Structural Adjustment in the Name of the Poor

The PRSP Experience in the Lao PDR, Cambodia and Vietnam

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This paper provides an overall critique of the PRSP framework, process and content. The paper draws from actual experiences in the Lao PDR, Cambodia and Vietnam, a review of relevant documents and other studies of World Bank-IMF lending programmes. The Lao PDR, Cambodia and Vietnam have been through the first stage of the PRSP process and have interim poverty reduction strategy papers in place. They are expected to complete their full poverty reduction strategy papers at various times in 2002-2003. Vietnam has already received a poverty reduction support credit (a loan) based on its interim strategy paper.[1]

Much of the analysis in this paper draws from formulation processes for the interim PRSP documents in the three countries. As mentioned above, processes to develop full PRSPs in the three countries have been launched. It remains to be seen how significantly the full PRSPs differ from interim documents in substance and process.

The Devil We Know

The World Bank and the International Monetary Fund (IMF) declare that the Poverty Reduction Strategy Paper (PRSP) approach and process are different from their former lending frameworks for countries under the economic jurisdiction of the World Bank's International Development Agency (IDA). The PRSP has replaced the old tripartite Policy Framework Paper (PFP) drawn up between the IMF, World Bank and a country government for "soft" (concessional) loans. Originally conceived in the context of the Heavily Indebted Poor Country (HIPC) debt relief initiative, PRSPs are now envisaged as the centrepiece for policy dialogue and negotiations in all countries that receive concessional financing from the World Bank Group and the IMF.[2]

In theory, a PRSP is intended to be a document prepared by a country government—under the supervision of Bank-Fund teams—that identifies the incidence and causes of poverty, who the poor are, and strategies for overcoming poverty, including policy and expenditure targets. It is supposed to be "locally generated and owned" and developed through "wide participatory dialogue" focused at both the micro and macro policy-making levels. Further, the PRSP process is supposed to "encourage accountability of governments to their own people and domestic constituencies rather than to external funders" where "the poor become active participants not just passive recipients".[3]

In reality, however, country governments have had little control over the policy prescriptions laid out in these documents, thus making a mockery of Bank-Fund claims of national ownership, public accountability and broad based participation. Despite the rhetoric of "nationally driven" development, the PRSP-PRGF frameworks continue to conflict with local and national development priorities of reducing poverty, ensuring equity, and promoting popular participation in the design of development policies. Over 70 countries have been identified by the World Bank and the IMF as "eligible" for this initiative and all of them are required to develop PRSPs to qualify for external assistance. Countries that urgently require World Bank-IMF credits or debt relief under the HIPC framework can submit an Interim PRSP (I-PRSP) for consideration by the Bank-Fund Board, with the condition that these countries commit to the preparation of a full PRSP within a timeline agreeable to Bank-Fund staff.

Both the IMF and the World Bank are expected to align their respective lending programmes to a country's PRSP. In the case of the IMF, the Poverty Reduction Growth Facility (PRGF)—the old Enhanced Structural Adjustment Facility (ESAF)—and the Financial Programming Framework are expected to derive from the PRSP. In the case of the World Bank, the Country Assistance Strategy (CAS) and all loans and grants must be based on the PRSP.

PRSPs have a leveraging role beyond debt relief and concessional credits, and have grave implications for the economic sovereignty of developing countries, low income countries and countries in a state of permanent economic crises. They have become the key policy instruments in the relations between these countries and the wider donor community. The United States (US), European Union (EU) and other OECD members have fully endorsed the PRSP approach and have agreed to base their respective aid programmes in low-income countries on the results of the PRSP process. Many have also agreed to co-finance poverty reduction credits, grants and technical assistance in conjunction with the PRGF facility. Without a PRSP that is accepted and approved by the Boards of the IMF and the World Bank, a low-income country can be virtually cut off from international aid, trade and finance.

What Lies Beneath

Cynicism with the multilateral institutions, particularly the IMF and the World Bank, reached its peak long before the PRSP was invented. Experiences with actual PRSP processes have done little to assuage well-founded doubts about the possibility of any real, substantive change that the PRSP process may bring about in Bank-Fund programmes.

It has become apparent that the most important element of the PRSPs are the mandatory policy matrices annexed to the interim PRSP (I-PRSP), which detail the usual Bank-Fund assortment of policy prescriptions for liberalisation, privatisation, fiscal and administrative reform, assets management, and an overall increase in opening up the economy of the host country to external economic actors. These policy matrices are determined without any serious discussion about their impacts on the overall economic and social health of the host country, and positive links between such policies and poverty reduction have yet to be clearly established.[4] In fact, studies commissioned by the World Bank itself have shown that its poverty assessments fail to address the links between poverty and macroeconomic conditions such as balance of payments, growth rate and unemployment rate. Bank poverty assessments have also given limited attention to local dimensions of poverty reduction and to the role of debt repayments in poverty creation and entrenchment.[5]

