

Aid and Poverty Reduction Strategies

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New approach, same old attitude

Under constant pressure for change, a year ago, the IMF and the World Bank modified the way they approach their programmes in low-income countries. For all those countries eligible for World Bank International Development Association assistance, or those with an IMF Enhanced Structural Adjustment Facility (ESAF), there would be a new way of doing business. There were three pillars of this new approach:

- ◆ The Poverty Reduction and Growth Facility (PRGF), denoting a shift that puts poverty reduction at the centre of Official Development Assistance, would replace ESAFs.
- ◆ Eligible countries would be required to draw up, in a participatory manner, poverty reduction strategies, summarised in national Poverty Reduction Strategy Papers (PRSPs) for endorsement or approval by the joint Boards of the Fund and the Bank.
- ◆ PRSPs would be directly linked to the enhanced highly indebted poor country (EHIPC) debt relief initiative in at least three ways. Firstly, governments would have to develop Interim PRSPs in order to enter EHIPC, and receive some relief on debt servicing, and develop full PRSPs in order to benefit fully from debt relief (reach Completion Point). Secondly, the PRSPs would have to show clearly how savings from debt relief would be spent on poverty reducing activities. Thirdly, PRGF negotiations are used by the IMF as a requirement for entry into EHIPC and a way to obtain compliance with a wide range of reform conditionality.

According to its originators, the new approach is supposed to denote a fundamental change in the way the twin Bretton Woods institutions would operate in low-income countries. For, in theory, poverty reduction strategies would now be 'home-grown' – government-led, country-owned and poverty-focused, ensure civil society participation in policy design and implementation. Ownership is a central tenet of PRSPs because the IMF's external review of ESAFs noted that three-quarters of ESAF arrangement went off track, partly due to ownership problems¹. The rationale for enhancing ownership is also stated in the World Bank's *Strengthening the Effectiveness of Aid: lessons for donors*,

"Typically, assistance programmes that the recipient country perceives as being imposed end in failure or have only a small development impact. Governments and beneficiaries do not feel they have a stake when they have not contributed to the development of a programme. Further more, 'home-grown' programmes may be more effective in incorporating institutional capacity, reflecting the needs of different domestic constituencies and addressing constraints".²

If PRSPs were meant to be an attempt by the IMF and the World Bank to move away from past practice, early critical assessments point to the contrary.

- ◆ The PRGF is largely a change of name, not of substance. Past failures of ESAFs are not openly acknowledged and

¹ Oxfam International (March 2000) *The PRSP: Rhetoric and reality*

² The World Bank (1995) *Strengthening the Effectiveness of Aid: Lessons for donors*.

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broken with cleanly. The basic model is still intact, as is the aid power structure with all the conditionality. Effective decision-making, veto power and 'seal of approval' all remain with the IMF.

- ◆ While there is consensus that ownership of policies and programmes increases the chances of success, in essence, PRSPs are not 'home-grown'. They are imposed (are not optional) from Washington, and have to be endorsed or approved there. Without external funding, PRSPs are not affordable using domestic resources, at least in the short term.
- ◆ Participation means different things to different stakeholders. In essence the speed with which Interim and full PRSPs have to be developed militates against meaningful participation, particularly by civil society actors. Many Governments see consultation ('Here is what we plan to do, validate it.') as synonymous with participation ('What do you want us to do?'). Experience from different countries shows that many governments are consulting briefly with civil society rather than implementing a participatory process. Meetings are held with little notice and with no time to review and internalise documents. There is even a sense of fatigue in some countries where civil society feels that the IMF/World Bank and governments make key decisions without their effective input.³ As one 'participant' put it, "you participate, they decide". This has led commentators to conclude that PRSPs are a way of getting recipient country policy makers not only to do what IMF/World Bank recommend, but also to believe in it. The Bank and the Fund

³ Oxfam International (March 2000) *The PRSP: Rhetoric and reality*

want to shift blame for future (but certain) failures of these programmes to governments and civil society.⁴

- ◆ Participation and ownership are now mandatory for PRSPs, and therefore a condition for their endorsement. But they are processes that are dependent on other complex factors such as participatory politics and good governance. Where these processes are weak, insistence on participation and ownership slows down, rather than enhancing the debt relief process. As a result, of the 80 eligible countries, only 14 are on course to get some of the US\$100 billion promised in debt relief in Cologne by the G7 countries and a maximum 20 are expected to complete the process. The rest have been 'slowed down' to a halt⁵.
- ◆ PRSPs approach low-income countries individually rather than collectively (or at least regionally) despite the fact that what happens in one country impacts on its neighbours.

Potential for shared ownership: the case of Uganda

In May 2000, Uganda became the first HIPC to have a full PRSP approved by the Boards of the IMF and World Bank. This was possible because of, among other things, five main factors:

- ◆ The country already had a comprehensive Poverty Eradication Action Plan (PEAP), published in 1997. A summary of the Revised Version of

⁴ Helleiner, G.K. cited in Nyamugasira, W. (2000) *Aid Conditionality, Policy Ownership and Poverty Reduction: A Southern Perspective of Critical Issues, Constraints and Opportunities.*

⁵ Conversation in Kampala between the author and Clare Short, British Minister for International Development, cited in Nyamugasira, W. (2000) *ibid.*

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this was submitted as the full PRSP. The PEAP also served as the country's Comprehensive Development Framework.

