



Input for the PRSP Review Poverty Reduction and Participation¹

In September 1999 the World Bank and IMF launched a new framework called; Poverty Reduction Strategy Papers (PRSP), which has fundamentally changed the conditions for debt reduction and new loans from the international Financial Institutions (IFIs). Most developing countries are now required to draw up and implement national PRSP plans before debt relief and new credits can be granted. In short the relevant stakeholders need to negotiate national Development priorities and ensure that they live up to the following five built-in principles:

- *Country-driven*: with Governments leading the process and broad-based participation in the adoption and monitoring of the resulting strategy;
- *Results-oriented*: identifying desired outcomes and planning the way towards them;
- *Comprehensive*: taking account of the multi-dimensional nature of poverty;
- *Long-term in approach*: recognising the depth and complexity of the changes needed;
- *Based on partnership*: between Governments and other actors in civil society, including the private sector and the donor community.

The Danish Development Organisation Ibis welcomes the PRSP principles as an important way to create improvements of the living conditions through poverty reduction for the poorest sections of society. The same underlying principles have been promoted for years by the Danish Government. Danida's Strategy 2000 e.g. underlines that *"Denmark will support the Development of a sustainable national policy for poverty reduction in the developing countries based on in-depth analysis of the poverty challenge in individual countries and informed by respect for the resources, ways of life and strategies of the poor. Denmark will help these countries to build the capacity to draw up poverty analyses and strategies and promote popular participation in the Development process because participation is a right for both men and women, and because popular participation is one of the means through which poverty reduction is promoted"* (Danida: Strategy 2000).

¹ This short paper made especially for the World Bank and IMF Review of Poverty Reduction Strategy Papers, pulls together some of the key comments and conclusions that have been made in meetings and conferences organised by Ibis during 2001.

Experiences so far:

The implementation of PRSPs began in March 2000, so evidence of the impact is still somewhat limited. Nevertheless the general picture from the approx. 40 I-PRSPs and PRSPs that have been developed so far are not promising. Most PRSP processes have been rushed through in order to reach the decision point in the HIPC-initiative. Despite the rhetoric of participation in the PRSPs from the World Bank and IMF, **the national Governments has limited the scope of involvement of NGOs and civil society networks to mere consultations.** The national Governments are not yet willing to involve civil society in drafting the PRSPs. In some countries national networks and NGOs are consulted and the Governments carry out hearings at national and departmental levels. We have only seen few attempts by Governments to involve the poor or their organisations directly in a participatory planning process, and Finance Ministries, who are the drivers of these processes, does not involve non-ministries and very seldom local and national politicians.

On the other hand, IMF and the World Bank continues to have limited flexibility in the demands for conditionalities placed upon national Governments, and the strategies are remarkably similar to the old policies promoted in the Structural Adjustment Programmes and the Enhanced Structural Adjustment Facility. This includes privatisation, trade liberalisation, low inflation rates, reduction of income tax rates and a broadening of VAT, user-fees and a limited role for state regulation. **In practice, it is extremely difficult to see how the poverty reduction objective in praxis will impact on the policy formulation in the PRSPs and especially the macro-economic aspects of the PRGFs.** The World Bank has e.g. not adequately dealt with the tension between equity and poverty reduction on the one hand and economic liberalisation on the other - and until now the PRGFs have not been subject to participation or public discussions.

Both the national Governments and the IFI's are performing a lot of nice rhetoric about participation, but in reality Governments are getting away with consultative process and ignoring differing viewpoints from the civil society. **The donor community and the Governments almost always ignore alternative or additional PRS initiatives** such as the regional PRSPcito in Leon Norte in Nicaragua, the regional PRSP in Western Honduras, the national PRS of Interforos in Honduras or analyses of the macro-economic policies generated from the SAPRIN process. This exclusion is simply not acceptable.

