

**Participation as the means to  
assess effectiveness of the  
Poverty Reduction Strategy Paper  
for Pakistan**

*IPF Research Paper*

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## 1.0 Introduction

The need for participation has been explicitly acknowledged for its role in improving the efficiency of internationally funded poverty reduction strategies. Increasingly the donor community, particularly the international financial institutions, have begun to emphasise the value of participation. As a result new concepts have been proposed to put participatory efforts for poverty alleviation into practice. 'Local ownership' and 'sector-wide approaches', varying arguments for 'pro-poor growth' and even the approach espoused by the 'Poverty Reduction Strategy Papers' (PRSPs) are offshoots of this given imperative.

The PRSP approach has been specifically encouraged by international financial institutions like the World Bank and the International Monetary Fund (IMF) to help enhance effectiveness of poverty alleviation attempts. The PRSP approach claims to provide ownership within countries to ensure that aid is coordinated, that a country's economic policies are under its own control, and that there is pro-poor growth in a way which is specifically useful to that country. However, real ownership requires that the poor, and those working with the poor, also be involved in the process of strategizing to make sure that help from outside is coordinated accordingly. Yet evident cross-sections from across developing and developed countries have remained unsatisfied with the amount of participation in the PRSP process. Before making any judgments in this regard, it is necessary to determine what the essential ingredients of participation in the PRSP process are meant to imply in the first place. Moreover, instead of discrediting the PRSP process altogether, it is more meaningful to assess which developing countries have been able to achieve what type of participation within their individual PRSP formulation processes, since this collated assessment can improve the quality of analysis, highlight lessons learned, and provide recommendations to enhance local ownership of international development in the future.

To see what real life issues and hurdles emerged during the consultative processes instigated by the PRSP process, this paper proposes to draw upon a range of secondary sources to highlight examples from several countries which have formulated PRSPs, including Pakistan. But prior to focusing on the PRSP formulation process itself, it will be useful to gain cognizance of the history of international financial institutions and the conditionalities typically attached to their lending programmes. The need for, and the implications of, creating country ownership and infusing a participatory approach by internationally funded development processes will also be identified. Thereafter, the actual experience of formulating PRSPs will be taken into account to draw conclusions concerning the experience of participation in the PRSP process at the international, and country specific, level.

## 2.1 Brief History of International Financial Institutions

By the end of the Second World War, many countries of South American, African and Asian continents were able to free themselves from colonial domination. Yet, the task of removing the prevailing deprivation from their midst has proven much harder. Economic mismanagement and corruption created burgeoning budget deficits and glaring disparities within these newly independent poor countries. Then the rising oil prices in the late 1970s which had sparked a global economic recession, led to a seemingly insurmountable debt crisis across much of the developing world. It was at this stage that many developing countries were compelled to undertake structural adjustment to qualify for desperately loans from international financial agencies like the World Bank and the International Monetary Fund (IMF).

According to World Bank records, 144 adjustment lending operations were undertaken in 53 poor countries between 1980 and 1993.<sup>1</sup> These statistics implicitly reveal the influence that the World Bank and the IMF have begun to yield in developing countries. It is also important to realize that a set of prescribed conditionalities have also accompanied the above mentioned loans. The World Bank justifies the need for conditionalities associated with lending by maintaining that such reforms have been prescribed to help stabilize economies of developing countries by reducing government expenditures and putting in place measures to increase their revenues.<sup>2</sup> The World Bank views conditionality as a credible indicator of commitment by the World Bank and its partners to support a mutually agreed reform process, not an attempt to force externally designed policy changes on unwilling governments.<sup>3</sup> The conditionalities prescribed by the World Bank and the IMF are widely known as the 'Washington Consensus', and the standard policies implied by the Washington Consensus have included fiscal discipline, tax reforms, including the broadening of the tax base, secure property rights, deregulation, trade liberalization, privatization and elimination of barriers to foreign direct investment<sup>4</sup>:

The adherence to the 'Washington Consensus' by both the World Bank and the IMF has led to a strong emphasis on the need to promote growth. Privatization, for example, is meant to remove industrial ownership by the state, with the goal of providing better management to privatised firms and of strengthening the market by removing unfair competition that is a financial burden for the state. Reform of the tax system aims to bolster the economy by creating or strengthening incentives for investment and marketisation and implies introduction of the market into the public sector; for example in education, health care and housing.<sup>5</sup> Based on the assumption that both developed and developing countries would potentially benefit by focusing on production and export of goods in which they have an existing advantage, protectionist tendencies of the state have been strongly discouraged and liberalisation of the trade regime is considered a win-win situation for both exporting and importing countries.<sup>6</sup>

Yet the effects of these growth led policies on poverty itself have not been positive. According to Joseph Stiglitz, for example, a Nobel Prizing winning economist and former Senior Vice President and Chief Economist at the World Bank, “We have seen how trade liberalization accompanied by high interest rates is an almost certain recipe for job destruction and unemployment creation - at the expense of the poor. Financial market liberalization unaccompanied by an appropriate regulatory structure is an almost certain recipe for economic instability - and may well lead to higher, not lower interest rates, making it harder for poor farmers to buy the seeds and fertilizer that can raise them above subsistence. Privatization, unaccompanied by competition policies and oversight to ensure that monopoly powers are not abused, can lead to higher, not lower, prices for consumers. Fiscal austerity, pursued blindly, in the wrong circumstances, can lead to high unemployment and a shredding of the social contract.”<sup>7</sup> Stiglitz<sup>8</sup> himself became a strong advocate of using IFI policy instruments to pursue the objectives of sustainable growth and poverty reduction through greater public management of economic processes. While advocating the interconnectedness of economic and social development goals, Stiglitz has stressed the need for greater transparency and accountability in both the corporate and government sectors, instead of relying entirely on the market mechanism to achieve optimal social outcomes.

In 1997, the World Bank itself supported formation of the Structural Adjustment Policy Review International Network.<sup>9</sup> This network in turn facilitated NGOs in six borrowing countries to engage in adjustment policy debate and research. In collaboration with participating governments, multi-stakeholder committees were formed. Studies undertaken by this network further highlighted the need for greater country ownership of reforms being prescribed by the World Bank and the IMF. The subsequent endorsement of the Poverty Reduction Strategy Papers (PRSPs) was therefore meant to address many of the problems resulting from structural adjustment reforms initiated by the Washington Consensus.

