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Poverty Reduction Strategy Papers (PRSP)

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Blind to Structural Adjustment

In the 1980s, nearly 70 countries implemented Structural Adjustment Programs (SAPs) under the auspices of the International Monetary Fund (IMF) and the World Bank. The first 40 countries that qualified under the Heavily Indebted Poor Countries (HIPC) Initiative all underwent various forms of SAPs. Now that the PRSP approach is being implemented in these 40 and most of the original SAP countries, it should not be too much to expect that both the IMF and the World Bank should have done an *ex ante* assessment of the impact of SAPs in these countries. Yet, in their own words, *" the limitation to the analysis of poverty is the absence of an explicit link between the diagnosis and the success (or failure) of past interventions, and implications for the selection of the priority policy areas for the future."* (IMF and International Development Assistance Staff Assessment of Bolivia's Poverty Reduction Strategy Paper, May 2001),

In June 2001, the World Bank released a report on the two decades of structural adjustment lending. SAPs were originally designed to help countries out of short-term balance-of-payments difficulties. They eventually evolved to cover social, structural, and sectoral reforms. According to the World Bank retrospective, the 191 adjustment operations in 64 countries approved in the1980s had mixed performance records. The major finding extracted from this retrospective and subsequent other research was that "such reforms can be effective only when they are 'owned' by the country itself."

In July 2001, the World Bank concluded a five-year tripartite review (with government and civil society groups) of its SAPs in an exercise known as the Structural Adjustment Review Initiative (SAPRI).

The tripartite review of SAPs was done in seven countries: Bangladesh, Hungary, Ghana, Uganda, Zimbabwe, Ecuador, and El Salvador. The civil society group within the SAPRI also did citizen's assessments (without World Bank and government participation) in two countries, the Philippines and Mexico. After a process that lasted almost five years, the World Bank came out with a report where it offered three lessons: 1) adjustment is a difficult process;2) to be successful, adjustment has to be 'owned'; and 3) institutions, approach, and safety nets are essential in the adjustment process.

The Bank's conclusions on the impacts of SAPs were significantly divergent from those of the civil society component of the SAPRI, which gave a much sharper and more comprehensive critique. Overall, the Bank, failed to grasp or to even acknowledge the depth and breadth of problems that need to be addressed in its policy based lending. The assessment conducted by the Structural Adjustment Participatory Review International Network (SAPRIN) finds that SAPs created and entrenched continuing cycles of impoverishment and inequality, and that the anticipated gains in efficiency, competitiveness, revenue and savings from Bank-Fund prescribed macroeconomic policy prescriptions did not materialise. What is more disturbing, though, is the limited extent these learnings have been absorbed by the Bank itself, or shared among its client governments.

The recently completed World Bank report on the Status of Implementation of Heavily Indebted Poor Countries (HIPC) (3 September 2002) shows that the Bank-Fund strategy of countries exporting themselves out of debt through exports of primary commodities has not worked. Debt indicators have particularly worsened for

those countries dependent on the exports of cotton, cashew, fish and copper.

HIPC architects appear to have forgotten that it was the failure of two decades of structural adjustment, debt servicing and an export driven economic growth strategy that precipitated the humanitarian crises that called for urgent debt relief measures for highly indebted poor countries. Yet, the very same structural adjustment conditionalities and macroeconomic strategies continue to be at the core of HIPC proramming, thereby entrenching chronic poverty in the HIPC programme countries.

Ownership, Participation and Quality: Shaky Ground

The PRSP framework is supposed to result in a long term, comprehensive, results-oriented, country-driven, and participatory strategy to reduce poverty. However, experience to date shows that the "quality" as a national poverty reduction strategy acceptable to the World Bank and the IMF is incongruous with the main pillars of the PRSP framework: national ownership, participation, and public accountability.

National Ownership

For the World Bank and IMF, country ownership of a PRSP means the commitment of a country to implement a strategy that the Bank and fund approve, come what may. It has little to do with authentically home-grown and nationally relevant strategies based on the socio-economic, historic and geographic particularities of different countries. Experiences across Asia, Africa and Latin America bear this out.