- ◆ The process through which the original PEAP had been developed allowed for the development of open working relations between the Government and its development partners (civil society and the donors), making participation in the PRSP that much more feasible.
- ◆ National Development Partners and the World Bank staff were motivated by and rallied behind the goal of the country receiving debt relief under the Enhanced HIPC initiative as soon as possible, despite the very limited time-frame.
- ◆ Government and its development partners had already succeeded in setting up a transparent Poverty Action Fund, using debt relief savings from the first HIPC initiative. This created the confidence that additional debt relief savings would be put to good use in reducing poverty.
- ◆ Uganda's macro-economic performance has made it a best-case scenario. Therefore, it is a 'strategically' important country to the IMF and the World Bank in proving to themselves and others that their model is working.
- ◆ Civil society had the opportunity to organise, to participate effectively, including seeking the voice of the people fairly widely in a short space of time. A small technical team conducted consultations with civil society representatives in 42 of the 45 districts of Uganda in less than two months.
- ◆ Civil society saw their participation as a continuous process in which what was not achieved during the current round

would become an objective for future participation.

In Uganda, therefore, it is generally accepted that the process of agreeing the PRSP has been a very strong one, building on a track record of participatory approaches and with the civil organisations generally positive about the outcome. A number of civil society recommendations have been incorporated into the PRSP, including a strong emphasis on governance, greater discussion of peace-building as an option for resolving conflict, and disaster preparedness and mitigation. Other additions include increased funding of adult literacy, elimination of tax on bicycles and exemption of agricultural inputs from VAT. An evaluation of the exercise shows that, already, the revised PEAP is more widely known and appreciated than most other Government plans where civil society involvement was minimal. Summaries of the PEAP are to be translated and circulated widely. However, there are concerns that civil society participation in policy planning and implementation is not yet formalised in a legal framework, or fully institutionalised. It relies on the goodwill of government officials and could, therefore, be summarily withdrawn.

Despite any shortcomings, there has been latitude for Uganda to come up with a Poverty Reduction Strategy, or in fact to build on an existing strategy that it owns. For proactive countries in such a category, PRS can be a way for Government to reclaim leadership and ownership of its development agenda, as well as leadership of the process of dialogue with its development partners. As Uganda's Permanent Secretary/Secretary to the Treasury put it:

“Once common objectives have been established through [an] open and

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*consultative process, donors must accept government's leadership and adjust their own strategies to the government strategy. There should no longer be a need to develop 'parallel' programmes with bilateral or multilateral donors. Where such documents are required by the parent country or institution, these should issue out of the government's national development framework, namely, the PEAP."*⁶

Uganda is moving towards evolving a coherent donor support framework to the overall budget rather than to individual projects and sectors, as was the case in the past. Part of this is addressing the issue of donor conditionality among its partners. PEAP will have a volume dealing with donor conditionality. In the meantime Uganda has developed Partnership Principles, which are already agreed with the donors and which could start to replace imposed aid conditionality. They state a shared commitment and the responsibilities of the Government on the one hand and of donors on the other.

Elsewhere in Africa, the experience of civil society participation in the formulation of PRSPs has been mixed. In Zambia, the process is only just getting underway, with civil society actors developing a parallel interim PRSP that may or may not be taken into consideration by the Government. In Malawi, the Interim PRSP has already been fully developed with minimal civil society involvement. Non governmental bodies fear that the development of the full PRSP will be taken forward too quickly, undermining the process of public ownership.

In Kenya, the Government developed the Interim PRSP that was considered by civil society to be a step in the right direction. A number of consultations were held with a

fairly wide range of stakeholders and drafts widely circulated in advance for comment. Time was allowed for civil society groups to undertake analysis and provide feedback. A national forum was held where civil society benefited from the Uganda experience. The challenge will be the effectiveness of the wider consultation to be undertaken by Government for the full PRSP.

In Tanzania, there has been a wide process of consultation, including regional meetings across the country. However, civil society organisations complain that many of the consultations have been very hurried. Most consultations were conducted on the same day across the country without prior access to the necessary documentation, stretching civil society to the limit. While strong consensus on priorities emerged, there has not been comparable agreement on the necessary strategy to achieve them. If key decisions are made in this document, civil society feels it might lose out.

Conclusion

PRSPs are of some, but limited, value. They do not address fundamental questions about the way donors relate to aid recipients. But where conditions are right, they are a step towards the generation of consensus on priorities for human development and the strategies necessary to achieve them. All stakeholders should work towards a participation that enhances rather than slows down the debt relief process and towards shared values endorsed by the representatives of all development partners – a kind of joint seal of approval.

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⁶ Government of Uganda, cited in Nyamugasira, W. (2000) PRSPs - The Uganda Experience