## **2.2 Introducing the Poverty Reduction Strategy Papers (PRSP)**

The PRSP approach explicitly recognizes the need for greater country ownership and participation in policies meant to alleviate poverty. The Poverty Reduction Strategy Papers (PRSPs) are the most concrete and widespread manifestation of international development agency efforts to increase country ownership. PRSPs explicitly incorporate participation into the IMF and World Bank lending framework for poor countries. As indicate in the above section, PRSPs follow a long history of concern with participation in the development community, which spans nearly four decades. Starting with a series of high-level declarations of support for ‘popular participation’ by international development organisations in the 1970s, to the re-orientation of bilateral aid projects towards ‘customer focus’ and ‘stakeholder participation’ in the 1990s, the concept of participation has increasingly been mainstreamed in the policy dialogue.<sup>10</sup> The PRSP approach was itself officially introduced by the IMF and the World Bank at their Annual Meeting in Washington in September 1999. PRSPs are intended to become the

basis for all foreign aid to poor countries. By April 2006, -- countries have adopted a PRSP approach.<sup>11</sup>

The IMF and the Bank have also renamed their lending facilities for poorer countries. The World Bank has replaced the term 'adjustment lending' with 'development policy support lending' to signal the eventual shift of structural adjustment from a short-term macroeconomic focus to a longer-term developmental and institutional focus.<sup>12</sup>

This paper will focus on the experience of formulating PRSPs in a range of developing countries, including Pakistan, to assess the degree of participation in their formulation process. But prior to doing so, it is necessary to take a closer look at the conceptual issues like that of country ownership, and of participation, which have provided the very premise on which the PRSP approach is based.

### **2.3 Issue of Country Ownership in the PRSP Process**

Country ownership of the PRSP process is supposed to be multidimensional, so it can accommodate a number of possible definitions. The PRSP is supposed to be based on the needs and priorities of an individual country rather than those of external partners. Therefore a good PRSP is primarily meant to bring about a broad agreement within the country's executive on country priorities, to maximize poverty alleviation. Ideally, the sense of ownership is supposed to generate support for the PRSP amongst the country's national institutions including the parliament and local governments, and internal partners such as civil society organizations. A growing body of literature on the definition of country ownership emerging from the World Bank itself, implicitly or explicitly, recognizes these dimensions of ownership.

The IMF has defined ownership as a willing assumption of responsibility for an agreed program of policies by officials in a borrowing country who have the responsibility to formulate and carry out those policies, based on the understanding that the program is achievable and is in the country's own interest.<sup>13</sup> Thus, ownership should reflect the extent to which a country is committed to the reform process, independent of any incentives that development assistance agencies might provide. Ownership materializes when a majority of the population or their representatives participate in the formulation of a national development strategy, identify its goals and elements, and will participate in implementation and ongoing strategy development.<sup>14</sup>

However, there are conceptual questions concerning what national ownership is meant to imply. For example, is ownership a matter of governments' increased contributions to policy design and consequently changed perceptions, or that of civil society, or some combination? From the point of view of the democratic legitimacy of the process, it is vital that a democratically elected government must be involved in this process. Civil society, on the other hand, has an important role in helping form and check on government policy, but it does not

necessarily have an independent right to determine policy. But in places where democracy is limited, or non-existent, there is a special need to involve civil society to ensure popular participation in the process. In general, including civil society in the process is likely to be important, in both democracies and non-democracies, if perceptions of national ownership are to be enforced, and if implementation is to be improved.<sup>15</sup>

Nonetheless, the precision of definitions poses less of a problem than their practicality: it is much more difficult find a definition of country ownership that is operational and empirically verifiable. As more and more countries prepare and implement PRSP, there is an evident lack of clarity about what the milestones are that ownership is expected to achieve. Because identifying tangible milestones in this regard remains subjective, and the results of ownership implied by them difficult to assess, participation itself has often been used as a proxy for country ownership. Thus, participation itself is another concept which deserves closer attention within the specific context of formulating PRSPs.

## **2.4 Issue of Participation in the PRSP**

Participation has been used to mean different things in different contexts. One important distinction is whether it is to be interpreted to provide some measure of control over decision-making, or whether it simply requires rudimentary levels of consultation, where little decision-making powers are delegated.<sup>16</sup> An instrumental approach views participation as a means for improving implementation, efficiency and equity. An empowerment approach to participation on the other hand values the process of increasing participation as an important end in itself. At a minimum, participation requires that individuals and groups are involved in some way in the decision making process.

In effect, participation is the process by which stakeholders influence and share control over priority setting, policymaking, resource allocations, and/or program implementation. There is no obvious framework for participation because it plays a role in many different contexts and for different purposes. Participatory processes in developing countries have often tended to take place at the microeconomic or development project level. Although these attempts have become increasingly innovative as methods become more established and sophisticated. But to achieve participatory outcomes at the macroeconomic level, as is the requirement for the PRSP process, it is necessary to use participatory approaches at both the microeconomic and macroeconomic levels in a complementary manner. These complementary approaches can entail several elements, such as an outcome-oriented participation action plan, a public information strategy, and multi-stakeholder institutional arrangements for governance. Another type of participation is Participatory Poverty Assessments (PPAs), which are aimed to ascertain what the poor themselves believe about their condition. In this case, it is poor people who participate. The World Bank<sup>17</sup> has classified participation according to four levels of intensities: (1) information-sharing (2) consultation (3) joint decision-making and (4) initiation and control by

stakeholders. At one end lies information sharing that involves limited decision making powers but potentially important knowledge transfer and generation. At the other lies initiation and control with a high degree of citizen control over decision-making. Consultation only enables participants to express opinions, but they are not guaranteed that their perspectives will be incorporated into the final product. Joint decision-making allows participants the shared right to negotiate the content of strategy. But the boundaries of these different classifications are of course not clear-cut. Governments and development assistance agencies are now giving more attention to institutionalizing participation, and particularly to establishing permanent mechanisms for government-stakeholder dialogue. The PRSP process is cited as the most visible example of this trend.