Creating expectations and frustrations:

Although the I-PRSPs and PRSPs vary across countries, the processes have often been unsatisfactory and frustrating for South partners to engage in. It is the impression from our partners that **Governments and IFI's expect the civil society to play only a smaller and limited role in writing the poverty reduction strategies.** But on the other hand many South partners feel that there is a pressure on them to engage in the monitoring of the PRSPs in the implementation phase. This divide naturally creates a lack of ownership of the PRSPs among civil society groups and many partners find themselves completely excluded from the formulation process, e.g. due to problems as:

- Lack of information in an accessible language

- Lack of transparency.
- Limited funds for organising civil society meetings and hearings.
- Insufficient notice and time given to civil society participation.
- Many parallel processes and exclusion from important parts of the discussions.
- Participation is usually by invitation and is managed by the Ministry of Finance who has failed to involve important parts of Government and especially local Governments.
- Limited access to impartial analysis, produced by independent actors.
- Ignorance of alternative PRS models or analyses of the macro-economic policies generated in other forums, e.g. the SAPRIN process.
- General lack of capacity and networking in civil society.

Nevertheless, in some countries, new and valuable space for civil society involvement has been created. The crucial factor in the future PRSP processes will be the political will to involve civil society groups in a genuine dialogue. **But the poor people themselves also have a responsibility for using this opportunity to broaden the scope of influence over their own lives.** Most of Ibis partners have decided to use this opportunity to their level best.

From the support to civil society organisations undertaken by Ibis in varied countries in Africa, Central and South America, perhaps the most important factor defining the processes is to what extent the PRSPs are building on local processes already initiated before the PRSP concept was launched. **In countries like Ghana and Bolivia the PRSPs has been developed on the basis of national processes of planing and dialogue, and therefore the PRSPs have the potential to build on these existing national processes, which perhaps will influence positively on the level of civil society participation.** In countries without already existing poverty reduction processes, the PRSPs are on the one hand a window of opportunity for civil society participation in national planning - but on the other hand a process the national Governments has been forced into under pressure from the donor community. But as we have learned from history such outside pressure cannot create participation overnight.

Macro-economy:

“The PRSP/PRGF framework can be compared with a ram-shackle house with an entrance of gold. Everybody is looking at the nice door - but not on what is behind it. It is a tool for social control, where you try to pull down a curtain in front of people’s eyes turning them into a partner with a participatory role”, participant in the International PRS seminar about Poverty Reduction and Participation in Copenhagen April 23 – 26, 2001.

The experience of Ibis partners is that the macroeconomic framework and the PRGF are as closed as usual. Despite the rhetoric from the IFI's the PRGF is not subject for discussion. The PRGF is still disconnected from the PRSP process, even though the macro economic framework and the policies followed not only sets the budgetary limits for poverty reduction, but also in it self, has often server negative consequences for the poor. One could easily make the conclusion that; **social policies are for NGOs, Social Ministries, and the World Bank - while macro-economic policies are for the Finance Ministries and the IMF.** Farmers or workers organisations, and CSOs and NGOs even less, are not supposed to have any sound views on macro-economic policies, because

they are not economists, do not manage the jargon, are talking from the local micro level and do not master macro-economic policy skills.

"If we try to work in a big group, let's say CONPES, to discuss for instance reserve targets, fiscal targets etc., it would be a waste of time. The technical knowledge of those groups does not correspond to what is needed to develop a programme. Therefore our priority is to negotiate with our counterpart, which is the Government. You cannot develop a macroeconomic programme with a group of 50", Joaquín Harnack, IMF Representative in Nicaragua².

Even worse, there are no signs of change towards a more pro-poor economic model. The PRGF is building on the same economic models as the former ESAF. The macro economical model is formulated from a global perspective of organisations like IMF and WTO instead of taking the point of departure in national priorities and strategies formulated in a national plan for reducing poverty. Issues like opening up a country's market, privatisation of state enterprises, liberalisation of service delivery etc. are tackled from the perspective of an ideological biased international economic system instead of the perspective of the needs of the poor. This creates a lot of frustration over the limited room for dialogue about alternative economic policies, which supports the argument of many NGO's that the whole process is nothing more than a PR exercise for traditional IMF and World Bank policies, at least regarding the economic policy.

To make the PRSPs work, the IMF and the World Bank has to acknowledge that they can learn a lot from the poor. The main goal of the PRSP processes must be to broaden the understanding of what makes poor people poor and what keeps them poor - and present alternative pro-poor strategies, e.g. income distributing policies instead of economic growth. **Civil society is undoubtedly the most important source to knowledge and perspectives on poverty, marginalisation and vulnerability, and their personal experiences combating poverty should become an important tool in designing local and national poverty reduction strategies.** Without their insights one only knows part of the causes of poverty. In general the poverty debate must become less technocratic and appreciate the depth of political changes needed to make the poverty reduction goals more attainable. Acknowledging the difficulties in this, an immediate objective will be to advocate for a real subordination of the PRGF to the PRSP.

