrase one observer,

The government has been talking about agricultural diversification for at least ten years, but it has never come up with a concrete

strategy, and that doesn't appear to have changed with the PRSP. Strategies are possible, but the government has not taken the time to formulate them because it is in a rush. . . . The PRSP is going to end up like all the other strategies: a nice report sitting on a shelf somewhere.

Time constraints also affected civil society participation. For example, one opportunity for civil society participation was through regional consultations to clarify the profile of poverty by consulting community leaders and others in the ten regions of Senegal. Condensed consultations limited representation of some sectors of the population, particularly women and women's groups. The sponsors of these consultations recognise the significance of this limitation because of the unique perspective that women bring to the analysis of poverty. Although significant attention was paid to the gender dimension of poverty in the technical analysis of the profile of poverty, this is not a substitute for the full participation of women.

Broad civil society awareness and participation was further confined because the fifth thematic group, whose mandate was to manage the media campaign and reinforce the capacity of civil society, had not yet gotten off the ground. Unlike the other groups, the government designated civil society management of this group. In an already-delayed process, the additional time that it took civil society groups to come to an agreement with donors on the content and nature of the campaign means that it could not get under way until January 2002.

The government was aware of the challenges facing the fifth thematic group but showed less concern about this aspect than it did about problems with other thematic groups, who were asked to revise their work if it was not satisfactory. A government official seemed to dismiss the importance of the delays in launching the public campaign, suggesting that the government would simply wait for the group's report. It is not unreasonable to suggest that the government did not feel it was very important to inform the public about the PRSP process.

Additionally, because many of the participatory meetings related to the thematic groups were held concurrently, some civil society groups found it difficult to participate. Such constraints hamper the quality of participation and, as one participant put it, "When everything is so condensed, you get the feeling that consultation is an intellectual rather than an effective exercise."

When both the quality of the analysis and the legitimacy of the process are sacrificed for the sake of a deadline, what of worth is really left in the PRSP?

Civil Society Participation

Senegal's participatory process can be both applauded and improved. The Senegalese government was prompted by both donors and civil society to ensure that the process was broadly participatory. The government responded, despite some initial questions, by including a broad range of civil society actors. Most groups asked were grateful for the opportunity to participate in the PRSP and indicated that, despite other constraints, the opportunity to become involved was a hopeful sign for the future. Despite this optimism one participant aptly expressed the reservation of many:

We are happy to see that the government is finally addressing the question of poverty and consulting NGOs about it, but we wonder if addressing poverty is not simply the latest fad. We have seen this before with the environment. For a while everybody was talking about the environment and the government put a lot of effort into developing a great plan. Now we don't hear anything about it but the problem still exists. We hope that the same thing doesn't happen with poverty.

In Senegal, the limited inclusion of traditional groups and village-level participation was an element of concern raised by both donors and civil society organisations (CSOs). Others commented that civil society participation should not stop at NGOs, who seem to make up the bulk of the participants. In addition, elected officials appear to have played a very limited role during the formulation stage. Parliamentarians will only be officially included in the final ratification of the PRSP. These shortcomings are worrisome considering that informal networks are often closest to the poor, and including parliamentarians is an important step in creating accountability for the PRSP.

As several respondents pointedly observed, the timing of the consultation was also crucial. The central window for civil society input was during the months of July and August, traditionally a time for both vacation and cultivation. To paraphrase one civil society representative, "You can't expect a farmer who needs to eat tonight to leave his fields to discuss strategies that may alleviate his poverty two years from now."

The requirement for civil society engagement must be considered in tandem with the capacity of civil society to engage. In-depth interviews with a targeted group of eleven CSOs, eight of whom were well positioned to influence the PRSP process through their strong or very strong involvement, included questions about their perceived ability to influence the content as a result of their participation. None gave a strong positive answer. In fact, one organisation that was involved at essentially all levels of the process, including the steering committee, strongly disagreed that participation had resulted in influence.

One common concern was that when the PRSP process was launched in June 2001, the government appeared with its analysis already prepared. Furthermore, civil society was expected to comment on the analysis presented without having received it beforehand. Although it may have been appropriate for the government to come up with a framework for dialogue and analysis to use as a springboard for consultation, it is clear that the Senegalese government should have made documentation publicly available before the launch. Some critics may be tempted to conclude that the Senegalese government was not really committed to participation. More important, however, the fact remains that this significant oversight compromised the ability of CSOs to become informed on the objectives of the process and worsened the quality of the participation, not only at the initial launch but also throughout the thematic group discussions. Fortunately, the government did attempt to correct for this oversight in the last stages of the process by making the reports from the thematic groups and the early drafts of the PRSP publicly available before the final validation seminar in December 2001.

Civil society groups require a considerable degree of background knowledge to contribute substantially to the PRSP process in Senegal. This observation was made by a number of CSOs involved in the process. Some further hypothesised that the attrition rate from the participatory activities reflected a lack of perceived relevance or understanding of the PRSP. One group, which described its participation as marginal, commented that the process seemed more geared toward large NGOs and did not seem geared toward addressing its concerns. This perception influenced the group's decision not to become heavily involved. Interestingly, a group with a similar constituency that was highly involved in the process shared its colleagues' scepticism toward the value of the process. It would have been more effective for the government to begin to inform civil society *before* the

launch of the PRSP rather than waiting for the launch of the PRSP and relegating this responsibility to civil society through one of the thematic groups.

One notable area of weakened civil society participation was on the level of macro-economic policy discussions. All organisations consulted on this point (donors, civil society and government) acknowledged that civil society generally lacked the capacity to participate effectively on the level of macro-economic debate. Building up the capacity of civil society groups to understand the implications of macro-economic policy choices is a critical need.

Despite these obvious weaknesses in the civil society consultation process, a number of very positive initiatives have emerged as a result of the PRSP. First, one NGO in partnership with other groups has received funding to establish independent monitoring of the PRSP. The aim of this facility will be to promote accountability and measure the progress of the government in achieving the objectives of the PRSP.

Second, a number of groups commented that the PRSP process has created momentum to work together and engage the government on poverty issues. The delayed fifth thematic group, responsible for building civil society capacity and promoting awareness of the PRSP, will likely become a hub for this activity. At a recent meeting of a group of civil society organisations involved in capacity building, one participant reportedly asserted, "The goal of the civil society is not to hold back the cause [of the PRSP]." Another clarified: "We want to enrich and appropriate it through concrete proposals and recommendations. We will also inform and seek out diverse opinions from the many sectors of civil society."²²

Finally, although not directly linked to the PRSP process, UNIFEM has launched a network designed to sensitise and promote advocacy of women's groups on the PRSP, among other issues. The network's main focus is economic development, and it specialises in developing the economic capacity of women on both the micro and macro levels. This initiative feeds into work already being done by Senegalese women's networks such as RASEF (Reseau Africain pour le Soutien de l'Entreprenariat Feminin) and could contribute to the need for economic analysis by civil society groups.

Whose Idea of Pro-poor?

Defining a comprehensive strategy for pro-poor development, which consistently integrates social and economic policy objectives, has proved an

illusory task. Senegal's experience in the PRSP is no exception. One observer remarked that a central weakness in the documentation available to date on the Senegalese PRSP was the lack of connectivity between macro-economic objectives, poverty reduction and specific social policy objectives. The provisional final PRSP outlines priorities for agriculture-led growth and priorities for health and education expenditures without examining the relationship between them. Without this context some questions cannot be answered; for example, how the predicted drop in government revenue associated with the elimination of tariffs will affect the funding available for the social sector. If these details are not clarified, then social priorities risk becoming an unrealistic wish list that will not be funded, with resulting disappointment among groups who advocated for them.

Additionally, several donors and some CSOs observed that the government appeared to have given little thought to the issue of policy coherence. Although the provisional final PRSP does make reference to the New Partnership for African Development (NEPAD), it is not at all clear how social priorities identified in the PRSP will figure into the NEPAD where a central thrust is economic elements of development.

As one observer remarked, if the final PRSP leaves vast chasms not addressed, like the linkage between economic and social objectives, policy coherence, or the role of trade policy, these will be defined after the final PRSP has been submitted, behind closed doors – where the voice of donors and not the public is likely to be more clearly heard.

Country Ownership: In the Shadow of Giants

According to the IFIs, country ownership means putting countries in the driver's seat. Senegal's PRSP process adds to the mounting evidence that, although PRSPs may be developed by national governments, the power dynamics that shape their content remain unchanged.

After the launch of the PRSP process, in a seemingly unconnected exercise, the IMF conducted a review of a PRGF (Poverty Reduction and Growth Facility) loan to the Senegalese government. This review resulted in the "acceptance" of new conditionalities in order for the country to receive the third instalment of the loan.²³ The conditions included the privatisation of two major state supported enterprises – one involved in the production of Senegal's staple commodity, peanuts, and the other responsible for the supply of electricity. The need for the government to bail out these companies seems to be a primary motivation for privatisation. This trend seems

destined to continue under the initiative of the IMF to privatise no fewer than thirteen of Senegal's public enterprises.²⁴ Setting aside the details of the loan for now, a few observations can be made.

The conditionalities of the loan and the process by which they were agreed to mimic old-style relations between the Fund and government. There seems to have been no attempt to harmonise the new conditions for the loan with the forthcoming direction of the PRSP. As one donor agency observed, it is likely that these conditions will affect the direction of the government in pursuing strategies for growth and poverty reduction.

Discussions to determine the new conditions for the loan were private, not public. If the PRSP process is based on the principle that civil society participation is key to effective strategies for growth and poverty reduction, then the failure of the government or the Fund to insist on an open process suggests that this principle has not penetrated deeply into the practices of either institution.

Critics of the PRSP will be quick to say that this example proves that relations between governments and the IFI have not changed because of PRSPs. Rather, it is the same old policies and practises with new names. More to the point, however, the IFIs appear to be failing to uphold their own prescriptions for poverty reduction. If the PRSP process is truly central in shaping the direction and development of the country, PRGF conditionalities should be negotiated within and not outside the process.

New loans and ODA (Official Development Assistance) are another potential inhibitor of country ownership. An acknowledged premise of the enhanced HIPC initiative is that the amount of money available through debt relief is not sufficient to cover the costs of a PRSP. As a result, the process is vulnerable to becoming donor driven through the back door. Developing country governments face either overt or covert pressure to pursue goals in a manner pleasing to donors. If countries risk going their own way, priorities (whether economic or social) that do not match those of donors may become economically untenable.

One potentially contentious point in Senegal's PRSP is to encourage, among other initiatives, the involvement of the private sector to redress some of the shortcomings in the health sector.²⁵ One option that could be considered is private provision of certain health services. However, one observer commented, the privatisation approach is not uncontested in Senegal. Depending on the approach taken, privatisation could fly in the face of priorities highlighted by Senegal's profile of poverty – for example,

the need to provide increased coverage of health services to the poor, particularly in rural areas. The availability of donor funding may become critical in determining how this policy is pursued.

In situations like these, donors face a critical dilemma. If they do not define their funding priorities until after the PRSPs are complete, recipient governments may be forced into privatisation because they do not have any other committed sources for funding. If, however, they choose to place an emphasis on funding public health, for example, then they could be accused of interfering in the priorities of the government. All agencies involved in development, including NGOs, need to give these dilemmas careful consideration if country ownership is truly to be respected.

Conclusions

The PRSP process in Senegal clearly suggests that reform of World Bank and IMF approaches to poverty reduction, improvements to the PRSP process and strengthened national democratic processes and institutions are necessary if PRSPs are going to become pro-poor, country-owned strategies for economic growth and poverty reduction.

The influence of the World Bank and the IMF on the PRSP process and the direction of development remains firmly intact in Senegal. First, the limited amount of debt relief is of considerable concern. Second, it is clear that macro-economics is what matter to the Bank and the Fund; whether through the conditions of PRGF loans or the stated fact that, even with a PRSP in place, new loans will be granted only if the economic framework satisfies IFI criteria, it is evident that the limits of country ownership are set.

The Senegalese example starkly illustrates that the design of the PRSP process puts constraints on the potential for developing an effective strategy for poverty reduction. Time constraints and other factors have compromised the quality of both the participation and the analysis produced for the PRSP in Senegal. This problem is only compounded by the difficulties in gathering current data. If the rush for debt relief is compromising the validity of the PRSP strategy, there is a clear need to reform the PRSP process.

Additionally, Senegal's PRSP points to the need for a more clear definition of pro-poor strategy. The vacuum that exists in defining a comprehensive strategy that brings coherence to social and economic objectives means

that “pro-poor” is likely to mean only neo-liberal economics with a few dollars for social expenditure. This is hardly the fundamental shift PRSPs were touted to be.

Senegal’s PRSP suggests that the goal of broad-based participation remains largely illusory. Genuine ownership of the PRSP process requires a fundamental shift in the relationships of power and accountability between donors and recipient countries. This in turn requires strengthening national democratic accountability for the PRSP through broad based participation: NGOs, community-based organisations, individual citizens and elected officials. The availability of debt relief cannot be contingent on the long-term process of democratisation, but the PRSP process could be used to begin strengthening democratic processes.

Appendix A: Senegal PRSP Fact Sheets

Senegal PRSP Fact Sheets

Interim PRSP completed: May 8, 2000

PRSP process officially launched: June 2000

Anticipated submission of complete PRSP: December 2001

Ministry responsible for PRSP: Ministry of Finance

Responsibilities: managing participatory process, statistical gathering process; co-ordinating work done by other government departments implicated in the PRSP

Foundational documents for PRSP: 1997, *Plan de Lutte contre la Pauvrete (Plan for the Struggle Against Poverty)*

- covers key sectors such as education, health and basic infrastructure
- builds on international commitments made at the Copenhagen summit, 1995

Components of PRSP

Activity	Co-ordinating Institution
Establish terms of reference	Department of Finance
Conduct household survey (ESAM II)	World Bank Institute
Comprehensive statistical analysis of poverty	Centre de Recherch Economique Applique (CREA) financed through IDRC and CIDA
National launch of the PRSP	Senegalese government financed through GTZ
Perceptions of poverty survey	UNDP
Media campaign and activities to strengthen civil society capacity	GTZ
Regional seminars to refine profile of poverty	GTZ
National participation seminar for the validation of the PRSP	Senegalese government

Groups involved in the PRSP

General groups	Specific civil society organisations
NGOs and CBOs	CONGAD (Council for NGOs in Support of Development) and ENDA (Environment and Development in Africa) represent NGOs
Unions	
Women's organisations	The National Council for Rural Dialogue and Co-ordinations represents producers
Religious groups	
Media	FAFS (Federation of Women's Associations on Senegal) represents women's groups
Traditional authorities	CNJS (National Youth Council of Senegal) and OJP (Organisation of Pan-African Youth) represent young people's associations
Universities and research institutes	Senegalese Civic League and African League of Human Rights are the umbrella group for human rights organisations
Traditional communicators	CNTS, UNSAS and SYNPICS are national umbrella groups for trade unions

Avenues for Civil Society Engagement

Initiative	Objectives
National launch of the PRSP	Official launch of participatory element of PRSP Civil society comments and revises PRSPS terms of reference Civil society comments on validity of survey parameters, including CREA and EASM II Recommendations for future activities related to PRSP
CREA survey	Validation seminar: national launch participants join on-going thematic discussions on findings of survey
Perceptions of poverty survey (UNDP)	Qualitative survey of perceptions of poverty taken from community level
Regional seminars (GTZ)	Regional discussions intended to clarify profile of poverty building on perceptions of poverty survey Main participants: local community leaders and CBOs
National validation seminar	Surveys and consultations results compiled into draft PRSP Framework discussed by CSOs and government Central opportunity for NGOs and CSOs to comment on actual PRSP strategy before it is submitted to government

Economic Overview

Debt forgiven: 18% net present value, ~US\$450 million

Recent growth trends: above 5%

Recent inflation trends: below 3%

Adults living below poverty line: 53.9% (based on 2400 calorie daily intake)

The World Bank, World Development Report, 2000

(Sample of data available on Senegal)

	1995	1998	1999
Population, total (million)	8.3	9.0	9.3
Life expectancy at birth	51.5	52.4	NA
Mortality rate, infant (per 1,000 live births)	74.3	NA	67.3
Illiteracy rate, adult males (% of males 15+)	57.2	54.6	53.6
Illiteracy rate, adult females (% of females 15+)	77.0	74.2	73.3
GDP at market prices (current US\$ billion)	4.5	4.7	4.8
GDP growth (annual %)	5.2	5.7	5.1
Exports of goods and services (% of GDP)	34.5	33.0	32.7
Imports of goods and services (% of GDP)	40.1	38.7	39.1
Trade (% of GDP, PPP)	20.6	19.5	19.3
Foreign direct investment, net inflows in reporting country (WDI, current US\$ million)	32.0	71.0	60.0
Present value of debt (current US\$ billion)			2.5
Total debt service (TDS, current US\$)	281.1	321.0	237.3
Short-term debt outstanding (DOD, current US\$ million)	260.3	273.0	308.1
Aid per capita (current US\$)	79.9	55.4	57.5

Appendix B: Research Questions

Note: The actual questionnaire used was translated into French.