When advising governments on how to prepare a PRSP, Bank-Fund missions have come prepared with *their* perspectives on the country's poverty situation, their analysis of the country's obstacles to economic growth, *their* menu of policy options, and *their* views on how to mobilize resources for the PRSP, including external donor assistance. These perspectives form the basis of all discussion between Bank-Fund missions and borrowing governments about the structure and content of PRSPs. Despite claims that, "causes and solutions of poverty are specific," all PRSPs are expected to contain "core elements" that the Bank and the Fund consider essential to poverty reduction. These include: rapid economic growth, private sector development and expansion, good governance, (largely oriented towards facilitating privatization regimes), deregulation, trade, and investment liberalisation, fiscal stability, macroeconomic management, public expenditure management and consultations with selected NGOs.

photo courtesy of The NewYork Times

Claims of national ownership and alignment with national plans are further confounded by the involvement of Bank-Fund staff in various stages of the preparation of a PRSP. In addition to providing "policy advice" on fiscal management, structural, institutional and sectoral reforms, budgetary targets and expenditure priorities, Bank-Fund staff are also involved in joint staff assessments (JSAs) to ensure that the final product can be presented to their Boards for approval. Staffs are instructed to consider whether the document provides a "credible framework within which the Bank and Fund are prepared to design their programmes of concessional assistance,"(Guidelines for Joint Staff Assessment of Poverty Reduction Strategy Paper , IMF-World Bank, April 18, 2001) and to " ...discuss with the authorities any modifications to the strategy that might be considered necessary to allow managements to recommend to the Boards that the PRSP be endorsed..." (Poverty Reduction Strategy Paper-Operational Issues, IMF-World Bank, December 10, 1999).

The primary criteria for judging the quality and acceptability of a PRSP relate to a government's macroeconomic framework, structural reform policies and startegies for rapid economic growth. Whether this formula reduces poverty in any qualitative and sustained sense appears to be relatively unimportant. "Apparently, IMF lawyers have advised Fund staff that their docu-

ments must talk about economic growth whenever poverty reduction is mentioned, since the Fund's mandate does not include poverty reduction as a goal." (An Independent Guide to PRSP, EURODAD, 2000)

According to a senior Fund official, three dimensions that the Fund considers essential in order to approve a PRSP are: broad-based consultation; faster, pro-poor growth, and; maintaining macroeconomic stability-- i.e. keeping inflation and exchange rate volatility down. In practice, however, broad based consultation does not appear to apply to the two latter dimensions.

Given the high degree of involvement of Bank-Fund staff in the formulation of most PRSPs, it is difficult to believe that the papers would be significantly different if they were written entirely by the staff. Also, countries that have been through past structural adjustment regimes and are now preparing for PRSPs know what the Bank and Fund want to see in such documents. Senior government officials in Ministries of Finance -- who usually lead the PRSP process -- are often groomed by the Bank and Fund, and have little trouble in reproducing the formula that will trigger the required financing. Although early Bank-Fund documents claim that there is no blueprint for PRSPs and that experiementation in the form of the PRSP must be encouraged, most PRSPs come out looking remarkably similar in both their poverty analyses and policy prescriptions that would purportedly result in poverty alleviation.

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The World Bank determines how much money each of its low income clients will get based on three types of ratings: 1) The County Policy and Institutional Assessment (CPIA); 2) The portpolio performance rating, and 3) Governance rating -- including rapid government procurement. Of these, the CPIA counts for 80 percent of a country's overall rating and describes in Bank terms how the country has performed in twenty criteria grouped in four categories: Economic Managemant, Structural Policies, Policies for Social Inclusion and Public Sector Management, and Institutions. The higher a country's overall rating, the more money the International Development Agency (IDA) is authorized to lend to it. Taken together, the CPIA criteria, portpolio performances and government ratings describe a slightly modernized version of a classic Bank-Fund SAP. A PRSP then is already pre-conditioned towards structural adjustment by the Bank's own lending criteria.

The CPIA score, in particular, militates against genuine public participation in the formulation of meaningful poverty reduction strategies and national ownership of domestic development policies. Although the CPIA measures the past performance of a borrowing country in what the Bank and Fund consider "good policies" (e.g. liberalisation, privatisation, fiscal discipline in public expenditure, removal of price controls, etc.), the rating criteria direct the nature of a country's relationship with the Bank and the Fund. If the country rates poorly on key criteria, the Bank offers the country an adjustment loan to "correct" the problems. At the same time, borrowing governments find themselves in a bind if their citizens choose a path towards poverty reduction that does correspond to the Bank-Fund roster of preferred "good" policies.