In view of the above considerations, participation in the PRSP context should be defined as the process through which stakeholders influence and share control over priority setting, policymaking, resource allocation, and access to public goods and services. To assess the quality of participation in the PRSP process, it would be necessary to focus on the inclusion of all stakeholders in the PRSP process, as well as within government at all levels.<sup>18</sup> It is important to realize that the PRSPs are different from other approaches to participation, being centrally concerned with policy. The selection of groups, how representatives are chosen and how capable they are constitute important factors influencing the legitimacy as well as the effectiveness of the process. In its *Source Book for Poverty Reduction Strategies*,<sup>19</sup> indicate that the World Bank envisages participation in PRSPs to be a process where participants should be able to influence policymaking and set agendas, as well as determine budgets and oversee implementation. The World Bank's vision of the participation also seems to favour a widely inclusive process involving extremely broad sectors of domestic society, not only marginalized individuals, but also relevant representative institutions and umbrella groups. The extent of national ownership and empowerment is greatly affected by such considerations, as the World Bank itself recognizes, but securing this level of participation in practice has remained a big challenge.



### **3.0 Assessing Ownership and Participation in PRSP Processes<sup>20</sup>**

The approval of PRSPs is conditional on the adoption of an acceptable participatory process for which a tool kit of methods has been suggested in the PRSP Sourcebook. Also an annex in PRSPs on civil society organizations inputs is also required which can be viewed directly by the IFI Boards.<sup>21</sup> But independent reviewers of the participatory process initiated by the PRSP, like Catholic Relief Services<sup>22</sup> for example claimed that NGO inputs into the PRSP process were evidently being filtered, which became the compelling reason for IFI Boards requesting specific information on CSO input before approving country specific PRSPs. There is in fact a considerable variance among governments, donors, and non-governmental entities on the understanding of the what, the how, and the who of participation. Donors and most governments see it more as a means, an instrument, to facilitate implementation of projects or conduct poverty assessments, while NGOs opt for a rights-based view, seeing it as an end in itself, and thus calling for long, deep, and broad processes. Countries generally indicate lack of capacity to host and manage participation up front whereas some have built on existing processes.

Countries have themselves employed a variety of strategies for consultation and information dissemination. These have included national and regional conferences to discuss PRSP drafts and proposals, where representative groups from civil society, sometimes identified by the government or CSOs at the government's behest, were invited to contribute inputs for the analysis of poverty and prioritizing public actions. In some cases national consultations have been general in scope, and in others organised along thematic or sectoral lines. Other methods have included local surveys asking villagers for inputs into prioritising public action and resource allocation, as well as media campaigns ranging from TV, radio and newspaper announcements. Participatory Poverty Assessments have taken place in some countries to inform the poverty analysis that underpins the PRSP, and have included problem or solution ranking designed to inform policy prioritisation and budget allocations.

Still, there have been several problems with the design and implementation of participatory processes, including the timeframe, information sharing and level of consultations. According to the Institute of Development Studies at Sussex University, most countries have equated it with consultations that have often been poorly conceived, exclusive, and badly organized leading to a lack of clarity on what level of engagement they expect from civil society.<sup>23</sup> Civil society engagement with the government is theoretically expected to allow them latter to enhance its credibility and bargaining power vis-à-vis the donors, who are now supposed to act as brokers of participation, not overt dictators of policy options. While a closer linkage between governments and civil society places greater transparency and accountability of the former, it can also lend credibility to policies that differ from standard IFI prescriptions. To check this phenomenon, civil society participation has not been sought in technical debates in almost all countries. Furthermore, national ownership can be made untenable due to

conditionalities on economic policy'.<sup>24</sup> Power imbalance between the IFIs and the governments, and between the governments and their poor people, has hindered genuine participation and ownership.

The common practice seems to have brought 'representatives' of CSOs to participate in PRSPs, but these representatives have often been identified by the government or an actor mandated by it. Whaites alleges participation has been tightly controlled and there have been cases where some key NGOs were not invited.<sup>25</sup> Formal solicitation of participation seems to have ignored non-traditional NGOs, and CBOs located outside the metropolis or those engaged in niche issues. The private sector too has generally been under-involved.<sup>26</sup> Involvement has been confined to national level NGOs – genuine engagement of grassroots communities has almost been non-existent, as in the case of Pakistan (see following sections). Urban-based CSOs that do not reach out to solicit the opinion of their constituencies, especially the poor, being dominant participants raises questions of representativeness. Participatory methodologies that directly engage the poor in policy dialogues have by and large not been explored. Participatory processes that build on local traditions and cultural norms have also not been adopted, given the preference to external, donor prescribed templates.<sup>27</sup> Even the Asian Development Bank, which itself adopts a very similar approach to development lending as the World Bank, has questioned why there is no consistency between small and big countries in accepting their five-year development plans with specific poverty reduction chapters as a PRSP.<sup>28</sup>

Intra-government participation also does not seem as comprehensive as it should be with the line ministries and locally elected bodies. Offering a specific case in point, WHO complains that 'health ministries have had little opportunity to contribute to the development of overall PRSP or to the development of the health content.'<sup>29</sup> Multi-governmental bodies such as the EU seem to urge a more central involvement of parliaments including the monitoring and implementation phase.<sup>30</sup> UNDP suggests individual parliamentarians could at least be involved when consultations take place at the sub-national, constituency levels.<sup>31</sup>

Because debt relief is conditional on producing PRSPs, there has been a strong incentive for countries to complete their PRSP processes as soon as possible in order to secure debt relief. Considerable evidence suggests this link has compromised the quality of participation. There is an evidently broad concurrence that in countries where participation was considered superficial, that the PRSP documents were being written mostly by national officials with occasional inputs from consultants and donors. This change is however interpreted as more symbolic than substantive, for despite national authorship, policy analyses are uniform across countries' PRSPs. UNDP also remarks that in some cases the PRSP documents do show a syndrome of 'hotel-room manufacture' by external experts.<sup>32</sup> Some countries only called for the involvement of CSOs in the actual drafting stage of the documents, not only in discussing prepared texts.