FOR: World Vision Research Project on the Poverty Reduction Strategy Paper Process

MANAGED BY: World Vision
Mr. Mansour Fall, Special Programs and Public Relations, WVS
Ms. Wendy Phillips, Policy Analyst, Global Economics, WVC

Name: _____

Position: _____

Organisation: _____

1. I would describe my organisation's awareness of and participation in the Poverty Reduction Strategy Paper Process in Senegal as: (circle appropriate response)

Very Aware and very involved

Aware and involved

Aware and slightly involved

Aware though not involved

Minimally aware

Not aware

2. With respect to the PRSP process, my organisation has participated in the following elements: (check all that apply)

— Formulation of the Terms of Reference for the PRSP

— Thematic groups related CREA's Comprehensive Statistical Analysis of Poverty

— National Seminar for the validation of the results of CREA's analysis

— The household survey (ESAM 11)

— The national launch of the PRSP

— The Perceptions of Poverty survey

— Regional Seminars to refine profile of poverty

— National Participation Seminar for the Validation of the PRSP

— Other (please specify) _____

3. Through my organisation's participation in the PRSP process, we were able to actively influence the content of the PRSP: (circle appropriate answer)

Strongly Agree Agree Agree somewhat Disagree Disagree strongly

Additional comments:

4. In your opinion, what is the most important factor in formulating an **effective** PRSP strategy? Has the PRSP process to date sufficiently reflected that priority?

Is there a second priority that should also be addressed?

5. Are there any constraints facing the PRSP process in Senegal – if yes, what is the most significant and how might it be addressed?
6. Do you feel that the PRSP process has enabled civil society to be an active participant in shaping the new national strategy for poverty reduction and that the PRSP has or will reflect this participation?

Thank you for taking the time to complete this questionnaire. Your answers will be used to inform World Vision's research project on the PRSP process. For the purposes of this research, World Vision will make every reasonable effort to protect the confidentiality of your responses to this questionnaire. Any direct citations will seek the author's express approval before publication. Please check below the most appropriate response:

I authorise World Vision to use the information in this survey including the name of my organisation in any publication associated with the World Vision Poverty Reduction Strategy Paper (PRSP) Research Project. I am happy for my organisation to be listed as a respondent provided that we are not directly cited in relation to any specific quote or conclusion.

I authorise World Vision to use the information in this survey to inform the World Vision Poverty Reduction Strategy Paper Research Project and any associated publications. I do not wish my name or that of my organisation to appear in any publication.

Notes

1. World Development Indicators Database (July 2001). www.devdataworldbank.org.
2. Senegalese updated PRSP document (December 2001), sec. 1, p. 4. Data taken from Questionnaire Unifié des Indicateurs de Développement de l'ESAM II.
3. *Ibid.*, sec. 1, p. 2
4. The term "provisional final PRSP" refers to the most recent publicly available version of Senegal's final PRSP, which can be found at www.finances.gouv.sn/dsrp. Senegal is in the final stages of approving its PRSP, though modifications are still being made.
5. "Blocage de l'enquête auprès des ménages – La Dps et l'Afds mis au banc des accusés," *Wal Fadji* (Wednesday, November 14, 2001). Note that throughout this chapter efforts have been made to clarify sources and dates of data cited and to note where significant discrepancies exist between World Bank data and that produced by in-country or other sources.
6. World Development Indicators Database.
7. International Monetary Fund, "Senegal: Recent Economic Developments," IMF Staff Country Report no. 00/91 (Washington, D.C.: IMF, July 2000), 16.
8. See www.jubileeplus.org/worldnews/africa/senegal230201.
9. Detailed analysis of the shortcomings of the HIPC initiative have been done by North South Institute, Oxfam and Jubilee Plus. See the bibliography at the end of this chapter.
10. République du Sénégal, *Diagnostic de la Pauvreté au Sénégal*, Ministre de l'Économie (2001), 8 (data taken from Enquête Sénégalais Auprès des Ménages [ESAM I], 1994).
11. Agriculture has declined from 10.8 per cent to 8.3 per cent of the GDP from 1994 to 1999 (see IMF, "Senegal," 5). This data is also cited in Senegal's provisional final PRSP, sec.1.1.1, p. 15.
12. IMF, "Senegal," 41–47.
13. République du Sénégal, *Diagnostic de la Pauvreté au Sénégal*, 23 (data taken from ESAM I).
14. *Ibid.*, 18
15. *Ibid.*, 26
16. *Ibid.*, 32
17. *Ibid.*, 26
18. See Senegal's provisional final PRSP, sec. 4.2.1.1.
19. *Ibid.*, sec. 1.1.1, p. 26.
20. For this research project a diverse but targeted group of people involved in the PRSP process in Senegal were interviewed. These groups included members of CSOs, NGOs, government and donor agencies. There were two phases of in-country research (February–March 2001 and October 2001). World Vision Senegal (WVS), in coalition with other CSOs, also participated in the formulation process for the PRSP (June 2001–present). WVS has been continually consulted in the production of this report.

21. See “Letter of Intent, Memorandum on Economic and Financial Policies for 2001,” Technical memorandum of understanding (August 30, 2001), sec. G, p. 25, available on the IMB website (www.imf.org).

22. *Le Soleil* (Dakar), “Lutte contre la pauvreté: La société civile sensibilise ses members” (January 18, 2002). The quotation is directly from newspaper, though translated by the author. The original can be found at www.allafrica.com.

23. See “Letter of Intent, Memorandum on Economic and Financial Policies for 2001.”

24. Plan initiated in 1999 by the IMF (see IMF, “Senegal,” 16).

25. See Senegal’s provisional final PRSP, sec. 4.21.2.

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Joe Muwonge, Beyene Geleta and Simon Heliso

Working Towards an Ethiopian PRSP

Poverty reduction is the core agenda of Ethiopia's current development programme. Ethiopia was recognised as an HIPC (heavily indebted poor countries)-initiative country and with this embarked on preparation of its PRSP (Poverty Reduction Strategy Paper). As of August 2001, the debt burden of Ethiopia amounted to US\$9 billion. This sum was consuming up to 20 per cent of the country's foreign exchange reserves to service and remains a burden to the country's capacity to address poverty. This brief account examines the involvement of NGOs in the PRSP exercise, which is still to be completed.

How Poor Is Ethiopia?

Ethiopia is characterised by overwhelming poverty. Ranking bottom in Africa in overall growth (-0.6 per cent annually) and with a per capita income of US\$100 a year (1999), approximately 65 per cent of Ethiopia's current population size of 63.5 million lives in absolute poverty. Poverty in Ethiopia is widespread and multi-faceted. Measured in terms of a minimum nutrition requirement of 2200 calories per adult per day, and also including non-food consumption requirements, an estimate from 1995/96 shows that 45 per cent of the population was below the poverty line.¹ Average calorie intake was 1954 calories; life expectancy was 43 years, and it is projected that this number will fall as the developing HIV/AIDS pandemic takes root.²

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In 1994 the infant mortality rate and child mortality rates were 118 and 173 per 1000 respectively, and maternal mortality was 700 per 100,000. The illiteracy rate in 1995 was about 77 per cent for females and 55 per cent for males. Gross primary education enrolment was estimated at only 23 per cent of primary age children in 1999.

This extreme poverty is exacerbated by the periodic crop failures, due primarily to changes in weather conditions, which lead to high variance in the levels of essential food consumption. Information generated from a health and nutrition survey in 1998 found that 60 per cent of household income was spent on food. The same survey also revealed that 52 per cent of all children aged 3–59 months were stunted, and acute malnutrition or wasting ranged from 6 per cent among children aged 3–5 months to 13 per cent among those aged 13–23 months.³ In general, rural poverty is higher than urban poverty, as 80 per cent of the poor live in rural areas. However, poverty is also widespread within the urban areas, the root cause being under- and unemployment, which are generally felt to be high, though data are lacking. The magnitude of poverty is more marked within the drier pastoral areas of the country, especially in the south and east. Studies conducted by the Ministry of Economic Development and Co-operation (1999) have also shown that in general poverty levels increase from north to south.

How It Is Performing

For much of the 1990s Ethiopia pursued a programme of economic reform and liberalisation, which with sustained donor support enabled the government to focus spending on much-needed infrastructure and social programmes. As a result, the macro-economic indicators of the performance of the economy during the 1990s give an overall picture of a declining trend of poverty. Gross domestic product (GDP) grew at an annual average rate of 5.5 per cent during 1992/93–1997/98, with sector growth rates of 3.4 per cent for agriculture, 7.3 per cent for industry and 7.7 per cent for services.⁴

However, by the turn of the decade economic conditions deteriorated. This was further exacerbated by the outbreak of a border conflict with Eritrea, and the onset of a major drought in 2000, which resulted in famine in the south of the country. Defence expenditure rose sharply from below 3 per cent of GDP in previous years to an average of 10.7 per cent during the period from 1998 to 2000. The gap on the fiscal and balance of payments fronts widened markedly with deficits of 8.8 and 8.7 per cent of GDP respectively.

The external imbalance was aggravated by adverse terms of trade following the fall in coffee prices and the rise in the prices of petroleum, while economic growth was further hampered by crop failures due to drought which led to famine and a resultant standstill in the service sector. During these two years the growth rate of GDP declined to 5.6 per cent, and the rate of inflation increased to 4.3 per cent. A peace agreement with Eritrea was signed in December 2000. Since then, the government has resumed its reform efforts and reconfirmed its commitment to poverty reduction within a framework of macro-economic stability. Real GDP growth in 2000/2001 was estimated to have been about 7.9 per cent, inflation turned negative, and the external current account deficit fell to 4.9 per cent of GDP, down from 5.2 per cent the year before.

Preparing the I-PRSP

According to the independent NGO InterAfrica Group, the process of preparing a PRSP goes back to the May 2000 election campaign. Part of this electoral process involved extensive debate on development strategy. Participating parties discussed their programmes as part of the election platform through numerous public gatherings and meetings. After the elections government carried out further consultations with selected members of the civil service, elected officials and professionals from the private sector. These consultations led to formulation and adoption of the second five-year programme whose principal strategy was Agricultural Development-Led Industrialisation (ADLI). ADLI was, in turn, the basis for preparation by the government of the I-PRSP, which was submitted to the World Bank and International Monetary Fund (IMF) for approval in May 2000.

World Bank/IMF Views of the I-PRSP

In the view of the staffs of the World Bank and the IMF, contained in an aide memoire and press release, the Ethiopian government's I-PRSP contained both strengths and weaknesses.

The weaknesses included failure to indicate clearly the relationship between the poverty-reduction strategy and the policy metrics, targets and indicators; failure to mention how implementation of the poverty-reduction strategy would be monitored and whether the institutions to undertake this would include civil society; failure to mention how the PRSP

would be prepared and whether effort would be made to build broad ownership; and failure to include a more in-depth analysis of the poverty situation in Ethiopia. Furthermore, Bank and Fund staffs stated that, much as it is proper to focus on agriculture to address poverty, the full potential of this sector may not be realised without further reform, such as improving the functioning of the agricultural input markets, overcoming implementation constraints in developing irrigation and improving infrastructure, streamlining the land-lease policy, and improving legislation of agricultural land. They also noted that, given the persistence of structural food insecurity, a comprehensive food security strategy needed to be developed. And, they commented, policy reforms were needed to remove hindrances to the private sector. The strengths cited were; that overall the I-PRSP had the necessary elements required and that it provided a sound basis for the development of a fully participatory PRSP. Accordingly, the executive directors recommended that the I-PRSP be approved. Approval was granted and with it US\$112 million through the Poverty Reduction Growth Fund.⁵

Concerns of NGOs

At the April 2001 meeting of NGOs, several shortcomings were highlighted with respect to the approaches made in the I-PRSP as well as its recommendations. Chief among these was the fact that the I-PRSP was the product of one stakeholder: government. Other stakeholders were not included in its preparation. Hence NGOs viewed the onset of the exercise with some reservations. There were fears that (1) the World Bank and the IMF could become the ghostwriter of the PRSP; (2) the government would produce a PRSP focusing only on things they knew both the Bank and the IMF favoured; (3) NGOs and civil society would merely be informed rather than being allowed to become effective participants. As the process unfolded, NGOs were not sure whether their input would add value or whether the government and the funding agencies would move ahead irrespective of their comments.

Other NGO concerns related to the I-PRSP itself. There was a general feeling that the I-PRSP contents were similar to the ADLI strategy, which was sector specific and very deficient at that. Hence, relying so much on this approach would limit the search for alternate strategies for addressing poverty. In addition, the main thrust of the ADLI strategy was the emphasis

on agricultural extension. ADLI did not incorporate other critical areas for increasing agricultural incomes such as marketing and distribution. Furthermore, although 60 per cent of the country is arid and facing major environmental issues, the I-PRSP did not address the unique problems of the pastoral communities. Nor did the I-PRSP accord significant attention to such cross-cutting issues as HIV/AIDS and gender, although these occupy centre stage in the evolving poverty patterns in the country. Further, the I-PRSP did not provide a clear timetable for the development of the full PRSP, and the roles of various stakeholders were not clearly articulated.

In order to make themselves heard and have an impact on the process, the NGOs decided to organise in order to voice their concerns. Working under the auspices of the CRDA (Christian Relief and Development Association), an umbrella agency for 192 NGOs out of a total of 370 with registration in the country, the NGOs arranged a two-day workshop during which participants broke into eight panels and then made in-depth analysis of the I-PRSP. Some of the recommendations made with respect to approaches suggested in the I-PRSP for health, HIV/AIDS, gender, children and youth, education, agriculture and natural resources, water, urban development, and pastoralists are described below.

Health

In general, NGOs felt the I-PRSP covered a lot of crucial issues with respect to health. But there was also a general feeling that the I-PRSP was not comprehensive enough for some sectors. For example, the I-PRSP talks about the need to increase access to the poor, but this appears to be considered only as it relates to physical infrastructure, neglecting quality, training and staff development. NGOs recommended a number of measures which should be included in the PRSP for purposes of improving health. These include continuation of epidemiological surveillance, rehabilitation of existing health infrastructure, optimising human resource development and retention, refining micro-planning, recognition of food and nutrition as well as health as fundamental human rights, cost-sharing as well as provision of free treatment for diseases like tuberculosis, sexually transmitted diseases and infections, trachoma and leprosy, strengthening health-services management and development, increasing the role of women in the process, and assigning more resources to the sector.