Neither the World Bank, nor the IMF have as yet undertaken ex-ante assessments of the impacts of policy reforms imposed through their past structural adjustment programmes (SAPs). And yet, the very same policy reforms continue to be enforced on low-income countries through the PRSP and PRGF. In fact, when the twin initiatives were first launched in September 1999, they were denounced by critics as repackaged versions of traditional Bank-Fund SAPs. Experiences to date bear this criticism out. Policy matrices annexed to I-PRSPs have been lifted from past or existing ESAF and Structural Adjustment Credit (SAC) agreements and incorporated into the new PRGF and Poverty Reduction Support Credit (PRSC) documents (under the PRSP, the PRSC is to the World Bank what the PRGF is to the IMF. [6]) And because these are all loans, borrowing countries—the debtors—are obliged to implement the policies outlined in the matrix in order to access Bank-Fund credits. An IMF document clearly conveys that except for closer linkages with the World Bank on the actual PRSP formulation, it will be business as usual for the Fund:

"All other operational aspects of the PRGF-eligibility, access levels, resource commitment…reviews and phasing will remain unchanged from the ESAF."[7]

Although the Bank and Fund consistently deny that the PRSP framework opens the door to more conditionalities for credits, PRSPs legitimise and institutionalise structural and policy changes in borrowing countries that then allow the Bank, the Fund and now the World Trade Organisation (WTO) as well to expand their programmes. The reality is that a PRSP is, in and of itself, a conditionality that provides the Bank and Fund with leeway to impose even more conditionalities. An IMF record notes: "Structural conditionality in Fund programmes would be drawn from, or elaborate on, the structural measures identified in the PRSP."[8]

The PRSP and National Plans: A Closer Look at Ownership

For the World Bank and the IMF, country ownership of a PRSP means the commitment of a country to implement a strategy and process that the Bank and Fund approve, come what may. It has little to do with authentically home-grown and nationally relevant strategies based on the socio-economic, historic and geographic particularities of different countries. Experiences in Vietnam, Cambodia and the Lao PDR bear this out.

When advising governments on PRSP preparation, Bank-Fund missions have come prepared with *their* perspectives on the country's poverty situation, *their* analysis of the country's obstacles to economic growth, *their* menu of policy options, and *their* views on how to mobilise resources for the PRSP, including external donor assistance. These perspectives provide the frame of reference for discussions between Bank-Fund missions and governments about the content of the PRSP. And despite early admissions that "causes and solutions of poverty are country-specific,"[9] all PRSPs are expected to contain some "core elements" that the Bank and the Fund consider essential to poverty reduction. These include: rapid growth, good governance, expansion of private sector activity, deregulation, liberalisation, prudent macroeconomic management, sound sectoral and structural policies, and civil society involvement.

The PRSP is purportedly not an isolated document, but one firmly grounded on existing national plans. However, the PRSP has a set, pre-prepared format and a massive, accompanying source book of a thousand pages that spells out how a PRSP should be prepared. If a government insists that existing national plans become the country's PRSP, it is the national plans that adjust to the PRSP format and not the other way around.

Claims of national ownership and alignment with national plans are further confounded by the involvement of Bank-Fund staff in the preparation of a PRSP. Fund staff are expected to provide policy advice on fiscal management, structural reforms and "prudent" macroeconomic policies. Bank staff are expected to provide policy advice on the design and costing of the poverty reduction strategy, sectoral strategies, institutional reforms, governance, social safety nets, private sector development, etc. Upon completion, a PRSP (or I-PRSP) must be jointly assessed by Bank-Fund staff before it is submitted to the Bank-Fund Boards for discussion. Staff are instructed to consider whether the document provides a "credible framework within which the Bank and the Fund are prepared to design their programmes of concessional assistance."[10] Not surprisingly, staff and management are generally unwilling to recommend to their Boards a document that they themselves do not back. In fact, they are even instructed by their institutions to "…discuss with the Authorities any modifications to the strategy that might be considered necessary to allow managements to recommend to the Boards that the PRSP be endorsed…"[11]

Given the high degree of involvement that Bank-Fund staff are expected to have in the formulation of a PRSP, it is difficult to believe that such a paper would be significantly different from one written entirely by the staff themselves. Although early Bank-Fund documents claim that there is no blueprint for PRSPs and that experimentation in the form of the PRSP must be encouraged, most PRSPs come out looking remarkably similar in both, their poverty analyses, as well as in the policy actions that would purportedly result in poverty alleviation.

In a document attached to an internal memo of the World Bank, it is clear that the PRSP and related documents such as those pertaining to a PRSC take primacy over a country's own national medium-term plans. To quote: "The Medium-Term Program supported by a PRSC may be based on an I-PRSP, when the I-PRSP describes a nationally owned broadly framed poverty reduction strategy considered adequate in the Joint Staff Assessment. In this case, the Medium-Term Program will likely be revised in the full PRSP, and the design of the series of PRSCs will also be reviewed and adjusted as appropriate."[12]

Country experiences in the region challenge the claim of a PRSP's groundedness in national plans. In Cambodia, the PRSP process has conflicted with the development of Cambodia's national medium-term plan (see box). In the Lao PDR, the first draft of the I-PRSP was prepared by a foreign consultant provided by the UNDP Country office. The Lao Government found the document wanting and another foreign consultant was then given the task of salvaging the document and rationalising it with the country's medium term plan. However, the medium term plan itself was prepared—with the "help" of external consultants—to respond to donor priorities. While the UNDP and the World Bank claim that both the national plan and the I-PRSP were formulated by the Lao Government, they fail to acknowledge that the policy environment in the country is virtually dominated by the World Bank, the IMF, the Asian Development Bank (AsDB) and the UNDP. In such a situation, who physically writes the policy papers is relatively unimportant.