Opportunities and lessons learned:

It is important to acknowledge, that the PRSPs is not an end in it self, but a means for increasing the influence of the poor - and an instrument to potentially change politics in a pro-poor direction. In some countries the PRSP processes is a continuation of local political struggles, but could also open new opportunities and create new alliances. In other countries the PRSP processes have for the first time given civil society a space for influencing national planning and poverty reduction and has created a room for dialogue, due to the outside pressure on the Governments.

² Cited from the Ibis paper: The PRGF, conditions, participation and ownership - The Nicaraguan Case: November 2001.

Therefore the PRSP approach also puts new challenges on both the national Governments and civil society and give rise to conflicts of interest, with possible negative effects for the poorest and marginalised. Whether the PRSPs will translate into deed, still remains to be seen. But potentially the PRSPs could bring many new opportunities, which could improve the situation for the poorest and have a major influence on poverty reduction, e.g. by:

- Putting poverty reduction objectives at the centre of Development policies in North and South.
- Creating a window of opportunity in undemocratic regimes to increase the external pressure for openness, democracy and increased civil society involvement.
- Better co-ordination of Development aid and a more coherent poverty eradication.
- Strengthening of South Governments and poor people's influence over local, national and international policies.
- All policy aspects, including the macro-economic reforms, will be debated more openly in public.
- Increased knowledge in the North and the South of the social impact of economic conditionalities and economic policies from the IFIs.
- Increased focus and advocacy for poverty reduction, growth with equity and alternative Development models, including fair trade.
- The new participatory poverty reduction approach becomes a model for other international policy forums, e.g. the World Trade Organisation.

However there are also risks arising from the PRSPs. The plans may pave the way for poor countries to draw up their own Development priorities with focus on poverty reduction, but there is also a risk that civil society involvement will have a legitimising role on non-poverty reducing policies and in practice support undemocratic Governments scope of work. **There is certainly a danger that the PRSP processes will be unsatisfactory for South partners to engage in, if their opinions are not reflected in the final document and the process.** Ibis' partners have highlighted the following issues. as a risk for civil society when engaging in the PRSPs:

- The PRSP process can become a rubber stamp on non-poverty reduction policies.
- Non fulfilment of expectations can create frustrations among stakeholders.
- A non-meaningful participation can be worse than non-participation.
- The PRSP can end up having no influence on the PRGF.
- Civil society can't support arguments with well-documented research.
- Civil society lack knowledge on macro-economic planning to influence the PRGF.
- Civil society does not manage the macro-economic jargon, and is not taken seriously.
- Civil society lack alternative economic Development models.
- PRSP is about internal politics - and move focus away from external politics (e.g. trade).

Also, it is becoming increasingly evident that the rich countries would have to make much more progress on debt relief, better market access, abolishment of export subsidies, as well as increased Development aid and technology transfers, to ensure the necessary funding to fulfil the PRSPs. While Denmark is (still) one of the more progressive nations on

finance for Development, there is an urgent need to increase the global commitment on these issues.

The case of participation in Bolivia:

Bolivia has been highlighted as a showcase of a good participatory process leading to a quality strategy. However, in reality the poor themselves haven't been participating in the process and the NGO's that did participate in the process recommended to the Boards of the World Bank and IMF not to approve the strategy.

The official participation process in Bolivia took place through the National Dialogue in June-August 2000. But this process was essentially a process of consultations within the state system with a very limited role for the civil society organisations and no role or efforts to consult the poor directly, the real experts on what is needed to fight poverty. Moreover especially the indigenous peoples and their organisations didn't participate in the dialogue, all though the 2/3 of the population in Bolivia are indigenous people and they are far the poorest part of the population.

The civil society organisations were very sceptical towards the Government's National Dialogue, and therefore decided to sponsor a similar process called the Foro Jubileo 2000. It took place in February-April 2000, before the official dialogue and with the purpose to give the civil society a better voice in the process and to influence the official dialogue by preparing participants in the official dialogue.