HIV/AIDS

The approach to HIV/AIDS was perceived as limited only to persons living with AIDS and did not consider the impact HIV/AIDS is having on families, individuals and communities. Noting that HIV/AIDS is a major detractor to development, intensifying poverty even beyond those directly suffering from it, NGOs suggested the need for more innovative and dynamic methods of dealing with HIV/AIDS and with its consequences. In addition, proposals need to be made in the PRSP for supporting persons living with AIDS, vulnerable groups and others affected by the pandemic. Consideration could include giving those affected access to productive resources such as land and credit so that they can enhance their productive capacities and thereby preserve their dignity. Noting that most policies in the I-PRSP were drawn up with little understanding of the true impact of HIV/AIDS, it was recommended that efforts be made to harmonise policies and practices within the PRSP with the reality of HIV/AIDS in mind, and that this process needs to be undertaken at all levels of government from village to federal. Furthermore, it was suggested that NGOs should lead by example, developing clear and comprehensive policies on HIV/AIDS for their respective organisations.

Gender

Noting that gender is one of the multidimensional aspects of poverty, the general feeling was that this issue was not adequately addressed in the I-PRSP. The NGOs agreed that there was a great gender disparity, as portrayed in education and health indicators, and that this indicated an important stakeholder had been left out. Women have borne more than their share of poverty in any period of Ethiopian history, due to lack of empowerment and neglect of female-headed households. Women are at a real disadvantage when it comes to access to land and capital and social assets, and they are the worst sufferers of diseases like HIV/AIDS. This could be alleviated by strategies that optimise women's participation in political processes and facilitate the development of women's independent organisations.

In order to improve conditions for women, it was recommended that the country invest more in the household and market economies, and more in girls education, including basic and reproductive health; strengthen women's governance; facilitate women's acquisition of assets; and routinely compile statistical facts and indicators in a gender-disaggregated

manner. Noting that the I-PRSP was a document designed by men, it was vital that in preparing the PRSP efforts be made to ensure that the voices of the women are heard, voices of true representatives of the women of Ethiopia and not those spoken through the voices of the World Bank and the IMF. This in itself calls for steps to raise awareness on gender issues amongst the community and involve the communities in the consultation meetings to enrich the PRSP. Long-term goals within the PRSP should include more equitable allocation of resources and power and reduction of the costs of development brought about by gender inequality. Priority needs to be put on strengthening the institutions for the implementation of gender issues and policies. At the same time it was noted that there was fertile ground for establishing strong alliances and networks between government and civil society on gender and poverty issues. NGOs could participate effectively in the implementation, monitoring and evaluation of such projects.

Education

As with gender, health and HIV/AIDS, the NGOs felt that education was not adequately addressed in the I-PRSP, in particular, the issues of expansion and quality. They noted the grim fact that over 49 per cent of primary school age children were not enrolled in school; although the country had 834 kindergartens, total enrolment amounted only to 1.8 per cent of potential demand. Furthermore, there are disparities in enrolment among regions and between urban and rural areas. Hence the challenge of education is how to mobilise the resources needed to make basic education accessible to all; how to create a literate environment outside the school; and how to improve the teacher-student ratio so that there is effective learning. The recommendations made for the PRSP include paying due attention to adult education as well as basic education in order to make literacy widespread; systematically developing settlement patterns that would reduce the distance between hamlets in the rural areas and the educational facilities; developing strategies that would address the problems of quality and quantity; introducing alternative non-formal education; and improving the environment for NGOs and private-sector participation. With an improved environment NGOs and the private sectors can put to full use their vast expertise and resources and help in the task of transferring decision-making power to local communities; encouraging church schools, religious groups and other institutions to upgrade their education systems; reviewing the current curriculum to make it more responsive to local needs and

problems; ensuring that a change in government does not mean a change in policy as well; setting a minimum standard for teachers competency in order to break the cycle where those who have not been adequately educated are made to teach others; and last but not least, making the teaching profession more attractive.

Agriculture/Irrigation and the Environment

The NGO PRSP task force commissioned an evaluation of on-going NGO work in the sectors of agriculture and food security to generate recommendations that would inform those preparing the PRSP. The results of this work have contributed to NGO analysis of issues to be presented for inclusion with regard to agricultural development. In short, these studies suggested that peasant agriculture can be transformed, and hence a marked decrease in poverty can be achieved, if appropriate policy-driven changes are implemented in agricultural extension systems. It has been clearly shown that agricultural development strategies which are area specific, potential driven, farmer centred and community owned enhance the livelihood support systems in rural areas and are far superior in bringing changes than the blanket extension packages being promoted by most of the stakeholders.

Who Are the Major NGO Actors in Country?

The NGO task force on the PRSP, which currently has a membership of 20 NGOs, is co-ordinated by the CRDA; CRDA also serves as secretariat for the task force. The task force was formed in June 2001 to draw up an NGO perspective on the PRSP and devise a mechanism for ensuring effective NGO involvement in the monitoring and evaluation of the PRSP. More specifically, the task force's stated mandate is (1) negotiating with government on how NGOs can best be involved in the process, and (2) co-ordinating various PRSP initiatives in order to build an NGO perspective which would in turn be presented to government as the NGO input into the PRSP process.

This task force has been meeting fortnightly. Its tasks to date have included:

- commissioning quantitative and qualitative studies on contributions of NGOs in poverty-reduction work;

- encouraging all member NGOs to take part in district (woreda) level consultations and regional level consultations;
- conducting workshops on a number of cross-cutting issues including gender, pastoral issues, democracy and governance, food security, urban poverty, children, and HIV/AIDS;
- establishing formal relation with the national PRSP steering committee; and
- undertaking public relation and sensitisation activities with available communication media.

The information generated is being used to write an NGO perspective paper on PRSP.

Members of the task force include Ogaden Welfare Society, World Vision, Christian Aid, Forum for Social Studies, Forum on Street Children in Ethiopia, Agricultural Services Ethiopia, Ethiopian Economic Policy Research Institute, Oxfam GB, Ethiopian Catholic Secretariat, InterAfrica Group, German Agro-Action, Ethiopian Women Lawyers Association, PANOS, Prognist, CARE, Ethiopian Rural Self Help Association, Pro-Pride, HUNDEE, Salem Women Self Help Training and Production Centre.

It is World Vision's view that engaging in the PRSP process is itself good development practice. Such a process has merit, irrespective of debt issues, because it encourages people to identify and examine their own problems and to consider what actions they can take in their own behalf. It is primarily for these reasons that World Vision makes it a priority to engage in the PRSP process.

Some Background on Civil Society

The origins of NGOs in Ethiopia date back to the 1930s when several groups were established to support people in the wake of the Italian invasion. However, many of these were small and did not go beyond the role of providing safety nets to those displaced. International NGOs came on to the scene largely in 1970s and 1980s as a response to the famine. Famine catapulted NGOs into a highly prominent role as they visibly provided hundreds and thousands of people with the means for survival. When famine ended, many international NGOs stayed on and transformed what had been emergency relief programmes into development programmes. In this effort local NGOs as well as church affiliates were also significant players.

During the 1974 famine, groups which engaged in relief operations formed an umbrella group – the CRDA – organised by a coalition of largely Catholic charities. Under this umbrella agency collaboration with government was encouraged and occurred through the Relief and Rehabilitation Commission, which later became the Disaster Prevention and Preparedness Commission.

With the collapse of the Dergue regime (the communist regime that ruled Ethiopia for much of the 1970s and 1980s, and during which most liberties were suppressed), NGO operations increased significantly in number and also expanded into several sectors as opposed to relief only. The 270 registered NGOs in 1998 quickly grew to 330 in 2000 and 458 in 2001. Some 242 of these are local, and 216 are international.

Presently NGOs provide assistance in many spheres including agriculture, community development, education, environment, health and nutrition, water supply and sanitation, leadership training, credit, integrated rural development, and services to the vulnerable (street children, the elderly and women). Some NGOs are engaged in HIV/AIDS and capacity-building of other NGOs. Roughly 19 per cent of the NGOs are involved in health, and a further 10 per cent in integrated rural development. The target groups comprise the poor and vulnerable, with concentration in the marginalised areas of the country. As of 1998, according to CRDA, the 576 projects operated by NGOs were benefitting an estimated 26.5 million Ethiopians. Of the projects 40 per cent were in health and 28 per cent in rural development.⁶

Again according to CRDA, the 576 development projects involved an investment of 2.57 billion Birr and NGOs were implementing multi-sectoral projects worth 3.57 billion Birr. Furthermore, NGOs are a major conduit of funding, as a significant proportion of donor resources are disbursed through NGOs. For instance, in 1998 NGOs were the recipients of 20 per cent of the total aid from the European Union. NGO share of emergency food to Ethiopia ranged from 14 per cent in 1996 to 37 per cent in 2000, with the average over five years being 30 per cent – a total of 896,000 metric tons of food. For example, World Vision Ethiopia and Catholic Relief Services distributed 61,894 and 63,230 metric tons respectively to the needy households in the form of food for work and relief supplies.⁷

The country has been going through major political changes, some with great significance for the development of an NGO engagement strategy. The unitary structure through which Ethiopia was governed for centuries has been changed. A federal system is being instituted. The age-old structure of

provinces, districts and villages has been modified. The provincial structure has been dissolved and has been replaced by a structure of states that coincide with broad ethnic entities. Each of these has its own government. Within each state are ethnic zones, then districts and then villages.

The key action areas for NGO engagement are the state and village levels. Most NGOs have effective presence at the village level in those areas where they work, and several have presence at the district level. Most NGOs have not yet established presence at the state level, the critical level at which intra-state operational decisions are made.

PRSP: The Formal Consultations

As NGOs were organising themselves for effective participation and input, the PRSP process was officially launched on August 16, 2001. In its launch the government stated that the process would involve levels of consultation within the existing institutional setup. Consultation of citizens would be made at all levels of the analytical process and would extend from district to regional and ultimately to national level. Participants would be drawn from all spheres of society with the objective of giving voice to the poor. Participants would be drawn from political parties, knowledgeable individuals, and civil society organisations. The objective would be to solicit their input in understanding the nature and causes of poverty; explore public action to tackle poverty; set priorities for public action, including public expenditure; articulate the role of the private sector in poverty reduction; assess the implementation arrangement; identify the monitoring indicators; and monitor and evaluate the strategy.

To facilitate the consultation, the government would issue a framework document (in the local language) together with two other documents: the second five-year development programme, and the I-PRSP. The former sets the direction of policies and programmes for medium-term economic growth (broadly derived from the long-term strategy of ADLI). The latter sets the building blocks for poverty-reduction strategy. These documents would be circulated ahead of time so participants could form an opinion on their contents and develop their own ideas on poverty reduction. The federal government would be responsible for the planning and co-ordination of the process and for preparation of the strategy document. The general public would be represented in the consultation at district level. The pillars of the PRSP as presented by the government for discussion would

be food security, democratisation and governance, decentralisation, and capacity-building.

It was anticipated that at least 5,000 participants would take part in the district consultations; or roughly 50 participants from each of the 100 woredas selected to participate in the consultations. The selection would be such that the participants at the woreda level include those drawn from the five most vulnerable groups of society (rural poor peasants, urban unemployed, women, youth and the elderly). In addition, civil society organisations would also participate and would include rural peasant associations, co-operatives, urban kebele associations, religious institutions, trade unions, NGOs, political parties, academic and research institutions, the private sector, media and donors. Since then, it has been reported that the number of participating woredas has increased to 115, in part to ensure representation from the pastoral communities.⁸

The timetable set for completion of the entire process was as follows:

September 13–15	district level consultations in all regions
November 1–4	regional level consultation
December 17–20	federal level consultation

All consultations would end by January 2002. In March a draft PRSP would be produced. May was set as the target date for submission of the completed PRSP. As of December 1, only one region and one city administration had completed the district level consultations and were preparing for the regional level consultations. Hence, adjustments have been made in the schedule, and it is now left up to each region as to when it will complete its respective district and regional level consultations.

General Impressions

It is still too early to state what the outcome of the consultations will be in terms of preparing a PRSP in which all stakeholders have participated. However, those familiar with Ethiopia indicate: (1) public consultation by the government is a new experience. It gives a chance to government to learn the importance of public contributions; (2) The consultation process is itself good development, encouraging people to consider their own problems and what actions to take; (3) the consultation exercise adds significance to government's emphasis on poverty as a matter of policy;

(4) there is interest and enthusiasm by NGOs to participate and provide meaningful input into the exercise. However, for this to be meaningful, more time is needed, especially for the woreda-level consultations.

Recent World Bank/IMF Moves

More recently, the IMF and the World Bank's IDA announced that Ethiopia had taken the necessary steps necessary to reach its decision point under the HIPC initiative. Hence the HIPC debt relief from all of Ethiopia's creditors would amount to approximately US\$1.3 billion in net present value terms or 47 per cent of Ethiopia's total official debt after traditional debt relief (corresponding to US\$1.9 billion in debt service relief over time). As a result, the net present value of debt-to-exports ratio would be cut from 350 per cent to 150 per cent (at decision point), and even further over the next decade. Based on current projections, the net present value of debt-to-export ratio is expected to rise somewhat above the 150 per cent threshold during three to four years following completion point due to high but essential levels of borrowing to help finance post-conflict reconstruction and rehabilitation. The savings resulting from HIPC would amount to about US\$96 million per year on average until 2021. Debt service as a percentage of exports would be cut by more than half, declining from 16 per cent to 7 per cent by 2003, and declining thereafter to less than 4 per cent by 2021.⁹

Notes

1. Ethiopia Interim Poverty Reduction Strategy Paper 2000/2001–2002/2003, 3.
2. World Bank, *World Bank Development Indicators: Ethiopia at a Glance (9/18/01)* (Washington, D.C.: World Bank, 2000). Also available on CD ROM. Washington DC.
3. According to UNAIDS (2001) approximately 10.6 per cent of the adult population of Ethiopia were living with HIV/AIDS in 1999. Thus Ethiopia ranks third after South Africa and India in the number of people living with HIV/AIDS.
4. International Monetary Fund press release no. 01/45 (November 12, 2001).
5. International Monetary Fund press release no. 01/11 (March 20, 2001).
6. Christian Relief and Development Association (CRDA), *Annual Report*; see also, *idem*, "NGO Contributions to Food Security in Ethiopia," CRDA interim report (Addis Ababa, Ethiopia: September 2001), tables 3.1, 3.2, 4.1a, and 4.1b.
7. *Ibid.*
8. InterAfrica Group, PRSP weekly brief no. 08 (November 26, 2001).
9. International Monetary Fund press release no. 01/45 (November 12, 2001).

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1998 Facts and Figures About Ethiopia

Total population	63.5 million
Area (square kilometres)	1.14 million
Rural population	83.3%
Urban population	16.7%
Population with income < US\$1/day	31.0%
Population with <2200 calories/day and other necessities	45.5%
GDP share of industrial sector	6.7%
GDP share of agriculture	49.8%
GDP share of service sector	43.5%
Total external debt	10.4 billion
Long-term debt	9.6 billion
Access to safe water (% of population)	27%
Adult literacy rate	36.3%
Gross primary school enrolment (1997)	35.2%

Ethiopia is said to rank third in the world for HIV/AIDS cases.

Members of the NGO PRSP Task Force

1. Action Aid – Advocacy and integrated development
2. Agri Service Ethiopia – Integrated development
3. Christian Aid – More on advocacy

4. Ethiopian Catholic Secretariat – Church and integrated development
5. Ethiopian Economic Policy Research Institute – Economic research
6. Ethiopian Evangelical Church Mekane Yesus – Church and development
7. Forum on Street Children – Issues of children
8. Ogaden Welfare Society – Pastoral issues as well as Somali related
9. Oxfam-Great Britain – Advocacy and integrated development
10. PANOS – Pastoral issues
11. ProPride – Urban issues with particular interest in HIV/AIDS
12. Salem Women Self Help Training and Production Center – Gender
13. World Vision Ethiopia – Advocacy and integrated development
14. Forum for Social Studies – Social research
15. Hundee (a local NGO) – Integrated development
16. Inter-Africa Group – Advocacy
17. Ethiopian Women Lawyers Association (EWLA)- Gender-related advocacy
18. Women in Self-Employment – Gender-related economic issues
19. German Agro Action – Advocacy and integrated development
20. Christian Relief and Development Association (CRDA) – Umbrella organisation for NGOs



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Kelly Currah

Process Before Strategy:
Planning a PRSP for Cambodia

In 1999 the World Bank and the International Monetary Fund (IMF) jointly launched the Poverty Reduction Strategy Papers (PRSP) and the Poverty Reduction Growth Facility (PRGF) (the renamed Enhanced Structural Adjustment Facility [ESAF]), which would surpass old lending instruments. In the case of Cambodia, the process is halfway complete, but a review of the progress so far reveals a disappointing performance which does not bode well for the full PRSP, which is yet to be undertaken. Evidence shows that institutional objectives are creating an atmosphere of competition and rivalry amongst the development banks. The World Bank has stalled over making alliances with other development actors to devise one plan for implementation. Instead, it is rushing to get its product into the market – foregoing the customisation of the strategies it promised the poor.