In the Lao PDR, a senior government official pointed out that the I-PRSP more or less brings all the World Bank's requirements for providing credit into one document. Quite simply (according to this official), the original SAP is now the I-PRSP, and the full PRSP is not likely to be much different, except for additional language about poverty reduction. And what of the Government's national plan? Well, that must reflect the PRSP since the Government needs the money.

Similar sentiments were echoed in Vietnam, where the national government has had greater control over the process than its less determined neighbours. Vietnamese development workers familiar with the I-PRSP process argue that the content of the I-PRSP is not responsive to the reality of poverty in Vietnam. The I-PRSP was written—they argue—in order to satisfy loan eligibility requirements. In the words of a Vietnamese NGO representative familiar with the process, "No PRSP, no loan. So just do it because it's the best way to get the loan." World Bank officials insist that the Vietnamese I-PRSP reflects the Government's ten-year development strategy. Perhaps so, say Vietnamese development workers, but that does not make the I-PRSP pro-poor.

A World Bank staffer in Vietnam admitted that the Vietnamese Government is stronger and firmer than its neighbours in its ability and will to direct Vietnam's movement towards market reforms. According to the staffer, "Vietnam will not commit to anything in writing that it does not agree with." Bank staff also agree that by carefully managing its transition to a market economy and by maintaining a slow pace of economic reforms, Vietnam has achieved stronger social indicators than other countries in the region, despite the Asian economic crisis. Poverty has been halved through the 1990s, social cohesion is strong and health conditions have improved. According to Bank staff though, it is still important for Vietnam to address the private costs of

The Poverty Wars

In early 2001, the World Bank and the Royal Cambodian Government (RCG) were seriously at odds as to the treatment of the I-PRSP, the full PRSP and the second Socio-Economic Development Plan (SEDP II), Cambodia's own medium-term plan. The RCG insisted that the I-PRSP be folded into the SEDP II and that the SEDP II then form the basis of the full PRSP. Unhappy with this pronouncement, the World Bank rejected the SEDP II draft under discussion, arguing that it failed by the three crucial criteria of participation, ownership and quality.[13]

According to a senior Bank staff person, the I-PRSP was nationally owned in that it was written by a Cambodian—albeit under secondment from the Ministry of Finance for solely this purpose. The impending full PRSP would also presumably be deemed nationally owned by the same criterion. The draft SEDP II on the other hand, was written by a consultant from New Zealand and subsequently finalised by yet another foreign consultant. The Bank also claimed other problems with the SEDP II: the SEDP II was under the umbrella of the Ministry of Planning, which the Bank considered inappropriate because of its lack of capacity and competence. The I-PRSP, on the other hand, was under the umbrella of the Ministry of Finance, which according to the Bank was the appropriate and only competent ministry in the country to take charge of a national poverty reduction strategy. A more important concern for the World Bank (which the Bank did not admit to) appeared to be that the SEDP II was being formulated with the financial and technical support of another multilateral agency, namely the Asian Development Bank (AsDB). Further, as the country's medium term plan, the SEDP II must be passed by the National Assembly and once passed, the RCG is bound by its Constitution to honour it.

Eventually, the World Bank and the IMF reached a compromise with the RCG by agreeing to base the PRSP on an improved version of the SEDP II. However, the long and drawn-out tensions between the RCG, the World Bank and the AsDB showed clearly the attempts by multilateral institutions to capture key policy areas within the government. While the AsDB attempted to impose an externally driven private investment plan in the name of national development, the World Bank attempted to impose an externally driven structural adjustment programme in the name of poverty reduction.

Pitting the PRSP against national plans is counterproductive to genuine national ownership and reinforces already cynical attitudes towards government planning among the national-local population. It is not uncommon for instance to hear people in Cambodia (including well intentioned researchers and NGO workers) criticising government plans as nothing but flashy documents that never get implemented – because the government does not have the technical capacity to implement and the plans are not backed by the required financial resources. And since the PRSP comes with World Bank and IMF credits, many believe that it is better to concentrate on it because it has better chances of being realised.

It must also be stressed that agreement to make national plans the basis of the full PRSP does not automatically translate into a clear nexus between national plans and the PRSP. Since the RCG requested that formal processes related to the full PRSP be postponed until the SEDP II was finalised, the World Bank has done little by way of contributing towards the development of the SEDP II. This might be seen as honouring the Government's request, but it is also an example of the donor community's predilection to box itself in. Regardless of the agreement that SEDP II is supposed to be the basis of the full PRSP, because it is not a World Bank project, the Bank appears to see little use in supporting its development even indirectly. It is likely that come the time for the full PRSP to be formulated, Bank-Fund staff will insist on substantial revisions and adjustments to Cambodia's medium-term plan in order to make it conform to Bank-Fund guidelines.