The PRSP is supposed to be firmly grounded on existing national plan. However, it has a pre-prepared format and is accompanied by a massive, thousand-page source book that spells out how a PRSP should be prepared. If a government insists that existing national plans become the country's PRSP, it is the national plans that adjust to the PRSP requirements and not the other way around. In a document attached to an internal memo of the World Bank, it is clear that the PRSP and related documents such as those pertaining to Poverty Reduction Support Credit (take primary over a country's own national medium-term plans. To quote: "The Medium-Term Program supported by a Poverty Reduction Support Credit (PRSC) maybe based on a I-PRSP, when the I-PRSP describes a nationally owned broadly framed poverty reduction strategy considered adequate in the Joint Staff Assessment. In this case, the Medium-Term Program will likely be revised in the full PRSP, and the design of the series of PRSCs will also be reviewed and adjusted as appropriate.

In Cambodia, the Lao PDR, Vietnam and Uganda - among others - PRSPs have conflicted with national, medium-term plans for poverty reduction and economic and social development, which are passed through National Assemblies and Parliaments. But since PRSPs are backed by the financial and political clout of the Bank and Fund, capital-hungry governments are both unable and unwilling to put up a fight.

The article was prepared by Jenina Chavez Malaluan and Shalmali Guttal from Focus on the Global South, January 2003 http://www.focusweb.org

" The fundamental human rights norms must be the starting point for everything we do nationally, regionally, and internationally. International cooperation, including international economic cooperation, must be judged by whether it upholds and advances human rights protection civil, political, economic, social and cultural. Respect for the Declaration of Human Rights is an imperative for governments; it should be obligatory for business." Bertrand Ramcharan, acting UN Deputy, High Commissoner for Human Rights, June 2, 2003.

GROUP of 8 SUMMIT

Evian, France, June 1-3, 2003

The world's most powerful leaders gathered originally comprised of world's top seven wealthiest nations - the United States, Canada, France, Germany, Italy, Japan and the United Kingdom. Russia was invited to join in 1997, but its participation remained limited to political issues until June 2002, when it became a full-fledged member. The European Union is also represented at the annual meeting. In addition, France has invited leaders of a dozen other key nations, including China, Egypt, South Africa and Mexico, for discussions at this year's gathering. According to the G8, its main objectives are to support economic growth, reduce global poverty, strengthen good governance, work together toward sustainable development, promote peace and security, and improve public health safety. France has set the top priorities as tackling the global economic slump, helping African development- especially improving access to water - strenghthening cooperation in fighting terrorism and nuclear proliferation, and bolstering democracy. However, the leaders also are expected to take up issues such as the weakening of dollar, stalled global trade talks and differences over genetic modified food.The subtext to this three-day summit is President Bush's first meeting with leaders who vigorously opposed the U.S. war in Iraq, notably Pres. Jacques Chirac of France and Chancellor Gerhard Schroeder of Germany.
(http://www.msnbc.com)

"...if we don't want food shortages and famines to recur, we must have a long-term strategy that emphasizes investments in rural infrastructure and agricultural research to increase productivity, and efforts to improve soil and water management, and to develop disease-resistant crops." UN Secretary General Kofi Annan

Debt, Africa, and Global Economic Governance: Very Little from Evian

By: Aldo Caliari

The preparatory work leading to the G8 meeting had already shown that very little would emerge on 3 key crises that affect global development today; the Third World debt crisis, the African crisis, and the crisis of legitimacy of the global arrangements that drive the globalization process, including the G-8 itself. In an international debt management system that is dominated by the creditors themselves, be they public (multilateral and bilateral) or private creditors, failures and omissions can only be expected to continue....it is the creditors who decides unilaterally which countries will have access debt relief,in which amounts, and under which conditions.. Finally, growing international criticism focuses on the lack of transparency and accountability of the G8 who, in their gathering, make decisions affecting the rest of the world and then push them through global economic institutions using the power that they hold. Perhaps the most concrete example revolves around the need to increase the voice and participation of developing countries in decision making within the Bretton Woods institutions, where the G8 countries alone currently hold nearly half of the voting power. (online at www.coc.org)

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