Indeed, the process of the PRSP reveals the weakness of the Bank and the Fund to handle adequately the co-ordination and long-term planning that the strategies require, as they succumb to the pressures of out-performing other lenders, or in the case of the Fund, refusing to participate in any discussions that usurps its role as guardian of the macro-economic framework.

The PRSP appears less a new instrument for building poverty-reducing policies (although that may be an unintended by-product) than a way of achieving the political and institutional objectives of the World Bank. An article in the *Phnom Penh Post* concerning a contentious issue involving the Bank stated: “Another of the Bank’s failings has been its attempts to deal

with an inherently political issue on a technical basis.”¹ Although James Wolfensohn maintains the Bank must not get involved with the politics of a country, in effect, the Bank and the Fund can dominate the political scene in many developing countries, and the review of the PRSP process should finally recognise that fact.

In addition to the internal needs of the Bank, the PRSP process is being used in Cambodia to bolster the Bank’s lead in its competition with the Asian Development Bank (ADB). This competition between poverty-reduction strategies, sadly, does not mean a better product for the consumer, in this case the poor of Cambodia, but is more akin to oligarchs fighting for market dominance.

The process of the PRSPs in Cambodia seems to show that it is not a new system, but rather the old system revised to look appealing to the World Bank’s various stakeholders. Rather than living up to many of its stated aims, the Cambodia experience shows that in some respects the PRSP process has worsened the situation, leaving the government with even less capacity to deal with the many demands of the World Bank.

Poverty Context of Cambodia

Like most of the PRSP countries, Cambodia is one of the poorest countries in the world, with one of the lowest indicators on most measures of human development. The past three decades have been tragic and destructive. The Khmer Rouge regime of the 1970s destroyed most of the physical and human infrastructure of the country, murdering the teachers, doctors and civil servants. The lack of resources in the form of human capital has made recovery most difficult. However, political stability is now slowly taking shape, despite a dip in 1997. There is a sound basis to build effective policies that can reduce the endemic poverty in Cambodia.

Most Cambodians are unaware of the debate around the poverty-reduction strategies and the statistics of the economy; they are merely trying to survive in difficult circumstances. Poverty is evident in both the cities and rural areas, with street children and wounded soldiers begging on the street. Yet everywhere people are busy making a living by what means they can, and the entrepreneurial spirit is strong. Too often economists focus on the statistics and ignore the day-to-day evidence of growth, stagnation, or deterioration. However, in order to access the importance of a

strong poverty-focused policy agenda, it is necessary to determine the state of the Cambodian economy.

The Statistics

The growth rate in Cambodia was strong throughout most of the 1990s. Growth reached 7–8 per cent in 1995–96 and between 5–6 per cent in 1999–2000. According to the Cambodian Development Research Institute (CDRI), the average growth rate for 1994–2000 was 4 per cent, which includes the low rate of growth in 1997 and 1998 due to political unrest.

The main employment for Cambodia is agriculture, with over 77 per cent of the population working in that area (compared to 18 per cent in industry). However, industry, located primarily in Phnom Penh, comprises 37.7 per cent of the gross domestic product (GDP) compared to agriculture's 42 per cent. The garment industry, which has expanded in the past seven years, now accounts for 70 per cent of Cambodia's total exports.² The travel industry around the town of Siem Reap, near the temples of Angkor Wat, has also expanded. This has created a divide between the urban dwellers and those still subsisting in rural areas. Any projected strategy must tackle this entrenched difficulty in the Cambodian economy.

Despite growth in industry, there is much poverty. With a total population of 12 million, growing at 2.2 per cent annually,³ the GDP per capita was estimated at US\$260 in 2000, with poverty estimated at 36 per cent, up from 34 per cent in 1994. The equity of distribution of wealth in Cambodia is uneven, with the majority of the poor (84 per cent) living in rural areas. Of the rural population, fewer than 5 per cent earn more than US\$1 a day; in Phnom Penh, slightly fewer than 30 per cent earn US\$1 a day.⁴

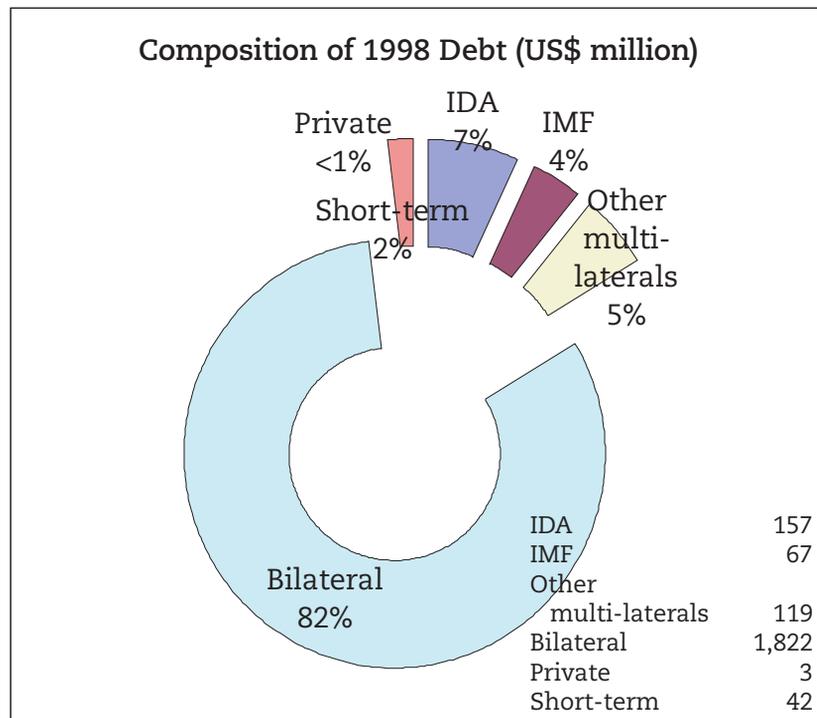
Social spending is low, with an average of US\$5 spent per person in 2000. This is the case despite the fact that the majority of Cambodia's population is below the age of 18. Further, poor health of most of the population is due to malnutrition and the lack of inoculations of children.

Government revenues are still weak, and tax revenues are not sufficient to meet its expenditure. Foreign aid makes up 17 per cent of nominal GDP, equal to twice the domestic budget revenue. The international donor community pledged US\$548 million in aid to Cambodia for 2002 at the annual consultative group meeting in Tokyo in June 2001. However, according to IMF data, the actual aid disbursement from 1994 to 1999 was actually 60

per cent of what was pledged.⁵ In addition, the NGO community will spend another US\$55 million on projects in Cambodia.⁶

Cambodia's Debt Position

The debt situation in Cambodia is complex. The IMF's debt sustainability analysis reports that Cambodia's total external debt stands at US\$2.2 billion, which equals 77 per cent of GDP and 207 per cent of exports. According to the *Cambodian Country Assistance Strategy*, prepared by the World Bank and the IMF, 43 per cent of bilateral external debt is in arrears. The debt is broken down as follows (note: short-term debt includes interest arrears on long-term debt):



Source: World Bank and IMF, *Cambodia Country Assistance Strategy*, report no. 20077-KH (February 7, 2000).

According to the report "debt service requirements on external and domestic debt point to the conclusion that the high-level of government revenue

devoted to servicing total debt represents a risk to the achievement of debt sustainability.”⁷ The report adds that other factors, including the high dependence on foreign aid, concessional loans and the reliance on the garment industry for external revenues increase Cambodia’s vulnerability.

The large amount owing to bilateral donors is a source of contention in Cambodia. CDRI breaks down the debt owing into distinct time periods: debt accrued before 1970, which equalled US\$50 million but was rescheduled in 1995 by the Paris Club to US\$35 million; US\$300 million borrowed from the United States in the period 1970 to 1975; approximately US\$1.4 billion (900 million rubles) borrowed from the USSR between 1980 and 1991; post-1993 debt from the World Bank and ADB, estimated in 2000 to be US\$400 million.⁸

According to CDRI, the Cambodian government does not recognise either Russian or American debts prior to 1991 and is in discussion with both countries regarding the debt.⁹ Interestingly, a draft of the Royal Government of Cambodia’s Socio-Economic Plan II (SEDP II), published in March 2001, gives a total outstanding external debt of US\$1.6 billion at the end of 2000, equal to 52 per cent of GDP. Of this debt, according to the SEDP II, 78 per cent is owed to two countries, 64 per cent to Russia and 14 per cent to the United States.

World Bank and the IMF

Loans from the International Development Association (IDA) and the IMF relate to the various concessional loans made in the past ten years. Cambodia joined the IMF on December 31, 1969, and joined the IDA in 1970. Other than borrowing from the IMF in 1971 and 1972, Cambodia did not borrow from IDA until the 1990s. Since 1992, however, Cambodia has set up eight IDA projects totalling US\$268 million.

Currently, Cambodia is undertaking a three-year PRGF from the IMF. This is the second loan from the IMF. The first, 1994 to 1997, had, according to the IMF, mixed results. The new loan, originally an ESAF, was renamed in 1999 with the introduction of the poverty focus at the core of the IMF’s work. The total loan disbursement will be Special Drawing Rights (SDR) 58.5 million (approximately US\$81.6 million).¹⁰ The structural reform conditions to the loan include improved customs and tax administration, military demobilization, reform of the civil service, governance issues, and better

use of forestry resources. The IMF recently completed its fourth review of the PRGF in February 2002, after which the IMF board approved the release of the fourth tranche of funds.

Plans and Strategies in Cambodia

Before any analysis of the PRSP process in Cambodia can be undertaken, it is necessary to place the PRSP in the context of the social and economic strategies currently in place in Cambodia. The strategies below are cross-sectoral; there are, in addition, sectoral strategies.

RGC's Triangle Strategy

This strategy is the long-term vision of the Royal Government of Cambodia (RGC) as developed in 1998. The first side of the triangle is "building peace, restoring stability and maintaining security for the nation and the people."¹¹ The second is Cambodia's integration into regional bodies and networks to establish normalisation of relations and improve inward investment. The third is social and economic development.

Medium-Term Economic and Financial Policy Framework Paper (PFP)

This is a three-strategy paper drawn up by the Ministry of the Economy and Finance with the assistance of the IMF. The current PFP runs from 1999 to 2002 and has many of the same objectives as the PRGF loan conditions, including demobilisation, forestry policies, private sector development, policies for economic and social development, civil service reform and bank reform.

Public Investment Plan (PIP)

This is a three-year plan prepared by the Ministry of Planning and supported by the ADB. The PIP, started in 1996, details proposed projects, including their capital and running costs.

Medium-Term Expenditure Framework (MTEF)

This is another three-year plan, prepared by the Ministry of the Economy and Finance with support from the IMF.

Government Action Plan (GAP)

The GAP is a strategic framework for the RGC to work within and identifies actions critical to Cambodia's near- and medium-term development. Currently,

the GAP is focusing on legal and judicial reforms, civil administration, decentralisation and local governance, public finance, gender equity, anti-corruption, the military and natural-resource management.

This programme is close to the government's own agenda and is reputed to be supported by the Canadian and European Union aid agencies.

SEDP I and II

The PRSP is the not first of such papers operating in the country. The SEDP I, sponsored by the ADB, ran from 1996 through 2000. SEDP II, drawn up by an external consultant who works within the Ministry of Planning and liaises with other line ministries, is currently being drafted and soon will be approved by Cambodia's National Assembly. It outlines a five-year strategy.

The Interim PRSP Process (I-PRSP)

It is into this plethora of plans and strategies that the PRSP arrived.¹² It is necessary to look at the role of the World Bank and the IMF in order to evaluate their performance in the PRSP process in the Cambodian context.

When the World Bank introduced the I-PRSP, the RGC was in the process of planning the SEDP II. It seemed obvious to the RGC to combine the two documents in order to come to one process. The World Bank, however, was uninterested in this plan and insisted on a separate process. The RGC appealed to the international donor community at the consultative group meeting in May 2000 held in Paris. However, its request for one strategy document was not granted; the donor governments preferred to support the World Bank. As a result, the RGC devised a timing plan whereby the I-PRSP would be drafted between May to October 2000, followed by the SEDP II from October 2000 to April 2001, and finally the full PRSP to be drafted from April 2001 to October 2001.¹³

Interestingly, despite its insistence on separate documents, the World Bank does not give any resources to governments to draft the I-PRSP or PRSP documents; it believes this ensures that the document is government owned. The ADB, however, provides funding and a consultant to draft its sponsored reports. It is widely known that the same consultant who drafted the SEDP II also drafted the first draft of the I-PRSP document. However, the World Bank rejected the first draft and sent a letter to the Ministry of Economics and Finance, which is responsible for the drafting but not the implementation, detailing where it wanted to see changes (this letter has not been released to the public). As a result, the government appointed the

widely respected Dr. Hang Chuon Naron, special economic advisor to the prime minister, who, according to NGOs commentators, completed the subsequent seven drafts of the I-PRSP.

There was a great deal of negotiation over the Ministry that should handle the PRSP. Traditionally, the World Bank and the IMF¹⁴ work with the Ministry of Economy and Finance, while the ADB works with the Ministry of Planning. The World Bank and the IMF were worried about the capacity levels of the (Ministry of Planning) to handle the designed and implementation of the PRSP. However, they did concede on this point. After the I-PRSP is drafted by the Ministry of Economy and Finance, it is to be passed to the Ministry of Planning, which will draft the full PRSP.

The PRSP was started in May 2000 and completed in October 2000. During this time the NGO community was invited to meet with the RGC as part of the consultation process. The invitations went to the heads of the NGO Forum and the Cooperation Committee on Cambodia, both ex-pats. The meeting took place in August 2000 and consisted of the RGC, donors and the international financial institutions. The meeting was to review the sixth draft of the I-PRSP. The NGO community had not yet held internal consultations with civil society groups; these were planned for between August to October. As a result, the two civil society representatives felt unable to make significant contributions because their views might not have represented the views of the wider NGO community.

Various NGO consultation went ahead, including a one-day workshop on October 25, 2000. The results of the workshop were sent to the RGC to review and include in the I-PRSP. Unfortunately, by the time they were received, the RGC already had accepted the I-PRSP and sent it to Washington for approval.

In a subsequent lunch meeting with donors, the World Bank and selected NGOs, the NGOs voiced their opinion that the I-PRSP lacked participation from the NGO community. The World Bank representative disagreed and in the subsequent joint staff review of the I-PRSP process in Cambodia concluded that the I-PRSP process was widely consultative:

The process which underpinned the preparation of the I-PRSP was an interactive and participatory one. . . . A number of drafts and re-drafts were circulated. . . . At an early stage in the process, copies of the draft were given to external partners. Several working group

meetings were held, and the process has been open to the Parliament, external partners, NGOs, and the private sector.¹⁵

While this may be true, it ignores the extremely important detail that none of the eight drafts of the I-PRSPs was translated into Khmer, the national language of Cambodia.

The timing of the PRSP process was always controversial. The original plan allowed for just over a year between acceptance of the I-PRSP and finalisation of the full PRSP in December 2001, during which time the RGC would be completing the other strategy paper. NGOs and the UNDP (United Nations Development Programme) requested a delay in the process in order to ensure that there was adequate consultation and participation on behalf of civil society and the poor. The Bank, however, was inflexible and up until April 2001 insisted on the original date.