Another debatable issue is whether there is common understanding between the World Bank and governments as to the relationship between national plans and PRSPs. Again, the case of Cambodia is instructive. Some Government officials believe that the medium-term plan would outline broad visions and specify areas with potential for growth, and the PRSP would be a sector-specific elaboration of the medium-term plan focused wholly on poverty reduction—specifically, how to bring the 36 percent of the country's poor out of poverty.[14] On the other hand, many World Bank staff would say that the full PRSP would elaborate on the SEDP II but with clearly defined policy reforms linked to the budget.[15]Going by the World Bank's track record to date, it appears that the view of RCG officials is implausible – the World Bank has never been a poverty-reducing institution and the PRSP will do little to help the poor of Cambodia.[16]

primary education and curative healthcare costs in the interests of poverty reduction.

The case of Vietnam shows that it is possible for a country to retain some control over the PRSP process. The government has set up a Poverty Working Group and a Poverty Task Force to guide its poverty alleviation strategies, both of which include government and non-government actors who meet regularly. And despite its wariness about the growing visibility of local civil society organisations (CSOs), the Vietnamese Government has opened up some policy development to public debate since several years.

Not surprisingly though, the World Bank still wants its way in content. Some critics claim that by supporting the strengths of the Vietnamese system, the Bank is looking for a way to convert its defeat in the arena of political will to victory in the arena of economic leverage. World Bank staff in Vietnam, however, strongly refute this claim.

Redefining Participation

Participation is one of the main buzzwords of the PRSP strategy. However, the World Bank exposes its complete lack of understanding of participation when it holds up the document *Voices of the Poor* as a landmark exercise in participation. As long as people are allowed to speak and particularly speak about their hardships, this is considered participation in the eyes of the Bank. What the Bank fails to acknowledge is that given a reasonable degree of political security, people will always be capable of discussing their own situations and of describing the poverty they experience. The interpretation of these perspectives, however, remains a value-laden exercise, and the translation of these perspectives to policy actions remains beyond the reach of most members of local civil society, especially the poor themselves.

Such a narrow conception of participation is apparent in the PRSP development processes in the Lao PDR, Cambodia and Vietnam. Participation has by and large been relegated to inviting some prominent and well-resourced Non-Governmental Organisations (NGOs) to offer their perspectives on pre-prepared documents. Current PRSP consultations in all three countries have yet to involve local populations in devising strategies for nationally meaningful development plans or in monitoring the impacts of past development projects and policy programmes.

In Cambodia and the Lao PDR, the I-PRSPs were not translated into the local languages (Khmer and Lao) until they were finalised, thus excluding local input into the I-PRSP formulation processes. The time allotted for reading and absorbing the content of the I-PRSP by the general public after the release of draft documents was also limited, making it difficult for even those fluent in English and policy language to provide substantial comments. As a result, remarkably few people actually read the I-PRSP documents in their entirety. Majority of those who did read the documents focused on specific sections, thereby missing the opportunity to check the documents for internal consistency, appropriateness to local conditions and overall anti-poverty focus.

Translation of documents to local languages, while extremely important, provides for a limited form of participation unless accompanied by a longer process of public education and debate. Local populations in the three countries are not generally familiar with the technical language that dominates policy documents and have to grapple with concepts not found in their cultures. The challenge here is not simply using precise words, but contextualising alien concepts. This makes it extremely difficult for local people, including many government officials, to confidently read and respond to translated policy documents. In Vietnam, early drafts of the I-PRSP were written in Vietnamese and made available to the public. However, according to some Vietnamese officials and international NGO staff, the very structure of such documents is too unfamiliar for local people to respond to. In Cambodia, there had even been instances where specific translated statements negated the original. A Cambodian NGO staff person—very sensibly—suggested that the PRSP should be negotiated and written in local language first, and then translated into English for the World Bank, IMF and donors.[17]

The I-PRSP for the Lao PDR cites the public consultation process undertaken for a large hydroelectric project—the Nam Theun 2—as a good example of stakeholder involvement in national development. It also indicates that these consultations are ample evidence that the full PRSP will be developed through broad based public involvement. However, public consultations on the Nam Theun 2 were not aimed at fostering informed and independent public debate about the project, but rather, at justifying the decision to proceed with the project regardless of its economic, ecological and social impacts. The general public—and even most government officials— did not have access to information in a form that sufficiently enabled them to assess the merits and demerits of the project for themselves. A number of foreign experts were called in to design participatory processes for discussion and appraisal at the village level in project affected areas. But these consultant teams did not have sufficient information about the scale, complexity and impacts of the project either, or about how negative impacts could be best mitigated. At the village level, thus, consultations served primarily to elicit information from local residents and not to discuss the proposed development in any detail.[18]

The Nam Theun 2 consultation process was expensive, and financed through grants from the UNDP-ESCAP, the World Bank and the Lao Government (through an initial project related loan). It lasted several years, produced numerous documents and advanced the careers of many "experts" and consultants. But it did little to foster public participation in decision making about the largest hydroelectric project planned for the Lao PDR. Ironically, the World Bank has yet to commit financing for the project. Since the Asian economic crisis, a number of private investors have pulled out of the project and the AsDB has now expressed interest in getting involved.