A survey of six African countries that considers the participation of civil society budget groups in the PRSP process.<sup>33</sup> The countries included are Ghana, Kenya, Malawi, Mozambique, Uganda and Zambia. A particular concern that cuts across most cases with the notable exception of Uganda is that relevant documentation was not shared with civil society in a timely manner. In addition, background briefings and workshops to brief civil society organizations on the nature and purpose of the PRSP process were not a significant part of the process in any of the countries. It is also significant that none of the respondents indicate that there are formalized feedback mechanisms to track which particular civil society demands and proposals were incorporated into the PRSP. At the same time, some important differences emerge. Only four out of six groups were formally invited by the government to participate in the process. The Ugandan case demonstrates the potential of a homegrown poverty eradication strategy. But all other cases in this survey show that it is not possible to mechanistically replicate positive experience.

In Uganda, broad-based participation was achieved first through Participatory Poverty Assessments (PPAs), which paved the way for constructive consultations between Government and civil society for the PRSP. A simplified version of the Poverty Eradication Action Plan, which contained many visuals, was translated into five languages and distributed through regional workshops, and key messages were delivered through the media. A well-planned and clearly scheduled process, combined with open access to relevant information are likely to substantially enhance the participation of civil society in PRSP processes. The creation of an umbrella organisation to channel civil society efforts ensured wide civil society participation in the debate over the final document. In Rwanda, broad participation was achieved by incorporating existing indigenous participatory practices known as *Ubedehe* into the PRSP process. This involved a bottom-up approach to participatory design, the government targeting 9,000 *cellules* to produce public action priority rankings and community development plans, as well as a PPA and Policy Relevance Test to collect poor peoples' opinions on the relevance of sectoral policies.<sup>34</sup> Vietnam provides another case of extensive participation. Vietnam's participatory process also involved a broad range of actors, largely the result of good pre-existing relations between government structures and Vietnamese NGOs, particularly at the local level. A DfiD report found the Vietnamese government to have involved local NGOs directly in its formal discussions with international donors. Local NGOs were also able to express their perspectives in national policy dialogues through partnerships with international NGOs and donors.<sup>35</sup>

In other countries, particular categories of participants were more engaged than others, while some were left out. For example, the private sector was particularly active in Mozambique.<sup>36</sup> Religious organisations were quite important in Bolivia and Nicaragua but were missing in other countries. There has been substantial government involvement in almost all countries, with high level political authority guiding and managing the process of participation, though the breadth of

involvement has been variable, with some like Kenya exhibiting participation across different levels of government as well as different Ministries, while in others the process was led principally by the finance or planning ministry and concentrated at the national level, such as in Mali and Malawi.<sup>37</sup> Civil society organizations also protested the Sri Lankan PRSP because it “has been drafted without any consultation of civil society and differs very little from previous IMF recommendations.”<sup>38</sup> Similar criticisms of World Bank and IMF dominated processes that lack real civil society involvement and little consideration of alternative policies to structural adjustment have been leveled against the PRSP processes in several African countries like Tanzania and Benin.<sup>39</sup>

Donors, including IFI representatives, have also displayed differing levels of engagement. In terms of designing the participatory process, it is reported that most have taken a relatively ‘hands-off’ approach, allowing national government greater room than before in conducting national and regional consultations. Donor involvement has ranged from assuming an observatory role to organising and financing consultations directly. When it comes to more substantive issues surrounding policy design, the record is less clear as to whether significant changes have occurred. In some countries such as Ghana, IFI representatives specifically avoided excessive involvement in drafting the PRSP.<sup>40</sup> But there are reports of heavy IFI involvement in the drafting of Tanzania’s IPRSP,<sup>41</sup>. The role of external actors appears even less changed with regard to lending facilities outside the PRSP process, which is amongst issues which have critical bearing for national ownership and empowerment.

Proponents of the PRSP claim that, this initiative has brought about a fundamental change in how interactions within the government and between the government and key country stakeholders, or internal partners, take place. Also, for the first time development assistance agencies, or external partners, are said to have coalesced around a strategic tool that supports country leadership on the policy content of poverty-oriented development activities. But based on even a preliminary review of PRSP processes,<sup>42</sup> one cannot help but wonder that if the PRSP is meant to be country owned why is it that the processes emerging from it are so similar? This is an issue which deserves more attention, which the subsequent section will provide.

### **3.2 Examining the Content of PRSPs**

This section examines whether countries appear to be empowered from the perspective of policy-making. Earlier adjustment programmes were criticised for their ‘one-size-fits-all’ approach to policy design, resulting in uniformity of reform packages across different countries. If PRSPs are genuinely country owned, there should be considerable variation across country programmes reflecting different national priorities and inputs from participation, and for policies to diverge from standard orthodox packages. But a review of PRSPs from this perspective indicates an across the board emphasis on growth as the means for alleviating poverty. Participation has perhaps had most impact in terms of

improving the quality and broadening the scope of poverty diagnostics. In many countries, the official definition of poverty has become much more multi-dimensional. But there have also been simultaneous critiques of the poverty analysis in PRSPs, notably regarding the lack of clarity between characteristics of poverty and its causes, as well as a lack of disaggregation of categories of the poor and considerations of categories of those vulnerable to poverty.<sup>43</sup>

Another potential contribution made by PRSPs is that specific elements of civil society have been effective in lobbying national government to incorporate affirmative action policies. In Kenya, ODI reports that Pastoralist Groups successfully lobbied to have their concerns over access to productive assets, natural resource management and extension services for livestock to be included in the final PRSP document. They also managed to secure higher-than-average funding for education bursaries in pastoralist areas. Similarly, women's groups have also been successful in bringing gender concerns into Kenya's final PRSP and influencing budget allocations.<sup>44</sup> But, it appears that participation has had limited impact on the wider content of PRSPs. The perception among many civil society participants and third party observers has been that the recommendations made during consultations have largely not been incorporated in final documents. NGO groups were so frustrated with the lack of impact that they lobbied Washington for Bolivia's final document not to be approved.<sup>45</sup> The seeming lack of tangible impact on policies would appear to corroborate the complaint from many civil society participants that their involvement was limited to information-dissemination and consultation exercises at initial stages of policy design, and that they were excluded from decision making at the latter stages.