It became increasingly apparent that the timing of the SEDP II was slipping and that it would not make the April 2001 deadline. At that point the World Bank agreed with the RGC to a new date for the full PRSP, December 2002. Some argue the World Bank did not want the PRSP to come into the process too long after the launch of the SEDP II. Now that that was delayed, the Bank was happy to delay its own strategy.

Officially, the two documents will complement each other. The SEDP II will be the overarching strategy which will set the vision for the country, while the PRSP will become the operational medium-term vision which will be the poverty focus of the strategies. According to the World Bank, this alignment of the documents necessitated the delay of the full PRSP.¹⁶ In order to accommodate the ADB on this decision, the PRSP in the Cambodian context would be referred to as the National PRSP.

Critique of the I-PRSP

According to the NGO Forum, the I-PRSP appears to be more influenced by external actors than internal Cambodian issues. The main weaknesses are the poor quality of poverty analysis, the poor evaluation of past performance of national poverty-reduction policies and a failure to prioritise the policies.¹⁷

The I-PRSP continues to support instruments that have been ineffective in the Cambodian case, given the current structure. Reliance on growth to deliver people from poverty – “Growth is the most powerful weapon in

the fight for higher living standards”¹⁸ – has been shown to be incorrect. As mentioned previously, although the Cambodian economy grew on average 5–6 per cent per year between 1994 to 2000, the poverty level rose from 34 per cent to 36 per cent during that period. Indeed, the I-PRSP itself points out:

Growth was also associated with a significant increase in consumption inequality that suggests a lessening of the poverty-reduction impact of an expanding economy. While the poorest 20 percent of the population increased their consumption expenditure per capita by 1.7 percent between 1993–94 and 1997 the corresponding increase for the richest 20 percent of the Cambodian population was 17.9 percent.¹⁹

The I-PRSP is very reliant on macro-economic performance to provide the necessary finances. The I-PRSP indicates that it will rely on the international donor community to increase aid over the next few years. Although donors were generous at the last consultative group meeting in May 2001, committing US\$548 million, this may not be maintained.

According to a Ministry of Economy and Finance economist who attended an NGO meeting on the I-PRSP, the macro-economic conditions set out in the I-PRSP are very similar to the IMF’s ESAF loan conditions.

Issues Raised by the I-PRSP

The World Bank and the IMF’s internal review of the PRSP process is designed to analyse the main factors of the PRSP process. For example, have governments effectively taken the lead on PRSPs? Have governments engaged in participatory consultations? Have the PRSPs improved the coordination between aid donors and recipients, as well as between finance ministries and line ministries? Have countries prioritised and costed their reforms and policy actions? Has the push for speed affected the quality of PRSPs? How well have Fund and Bank staff supported the PRSP process? It is safe to say, in the Cambodian case, the PRSP process has failed on most of these points. The issues raised in the process so far are examples.

Ownership

As the NGO Forum on Cambodia stated, it is difficult to assume that the PRSP process is owned by the RGC when it argued between May 2000 and

May 2001 for only one document. The RGC has taken on board the PRSP as another donor requirement and was prepared to undertake the process as quickly as possible. In the ADB's submission to the World Bank on the PRSP process, the ADB comments: "One of the reasons why it is so difficult to ensure ownership of the PRSP process is because the timing of its preparation is driven not by the country's broad development needs but by the desire to obtain continued concessional assistance from the IMF/WB and other donors."²⁰ The dire assessment of the PRSP process by the ADB goes on to dispute the ownership of the process: "Despite statements in the Development Assistance Committee (DAC) Guidelines, PRSP process does not accept these documents [other poverty-reduction strategies] as the poverty-reduction strategy, requiring instead a new set of documents, which are largely designed and drafted by an external donor. It is not surprising that PRSP has little or no country ownership."²¹

As mentioned above, much of the framework of the I-PRSP replicates that in other IMF documents like the ESAF loans and memorandum of understanding. If the PRSP had been the only poverty-reduction strategy, then the government may have had more interest in the full development. Unlike the SEDP II, the PRSP is not reviewed or debated by the elected representatives in the National Assembly. The World Bank and the IMF ignore the National Assembly and political process. Indeed, according to the Cambodian Constitution all loans must be reviewed and approved by the National Assembly. No such approval has been sought in relation to IMF loans and World Bank loans.

Capacity

The troubled history of Cambodia is well known. What is less understood is the long-lasting effect of the terrible Khmer Rouge regime and the occupation of the Vietnamese. These fundamentally changed the fabric of Cambodian society and destroyed the infrastructure of the kingdom. The past thirty years of turmoil has left the Cambodian government weak in the capacity, resources and institutional history that is vital for bureaucracies to operate. However, the international partners of the RGC fail to understand the implications of this weakness. Through their new-found poverty focus they are loading the RGC with new plans and strategies aimed at resolving *their* particular objectives rather than listening to the appeals of the RGC to help it cope with poverty reduction.

Perhaps the main failing of the World Bank and the IMF is the extra pressure they have placed on the RGC by foisting yet another strategy on it. In addition to implementing the two processes for the SEDP II and the PRSP, each handled by a different under secretary of state in the Ministry of Planning, the RGC took the rotating chair of the Association of South East Asian Nations, which will mean hosting up to six intergovernmental conferences in 2002. The government also organised commune elections throughout the country in February 2002.

Funding

The ADB helps fund the drafting of the SEDP II, while the World Bank does not fund the I-PRSP. Indeed, although the World Bank has a fund of US\$260,000 to facilitate the PRSP process in Cambodia, that money is not for government use. Instead, it is for the local office of the World Bank to access should it need to bring in a consultant or organise a conference to discuss the PRSP.

Ministry Capacity and Co-ordination

In its review of the Cambodian I-PRSP, the joint staff review commented: "Looking ahead to the full PRSP, the main concern relates to the government's weak administrative capacity and difficulties in coordinating arrangements among different government and donor agencies and among various policy and planning initiatives."²² This is a significant block to the implementation of any poverty-reduction strategy.

Civil servants in Cambodia are underpaid and under-resourced. Many of the strategies include better funding of civil servants, and there are many calls for better salaries.²³ International donors, in order to ensure the proper implementation of their sponsored projects, pay bonuses to civil servants working on their projects. Consequently, departments are often divided by projects and their donors, reducing the cross-sectional capacity of the departments. However, the task of implementing a comprehensive development strategy will be up to the staff of these ministries. It is doubtful that these over-stretched ministries will be able to cope with the increased monitoring and overseeing of these new policies.

The RGC set up a inter-ministerial committee to oversee the PRSP and improve co-ordination of the various ministries. The Council for Social Development (CSD) was established in December 2000 to monitor and

facilitate all poverty reduction strategies. The council consists of secretaries of state and under secretaries of state from ten government agencies and is chaired by the minister of planning.²⁴ While this council goes some way to address the co-ordination of the strategies, it does not increase the capacity of the ministries involved in terms of personnel or funding.

Budgeting and Expenditure

Many of the failures of poverty-reduction strategies are due to failure to implement and monitor the expenditures versus the budget of the RGC. According to NGO sources, this is because the Ministry of Planning and the Ministry of Economy and Finance have different databases, reducing their ability to track expenditures against budget. As a result, annual budgets, set by the Ministry of Planning, can become redundant.

For example, in the fiscal year 2000 the budget balanced due to underspending on social services, although the Council of Ministers, National Assembly, Senate, Constitutional Council, Royal Palace, and Secretariat of Public Function all went over their budgets. The Ministry of Information, Ministry of Economy and Finance and the Ministry of Interior exceeded their budgets by 163 per cent, 133 per cent, and 107 per cent respectively. These overspends were balanced, however, by underspending of 57 per cent for the Ministry of Public Works and Transport, as well as underspending in the Ministry of Health, Ministry of Education and Ministry of Women's Affairs.²⁵

Such drastic imbalances in budget and expenditure make the implementation of even the best-laid plans extremely difficult.

Co-ordination

The World Bank and the IMF could be accused of having failed to provide enough co-ordination at the international level. Within the country there is a perception that the imposition of the PRSP has detracted from co-ordination among international actors at the local level. Indeed, according to the report *Two Banks, Two Strategies, Two Documents*, during the PRSP consultation meeting in April 2001 the senior minister of Economy and Finance "departed from the text of his prepared speech at the PRSP Workshop on April 26 to criticise donors for giving him headaches by not co-operating."²⁶

However, the object of the PRSP is to get all donors to support agreed-upon poverty goals. For the PRSP to be successful, it must have buy-in from

all actors in Cambodian development. The joint staff review of the PRSP is skeptical of all donors coming on board and warns the RGC that external assistance needed to support the PRSP may not be forthcoming. This is the nub of the problem. Although the RGC is trying hard to accommodate all donors, especially the World Bank and ADB, there is no particular ownership of the process by the government, the bilateral donors and the NGOs. In Cambodia in particular, where there is a need for massive investment in basic infrastructure, the co-ordination of the donors is critical to any success.

Donor co-ordination is necessary also in non-PRSP related issues. For example, the garment industry in Cambodia has blossomed in the past six years and now comprises 70 per cent of external trade. While this is not a short-term poverty solution due to systemic issues within Cambodia, it will in time be more important for more and more people for employment and supporting industries. As a result, donors should be encouraging this expansion. However, Cambodia faces stiff tariffs and quotas by developed countries. Cambodia has successfully negotiated a reduction of tariffs from the United States as part of an agreement to ensure minimum labour standards, but the two governments are currently reviewing the quotas under this agreement with the United States resisting any significant increases in quotas. Only with coherence among all international policies will the PRSP be a success.

Macro-Economic Framework

The IMF seems to be above the fray of the inter-bank squabbles of the World Bank and ADB, but local civil society groups also feel it seems uninterested in participating in a thorough review of the macro-economic framework. According to some, the IMF has decided to lift some of the load off the RGC by removing the macro-economic framework from the discussion. But it is the macro elements of poverty reduction that were to make the difference between traditional Bank/Fund lending and the new poverty focus of the PRSP. According to the IMF and the IDA staff comments on the I-PRSP in December 2000, they recommended that the full PRSP should “ensure that the macroeconomic framework is well integrated into the strategy.”²⁷ This view is supported by the Cambodian office of the UNDP, which has voiced its opinion that the IMF has already concluded its review of the macro framework for the PRSP. Certainly, in its review of the IPRPS, the IMF has indicated its use of the “cookie cutter” approach:

The objectives of increasing economic growth, keeping inflation low, and containing the external current account deficit while strengthening external debt management, are key elements in promoting a stable market-based economy. Fiscal policy will continue to be the cornerstone of macroeconomic policy. Current budget surpluses and the avoidance of domestic budget financing will be important for maintaining stability, while improved revenue mobilisation and expenditure management will be necessary to support poverty reduction objectives.²⁸

This accent on fiscal restraint is in evidence elsewhere in the IMF assessment of the I-PRSP and advice for the full PRSP. While the IMF approves of the various plans and initiatives for poverty reduction, it cautions the RGC that “the I-PRSP mentions a very large number of actions across those areas which are likely to strain institutional and fiscal capacity. There is, therefore, a need to prioritize proposed actions in the full PRSP, based on the expected poverty impact and to cost measures in the context of the ongoing development of a medium-term expenditure framework.”²⁹

Civil Society

The Cambodian NGO community is highly evolved and sophisticated. There are 172 international NGOs and 360 Cambodian NGOs.³⁰ The NGOs have formed a number of coalitions through which they co-ordinate their work. The main co-ordinating body for the I-PRSP process has been the NGO Forum. This group is made up of approximately 60 NGOs, most of which are Cambodian. It has a small staff, headed by an ex-pat, and works primarily on advocacy-level issues.

NGOs working on the PRSPs in-country include CDRI and Oxfam, which submitted a report on the PRSP process in March, as well as some UN agencies, including UNDP.

The main focus for NGO input on the PRSP process has been the NGO Forum. The NGO Forum has completed two in-depth critiques of the final I-PRSP document and has sent a number of letters to the government and the World Bank expressing its concerns about the process. The NGO Forum has received funding from the UNDP to hire a consultant to help draft a response to the process. The NGO Forum has contracted the Philippine NGO, Coalition for Agrarian Reform to work in Cambodia for two months and discuss the PRSP process with various NGOs in Phnom Penh and in the

provinces. The NGO Forum also invited Focus on the Global South, an NGO based in Bangkok that works on international financial reform, to contribute to the NGO review of the PRSP. Focus made a number of visits and prepared a document.

Timing meetings can be problematic. An example, also mentioned earlier, is the meeting that took place in August 2000 among the RGC, donors and the international financial institutions to review the sixth draft of the I-PRSP. The NGO community had not held consultations, and this curtailed the input the NGO representatives could offer.

Most important, the I-PRSP went through a total of eight drafts, and consultations with NGOs were based on these drafts. As mentioned, all drafts were in English only. Thus most Khmer NGOs, especially those located in the provinces, were unable to participate in the consultation process. Perhaps even more worrying is the low level of English speakers or readers in the various line ministries that were to contribute to the I-PRSP.

Given the language restraints and the poor timing of consultations and deadlines, the I-PRSP was not a process of development among all sectors of Cambodian society. The positive assessment of the IMF and World Bank on the participation for the I-PRSP has already been noted. However, the ADB's assessment is probably more accurate: "Ownership and participation of the PRSP is largely confined to the Ministries of Finance and other central government agencies dealing with donor assistance."³¹

Competition in the Lending Game: The ADB and World Bank

If it were not so tragic, it would be ironic. The bickering between the World Bank and the ADB has forced the RGC to undertake two major social and economic strategies within a year. Despite appeals from the RGC to compile the two strategies into one paper, the banks demanded their own strategies. The RGC, stuck in the middle and needing to satisfy both lenders, had to concede. This is placing enormous pressure on an already under-resourced government.

At the annual donors' meeting in Paris in May 2000 the government again raised this issue to both the World Bank and the ADB, asking for one strategy only. The ADB and World Bank were unable to agree on selecting one strategy only.

Further, the RGC prefers to work with the ADB because the non-concessional nature of ADB loans usually means that they come with workable levels of conditionality. The ADB has not made targets set in the SEDPs conditional to further loans. Whereas the PRSP will have strict conditionality, the ADB takes a lighter stance.

The competition between the World Bank and the ADB involves both positioning and strategy. Some NGO commentators see the fact that the World Bank recently moved from its offices (admittedly cramped) above the UNDP to newly refurbished, plush, wood and leather, air-conditioned offices in the former British American Tobacco building on the main embassy row (and a few doors down from the ADB's own plush offices) as decisive evidence of the on-going competition.

According to the World Bank, the areas of contention between the ADB and itself have now been resolved. However, when the author attempted to contact the ADB to discuss the issue of the PRSP, he was referred to the ADB's headquarters in Manila; the local office did not want to comment. Indeed, in a letter to the World Bank from the ADB, the ADB openly criticises the Bank for its insistence on pursuing its own strategy: "We feel that a single Government document, covering the country's reduction strategy should be sufficient for the IMF/WB, ADB and other donors' purposes."³²

The struggle between the World Bank and the ADB has not shown the World Bank in a good light. Its unwillingness to recognise the appeals from the RGC and the logic of the ADB's argument supports the view that the primary objective of the PRSP is market dominance followed by poverty reduction.

Moving on the Full PRSP

The RGC has been well aware of its weak governance and capacity. HE Prime Minister Hun Sen commented that "weak governance holds back economic growth and poverty reduction and threatens to undermine our reform in certain key sectors."³³ Its work to coordinate the various ministries through the CSD was an attempt to improve this situation. Recently, after some delay, the RGC has bolstered this council by adding a secretariat. The General Secretariat of the CSD (GSCSD) will operationalise the work of the CSD.