The Lao I-PRSP also indicates how responsibility for poverty alleviation will be distributed: the Central and Provincial authorities will take the "strategic lead," the District authorities will be responsible for translating strategy into plans, and the villages—where majority of the country's population resides—will be tasked with implementing the plans handed down to them.

The current political culture in the Lao PDR is not conducive to formal public debate about macro level policies. Members of the general public and even government officials at mid and lower levels are often unfamiliar with macro development concepts and therefore unconfident in their abilities to engage meaningfully in national planning processes. When policies are put in the public realm, there is little space for dissent, and even fewer channels by which the views and concerns of local civil society can be fed back into the policy development process. So much for World Bank speak about the poor becoming "active participants."

Public consultation about the I-PRSP in the Lao PDR was not an open process. Only representatives from large (i.e., with large budgets) international NGOs were invited for the meeting, many of who did not bother to attend since they felt it would be futile. When asked about the I-PRSP consultation, senior Lao representatives from the NGO community said that they saw no point in attending these meetings since they would not be able to speak their minds. According to an expatriate Director of an international NGO, "I've given up on these meetings with the World Bank…they are a waste of time…they have the same old ideas, nothing changes."

Among the three countries, the most comprehensive public consultation process for the I-PRSP appears to have been conducted in Vietnam. The Vietnamese Government went through at least six drafts of the I-PRSP, and invited local and international NGOs to discuss successive drafts. Some international organisations were also involved in conducting participatory poverty assessments in the countryside and are now negotiating plans to involve local populations in monitoring and assessment. However, according to a Vietnamese NGO staff person who was involved in the I-PRSP formulation process, the consultation workshops were not conducive to participation by local communities and people. There was too little time in the workshops to discuss the drafts in any detail and those who did not have experience with such meetings were too intimidated by the presence of high ranking officials (Vietnamese and foreign) to offer comments.

Others also pointed out that simply having workshops to discuss pre-prepared drafts does not make a process participatory. The views of people at the grassroots were not taken into account in the I-PRSP drafts. According to a Vietnamese NGO staff person, "They [the World Bank] say they consulted with the people. Who did they consult with? The World Bank needs to listen to the voices of the people who matter most—the poor and vulnerable. The voices of national and international NGOs are not representative of all of Vietnam. Even if the system changes, the voices in the system are still the same as before." **

World Bank staff in all three countries claim that they are helping to open up space for civil society to be involved in national development processes. And in Vietnam, the roles of some senior Bank staff have been greatly appreciated in this regard by representatives of the NGO sector. However, these same representatives also point out that this does not reflect the tendencies of the World Bank as an institution. In fact, many wonder whether the Bank can sustain the positive efforts made by individual staff. And given the political leverage and technocratic mindset of the institution, many in all three countries question the nature of dialogue and space that the Bank is opening up. World Bank staff in Vietnam on the other hand, feel that the processes that have been developed around the PRSP will be sustained beyond the tenure of individual staff.

The World Bank and the IMF are wealthy, well resourced, and have far greater technical capacity in policy negotiations than local-national civil society organisations in the three countries. And the two institutions come with particular packages of economic policies, opportunities and interests. All these factors determine who they are willing to talk to and who, in turn, feel able to talk to them. As a result, most local-national researchers and development workers are not optimistic that the PRSP will be significantly different from previous Bank-Fund lending programmes in either content or process.

Cashing in on "Weak Capacities and Institutions"

Bank-Fund documents increasingly lament over the "weakness" of state institutions and structures in areas that they consider important for poverty reduction. In the Joint Staff Assessments (JSAs) for Lao PDR, Cambodia, and Vietnam, two of the major risks identified are capacity constraints and institutional weaknesses. What this usually means is that the countries in question do not have the administrative and legal systems—and at times even the political will—in place to smooth their whole - sale transition to market capitalism.

The World Bank, along with bilateral donors, the AsDB and UN agencies has turned this set of challenges into extremely lucrative opportunities for itself and its friends. Every Bank loan and programme carries a whole host of "capacity building" initiatives that range from impact assessments and exploratory studies to writing new laws and developing whole new public administration systems. Foreign consultants selected from rosters maintained by the Bank, the UNDP and other donors provide "technical support" to national teams, whose roles as national representatives are undermined by the dazzling array of expertise in almost every name and form. National plans, projects, laws and policies emerge from these capacity building efforts, whose sole claim to "national ownership" is that they constitute part of the national external debt that must be repaid by future generations in these countries in the coming years.

Given the rhetoric of national ownership and participation in the PRSP framework, a question that the Bank and the Fund have yet to address is how they assess participation and ownership of the papers when formal domestic capacity to contribute meaningfully to national policy development is indeed weak. Questions of capacity and political space are major concerns in countries where modern civil society formations have not taken root as rapidly as modern development structures and practices. The presence of active civic bodies and the existence of sufficient political space provide the ground for more meaningful public participation, and serve as checks for possible abuse by creditors, governments, donors, investors and other international institutions.