The inability of civil society participation to impact policy is even more evident when it comes to structural reform issues. Most CSOs report that they were barred from participating in macro-economic and structural policy discussions. There is broad consensus that NGOs and their coalitions have been totally unable to influence macro-economic policy or even engage governments in dialogue about it. Although national governments have been the agents of this exclusion, it appears they may have been equally constrained in influencing the macro-economic framework given the strong reported tendency towards self-censorship mentioned earlier. Given the pessimistic turn that the above potential opportunities to influence the content of the PRSP have taken, the most effective way to assess whether PRSPs have empowered countries in decisions about policymaking is to explore what types of reform programmes have been introduced by different PRSPs. Again we see that most country programmes continue to give precedence to the importance of macro-economic growth and stability. Although this growth is described variously as 'pro-poor', 'equity-based' or 'broad-based', a general feature of all programmes is that they do not consider alternative approaches to poverty reduction, particularly those with an element of resource redistribution or that are rights-based. The substance of the policies are still strongly focused on economic growth. For example, although land tenure reforms are discussed in a number of PRSPs, for example in Kenya, Rwanda, Nicaragua, Honduras, Ethiopia, and Pakistan, the focus of these policies is on

consolidating property rights rather than redistribution.<sup>46</sup> There is very little variation among programmes, and many of the same adjustment instruments and targets have reappeared in the context of the PRSPs, which suggest a lack of innovation in PRSP documents.

### **3.3 Stakeholders Recurrently Missing from PRSP Processes**

Despite the emphasis on participation as the means to enhance ownership, several key categories of participants have been evidently excluded from the PRSP process across a number of countries. The role of parliaments in formulating PRSPs has been minimal, particularly in Africa, and in Latin America.<sup>47</sup> In some cases this has resulted from a lack of capacity to become actively involved, in others, because they have been left out of the process. For example, only six of the 83 MPs in Benin participated in meetings.<sup>48</sup> In general, it appears that in most African countries there is a tendency for PRSPs to be seen as technical planning processes that are properly the affair of the government, and not a subject for party-political debate.

The International Confederation of Free Trade Unions (IFCTU) reports that trade unions were not systematically consulted in many early PRSP processes. Although trade unions can in some cases represent narrow sectional interests, from a participatory perspective their exclusion in many countries is problematic. In Tanzania and Uganda national trade unions were told they could participate in the PRSP process only after the PRSP had already been completed and endorsed by the IFIs. There has been some evidence however of trade unions enjoying substantive participation in transition countries where as a result of the Soviet legacy there have been traditionally close relations between governments and trade unions.<sup>49</sup>

In a number of countries, participation of women's groups appear to be weak. In Senegal, the United Nations Development Fund for Women (UNIFEM) found 'Civil Society organisations were ignored, especially women'.<sup>50</sup> But there are reports that some countries made special efforts to include women. In Kenya, the Centre for Gender and Development was instrumental in lobbying for a gender-aware process.<sup>51</sup>

Many CSOs have been critical of national processes for leaving out the poor in consultations. Action Aid reports that at least five of its country programmes have complained that there has been little direct involvement of associations of the poor in PRSP deliberations.<sup>52</sup> In many cases, participation has been selective, for example in Cameroon, Ghana, Senegal, Bolivia, Tanzania, Honduras.<sup>53</sup> In Cameroon, the Catholic Relief Services<sup>54</sup> reports that the government handpicked participants in civil society consultations, bypassing important civil society institutions such as the Catholic Church which were key campaigners for debt relief. In many other cases, NGO participation was limited to international NGOs, or NGOs in the capital area. Smaller and rural NGOs, precisely those with the most contact with the poor, were excluded from the process. Even where a

broad range of NGOs have participated, it is not always clear they were necessarily representative of broader societal concerns, while foreign NGOs frequently play an important role. This is particularly a concern in fractionalized communities, where local elite interests may dominate. Even in fairly homogeneous and united communities, the ability of CSOs to be fully representative of the constituencies they claim to represent is often limited by constraints on their outreach capacity; or because they are dominated by urban professionals with little 'natural' constituency among poor communities.

In some cases, key sections of civil society and parliamentarians have been missing from the process because the design of participation has specifically excluded or neglected particular groups. In other cases, participation has been narrowed by rushed timeframes, a lack of information, poor dissemination in appropriate languages, and consultation processes which failed to reach local and rural communities. In almost no cases did civil society participate in the drafting the framework for initial PRSPs. Most were presented with drafts formulated by small teams of external consultants or central ministry staff. From the perspective of ownership, these limitations to the participatory process undermine popular ownership of programmes identified by the PRSP process.<sup>55</sup>

### **3.4 Problems with Increasing Participation**

Observers of the PRSP process have highlighted various hurdles which have create hurdles in its participatory process. The Institute for Development Studies for example has pointed to a lack of economic literacy among the civil society organizations as a serious constraint impeding macroeconomic policy debates in the PRSP consultations.<sup>56</sup> This considerable problem of economic illiteracy among civil society and borrowing governments is conversely exacerbated by the intellectual hegemony of the Bank when it comes to development policy and economic theory. The IFIs even provide a 1,000 page "PRSP Sourcebook" to borrowing governments to help facilitate the drafting of the "right" policies favored by the institutions. However, it might be false to assume that if only economic literacy levels were improved, then vigorous and lively public debates over structural adjustment policies would occur in the PRSP consultations. Despite this evident problem, there are however several stakeholders like NGOs within developing countries who sufficient economic literacy capacity to engage in policy discussions, yet this potential input has not been sought with much enthusiasm.

Since what constitutes an acceptable process has not been specified within any PRSP related document, an inherent tension is observed between the mandating of participation and the decision to not evaluate quality. This has placed the onus of responsibility for participation squarely on governments has created a situation in which the IFIs can show the best of intentions while disclaiming any failure in practice.<sup>57</sup> As a result, many countries have been interpreting the mandating of participation by IFIs as a 'process' conditionality, as opposed to a 'policy'

conditionality, although PRSPs are still considered an 'important innovation' in the evolving area of social conditionality.