The GSCSD will have three primary functions: co-ordinating the implementation, monitoring and formulating the poverty policy; building capacity in poverty monitoring and analysis; and finally, helping co-ordinate poverty reduction policy amongst development partners. The GSCSD was established in August 2001 by government sub-decree and is chaired by under secretary of state for the ministry of planning with three ministry of planning staff. Each ministry member of the CSD will also appoint three staff as part of the task force.³⁴ However, there is no involvement of the important ministries of commerce and economics and finance in the GSCSD. The RGC hoped to remedy this by January 2002.

The World Bank finally has recognised the importance of supporting the capacity-building of the RGC and will fund, through an IDF grant, an international consultant and two local consultants as well as workshops to help build GSCSD capacity.³⁵

The financial contribution by the World Bank shows that the World Bank and IMF are coming to terms with the PRSP process in Cambodia. They are to a certain extent stuck with the monster they have created and are busy lowering expectations for the Cambodian PRSP. In an assessment of the RGC's PRSP progress report, the Bretton Woods institutions warn that "given the scope of work that is needed, expectations of what can be accomplished in the full PRSP need to be realistic." To ensure that point is not missed, the assessment makes the point again in the document: "Prospects for the completion of an adequate PRSP are good. However, expectations for the first full PRSP need to appropriately modest in view of the authorities' weak capacity and limited data. Development of a poverty reduction strategy should be considered a continuing process."³⁶ In other words, skip this one, and let's hope the next one is better. Given the pressure the RGC was put under to push ahead with separate strategies, this is poor consolation to the poor of Cambodia.

Conclusion

In the final analysis, the PRSP process in the Cambodia context is a poor reflection on the ideals it proposed when it was launched. Rather than being a refocusing of the Bretton Woods institutions towards poverty reduction, it has become a tool with which to muscle in on other development banks' territory and get governments to work more on Washington's

agenda. The failure of the IMF to participate or even to evaluate properly the participation of society and government in the process is indicative of the continued mind-set of the old policy formation. The chances of NGOs and civil society groups influencing the process as the full PRSP gets under way are poor indeed. The fact that the PRSP has lost its way is reflected by the comments of a local World Bank staff member. Stressing the importance of the PRSP process rather than the outcome document, he concluded that the process was more important than the strategy and that the World Bank has accepted that the Cambodian PRSP is going to be less than ideal.

The process has, however, opened the debate on poverty and how best to eliminate poverty in the national context of Cambodia. This in itself is an important step forward and may help promote a focus on poverty in the government's social and economic policies. In the end, despite the difficulties of the various processes and their drain on government resources, poverty will be tackled as more and more people gain expertise in poverty analysis and in designing appropriate policies.

Notes

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2. Taken from SEDP II (draft of March 5, 2001). Sources: National Institute of Statistics, *General Population Census of Cambodia 1998: Final Census Results* (Phnom Penh: Ministry of Planning, 1999), xi–xxii; National Institute of Statistics, *National Accounts of Cambodia 1996–1999*, Phnom Penh: Ministry of Planning, 2000), 18.
3. World Bank development data, accessed at www.WorldBank.org.
4. CDRI (Sok Hach, Chea Hout and Sik Boreak), *Cambodia's Annual Economic Review 2001* (Phnom Penh: CDRI, 2001), 18.
5. *Ibid.*, 10.
6. *Ibid.*, 18.
7. *Ibid.*, 79.
8. CDRI, *Cambodia's Annual Economic Review 2001*, 11.
9. *Ibid.*
10. International Monetary Fund, "IMF Completes First Review Under Cambodia's PRGF Facility, Approves US\$10.0 Million Disbursements," news brief no. 00/88 (September 15, 2000).
11. This section is a description of the process of the IPRSP so far and relies heavily on the two documents produced by the Cambodian NGO umbrella group, the NGO Forum on Cambodia. These are *A Rapid Assessment of the PRSP Process in Cambodia* (May 15, 2001), and *A Rapid Assessment of the PRSP Process in Cambodia: Two Banks, Two Processes, Two Documents* (August 2001). These reports recount and analyse the process extremely well.
12. Hue Sen (prime minister of Cambodia), *Introduction to the Socioeconomic Development Plan 2001–2005* (draft), Royal Cambodian Government document (March 5, 2001), introduction.
13. NGO Forum on Cambodia, *Two Banks, Two Processes, Two Documents: A Rapid Assessment of the PRSP Process in Cambodia* (Cambodia: NGO Forum, August 2001).
14. The IMF can only work with finance ministries in its client countries, as decreed in its Articles of Association.
15. World Bank and IMF, *Cambodia, Joint Staff Assessment of the Interim Poverty Reduction Strategy Paper* (Washington, D.C.: World Bank/IMF, December 26, 2000).
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17. *Ibid.*, 19.
18. Royal Government of Cambodia, "Interim Poverty Reduction Strategy" (Phnom Penh: RGC, October 2000).
19. *Ibid.*, 22.
20. Letter from Cedric Salhena, officer-in-charge, Strategy and Policy Department, Asian Development Bank, to Ms. Sharron White of the World Bank and Mr. Brian Ames of the IMF (dated November 21, 2001).
21. *Ibid.*

22. World Bank and IMF, *Cambodia, Joint Staff Assessment of the Interim Poverty Reduction Strategy Paper*.
23. CDRI, *Cambodia's Annual Economic Review 2001*.
24. Royal Government of Cambodia, *PRSP, Preparation Status Report* (December 24, 2001).
25. *The Cambodian Daily*, "MPs Debate Budget for 2000," (December 10, 2001), 14.
26. NGO Forum, *Two Banks, Two Processes, Two Documents*, 18.
27. IMF/IDA, *Cambodia: Assessment of the Interim Poverty Reduction Strategy Paper*, prepared by the staff of the IDA and the IMF (December 26, 2000).
28. *Ibid.*, 3.
29. *Ibid.*, 4.
30. Figures taken from the *NGO Statement to the 2000 Consultative Group Meeting on Cambodia*, Paris, May 24–26, 2000, 58.
31. Letter from Cedric Salhena.
32. *Ibid.*
33. Quoted in Royal Government of Cambodia, *PRSP, Preparation Status Report*.
34. *Ibid.*
35. *Ibid.*
36. IMF/IDA, *Cambodia: Assessment of the PRSP Preparation Status Report* (January 22, 2002).



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Patricia Forner

How Is the Next Generation to Live?

*The Enhanced HIPC II
and a Strategy to Reduce
Poverty in Bolivia, Honduras
and Nicaragua*

For the men, women and children who suffer from hunger and all the social ills and consequences of poverty.

– Grupo Propositivo,
Cabildeo e Incidencia,
Nicaragua

The developed world and its international financial institutions (IFIs) have undertaken to relieve the burdensome debts to date of some 23 of the 41 heaviest indebted and poorest countries (HIPCs) in the world. The rationale for debt forgiveness is that the debts incurred by the HIPCs are unsustainable at their present levels and need to be reduced in order to help countries become economically viable. World Vision operates in three of four Latin American HIPC countries. According to the Inter-American Development Bank's poverty index and United Nations Development Programme (UNDP) statistics, Bolivia is the poorest country in Latin America, Nicaragua is second poorest and Honduras fifth poorest.

The debt relief committed by all creditors in fiscal year 2001 under the enhanced HIPC II initiative will reduce debt stocks and service over time by US\$4.5 billion for Nicaragua. Its external debt is estimated at around US\$6 billion. Bolivia received US\$2 billion in relief in the first HIPC initiative and will receive an additional US\$1.3 billion in debt stock and debt service reduction under HIPC II.¹ The gap between the proposed Poverty Reduction Strategy Papers (PRSP) and the actual World Bank and International

Monetary Fund (IMF) documents that will govern lending terms remains unresolved. Total debt service relief under HIPC I and II will amount to US\$3.3 billion, but approximately half of Bolivia's aid is delivered through concessional loans that will add to the burden of its debt. While these governments are recipients of debt relief over the next five to eight years, they will continue to need additional loans to maintain basic social and economic infrastructures. The PRSP process is a work in progress. Although it is not perfect, the PRSP is the one vehicle that promotes debt reduction, poverty reduction and human and economic development comprehensively.

Another reason HIPCs receive debt relief is in the hope that they will experience quick economic growth through the IMF poverty reduction growth facility (PRGF) programme. The PRGF is intended to boost the capacity of an HIPC country's macro economy. Favourable macro-economic conditions, while necessary, are not sufficient to ensure a prosperous economy. Prosperity, says Harvard economist Michael Porter, ultimately depends on improving the micro-economic foundations of competition.² Setting up free-trade zones for a temporary period offers short-term micro-economic growth, but economic development is a long-term process. Developing countries rely on export earnings from hard currency to pay their external debts and debt servicing. They derive hard currency revenues from exporting their commodities or from products manufactured in the free-trade zones. In the case of the Honduran and Nicaraguan economies, the drought and the downward spiral of coffee prices on exports have had a destabilizing effect. The Bolivian economy is heavily dependent on mineral and natural gas exports subject to commodity price fluctuations. These developing countries are also vulnerable to fluctuating currency exchange rates. It is difficult to ascertain how PRGF macro-economic goals can support the World Bank's PRSP process in this imploding commodity environment. Furthermore, since the events of September 11, 2001, all of the world's major economies are slowing down and affecting global growth through trade and investment with developing countries.

The enhanced HIPC II initiative with the imperfect PRSP and PRGF alone cannot eradicate poverty, nor will special trade preferences. There are many internal and external cultural, political and economic factors that affect a government's ability, or in some cases its inability, to lift over half of its population out of poverty. Robert Wade, from the London School of Economics, states:

The prices of industrial goods and services exported from high-income countries are increasing faster than the prices of goods and services exported by low-income countries. Thus, the majority of the population in poor countries is able to buy fewer and fewer of the goods and services that enter into the consumption patterns of rich-country populations. The poorer countries and the poorer two-thirds of the world's population therefore suffer a double marginalisation: once through incomes, and again through prices.³

Wade believes that institutions such as the World Bank and the IMF should be concerned with changing larger structures like income and asset distributions – both key issues in poverty reduction and economic growth in Latin America. World Vision's involvement with the PRSP is aligned with challenging unjust systems that keep people in poverty. Wade opens up the possibilities for poverty reduction to reach beyond providing access to improved health and education systems for the poor.

Loans Background

Loans and Development

In all of Latin America, Bolivia receives the greatest official development assistance. In 1998, this assistance accounted for 7.5 per cent of gross national product, 33.5 per cent of central government expenditures, 25.2 per cent of imports of goods and services and 36.6 per cent of gross domestic investment.⁴ Under what loan conditions can Bolivia overcome widespread poverty and become economically viable? Based on the success of the "Asian tigers," Singapore, Malaysia and Taiwan, the IFIs are wed to the idea that economic growth is the means to poverty reduction and that private-sector production of goods and services is necessary for growth. Harvard economist and promoter of debt relief Jeffrey Sachs states:

Neoclassical economics . . . has an ingrained optimism about the prospects for economic convergence – the tendency for the poor country to grow faster than the rich country and to narrow the gap in income levels. . . . These convergence mechanisms apply only in specific circumstances, not as general process.⁵

Echoing the neo-classical economic theory, Ernesto May, director for Poverty Reduction and Economic Management at the World Bank said, "Economic recovery and expanded trade will be critical to ensure that the fight against poverty in Latin America and the Caribbean succeeds." Others at the Bank say that Latin America is vulnerable because of the low saving rates, high debt, and limited trade integration and export diversification. They note that the region lags behind in reaching its potential capacity to raise capital domestically rather than abroad, in improving infrastructure, and in the quality of institutions.⁶

However, as a point of departure, the World Bank takes the approach that in order to alleviate poverty, it is also necessary to promote human development, most notably through improving education and health care and making them accessible to the poor. The Bank's programme builds and strengthens human as well as economic capital within HIPC countries. The IMF maintains that its PRGF based on quick economic growth through trade and investment will benefit people living in poverty. There is no existing body of evidence to support this assumption. Harvard economist and trade specialist Dani Rodrik maintains that under the North American Free Trade Agreement (NAFTA) the upper 10 per cent of Mexico's wealthy benefitted the most. Overall, the upper 30 per cent benefitted in general and the lowest 30 per cent – the poor – actually did worse.⁷

Loans and Privatisation

Honduras will contract new loans in 2001 totalling US\$857.4 million and is in the process of negotiating a new loan reaching an additional US\$513.5 million, leading it into new cycles of debt. On the advice of the October 2001 IMF staff assessment, all lending to Nicaragua was suspended. This will stymie debt-reduction programmes and adversely affect loans designated to strengthen health and education infrastructures. The IMF advised Nicaragua to decrease public expenditures, but the Liberal government failed to comply. The November 2001 elections ushered in a new president. With his election, the Liberal Party maintained its incumbency and Arnaldo Alemán, the former president, continues as the principal leader of the party. Commentators suggest that ideally it would serve Nicaragua's and the IMF's best interests if a smaller cadre of qualified civil servants would adopt a code of integrity and conduct, and agree to advance through the ranks based on merit rather than political favouritism.

It is unfortunate that the IMF's concept of reducing public expenditures is focused on cutting public-health expenditures. Under President Violeta Chamorro's administration Nicaragua began privatizing its public-health service in the early 1990s. The health care budget was cut by 50 per cent. The outcome was the loss of employment for a thousand public-health practitioners, resulting in a work overload for the remaining health professionals and a reduction in access to health services for the lower middle class and the poor.⁸ In the end, the public-health service was weakened at a time when there was no legal framework or infrastructure to support private health-service delivery. Many privatised health services suffered from mismanagement and were dismantled. Little was accomplished in the effort to rationalise and stabilise public expenditures by streamlining the public-health service. The reduction in force of health practitioners failed to achieve real savings and further marginalised poor people and others from basic health care.

Some observers have suggested that state-owned enterprises have been sold at undervalued prices to supporters of the political party in power. This suggestion is a reflection of a pattern that appears in many HIPC countries where the IMF recommends privatisation of public utilities and other government-owned or quasi-owned industries.

Under the auspices of the Inter-American Development Bank, the Nicaraguan pension system was privatised and converted from a defined benefit system to a defined contribution system. Thus public-sector workers are obliged to contribute to the national social security system without a guaranteed benefit level in return. The increase in contributions became mandatory in June 2000 under President Alemán's administration. Some workers now complain that they are experiencing a decline in both their income and social security.⁹ This has a direct impact on their living conditions, since Nicaragua is not experiencing stable, rapid economic growth as proposed in the PRGF. What has occurred is a decline in coverage and quality of social services, with a substantial impact on people earning middle and low incomes and exclusion of the poor. From 1994 to 1997 social spending in Nicaragua declined by 20 per cent; by 1997, 66 per cent of households fell beneath the poverty line. The Bank and the Fund admitted as early as 1995 that the adjustment programme included significant downsizing of the public sector, the liberalisation of domestic and foreign trade, and the liberalisation of the financial sector, but that it was not sufficient

to trigger the resumption of growth. In response, the national public-health workers' unions proposed:

- An immediate end to the illegal implementation of the payroll tax increase;
- Re-examination of the health-care and pension-reform proposals prepared by the IFIs; and
- The establishment of meaningful consultation processes with unions and other civil society organisations for the purpose of developing equitable and effective reforms.¹⁰

Government Ownership of the PRSP

The savings freed up from debt servicing is intended for government investment in the development and improvement of education and health services as well as other related social services and infrastructures. The governments of Bolivia, Honduras and Nicaragua designed their PRSPs with technical assistance and guidance from the Bank and the IMF and, in some cases, United States Agency for International Development (USAID) staff. The Bank and the IMF encourage the governments to solicit participation with organised groups from civil society in the PRSP process. However, the culturally traditional governments of Latin America are not accustomed to accepting suggestions on how to manage the affairs of the nation from groups within civil society. Government ownership implies that officials in the administration are the sole responsible agents for designing and executing the PRSP. There are development critics such as Paul Henry O'Neill, secretary of the U.S. Treasury, who are sceptical of what they claim are corrupt and inept officials in developing countries. Ideally, the civil society component in the PRSP should be used as a foil for corruption. The risks and responsibilities for poverty reduction decision-making and implementation can and should be shared with locally based groups in civil society. There are some NGOs and community based organisations (CBOs) that have demonstrated their ability to plan and execute community development programmes. Others have participated in advancing government institutional reforms. And still other organisations use their capacity to track and monitor the implementation of the national budget, especially in the social sectors.