The World Bank and international donor response to recognising participation constraints on the part of governments and local-national civil society is to resort to their old lucrative fall-back: design "capacity building" programs for governments in order to facilitate dialogue between civil society and governments But a question that begs attention here is whether "improvement" in the nature of dialogue between government and civil society is a role that institutions such as the IMF and the World Bank should appropriate upon themselves.

Past experience shows that the involvement of these two institutions in macroeconomic and other policy making in countries with vibrant and active civil societies has usually hindered meaningful civil society-government relationships. Where civil society formations have achieved a certain degree of maturity, their advocacy traverses a wide spectrum of issues, and usually includes the advocacy of policies that directly challenge those prescribed by the IMF and the World Bank. And where governments must comply with policy conditions—as in structural adjustment programs or in PRSPs—the process of negotiating progressive and nationally relevant policy positions by local civil society is effectively pre-empted by the combined political and economic power of the Bretton Woods Institutions.

In the Lao PDR, Cambodia and Vietnam, social and political life are dominated by diverse networks, structures and processes through which social and political consent are generated. Plenty of examples can be found in rural and urban communities in these countries of collective decision making bodies based on informal dialogue and flexibility. While such processes may not always guarantee equal access to decision making by all members of society, by virtue of their "locality," they accommodate human, geographic and temporal diversity. They also allow for the reversal of actions or decisions that prove to be harmful to the collective at large. However, the legitimacy and importance of vernacular civil society formations do not fit comfortably into conceptualisations of state, market and society held by institutions such as the World Bank and most international donor agencies.

International donors have often flagged the "absence of civil society" in these countries as a major obstacle to development. What they usually mean is the absence of CSOs or NGOs who are already familiar with, or can be taught the formal vocabulary of development, such as participation, planning, poverty reduction, sustainability and good governance. Consequently, the recent evolution of civil society in these countries has often entailed "non-local" re-constructions of local social relations into formations such as national NGOs, think-tanks, non-profit consultancy enterprises, special interest networks (which usually focus on single issues such as gender, micro-credit, training, etc.) and community based organisations (CBOs). In Cambodia, national-local NGOs initially emerged as a conditionality of development aid in the post UNTAC[19] period.

In both Cambodia and Vietnam, the World Bank and bilateral donors have actively sought the involvement of local and international NGOs and CSOs in their programmes, thus winning much-needed support in otherwise unpredictable conditions. In the Lao PDR, because of an absence of formally registered local NGOs, they have turned to select international NGOs. As a result, there has been a gradual, but growing segregation of local/national societies into those who can, and those who cannot participate in negotiations over development planning. Large numbers of people—particularly those who live in hardship conditions and/or have been socially and politically marginalised for long periods of time—are alienated from decision making processes that deeply affect their capacities and lives. This, in turn, is eroding local political capacities for representation and negotiation.

What the Bank has yet to figure out is that genuine participation is a deeply political process of representation and negotiation. Or perhaps, it has understood this only too well. By putting visible efforts into "capacity building" and "institutional strengthening," the Bank, with the help of international donors, is attempting to re-form decision making processes in the Lao PDR, Cambodia and Vietnam. The wider the gap between policy-making structures and acknowledgement of policy impacts, the easier it is for the Bretton Woods family to push its programmes.

The Policy Matrix: One Size Fits All

In 1999, the World Bank and the IMF claimed that their staff "have no fixed idea of the 'ideal' poverty reduction strategy or participatory process and welcome experimentation by country authorities."[20] In the same document, they then went on to declare that the strategy must, "ensure consistency between a country's macroeconomic, structural and social policies and the goals of poverty reduction and social development."[21] So much for "experimentation," especially since the "poverty diagnostics" in PRSPs do not explore the effects of past macroeconomic, structural and social policies on current poverty incidence or entrenchment. According to Bank staff in Vietnam, however, some research in these areas has taken place in Vietnam.

There is a lot to be said about *appropriate* policy interventions and reforms. As the Lao PDR, Cambodia and Vietnam move to market based economies after years of centrally planned political-economic models, it is not surprising that the required structures, institutions and governance processes to facilitate market capitalism are weak. Also, even those who do not favour the market based approach in these countries agree that certainly, reforms are needed in their countries, for example, in the areas of economic and political governance. But the wide disparities across the countries and their varying levels of development demand more fitted and nationally relevant approaches than are permitted through the PRSPs and their accompanying credit instruments. A shared historical past—especially one marked by competing colonial powers, and deep political conflicts—does not automatically render the countries a homogenous lot in the present day.

Admittedly, the actual I-PRSPs for the Lao PDR, Cambodia and Vietnam do read somewhat differently. However, the operational documents here are not the papers themselves, but the policy matrices attached to the papers. The policy matrix always invariably finds its way into loan documents and is in effect, a set of conditionalities. Equally remarkable is the fact that all three sets of policy matrices for the Lao PDR, Cambodia and Vietnam converge in most major aspects.