Moreover, a self censorship dynamic has been reported among the borrowing governments, who may reasonably fear that if public discussions are free and open they could lead to advocacy for alternative policies in draft PRSPs that would be rejected as unsound by the Joint Staff Assessment pre-screening process. A section of the September 2003 joint IMF and World Bank report on the progress of PRSP implementation, titled 'Macroeconomic Dialogue and Fund Engagement in the Participatory Process,' concluded by calling on borrowing governments, not themselves, to take the initiative in mainstreaming the discussions of macroeconomic frameworks and policies in the participatory processes. But truly open discussions in PRSP consultations could result in lobbying for new policy positions that would be deemed unfeasible by the IMF and World Bank. This is perhaps the most important reason why structural adjustment policies have not been debated within the PRSP consultations. For this reason, fundamental political constraints that stem from the power inequality between creditors and debtors tend to narrow the confines of what is possible to discuss within the public PRSP consultations. CSOs should consider these very real constraints when assessing what is possible with their continued engagement and commitment of resources in the PRSP process. Actionaid even questions if the IMF and finance ministries would ever cede any control to civil society organizations over decisions concerning targeting the levels of the budget deficit.

While a minimal discussion of the macroeconomic framework on topics such as overall spending or inflation rates was noticed in any of the PRSP processes, it is argued that PRSPs which seek to achieve measurable poverty reduction, will ultimately require far greater scaling-up of public expenditures than is currently possible under current budget austerity measures prescribed by the World Bank and the IMF. Advocacy groups thus argue that until this fundamental contradiction is addressed and resolved in open, meaningful public debates, civil society participation in PRSP consultations will continue to be meaningless. The need to give priority to poverty alleviation, instead of viewing it as a resulting consequence of growth, is an issue which both the World Bank and the IMF need to contend with.



#### **4.0 PRSP Process in Pakistan: Its Current Status**

The Government of Pakistan drafted the Interim and final versions of the Poverty Reduction Strategy Paper to gain access to international funds at concessional rates. Formulated by the Ministry of Finance, the PRSP was presented at the Pakistan Development Forum in early 2004, under the title 'Accelerating Economic Growth and Reducing Poverty: The Road Ahead.' The IMF and World Bank reviewed and approved Pakistan's PRSP through a joint assessment. Thereafter, the World Bank approved a US\$300 million Poverty Reduction Strategy Credit in September 2004, which was the first phase of a three-year program to extend support for implementation of the PRSP. A PRSP Cell has also been established under the Finance Ministry to coordinate and monitor the PRSP process. As the first phase of the PRSP process comes to an end, the Ministry of Finance is currently in the process of revising the PRSP for another three years, the revised version of the PRSP document will become effective in June 2006.

But at the same time, it is important to realize that the PRSP is no longer a standalone policy document for alleviating poverty in Pakistan, even for the government itself. While the Ministry of Finance had assumed the overall responsibility for formulating and implementing the PRSP, the Federal Planning Commission unveiled a Mid-Term Development Framework (MTDF) in mid-2005 - not unlike prior five-year plans - with the aspiration of subsuming the PRSP in order to achieve the Millennium Development Goals (MDGs). The decision to subsume the PRSP into the MTDF could be seen as an attempt by the Planning Commission to take back charge of development planning. The parallel existence of seemingly unsynchronized policy documents is confusing and the inconsistencies resulting from the formulation of the MTDF have been astutely described in a background paper commissioned by the Like Minded Donors Group.<sup>58</sup>

To develop country ownership of PRSPs, it is essential to integrate PRSP formulation and implementation into a country's broader decision making processes and systems. The optimistic findings of the Pakistan Social Living Standards Measurement Survey 2004-05 have lent more legitimacy to the PRSP process. The Survey indicates that overall poverty in the country has declined from 32.1 per cent in 2001 to 25.4 per cent in 2005. Given that the PRSP is being revised at present, and the growing prevalence of this approach in a multitude of other countries, it seems unlikely to be subsumed by the MTDF. Yet, there is evident confusion amongst line departments resulting from the formulation of the MTDF alongside the PRSP, with government officials themselves considering the PRSP 'irrelevant' or 'dead' after the MTDF was introduced.<sup>59</sup> While the Millennium Development Goals provide a semblance of convergence to these two policy matrixes, there are evident variances amongst macroeconomic assumptions of these two policy documents.<sup>60</sup> The participatory component of the MTDF is even less extensive than that of the PRSP, based on feedback of merely 32 working groups facilitated by the Planning Commission.<sup>61</sup>

Nonetheless, given that a participatory process did take place preceding the initial PRSP, and another participatory process is underway for updating the PRSP in June 2006, the following sections will now focus on this experience itself.

#### **4.1 Problems in Participating in the PRSP for Pakistan**

World Bank assessments of poverty in Pakistan had found that 'one third of the population could be classified as poor in 1999, and somewhat more in rural areas' and that this level of poverty had not 'appreciably changed' over the last ten years.<sup>62</sup> Poverty has lingered in Pakistan despite the fact that the GoP has initiated a series of economic reforms since the late 1980s under the guidance of the IFIs. When the expectation that poverty could be reduced by macroeconomic reforms did not materialize, the need for creating a policy environment simultaneously conducive for macroeconomic stabilization as well as for poverty reduction gained increasing acknowledgement amongst policy makers.

The GoP subsequently decided to adopt the PRSP approach, which was also endorsed by the IFIs themselves as the best means to ensure participation and country ownership of a comprehensive development strategy for Pakistan. But determining the extent to which the PRSP process has been able to initiate a culture of participation in policy making in Pakistan is not without controversy. During an interview, the Country Director of the World Bank in Pakistan was quick to point out that since the PRSP is a nationally owned document, the Bank's role is neither to undertake participation nor to coordinate it. Yet assessment of the PRSP formulation process and the implicit assumptions made by it concerning growth, poverty incidence and macroeconomic policies, makes the influence of the World Bank philosophy on this process hard to ignore.