However, the civil society organisations found that the suggestions and proposals of the Foro Jubileo 2000 and the National Dialogue were not reflected in the PRSP. The PRSP were drafted in a non transparent manner and the first draft of the final PRSP was received by the civil society through the German Ministry of International Development, which indicates that the draft was consulted with the international donor society before it was consulted with civil society. The civil society organisations felt that the ownership of the strategy by the Government of Bolivia was weak, and that the Bank and Fund tried to dominate the process, a viewpoint the informal network of twelve bilateral donors supports, when they in their self-evaluation of their contribution to the PRSP process writes, that *"the Network pushed for greater ownership of the PRSP by the Government of Bolivia, as opposed of being totally dominated by ideas of the multilateral agencies and drafting by them of the document"*.

The macro economical framework of the PRSP and the PRGF has not been part of the consultation process. Many civil society organisations have given written inputs relating to the macroeconomic content of the strategy, but neither the Government nor the multilateral agencies were willing to discuss these issues. As the bilateral network writes in their self evaluation, *"That unlike the World Bank, the IMF was less interested in poverty related topics and in exchanging relevant views with the donor community."* The macro economical framework of the strategy is similar to the traditional structural adjustment programmes, which haven't contribute positively to the eradication of poverty in Bolivia. And IMF has forced through its economical perspectives without trying to measure the impacts on the poor.

Finally the Bolivian Government presented the PRSP for the Boards of the Bank and the Fund. In June 2001 the Boards approved the strategy on the basis of a positive joint staff assessment. The Boards didn't take into account that more than 100 Bolivian civil society organisations in a letter to the Boards disapproved the strategy and urged the Boards not to approve it. Nor did the Boards listen to the critique from the bilateral network and their assessment of the strategy. The Network writes in its self-evaluation that, *"In the bilateral assessment, the Network raised some critical issues and asked for caution when approving the PRSP. Despite this, head office officials and country Executive Directors (In the Bank and the Fund) endorsed the PRSP enthusiastically...It also seemed that the Executive Directors listened more to the World Bank and IMF staff than to in-country representations."*

Reference: Bolivia Bilateral Cooperation Network on the PRSP: a Self-evaluation of our efforts.

Capacity needs in civil society:

Active civil society involvement in the PRSP processes cannot be taken for granted and extensive support and encouragement will be a crucial condition to successful processes. Although the span of civil society organisations is huge, many of them can be characterised by a lack of technical, financial and political capacity to articulate matters. Among the needs that have been identified by Ibis' partners are;

- Economic literacy and a basic capacity to analyse and engage with Government.
- Budget analytical skills for the planning and monitoring process.
- Capacity to design and conduct policy-focused research.
- General capacity in lobbying, advocacy and networking.
- Dissemination of relevant information.
- Funding and technical assistance to a decentralisation of the PRSP process, with focus on a regional outreach.
- Methodology and information sharing nationally and regionally.
- Regional co-ordination and policy networks.

Two concrete proposals for the Review:

Firstly, we would like to welcome the World Bank and IMF initiative to review the new Poverty Reduction Strategy Papers approach. But we also need to take forward the frustrations of partner organisations, who wanted to - but wasn't able to produce a comprehensive input on the short notice given. This fact must be taken into consideration during the review process and Ibis proposal would be to approach civil society organisations in the South, who are actively involved in their local or national PRSP processes - but has not delivered any input to the review process. The review needs to examine the reasons why civil society organisations in the South have not been actively involved in the review.

Secondly, participatory approaches can increase the quality of information at policy makers' disposal, thereby contributing to more effective poverty reduction strategies and disclosure hitherto non-addressed dimensions of poverty. Therefore PRSPs presented for the donor community without broad participation in all phases of the planning and implementation of poverty reduction should not be approved. It is Ibis' recommendation that all issues regarding poverty reduction shall be open for public debate, not least the macro economic framework and the PGRF programmes from the IMF. Our proposal would be to make Governments certificate the participation of civil society in an annex in the PRSPs and also make them indicate how the participatory process has influenced the document.

References:

- Seminar Report - International PRS seminar about Poverty Reduction and Participation in Copenhagen (April 23 – 26, 2001).
- Poverty Reduction Strategies: Support to capacity building of civil society and participation in poverty reduction planning and analysis of macro-economic policies from a poverty perspective (June 2001).

- The PRGF, conditions, participation and ownership - The Nicaraguan Case: November 2001
- Final declaration from "Conference on Country Strategies for poverty reduction and macro-economic policies" (San Pedro Sula, Honduras, 15-18 October 2001).

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