For Cambodia, the policy actions listed in the matrix and their timetable for implementation are based largely on the existing PRGF with the IMF and the SAC with the World Bank.[22] The Lao PDR I-PRSP policy matrix has also been adopted into the PRGF.[23] In Vietnam, the recently approved Poverty Reduction Support Credit (PRSC) is a traditional Structural Adjustment Credit (SAC) and incorporates most of policy matrix of the I-PRSP.[24] According to a senior Bank staff in Vietnam, the Bank had been preparing a traditional SAC for the past four to five years and it was unable to suddenly switch to PRSC "goalposts" since policy dialogues related to the SAC were already completed. They claim that the next PRSC will be different, with a different distribution of credits. What they will not admit is that for the time being, Vietnam must live with the consequences of the policy requirements in the traditional SAC, no matter what their impacts on poverty and inequality.

What are the policy directions evident in the PRSPs and the matrices, and what is so bad if they are similar (or identical) in the three countries?

1. Still Hung Up on Growth.[25]

"The impediments to faster sustainable growth should be identified and policies agreed to promote more rapid growth: such as structural reforms to create free and more open markets, including trade liberalisation, privatisation and tax reform and polices that create a stable and predictable environment for private sector activity."[26]

Fast growth is obviously what the PRSPs are aiming for. For the Lao PDR, Cambodia and Vietnam, the projection is to achieve a growth rate of 7 percent by the end of the first PRSP period in 2003. The focus on growth is evidenced by the fact that, except for improvements in some social indicators, the I-PRSPs for all three countries have made no clear projections for poverty reduction for the same period.

Economic growth is an important component of development planning. However, in order to be a meaningful poverty reduction strategy, should not the PRSP be more concerned with how many people to take out of absolute and relative poverty? Should not policies that foster equity and address social, economic and political imbalances constitute the primary bases of this strategy, with growth taking a secondary role? In other words, it is important to formulate anti-poverty and equity enhancing programs *first* and ensure that they are appropriately funded and implemented. Whatever growth is produced in this period should be accepted as the limit for this period and stage of the overall poverty reduction program. But in the Bank's framework, growth projections must come first. Hence, programs are ultimately directed towards achieving the highest possible growth, which is not necessarily the same as achieving the highest possible poverty reduction.

Mainstream development theory would point to the high sensitivity of poverty indicators to economic growth as the main justification for the growth focus. However, this sensitivity is due in large part to the traditional income-based definition of poverty. It must also be stressed that while high economic growth or simply economic growth (if it were the ultimate focus) could make possible palpable improvements in social indicators and maybe even alleviate some poverty, it does not automatically address the issue of equity. More often than not, it pushes many population groups deeper into conditions of deprivation and poverty, especially if growth is achieved without adequate accompanying social supports and protections. The Asian economic crisis is a nagging reminder that in most of East Asia, many of the poverty gains of past rapid growth can easily be eroded by a massive economic shock.

2. Deregulation of Monetary Policy.

In the Lao PDR, Cambodia and Vietnam—as in most transition countries— reforms are necessary to remove distortions in the monetary sector. For instance, it may be argued that the habit of Central Bank financing of the national budgets is not sustainable and therefore needs to be avoided, as it tends toward lopsided resource allocation (veering towards spending beyond means). It also serves as a disincentive for designing appropriate economic policies and programs necessary to enhance the country's internal capacity to generate resources by promoting healthier production. There is also need to rationalise the allocation and access to credit, especially credit provided by state-owned banks.

It is therefore welcome that related reforms in monetary policy are discussed in the PRSPs. However, neither the I-PRSP, nor the attached policy matrices seriously acknowledge the importance of issues of timing, sequencing, and sensitivity to local conditions of these reforms. For instance, the rationalisation of the exchange rate regime should not be an automatic go-ahead signal for the institution of a high interest rate regime—a policy the IMF is well known for, especially in countries experiencing weak currencies which is the case in these three countries. A fledgling economy needs a supportive interest rate regime that will encourage production. It does not require complete deregulation, i.e., everything will now be left for the market to decide. National governments, through the Central Bank's monetary operations (e.g. setting of reserve requirements) or the National Treasury's fiscal operations (e.g. incurring government indebtedness), have at their disposal various instruments that can influence the interest rate regime in a positive and transparent way.

Also, since the productive sectors are not yet fully developed in the Lao PDR, Cambodia and Vietnam, these countries still need to keep the idea of development banking alive. Preferential directed credit should be promoted, especially for sectors that need to be bolstered against potential displacement from changing production modes or competition from bigger, often external actors. Preferential treatment and even preferential interest rates to domestic small producers is necessary to enable them to enhance their productivity and eventually compete in open markets. Such policies assume greater importance when banking institutions—both public and private—are in their very early stages and as yet unable to service the financial needs of the entire country. Not surprisingly, the Bank-Fund papers and policy matrices do discuss these issues.

