

**THE WORLD BANK AND THE PRSP:
FLAWED THINKING AND FAILING EXPERIENCES**

*Jubilee South, Focus on the Global South, AWEAPON, and the Centro de Estudios Internacionales
with the support of the World Council of Churches*

Background

The World Bank and the IMF declared the PRSP strategy and process were different from their former lending framework for countries under the economic jurisdiction of the World Bank's International Development Agency (IDA). PRSPs are claimed to have replaced the old tripartite Policy Framework Paper (PFP) drawn up between the IMF, World Bank and a country government for "soft" (concessional) loans. Originally conceived in the context of the Heavily Indebted Poor Country (HIPC) debt relief initiative, PRSPs are now envisaged as the centerpiece for policy dialogue and negotiations in all countries that receive concessional financing from the WB/IMF.

PRSP takes the form of a document that, in theory, is prepared by the country government and civil society including the poor—all under the supervision of Bank-Fund teams. Working in partnership, the actors are said to analyze the incidence, nature and causes of a country's poverty, who the poor are, and define strategies for overcoming poverty with specified policy and expenditure targets. Purportedly what is new, is the objective of achieving a strategy that will "locally generated and owned" and developed through "wide participatory dialogue" focused at both the micro and macro policy making levels.

Further, the PRSP process should also "encourage accountability of governments to their own people and domestic constituencies rather than to external funders" so that the "the poor become active participants not just passive recipients".

A South-South Inquiry

In order to test whether theory matched reality after nearly two years of practice, Jubilee South, Focus on the Global South (Bangkok), AWEAPON (Kampala) and the Centro de Estudios Internacionales (Managua) organized, with the support of the World Council of Churches, a series regional and country reviews of PRSP processes in Africa, Asia and Latin America.

The preliminary findings here presented are based on workshops held in each of the three continents including in-depth reviews and wide-ranging discussions with the principal actors involved.

FINDINGS

Continuity More than Change

1. In the name of poverty reduction, the World Bank and the IMF are seeking an expanded basis for sustaining externally driven structural adjustment plans. Our review of the actual PRSP processes confirms pre-existing doubts as to whether these processes represented fundamental changes in Bank-Fund programs and thinking. In every case examined the most important element of the PRSPs or interim PRSPs devised are the mandatory policy matrices. These orientations detail the now standardized Bank-Fund assortment of policy "reform" including

liberalization, privatization, fiscal and administrative reform, assets management. Fighting poverty becomes the newest justification for the aging prescriptions geared to increasing the overall opening of the “host country” to external economic actors and free market rules.

2. The IMF’s Poverty Reduction and Growth Facility (PRGF) speaks of concessional lending with an explicit focus on poverty reduction *in the context of a growth oriented strategy*. What this meant in practice was that while the various national actors were free to discuss poverty mapping, it became understood that the final document could not step outside the neoliberal free market “growth” framework guiding the “broad economic policies”.

3. Participants questioned whether the longstanding growth model and policies allow for real poverty reduction, let alone the poverty elimination goal set forth at the World Social Summit. Many viewed PRSPs as a model adjustment (more than a fundamental correction) so as to secure improved poverty administration and public relations gains in the light of much warranted criticism and evidence accumulated over the past decade. Critics pointed to spending and deficit targets—which in and of themselves generate unemployment. Multiple examples were also provided of how the standardized prescriptions—privatization, investment law liberalizations, promotion of trade, and the marketization of land and resources in general—diminished living standards and access to basic goods.

4. The obsession with growth projections remains unashamedly dominant in the WB-IMF poverty relief thinking. Research presented at the workshops indicated that growth and poverty reduction did *not* go hand in hand, a fact attributable to the model itself and not to some correctable administrative shortcoming. Programs are ultimately directed towards achieving the highest possible growth which is not necessarily the same as achieving the highest possible poverty reduction. Participants stressed that while high growth or simply growth (if it were the ultimate focus) may take the appearance of improved social indicators, it does not address inequality, growing rich/poor divides and often pushes some sectors deeper into poverty including undignified employment.