The main criticism of the Honduran government's PRSP by local NGOs is that a copy was not provided to them for review prior to its adoption by the government. Thus civil society had no clear idea of the national plan for economic development. Furthermore, the PRGF was not shared with civil society groups. This made it impossible to provide rational responses and alternatives at the joint consultations with the World Bank, the IMF and the government of Honduras on the role that civil society could play in the process, much less how the poor would participate in their own poverty reduction strategy. *When the documents were finally provided to the NGOs and CBOs a day before the consultation, they were in English only, with no time to prepare a comprehensive Spanish translation.*

It is difficult for civil society to find a space where it can come together with international donors and the government to work cooperatively if the consultations are so poorly designed. With no dissemination of PRSP plans in Spanish well ahead of time, it appears that there is scant support on the part of donors or the government for strong civil society involvement in the process. The obvious role for NGOs and other CBOs in regions outside the national capital is to monitor and evaluate local poverty reduction programmes effectively to ensure that HIPC savings targeted for improving or creating a health and education infrastructure are delivered as specified.

The major obstacle for civil society participation in the PRSP process is that the central government will not enter into a dialogue with NGOs and CBOs. Organised groups in civil society pose a threat to the government and protected private-interests groups because they have the opportunity to expose mismanagement and corruption. Without the direct input from the municipalities and localities, governments lack the capacity to develop a realistic poverty-reduction plan, and their current PRSPs reflect the absence of input.

One of the great paradoxes of poverty reduction in Honduras is that there is hunger and high malnutrition among the poor population – 70 per cent of Hondurans are poor. *The indicators demonstrate a breach between a strategy to design national development goals and the government's capacity to carry them out.* The country is capable of producing an adequate food supply, so it appears that the main problem is the lack of access to food for poor people. In some rural areas small producers can barter their products for staples. The poor in the city sometimes are reduced to bartering the bodies of their children.

Civil Society Participation in the PRSP

World Vision Bolivia operates in some of the most remote and poorest regions in the country that are targeted for poverty reduction. It participated with the Roman Catholic Church and other sectors from civil society to design the national poverty-reduction strategy for Bolivia's HIPC II. The Roman Catholic Church was instrumental in building a critical mass from within civil society to develop a plan that would reduce poverty. World Vision Bolivia, along with other NGOs, professional associations and representatives from poor communities, as well as the Catholic and other churches engaged in developing proposals for the Bolivian PRSP in order to develop concrete and comprehensive proposals for poverty reduction. The initiative was known as Jubilee 2000 – Constructing Human Development for All. The group presented its proposals to the government in the last forum.¹¹ Representatives of the Honduran Catholic Church observed the process in order to learn how to strengthen their capacity to participate in the Honduran PRSP process.

The Nicaraguan government initiated the Council for Economic and Social Planning Consejo Nacional de Planificación Económico Social – CONEPS, where ministry officials deliver their reports on national budget issues to NGOs and other interested parties. Since the forum is designed solely for releasing reports, government officials do not enter into dialogue with civil society groups. Thus, World Vision Nicaragua works in the Jubilee 2000 network (and its follow-up, Jubilee Plus) to provide support for public initiatives and public education on Nicaragua's unsustainable external debt.

Interforos is a coalition of church-related NGOs in Honduras that is directed by an evangelical pastor. Interforos involves churches and CBOs around the country in assessing poverty in their communities. Interforos joined the Asociación de Organizaciones no Gubernamentales (ASANOG – Association of Non-Governmental Organisations) to strengthen its capacity to develop an alternative to the government's poverty-reduction strategy. The Interforos alternative strategy to combat poverty promotes decentralization of government control and devolving power to the localities and municipalities. The Interforos petition calls for government reform through anti-corruption and anti-impunity measures as well as paring down the bureaucracy to eliminate political cronyism. The Interforos alternative to the government PRSP strongly recommends the restoration of public security through reforming and strengthening the police and an emphasis on

teaching and recuperating values lost to society and communities due to widespread political corruption. It also proposes the adoption of a system that would support farmers' cooperatives and small producers' entry into the formal market, promote their access to credit and savings banks and ensure land titles. It promotes reform of the public pension system.¹² Government officials were offended by what they perceived as a challenge to their political authority from Interforos and recommended that the group implement its own alternative strategy – an impossibility since the government, not NGOs, controls the savings from debt relief.

The Capacity for Civil Society to Monitor Poverty-Reduction Programmes Bolivia

Bolivia is considered to be among the poorest countries in Latin America, but it also has the most experience with the HIPC poverty-reduction process. Unlike Nicaragua and Honduras, Bolivia is undertaking its second HIPC initiative. The Bread for the World Institute in Washington, D.C., says that the first effort was characterised by the government's focus on ratios relating debt cancellation to export earnings rather than implementing tax reforms that may have substantially increased national revenues. Collecting taxes from domestic corporations and the elite class is a challenge for much of Central and Latin America. The Bread for the World Institute also notes that approximately half of Bolivia's aid is delivered through concessional loans that add to the burden of its debt. Multi-lateral financial institutions such as the World Bank and the IMF hold most of Bolivia's debt.

The enhanced HIPC II process in Bolivia is viewed as an improvement over the first HIPC because of the substantial increase in participation from among the poor as well as labour and other groups in civil society. The Roman Catholic Church brought the disparate groups together in the Jubilee 2000 National Forum, held April 24–28, 2000. There were 1,706 representatives from 806 civil society organisations drafting a national plan to combat poverty. The Forum had 20 co-sponsoring organisations, including the largest labour confederation; the confederation of private entrepreneurs; confederations of farmers and rural workers; university students and academics; and human rights, women's and environmental groups.¹³ World Vision Bolivia sent seven representatives from the national office and its area development projects to the forums. Two World Vision participants

were elected by the forum attendees to represent their respective *departamentos* (provinces). They worked with other NGOs, several churches and evangelical denominations to identify ways debt relief savings could be used to assist the country's poorest citizens in remote regions.

There is no question that the less than satisfactory experience of the first HIPC process served as an impetus for NGOs to improve their organisation and methodology for the enhanced HIPC II process. Focused national dialogues and consultations among government officials, NGOs and CBOs characterised the process that the Bolivian government used to prepare the PRSP. In each *departamento* NGOs and CBOs organised forums with roundtables focusing on micro-economics and structural adjustment, employment and income, human rights, land and productivity, rural health, urban health, rural education, and urban education.

Although President Banzer and his cabinet were invited to the closing plenary, only four ministers, several ambassadors and donor agency representatives attended. The minister of finance welcomed the forum's conclusion that civil society should oversee *but not administer* the disbursement of savings from debt relief designated to fund social development programmes.¹⁴ While the Bolivian government does not object to the oversight of poverty-reduction programmes by civil society, the issue of land reform is off the table. Thus, the government controls the PRSP process, even though civil society appears to define many of the critical issues. Poverty reduction and development are long-term issues. NGOs and CBOs are learning lessons and adopting "best practices" in the hope that they will be able to expand the political space in which they can address land reform and other outstanding issues with the government. The process that Bolivian NGOs and CBOs followed for HIPC II resulted in a mobilization for political, economic and social change. For the first time the government welcomed participation in the process of constructing a national development plan. In that process, both civil society and government were able to discover new methods for reducing poverty.¹⁵

The PRSP process is the best tool available to civil society to help change systems of injustice that promote and tolerate widespread poverty. However, it is the best tool available only if there is extensive and continued pressure from civil society on the governments. It is the government's responsibility to eliminate poverty. Governments must come to recognise the political and social structures that keep people in poverty. They are ultimately responsible for implementing the necessary changes that will

provide access to education, health and a sustainable livelihood for the poor.

Bolivia is experiencing positive government support to reduce extensive poverty. President Hugo Banzer resigned from office August 7, 2001, when he was diagnosed with incurable cancer. The current and officially designated president is Jorge Quiroga Ramírez. He will carry out all presidential functions until the inauguration following the election in 2002. He is forbidden by law from running for the office of president in the 2002 elections, but in the meantime, he is following the advice of the IFIs and is “cleaning house.” Quiroga has the backing of the owners of the recently privatised state industries. They have discovered that they inherited organisations overrun with corrupt political cronies. Eliminating what is often seen as a culture of mismanagement and corruption starts from the top. With a reduction in corruption, resources earmarked for poverty-reduction programmes are more likely to arrive at their intended destinations. Then NGOs and CBOs will have the opportunity to track them from delivery through implementation with the new social audit mechanism.

The Constituent Assembly for the Social Control Mechanism was codified on November 15, 2001. The assembly is recognised as a legal entity under articles 25 and 29 of the National Dialogue Law (Law of the Republic No. 2235). The assembly’s purpose is to

promote and develop the full exercise of citizenship in the scope of social participation, and to exercise the social control mechanism as a right of organizations in civil society, and to know, supervise and evaluate the implementation of the results and impact of public policies, the participation processes and primarily the control of the enhanced HIPC II resources.

Paraphrasing the Bolivian poverty-reduction strategy, it is designed to

reduce poverty through stimulating economic growth, targeting citizens who have little or no access to social and economic opportunities, and to provide greater participation to them in society within a more decentralized framework based on equality.

The four strategic components of the poverty-reduction programme are to (1) expand job and income opportunities, (2) develop and build capacities,

(3) increase public safety and protection, and (4) promote social integration through participation. Finally, two cross-cutting issues that play a prominent role in the strategy are the protection of the environment through sustainable use and the promotion of gender equity through participation in the social and economic development programme. The government of Bolivia expects that it will cost US\$700 million to implement HIPC II.

Honduras

Honduran NGOs and CBOs collaborate with professional legal and economic advisors as well. FUNDEMUN (a USAID-supported NGO) trains local community leaders and local authorities to monitor programmes; that is, it engages in building and strengthening their capacity to participate, monitor and make adjustments to programmes in local communities. Additional issues that local CBOs lobby on are reform of the Constitution, impunity of government officials, reform laws that prevent government officials being punished for corruption, strengthening public security and anti-corruption at every level of public service.

It is the opinion of NGOs working with the PRSP process that the Honduran government does not have a deep understanding of the implications of the PRSP process – how it is structured or how it will operate. It remains to be seen whether newly elected President Ricardo Maduro of the National Party will change this perception. Maduro is a former Central Bank governor who favours privatisation and other IMF-recommended reforms. In terms of participation it is possible there is a group of intellectuals in the country along with local and other NGOs who are aware of and understand the PRSP process. They have analyzed, criticised the government's PRSP and designed an alternative development programme component. The former Liberal administration accepted several minor proposals. However, critics alleged that it failed to consult with regions and communities in need of development. *Thus, there is a lack of methodology and technical expertise in the government's national planning process.* Like other HIPC countries, a substantial percentage of the Honduran national budget is dedicated to servicing the external debt. If these funds could be dedicated to national human and economic development instead of debt payments, it would improve and expand existing health and education infrastructures and services.

One of the common problems throughout Central America is the lack of a rural development programme for the region and for the individual

countries. Land reform in Honduras is in direct conflict with the modernization of agriculture. There are many small producers who use a patchwork of rented small plots to grow grains. Few hold title to the land they farm, and many are able to grow only enough to feed their families with little left over to sell in the markets. Some farmers have organised co-operatives and associations. They work with local municipal officials to gain support for regional rural economic reform and development. However, critical observers believe that the Liberal Party's development policy was aimed at assisting large corporations and producers that already earn hard currency needed to pay the external debt, not at rural development. Without a national plan for economic development for the rural and urban informal commercial sector, the number of people living in poverty will continue to grow.

Honduran small farmers have few opportunities to exchange ideas with farmers in neighbouring countries. CIDAR, an agricultural co-operative in El Salvador, held the first Central American regional conference on agricultural reform in June 2001. It hopes to engage with small producers throughout the region as a pressure group engaging with local and central governments on issues of land use, land reform, rural development, agricultural development and alternative economic development for rural areas. One of CIDAR's first initiatives is to integrate a watershed project in the Lempa River Basin that extends into Guatemala, El Salvador and Honduras. Almost everywhere in Central America there is a need to stabilise gullies, regulate farming on slopes, encourage sustainable land use, mitigate environmental risks in critical zones and implement extension projects.¹⁶

Another problem in the social sector is the national pension system that has been considered for reform in the Honduran Congress for the past four administrations. Public servants and physicians are eligible for government pensions. With a significant bureaucracy and physicians who influence government officials automatically to increase their pay and pension, public pensions drain the public purse and make it difficult to allocate funds for other sectors in need of development. The pension system for the private sector is also problematic. Several local NGOs have commissioned surveys and studies to determine if elderly people living in localities remote from the capital receive their pensions regularly or at all.

One of the most effective groups participating in the civil society movement engaging with the PRSP is FOPRIDEH, a coalition of local Honduran NGOs cooperating with the Commission on Co-operation in Civil Society.

FOPRIDEH's mission is "to represent and contribute to the strengthening of private development organisations that are creating space for democratic participation through an integration and coordination of actions that influence the design and execution of political strategies for human sustainable development within the framework of justice and equality in local national, regional and international settings." The commission has developed a 20-year development plan that includes strengthening democratic institutions. It proposes the decentralization of federal power and the devolution of power to municipalities and localities. The programme calls for a re-allocation of expenditures in the national budget. In addition, the commission is also working to modernise the judicial sector in government. Currently, laws are being introduced that will reform the penal code. The European Union and commissions in Spain, Costa Rica and El Salvador are assisting NGOs with the process.

The UNDP will continue to provide municipalities with technical assistance as they work to implement their development plans. The UNDP operates a special programme for strengthening sectors within municipal governments and women's economic development programmes. It notes that women and children are more likely to live in poverty than men are. The UNDP also supports a programme to protect and conserve national resources. It believes that the bio-diversity of the country should be incorporated in the national development plan.

Nicaragua

The main criticism civil society has of the PRSP process in Nicaragua is that the text of the government's PRSP document is not coherent or aligned with the poverty-reduction projects and programmes the government itself has proposed. Furthermore, the process does not indicate any major changes that would reduce poverty significantly.

CBOs and NGOs in Bolivia as well as Honduras and Nicaragua worked cooperatively to develop social audit control mechanisms to monitor poverty-reduction programmes funded through savings from debt relief. For the past 15 years and three successive administrations, one of the strong Nicaraguan NGOs, the Civil Co-ordination for Emergency and Reconstruction (Coordinadora Civil para la Emergencia y la Reconstrucción) tracked the national budget. For the first time in Nicaragua's history the government released the national budget to the public in 2000. After careful

analysis the NGO concluded that the 2002 budget proposed spending would outpace resources. It criticised President Alemán's administration and Liberal party for creating one of the greatest deficits in Nicaragua's history. The NGO, which receives technical assistance from experts in civil society on political and economic issues, recommended specific areas where the budget could be cut and where funds from one department in a ministry could be re-allocated to another area for increased effectiveness. The experts made their findings available to local IMF and World Bank representatives who were receptive to their analysis.

The consultations on the national budget were held in three concurrent forums in 2000. On one level government officials consulted with one another; on the other level civil society organisations such as FUNDEMOS consulted with other NGOs. Both the official and unofficial groups applied technical methodologies. The third round of consultations was held in the Leon *departamento*, where there is a high rate of poverty. The official consultation focused on four different municipalities. There were eight official government groups working on a poverty strategy reduction process for the region. While official governmental groups worked within their own parameters, they were criticised by CBOs for not responding to the needs of the people in the localities.

Management of relations among civil society, municipal governments and the central government is a relatively new exercise that FUNDEMOS promotes. It also works to build relations with the international donor community based on the Stockholm model developed after Hurricane Mitch in November 1998. It is working with the IMF to gain more flexibility, cooperation and the opportunity to make modifications to the PRSP. In addition FUNDEMOS works with CONPES and CONADES, civil society organisations working in national development, to gather and collate information from local community-based groups in different municipalities that have designed development plans for their communities. Household and other survey results collected by NGOs and the national budget analysis strengthen civil society's ability to monitor government and public expenditures for poverty-reduction projects.