On the other hand, it is hard to find consensus regarding the PRSP itself within civil society in Pakistan. Many prominent civil society actors invited to participate in the PRSP process still maintain that they were called in when the policies had already been decided and that there is no binding obligation on the IFIs or the GoP to listen to their recommendations. This is despite the fact that the Draft PRSP itself had highlighted a need to forge 'a broad-based alliance' to reach out to the poor.<sup>63</sup> The IFIs also reiterated the need for greater government cooperation with NGOs.<sup>64</sup> The seeming move towards involving NGOs not only in operationalizing development programs, but in the formulation of development policies, thus seemed significant due to its potential for giving a greater voice to those working in close collaboration with the grassroots. But while the PRSP document itself suggests that extensive public consultation took place during its preparation stages,<sup>65</sup> there is not much independent evidence confirming this claim. No cumulative details concerning this participatory process have been made public either.

The GoP did commission Participatory Poverty Assessments prescribed by the World Bank, and also sought feedback from over 120 community dialogues held

across the country,<sup>66</sup> prior to formulation of the PRSP for Pakistan. Yet, the fact remains that many prominent civil society organizations either disagreed with the scope of these participatory initiatives, or else did not consider their findings to be adequately reflected in the finalized PRSP. The organization (Rural Support Programs Network) which was commissioned to undertake the community based consultation however did not thereafter review how many of the findings emerging from its consultations were in fact reflected in the PRSP document itself.<sup>67</sup>

Since the views of many relevant stakeholders were not sought prior to finalization of the PRSP document for Pakistan, this has led to serious concerns about the legitimacy of the finalized PRSP. A letter sent to IFIs, and to the PRSP Secretariat at the Ministry of Finance, by a coalition of civil society organizations spearheaded by the Islamabad based think-tank, Sustainable Development Policy Institute,<sup>68</sup> took up issue with the content of the PRSP, to firmly reject 'the essentially neo-liberal stance' of the document. The PRSP has been criticized for leaving out genuine voices of the poor; given the scant involvement of independent associations of the poor in PRSP deliberations, or of 'invisible' civil society organization/community based organizations, which in turn represent groups such as homesteaders, peasants, and indigenous peoples. The Sustainable Development Policy Institute, in the above mentioned letter, also pointed out how none of the political parties in Pakistan has explicitly supported the PRSP process, a fact which remains true until today.

While the provincial governments have formulated separate PRSP documents, the provincial PRSPs have been written by consultants and there is no evidence of supplemental participatory processes linked specifically to these province-specific documents. The content of the provincial PRSPs is also not unique and borrows heavily from the national documents. Government officials and public representatives at lower tiers of government are still unaware that a cohesive poverty reduction strategy for the entire country, what to talk of being involved in implementing it. This fact has been reaffirmed by a recent preliminary study conducted with help from the Human Rights Commission of Pakistan.<sup>69</sup> Including regional and local governments in policymaking and monitoring is essential for enhancing participation within the PRSP process. Several mechanisms for linking national and local levels to devise overall national goals of poverty reduction can be used; one effective way is to distribute documents to local authorities and soliciting feedback in writing, as in the case of the revision of Uganda's Poverty Eradication Action Plan.<sup>70</sup>

Simultaneously, it is important to concede that misconceptions concerning participation and ownership have not only arisen in Pakistan, but in many other countries where this approach is being implemented. In the case of Bolivia for example, dialogues for the PRSP are being viewed by some as a way to bypass a dysfunctional central government captured by elites, instead of trying to strengthen the government to carry out its mandate.<sup>71</sup> Therefore, the PRSP approach does not appear as popular and uncontested as euphemistic slogans

like 'increased interaction' and 'partnerships' and 'shared vision' for alleviating poverty in Pakistan might indicate.<sup>72</sup> This lack of civil society participation indicates a potential lack of acceptance, demand and/or support for the PRSP. Even the monitoring mechanism of PRSP, with its specific output and outcome level indicators, is criticized since its tracking is usually done by the government itself, without any provision of participation from civil society organizations.<sup>73</sup>

However, it is not going to be easy to infuse greater participation in the PRSP process, now that it has already been formulated. The reluctance of government functionaries to involve civil society even prior to formulation of the initial PRSP is evident in the following remark (of an anonymous GoP functionary) recorded during a consultative meeting:

Consultations with civil society would take too long and NGOs would stall reforms because of politics. We need the participation of officials and agencies affected by reforms, not just civil society. Consultation cannot just be with NGOs.... Consultative processes should be left to government as they should know and be able to decide what segments of society they need to deal with.<sup>74</sup>

On the other hand, critics within civil society suspect that evoking genuine feedback will imply conceding control over policy formulations, which the GoP does not consider desirable such as land reform.

In addition to consideration of these rather divergent views concerning the PRSP process, it is useful to focus on a particular sector, like the need for providing the public access to safe drinking water, which has direct relevance in terms of improving health and alleviating poverty. It is thus instructive to see how the PRSP document envisions meeting this evident need.

#### **4.2 PRSP Expenditures to Address the Water Problem in Pakistan**

While both the Mid-term Development Framework and the PRSP for Pakistan reference to the overall objectives of the Millennium Development Goals (MDGs), the PRSP in particular lacks concrete proposals to meet MDG 7 of providing safe and sufficient access to water to half of the country's population without such service.<sup>75</sup> The World Bank has observed that Pakistan's PRSP needs more reliable data and that its overall water policy lacks consistency.<sup>76</sup>

Since Pakistan lacks a national policy for the MDG target of water access, there are no resources available to estimate how much this MDG would cost. Nevertheless, according to other calculations, made to bring access to water to 96 percent of urban and 75 percent of rural population. The Government of Pakistan estimates the cost in urban areas of USD 50.66bn. and USD 21.57bn in rural areas. In another calculation, the Government of Pakistan's Clean Drinking Water Initiative estimates that the costs for combating poor water quality in selected cities at PKR 180 million (USD 3.16 million) in the first three years and

additional PKR 35,48 million (USD 622'500) afterwards. It is said that this calculation is founded on the wrong presumption that 60 percent, instead of an actual 30 percent in urban areas, and 53 percent instead of an actual 23.5 percent in rural areas, have access to safe drinking water. The estimated cost would obviously increase if one were to consider the official estimates as being inaccurate. Despite this pending basic need for water, available allocations of public resources for all key infrastructure sectors such as agriculture, water. For water supply and sanitation, a total of 491 million PKR (USD 8.6 million) was spent at the federal level, and all the provincial governments together had spent 4.176 bn PKR (USD 73.26 million) during the fiscal year 2003-04 for water and sanitation.<sup>77</sup> This is less than 0.5 percent of all expenditures in the fiscal year 2003-04, compared with 180.5bn PKR (USD 3.127bn.) or a 20.8 percent share for the military budget.<sup>78</sup> These expenditures make plain the need for enhancing PRSP expenditures for pro-poor public services.