5. Reducing the discussion of poverty to poverty alleviation instead of the development model and economic globalization can be intentionally deceptive. There are a number of elements that are *not* included in PRSPs because they do not fit within the obligatory neoliberal parameters. Policy and political measures indispensable in many cases to effective poverty *and inequality* reduction mentioned included land and agrarian reform, progressive taxation, support for domestic markets and protection, food sovereignty, the protection of environment and labor vis-à-vis investors, assurances of social rights and entitlements, and other forms of governmental protection vis-à-vis the free market. In most official iPRSPs and PRSPs these elements did not appear even in the diagnosis, and if the poverty diagnosis is incorrect, so too will the emerging strategy. This is why we believe that the policy matrices that appeared in most PRSP processes seldom show a demonstrable connection with actual poverty reduction.

5 In all, Structural Adjustment logic and policy matrices essentially remain unchanged. As long as PRSPs and iPRSP remain faithful to those matrices, poverty will remain and indeed only increase. Evaluations carried out within the SAPRI process and elsewhere underscore the point, as does the testimony of grass roots organizations. The IMF/WB however reject and dismiss any such conclusions including those voice by the poor. All of which contradicts purported poverty-reduction objectives, not to mention the talk of transparency, national ownership and broad participation. Under the guise of reform, we witness a dangerous attempt to further entrench socially damaging economic processes. While the WB-IMF will claim that they and the PRSPs are open to modification and improvement, the policy matrices remain non-negotiable.

6 Some WB/IMF Officials do expose a willingness to “learn by doing” and make methodological corrections along the road, but insult is added to injury as the learning comes at the expense of people and nations taken as testing grounds for waging the changing fashions

and the nonchanging economic fundamentalism emanating from Washington and the so-called donor community with the accompaniment of well meaning but misguided INGOs. And what is worse, the so called learning process, continues to come at the expense of third world countries whose peoples and economies suffer as testing grounds for the Washington-directed donor community.

Ownership

7 When advising governments on PRSP preparation, Bank-Fund missions 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 provide the overarching frame of reference for discussion between the missions and government about the content of the PRSP. Ownership in this context is reduced to a rich big brother invitation to resource-starved national governments and CSOs to sign on.

8 Claims of national ownership and alignment with national plans are further confounded by Bank-Fund involvement and micromanagement of the PRSP process. Casting aside pre-existing national processes and development strategies, PRSPs often resulted in a further concentration of power and administration in IMF/WB hands. Discovering a new found expertise, Fund staff provided policy "advice" on "poverty-focused" fiscal management, structural reforms and prudent macroeconomic policies—in essence more of the same. Somewhat more imaginative, Bank staff offered Washington-generated wisdom on the design and costing of the poverty reduction strategy, sectoral strategies, institutional reforms, good governance, social safety nets, private sector development, etc.

9 There is no "national ownership" of the decision-making process, which is to say that ownership and eventual control is external. Upon completion, a PRSP (or IPRSP) had to be jointly assessed by Bank-Fund staff before submission to the Bank-Fund Boards for approval. While claims abounded that (I)PRSPs and national plans were nationally formulated, in most countries the policy environment was and is so dominated by the World Bank, the IMF, regional development banks and UNDP that who physically writes the policy papers is relatively unimportant. Most PRSPs are coming out noticeably similar in their poverty analyses and recommendations—unsurprising to both critics and defenders.

Conditionality and Debt Relief

10 PRSPs have grave implications for the economic sovereignty of low income countries or countries in serious financial crises. The IMF/WB now counts with new "leverage" in dealing with countries needy of debt relief and concessional lending. Having designated over 70 countries as "eligible" for debt relief once they meet a long list of requirements, the list became longer upon adding coming up with a PRSP as a added condition.