The Grupo Propositivo is a local NGO and the main source of public education for Nicaraguans on poverty, the environment, rural development policy, gender and indigenous issues and a host of other related topics. It publishes a monthly newsletter and thematic booklets about poverty

reduction, the PRSP process and the Nicaraguan national budget for distribution to the general public. It organises forums around the country in which local citizens can participate and learn how to lobby local authorities and to get support for community development and other social issues. The Grupo Propositivo's information is disseminated widely to mayors and local council members as well as community leaders who work to hold the central government accountable. On the one hand, local CBOs and NGOs must battle the government to be invited to the Bank's and the IMF's PRSP consultations. But on the other hand, they are working toward strengthening the position of civil society by forging strategic alliances with the commercial and entrepreneurial community, labour unions and professional associations.

Building Human Capital Through Health and Education

The enhanced HIPC II gives low-income countries the means to make critical investments in education and health for the development of human capital. Sixty-five per cent of the population of Central America is 25 years old or younger, and 40 per cent is 14 years old or younger.¹⁷ Most are living in poverty. It is going to take decades to provide a quality education for these children. In Latin America only 15 per cent of children complete the ninth grade.¹⁸ Without guaranteed access to quality education, poor children in Bolivia, Honduras and Nicaragua cannot hope to break the cycle of poverty, much less compete in a technically sophisticated global economy. Thus, investment in health and education is a crucial long-term development goal. In the short term, however, the investment must demonstrate quick results and achievements, such as Bolivia's savings of US\$77 million in 1999 debt service from the original HIPC initiative. World Bank statistics show that social spending was US\$119 million more in Bolivia in 1999 than in 1998. Increased spending on health care and education alone counted for more than 50 per cent of the increase. Results encourage government and donor constituents who doubt the efficacy of human development investment to maintain a long-term commitment to providing quality public education for rich and poor alike. It is equally important to convince the poor that they will not be excluded. The IMF history of cutting social expenditures in many countries has resulted in governments imposing school matriculation fees and user fees for health services. There is

an immediate and direct impact on the poor; their quality of life deteriorates even more.

Macro-economics and the Poor

The PRGF is intended to be “pro-poor.” The IMF maintains that the PRGF, unlike its predecessor, the enhanced structural adjustment facility, will integrate poverty reduction within the macro-economic framework. Ideally, public consultations are proposed for key macro-economic policies such as targets for growth and inflation; fiscal, monetary and external policies; and structural policies to accelerate growth. Also, the IMF is placing additional emphasis on good governance. It says the primary focus will be on improving management of public resources and achieving greater transparency, active public scrutiny and generally increased government accountability in fiscal management. All these goals are worthy, but none seems to address one of the underlying problems in all three countries – rural economic development. Land tenure is a cumbersome problem, especially for the poor in Honduras and Bolivia, and the PRGF does not appear to have a mechanism to address this severe problem, while the PRSPs for both countries promote poverty reduction in rural areas. Central America is primarily agrarian, and so is Bolivia to a large degree. It is difficult to understand how the application of neo-liberal financial policies through the PRGF will benefit non-industrialised countries with a plan to reduce poverty when those very policies ignore the reality of the social and economic conditions of the HIPC countries.

The PRSP and PRGF: Instruments of Change

One of the main economic problems in the Latin American HIPC countries is the lack of stable, local micro economies in which everyone is able to participate and benefit. Constructing a more democratic economy would allow poor people to provide goods and services and earn a sustainable living wage within their own communities and the country at large. Unfortunately, the history of mercantile business in Latin America demonstrates that it seeks its fortunes through political influence rather than local market competition. Businessmen who gain share their profits with corrupt politicians, creating a vicious cycle that produces increasing profits and corruption.¹⁹ The great disparity in the distribution of wealth in Latin American countries and the historic traditional political culture further complicate the issue of reducing poverty.

Over one-third of the population in Latin and Central America lives in poverty – at least 224 million people.²⁰ Eighty-five per cent of the wealth of Central American countries is concentrated in the hands of 9 per cent of the population, who do not use it to create jobs that pay a living wage, stimulate the economy, or generate capital.²¹ Some of the national wealth is lost to private accounts in overseas banks. Social and economic practices and policies that keep people poor are at the root cause of poverty. The PRSP, although imperfect, is the best option that the Bank has developed and implemented to change these unjust social and political structures. The Bank's anti-corruption and governance initiatives are additional tools; when applied, they will help brake detrimental political and social traditional cultural practices that exclude the poor from earning a sustainable living.

The PRGF embraces the neo-liberal economic ideology of the IMF and the developed donor countries, who propose that free trade and investment will create jobs and that job creation will alleviate poverty. As was demonstrated with NAFTA, there is data to the contrary. The US trade policy for Latin America promotes trade preferences for certain goods such as textiles and small electronic components from the Central American, Caribbean and Andean regions. In the last decade *maquilas* (mass clothing manufacturing plants) burgeoned in the free trade zones of Honduras and Nicaragua. Most are owned by European, Taiwanese and US companies. In general, employees are discouraged or prohibited from joining unions. However, wages can be up to 10 per cent above or below the minimum wage, undermining a country's wage and labour standards. Employment in *maquilas* attracts poverty-ridden rural residents to migrate to *maquila* communities located in or close to cities. Poor working conditions in a *maquila* are attractive to those who have been out of work and cannot feed their family. The benefit of a temporary job with a steady wage for *maquila* workers is attractive, but it does not provide additional training and skills that would improve their chances for better jobs and higher wages when the factories close down. In addition, employees are not equipped to combat the rampant crime and prostitution in their *maquila* communities, nor is the government. They are unprepared for encounters with HIV/AIDS and other common sexually transmitted diseases. Foreign corporations maintain that they are bolstering local economies with their *maquilas*, but they make little or no investment in improving the social conditions for their workers and surrounding communities.

Summary

The risk of entering into the PRSP process for countries that are suffering from economic crisis is that the governments will decide that they do not have the resources to help the poor. In the case of the developed countries, the United States, Germany and Japan are showing negative economic growth indicators. This could well mean that there will be a recession with global economic consequences and less funding available for overseas development assistance and debt relief.

In Latin America there is strong sentiment against poor people in the cities and surrounding urban perimeters. Furthermore, in the case of Honduras and Nicaragua, where elections took place in November 2001, there is a history of each successive government decrying the failures of preceding administrations. It remains to be seen if the new administrations of Honduras and Nicaragua fully engage with the cumulative serious social problems that are emerging and/or worsening.

All three countries suffer from a high unemployment rate, a high proportion of households headed by single women, street children, and an increasing rate of HIV/AIDS, and they also suffer from a flight of capital as well as migration of employable citizens. In the past there has been a lack of political will and technical expertise to solve these problems. It appears that the governments have no operable methodology to attack the roots of their social and economic problems. Furthermore, it appears that PRSPs and IFI involvement at the level of civil society is divisive among those who are allowed to participate in negotiations over poverty and development planning and those who are excluded from participation. Historically, the poor have been socially and politically marginalised. They are alienated from government officials who are making decisions that could affect their livelihood and future. Other than through local CBOs or NGOs, they have little in the way of political power. Without representation, they have no means to lobby on their own behalf. This only serves to reinforce the unequal national and global power relationships that exacerbate the roots of poverty.

Debt relief and poverty reduction are not dependent upon quick economic growth. Poverty reduction goes hand in hand with economic and human development and is a long-term goal. In the UN Human Development Report for 2001, rankings in the human development index and gross domestic product indicate that countries do not have to wait for economic

prosperity to make progress in human development. In fact, indicators in poor countries show that with the right policies – greater investment in health and education – they can advance faster in human development than in economic growth. However, if economic growth favours the poor, countries can do even more to promote human development.²² The IMF maintains that it is not possible to have poverty reduction without economic growth. The human development index refutes that assumption, but if any economic growth should occur through the PRGF, some should be directed at supporting greater human development.

What appears to impede economic growth in developing countries is the total long-term debt of the 41 HIPC countries, which grew from US\$47 billion in 1980 to US\$159 billion in 1990 and to US\$169 billion in 1999.²³ In response, the poorer nations received new concessionary loans to repay accumulated older debts. For this cycle of debt and borrowing to end, HIPC governments need to develop policies that would change the distribution of economic benefits. Currently, political and other elite groups in Latin America stand to gain the most from IMF economic growth projects.

People living in poverty in Central and Latin America are excluded from the process of economic improvement through the inequality of the distribution of wages and lack of access to the dynamics of production, especially in the case of land tenure and financial investment for rural development. Hernando De Soto, director of the Peruvian Institute for Liberty and Democracy, expounds the theme that the poor have trillions of dollars in “dead assets,” but because they live and work extra-legally, they cannot convert their assets to capital that would lift them out of poverty.²⁴ The intrinsic weakness of the Bolivian, Honduran and Nicaraguan PRSPs is that the governments failed to design their national poverty-reduction strategies to attack and eliminate the root causes of poverty. Instead, they adopted the IFI’s neo-liberal view that it is inefficient systems and poor labour productivity that are the key determinants of poverty. They ignored the fact that in Latin America it is public-sector corruption with impunity that is the major obstruction to human development and economic growth.²⁵

Keeping corruption and mismanagement of public funds in mind, it is not encouraging to learn that the World Bank reported in a recent study that within a year, only two of 25 debt relief recipients will have satisfactory capacity to track where government spending goes. Thus, when civil society groups in Bolivia, Honduras and Nicaragua organised to developed their *mecanismo de auditoria social* it should have been good news to the

Bank and the IMF. Although the Bank and the IMF encourage civil society participation in the PRSP process, they remain silent when it comes to endorsing the *mecanismo de auditoria social*, primarily because they maintain that the elected government is responsible for carrying out the PRSP initiatives and not disparate groups from civil society. This is true, but, as a Nicaraguan Catholic cleric says, it is the poor who will pay for government-incurred debts now and in the future with their misery, poverty and unemployment. The poor will continue to suffer until major shifts occur in the political, economic and social cultures of their countries.

Culture is not static; it can change. Political, economic and social cultural changes that have occurred in other countries that have moved up from poor status vary. However, when countries move from the poor to the middle-income category, there tends to be a movement away from the established and traditional lines of authority and toward shared power and shared decision-making among government institutions.²⁶ Perhaps the best place to begin to change culture is with the children through education and allowing them to speak for themselves. Surely their dreams are not for a life of poverty. However, if significant changes do not occur in the relationships between Latin American government officials and civil society, and between the neo-classical economic theorists and governments of developing countries, the children of Latin America will inherit the poverty and suffering of their parents and grandparents and great-grandparents. “The fight against world hunger, for meaningful employment, for better health care and educational opportunity – all of these can blossom when entrepreneurial energy is not focused solely on maximizing financial return,”²⁷ as in the case of paying a country’s external debts with exorbitant interest.

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Six

Alan Whaites

Conclusion:
Beyond Jubilee Towards Justice

PRSPs offer an opportunity for a focused and comprehensive effort to end poverty. But to do so, they rely on action not only by the people and governments of poor countries but also by those of the rich world. Many citizens of those richer states showed their concern to see poverty end through the original campaign that brought both a degree of debt relief and also the birth of PRSPs: Jubilee 2000. The future of PRSPs should not be divorced from its history, and there is much that can be learnt from the original movement that led to the G7 meeting in Cologne in June 1999.

Jubilee 2000 caught the popular imagination by drawing on a biblical passage. Leviticus 25 calls for periodic years in which debts should be forgiven and slaves set free. The principle of Jubilee is part and parcel of a system of laws that Christians, Jews, Muslims and many other people of faith believe were given by God to the Israelites thousands of years ago.

The laws of the Old Testament formed a comprehensive system of government that dealt with the practical and the spiritual and governed the market, the social sphere and politics alike. Within this system of laws the principle of Jubilee stands not in isolation but instead in integrated unity with a series of provisions that ensured justice and a remarkable degree of equity. For the Jewish Law also makes clear that there “must be no poor among you” (Deut. 15:4).

Perhaps one of the clearest mechanisms within this system for ensuring provision for the poor also comes in the Book of Leviticus. Leviticus 19 outlines a provision that has often been termed the *right to glean*, although

it would be more accurate to call it a reservation of part of the national wealth for the care of the poor (Lev. 19:9–10). The provision instructs the Israelites to leave a portion of their harvest uncollected to allow the poor and the stranger to share in the produce of the land. In Proverbs, the Israelites are further instructed to protect the rights of the poor, the widowed, the orphaned and the refugee (Prov. 31:8–9).

Christians believe that the Bible describes nothing by chance. The instruction to leave a portion of the field unharvested, rather than to gather the entire crop and distribute a proportion to the poor, is important. God was reminding the Israelites that the gift to the poor was not theirs but the gift of God. The transfer of resources from those who are rich to those who are poor always poses the risk of self-righteousness, which can also lead to injustice. The rich can forget that they themselves are the recipients of many gifts.

Leviticus was simply reminding the wealthy, with all their resources, that in reality the world is God's creation, held in trust by people with the responsibility to act as God's stewards. If those stewards followed God's outline of just relations, then a proportion of wealth would be reserved for the poor as their right. The rich do not reach their position by access to resources alone. Leviticus implicitly accepts the notion that hard work and high productivity are good things, partly because they enable more resources to be devoted to helping the poor.

Productivity growth has been one of many factors that have enabled the occupants of rich countries to increase their wealth greatly in the last two hundred years. Even so, ultimately that wealth is still rooted in gifts bestowed by God, such as fertile land; teeming seas; abundant mineral, coal, oil and gas resources; navigable waterways; and favourable climates. The opportunities offered by increasing wealth to help the poor, however, have been largely squandered.

The resources to combat poverty do exist. The world has the resources to reduce deaths from preventable diseases and to address malnutrition, but those funds are concentrated in relatively few countries. In 1998 the richest 20 per cent of the world's population was 83 times richer than the poorest 20 per cent. In the 1960s it was 30 times. Put simply, as northern states have grown richer, they have not taken the poor along with them. This marginalisation of the poor is in stark contrast to the value system in the Bible, by which Jesus Christ called on people to see God's image in each poor person, each prisoner, each leper. The fruits of the distortion of global

priorities are seen in the preventable child mortality that accompanies a world in which 3 billion people live on less than US\$2 a day.

Fulfilling the work of Jubilee therefore means going beyond debt relief towards ensuring that the poor receive a share of global wealth so that they too can invest in a more prosperous future. It's difficult to quantify what proportion of the harvest the right to glean would suggest belongs to the poor. However, we do know that another law of the Old Testament called on the people of Israel to devote at least 10 per cent of their own income to the service of God, including the work of the Temple or synagogue among the poor. The combination of this tithe with the provision of the right to glean would suggest a significant investment by members of society in the future of the poor – an investment that must surely have amounted to a much higher proportion of wealth than the modern-day 0.23 per cent of GNP OECD countries currently manage to spend on overseas aid.

World Vision is a Christian relief and development partnership which serves more than 85 million people in some 80 countries. World Vision seeks to follow Christ's example by working with the poor and oppressed in the pursuit of justice and human transformation.

Children are often most vulnerable to the effects of poverty. World Vision works with each partner community to ensure that children are able to enjoy improved nutrition, health and education. Where children live in especially difficult circumstances, surviving on the streets, suffering in exploitative labour, or exposed to the abuse and trauma of conflict, World Vision works to restore hope and to bring justice.

World Vision recognises that poverty is not inevitable. Our Mission Statement calls us to challenge those unjust structures, which constrain the poor in a world of false priorities, gross inequalities and distorted values. World Vision desires that all people are able to reach their God-given potential, and thus works for a world which no longer tolerates poverty.

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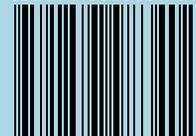
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