### **4.3 Implementation of Medium Budgetary Framework in Pakistan**

The PRSP is now emphasizing the increased importance of prioritization in resource allocation, through development of a multi-sector, rolling Medium Term Budgetary Framework (MTBF). The MTBF: is supposed to protect poverty related expenditures, and more broadly to improve the planning and transparency of the budgetary process. The effectiveness of the public expenditure suffers from lack of strategic focus and articulation of sectoral priorities in the budgetary process; lack of information on costs of policies, programs and services, and a primary focus on inputs with performance judged largely by matching of spending with budget appropriation. A short-term horizon for budget making that does not account for long term costs and benefits, an artificial distinction between development and current budget and a disincentive for spending agencies to save resources as current year spending is the starting point for next year's allocations, which the PRSP document itself recognizes.

The MTBF is thus supposed to provide greater certainty about the level of available resources, permitting clear-cut decisions about what can and cannot be funded and enhance participation and ownership among line ministries in the budget process. To help realize these expectations of the PRSP , the Ministry of Finance is now trying to address public expenditure management weaknesses, the MTBF is being implemented in two pilot ministries (Ministry of Health and Ministry of Population Welfare) to work out basic conceptual, design and implementation issues prior to its full implementation. The extent to which greater consistency between macroeconomic performance, policy formulation and public expenditure will become evident from this effort remains to be seen.

### **4.4 Other Relevant Issues for the PRSP Revision**

Now that the PRSP is to be updated by June 2006, for an implementation period of another three years, the PRSP Cell in the Ministry of Finance has initiated a review process which includes holding workshops to seek input from select

parliamentarians, provincial governments, line departments, academics and practitioner. The PRSP Cell was again asked the Rural Support Programmes Network to obtain feedback from 121 of its community organizations in 49 districts. It is noteworthy that the RSPN first decided to revisit the same communities it had sought feedback from prior to formulation of the first PRSP document in 2003, but subsequently chose to pick a smaller and a random sample of communities instead. This revised methodology will obviously not allow a continuation of the dialogue process, since this fresh input will provide no chance to gain retrospect on the last three years of the PRSP process. Seeking further input from random communities concerning the PRSP also needs to be carefully managed so as to get explicit suggestions concerning specific interventions, instead of seeking generalized comments which are more easily maneuvered to serve as a justification for existing interventions. For example, it was not enough to point out that the poor lack access to credit, it was necessary to ask poor people what terms and conditions are most suitable for them to benefit from lending schemes, and this information must in turn be considered while extending the scope of existing micro-credit schemes.

## 5 Conclusions

The evidence assessed thus far is based on only a few years experience. The PRSP process is still evolving. However, even if PRSPs were eventually to empower national governments and civil society, the fact remains they constitute only one of the programmes through which IFIs disburse funds. And at this stage it does not seem that the other lending instruments offer anything in the way of empowering national decision making. Although the number of structural conditions in PRGFs have so far been reduced by about a quarter, this has been very context dependent, with large reductions in some programmes and no change in others. And while detailed structural conditionality appears to be diminishing, there has simultaneously been more emphasis given to governance and public expenditure management. Whether or not structural conditionalities outside the 'core areas' are being reduced or eliminated in PRGFs is also ambiguous. There also seems to be no official counterpart effort by the Bank to narrow the scope of its conditionality. Bilateral donors could compound the problem if they base their lending decisions on the presence of an on-track PRGF or PSRC as evidence of appropriate macro and social reforms, instead of longer-term development criteria.

The limited experience with PRSPs so far would suggest that PRSPs have achieved little in the way of increasing ownership over programme design by national governments or civil society. This is not to say that there have been no changes in the balance of power among stakeholders. In some limited respects, civil society participants have been empowered compared to their earlier position by being formally included in the policy making process. Still this involvement is not as broad or deep as desired, since broad sections of civil society and even parliamentarians have evidently remained excluded, and this participation has been limited to consultation rather than joint decision making, due to which the content of PRSPs has not been significantly influenced by diverse civil society demands.

While national governments appear to be playing a more prominent role in policy formation, by formally taking charge of the development policy making agenda, how far this has been empowering is also doubtful. Again, the similarity of the PRSP programmes to those that form part of the normal international agenda suggests this role is more cosmetic than genuinely empowering. When it comes to macro policies, government capacity, which generally was already weak, has been stretched even further with the need to undertake formal consultations and to develop lengthy policy papers. A cynical reading would see the PRSP exercise as weakening the legitimacy of national governments by engaging with groups other than governments in designing policy. Donors' power, in contrast, while seemingly weakened by the relinquishment of policy design to national authorities and civil society participants, may not have changed much. But the ultimate endorsement of PRSPs still lies with the Boards of the two institutions, which conditions the dynamics of the process from the start. IFIs exert a considerable indirect influence, as mentioned with reference to incidences of self-

ensorship in government design of policies. Moreover, the continued existence of many multilateral programmes outside the PRSP process and unaffected by it, still leaves the IFIs considerable control. Thus, the relative position of donors has not changed much through the PRSP process. What is most important is the fact that the PRSP process has subsequently not been able to reflect aspirations of the marginalized in a significantly more effective manner than previous international development programmes, which remains the uncompromised prerequisite for making poverty reduction more effective.



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