11 Donors and many NGOs initially subscribed to the notion of "insuring" that "debt relief savings" could benefit the poor. In practices, CSOs and governments came to complain, for different reasons, that the two dynamics—poverty alleviation and debt relief-- became intertwined, hopelessly confused and subject to different expectations. CSOs that considered the debt as illegitimate argued that there could be no conditions place on debt cancellation, and that only civil society should impose conditions.

12 Several governments took the deadline as an excuse to minimize the consultation and participation process, saying there was not enough time to secure participation and at the same

time meet the Washington's tight scheduling demands. In some cases, the rush was such that the IFIs simply took over the task of writing the PRSPs in a way that it would meet the approval of the Boards in Washington. Without a PRGF agreement, the HIPC Completion Point is pushed back to unknowable dates, and with it the debt relief by much of the Paris Club as well.

13 The short-term HIPC debt relief logic overtook a more long term and comprehensive possibility of a full scale participatory review of poverty. Given their overwhelming on the IMF/WB, HIPC and non-HIPC governments felt compelled to follow the prescription tune and go through the obligatory motions of civil society consultation, for which CSOs were supposed to appreciate. For this and other reasons, most of those consulted came to the conclusion that debt relief and poverty alleviation (HIPC and PRSPs) should be programmatically delinked.

Participation

14 There is no common understanding of civil society, consultation, ownership and participation. PRSPs are not based on genuine participation or ownership by the poor. The concern rather is with the semblance of participation based on the need to legitimize and modernize the neoliberal paradigm.

15 IFI conceptions of participation tended to be uniformly narrow. By and large, participation as originally conceived takes the form of inviting some Non-Governmental Organizations (NGOs) to offer their perspectives on a pre-prepared document. Where consultations were taken to the field, interpretation of those perspectives tended to be a selective value-laden exercise. In most cases, the failure to properly translate these perspectives to policy actions—not to mention local languages—insured that the discussions remained alien to the poor and their organizations.

16 In most cases, Washington-imposed timelines made it impossible any meaningful participation and transparency process to take place. Governments demanding concessional multilateral credits or HIPC debt relief were told by Washington to quickly prepare an “interim” PRSP for the consideration of the (IPRSP) for consideration by the Bank-Fund Board.

17 Externally sparked top-down participation tended to take the form of the participation of selected CSO in selected meetings with preselected parameters to discuss pre-existing plans. Outside the capitals, participation often took the form of workshoping and subtle co-option given the rushed timetable, the lack of preparation and the disparity of information. CSO representatives complained of not having counted with sufficient time and information to consult their constituencies.

18 Methodological failures further underscored the lack of IFI, and usually governmental, commitment to effective participatory process. The same pressures also undermine any serious effort to build new civil society-government relationships. Local level authorities also reported being marginalized. In several cases, CSOs virtually gave up on the official process and undertook their own consultation process. However while rushed official PRSP exercises contradict the notion of public ownership, the parallel ones consciously assumed the risk of generating recommendations that would not figure in the official PRSP document. In the final analysis, almost every government was more keen to hear from the IFIs than from domestic stakeholders who usually came into the discussions after the base documents had been drawn up.

Conclusions: The Price of “Engagement”

19 In some countries the PRSPs appeared to open up a space for CSOs to engage their governments and the private sector, and to deal directly with the World Bank and the International

Monetary Fund. Other CSOs however pointed out that engagement or “gaining a space at the table” was not an end in itself but involved a trade-off in which Government and IFIs already stood to gain through the much wanted image of citizen support for their strategies. But from the standpoint of the CSOs closest to the interests of the poor, the real issue was whether that space can be used effectively to challenge structural adjustment and structural and global injustice. Another question posed insistently in the various workshops was whether the CSOs are consciously or unconsciously diverting scarce human and organizational resources away from fundamental development and mobilization work, or giving confusing signals as to where they stand in regard to corporate-driven globalization.

20 Where civil society formations have achieved a certain degree of maturity, their advocacy traverses a wide spectrum of issues, and most often includes the advocacy of policies that directly challenge those prescribed by the IMF and the World Bank. Many concluded that where governments joined the IMF/WB in making economic reform prescriptions a non-negotiable matter, then the possibility of meaning of genuine participation, broad based consultation, citizen ownership and even democratic process were all being pre-empted.

21 In several countries, international donors and some INGOs flagged the “absence of civil society” as a major obstacle to development and an effective participation and consultation process. What they usually mean is the absence of CSOs or NGOs who are already familiar with, or can be taught the formal vocabulary of development, such as participation, planning, poverty reduction, sustainability and good governance. Often groupings posing the need, or engaging in, alternative thinking and action would not be considered sufficiently “civil”. In virtually every major discussion reported, the question appeared whether the resources and time expended by CSOs were not in fact being diverted from more pressing tasks, as NGOs become entertained and distracted by a new fad that eventually proves to an IFI public relations ploy, as many now consider HIPC to have been. Other CSOs reported being pressured by their donors and European partners to “participate” or risk their funding.

22 The IFIs, donors and some INGOs, by putting visible efforts into “capacity building” and “institutional strengthening,” are attempting re-form decision making processes in several countries. However such a process is far from, and may be contrary to, a genuine democratization and empowerment strategies and efforts. The wider the gap between policy making structures and acknowledgement of policy impacts, between participating NGOs and nonparticipating CBOs, the greater the divisions within civil society, and the easier it is for the Bank to push its programs. While PRSPs could help make governments more accountable and transparent, they were not, any more than advocacy itself, substitutes for grassroots mobilization or organizing.

23 Engagement around PRSP is not an end in itself, and eventually it has to be judged in terms of whether the present-donor designed poverty analysis and reduction strategy “template” gives way to a national and socially-owned one, particularly as regards decisions on macroeconomic policy choices and the consideration of causes of poverty that are external to the country, including systemic factors that do not let the donors, creditors, trade policies and multinational corporations off the hook. Participants questioned whether indeed growth had to come *before* poverty relief, and whether indeed the growth model (usually export oriented) was not also a poverty-reproducing one, particularly on account of structural and policy measures: privatization (particularly the privatization of such basic services as potable water), trade liberalization, cost recovery schemes for health and education, removal of guarantees or subsidies protecting some of the most vulnerable, rolling back of labor and social entitlements, rights, dependence on attracting foreign investment, etc) were not poverty-inducing measures. That growth model, shared by most governments, responded to the globalization perspectives of the IFIs and the World Trade Organization, and not those of the poor themselves more interested

in income distribution, land questions and equity in domestic and, increasingly, international power relations.

24 CSOs and religious associations in particular expressed the concern on over PRSPs as a forceful attempt of the IFIs to integrate alternative development (participation, civil society, national ownership, poverty concern) and even spiritual values into their traditional discourse and structures. This poses a distinct challenge to the original constituencies. There is first, an evident danger of language being used to legitimize and justify the continuation of failed poverty-producing policies and political frameworks. Such a danger poses the need to demystify and exposed the perverse use of concepts, as an indispensable step in the reclaiming of their original democratic meaning and social content. While IMF and Bank officials may sincerely claim to share the same values as their critics, the assertion is meaningless as long as those values are not operationalized at the level of institutions and policies.

25 Politically, PRSPs and IFI involvement at the level of civil society appears to be feeding a gradual, but growing segregation of local/national societies into those who can, and those who cannot participate in negotiations over poverty and development planning. Large numbers of people--particularly those who live in hardship conditions and/or have been socially and politically marginalized for long periods of time--are alienated from decision making processes that deeply affect their livelihood and future. This in turn erodes local political capacities for representation, negotiation and socially-rooted advocacy. For many PRSPs constitute an obstacle to development and democratization. By creating confusion and dispersion, false poverty reduction strategies will interfere with the building of the collective will, consciousness and capacity that is indispensable in order to identify and resist the unequal national and global power relationships that is the true root of poverty, impoverishment (and enrichment).

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