The policy matrices also give little consideration to the manner in which State Owned Banks are being restructured. In view of the need for development banking, some state banks need to be retained and strengthened. If banks are to be merged or liquidated, the restructuring must be accompanied by ample support mechanisms and compensation packages for both depositors and bank employees. It is indeed sad that lack of preparation for the closure of banks in Cambodia has left several depositors, including non-government organisations, insecure about their financial standing. Such experiences undermine national attempts to build confidence in the financial system in a country that is just starting to learn how to use it.

3.Tearing Down of the State Sector Via the Restructuring, Corporatisation or Privatisation of State-Owned Enterprises (SOEs)

The policy matrix for Cambodia envisions the corporatisation of eleven SOEs and the restructuring of seven rubber plantations. The Lao policy matrix calls for the financial restructuring of the Electricite du Lao, and full cost recovery and debt servicing capability in commercial SOEs. For Vietnam the policy matrix outlines the equitisation, divestiture, sale, lease and liquidation of around 1,800 SOEs, and the restructuring of three general corporations. In Vietnam around 700 SOEs have already been equitised (or 65% of shares sold to non-government shareholders).

In these policy matrices, only Vietnam has explicit language entry on some mitigation measures for those affected by the restructuring, sale, or liquidation of SOEs. And even this is completely inadequate as it is framed as an incentive rather than as socio-economic support, direct assistance, or due compensation for workers that will be displaced. The World Bank estimates that approximately 400,000 workers will become unemployed in Vietnam as a result of the SOE reform, and that this number is likely to increase with trade liberalisation under the Asean Free Trade Agreement (AFTA). At the same time, the Bank argues that since trade liberalisation and privatisation will increase employment in some sectors even as they render at least 100,000 workers a year "redundant," there would be little "net change" in employment. Using the same arithmetical logic in calculating the monetary losses that workers would undergo from "job separation" (the Bank's euphemism for unemployment), Bank technical staff actually based the value of lost benefits on the reasoning that many SOE workers could earn more if they left the public sector! At the same time, the World Bank had no meaningful recommendations for alternative employment generation. But according to Bank staff in Vietnam, considerable work has been done on designing a comprehenisve social safety-net programme.[27]

While it is the most visible impact, concerns over the restructuring of the state sector are not limited to employment. The basic premise of such restructuring is the recasting of the state's role in the economy and the control of national resources. Such restructuring is also always accompanied by other policy changes that seek to prioritise the functioning of 'markets' above all else. (see box)

4. Private Sector Deregulation and Establishment of More Open Foreign Investment Laws

"Creating a level playing field" is the buzz-phrase for the private sector development part of the policy matrix. For the Lao PDR, Cambodia and Vietnam, the target is to either enact, revise or implement a code of commerce (called the Business Law in the Lao PDR, the Law on Enterprises in Vietnam and the Commercial Code in Cambodia). Substantial changes to Foreign Investment Laws are also targeted in all three countries.

All three countries have, or are in the process of finalising their Build-Operate-Tranfer (BOT) laws. The BOT laws make possible private sector participation in large infrastructure projects. The mobilisation of private capital for infrastructure is important for cash-strapped countries. But unlike industrialised countries that have their own BOT laws, Vietnam, the Lao PDR and Cambodia do not yet have strong functioning regulatory mechanisms and lack the capacity to monitor and enforce commitments of private concessionaires. Another familiar

Beyond Ownership: Privatisation and the Power of Policy

The issue of privatisation in Vietnam, Cambodia and the Lao PDR is neither straightforward, nor easy. Having undergone central planning for almost two decades, it is but expected that almost all areas of economic activity are centralised, publicly owned, or communally governed.

The PRSP always carries with it privatisation as a salient feature. In these three transition countries, the pace of privatisation is somewhat different for Vietnam on one hand, and the Lao PDR and Cambodia on the other. Both the Lao PDR and Cambodia have privatised most of their national proprietary interests within a relatively short period of time, since they first announced that they will adopt market-oriented reforms. This was done as a confidence building measure, to enable the Lao PDR and Cambodia to fast-track their access to economic resources and support from the international donor community. However, the same is not true for Vietnam. Vietnam launched its reform programme in the same period as the other two countries (between 1987-1989), but maintained strong control on national sectors and enterprises, while at the same time protecting its social indicators. The pressure to privatise has intensified more recently, as it negotiated its most recent structural adjustment credit and with the advent of the PRSP framework.

Privatisation has several stated objectives. One of the main stated objectives of privatisation is the promotion of competition to enhance economic efficiency, which also solves the so-called principal-agent problem[28] in public ownership. Another objective is the mobilisation of resources, both domestic and foreign, for the production, distribution and delivery of goods and services. Privatisation is also done to restructure the finances of losing enterprises, and to facilitate the restructuring of strategic industries.

However, there are always wide disparities between objectives and outcomes, even if the objectives may not be entirely desirable in and of themselves. According to Joseph Stiglitz, the former Chief Economist for the World Bank, "Allowing competition is easy…Generating and sustaining competition are more difficult."[29]

A number of issues are important here. For instance, will the specific design of privatisation programmes really result in competition? Or will they result in the transfer of prime assets from one form of monopoly control to another? There are a number of recent examples of privatisation in Asia where the competition aspect was seriously undermined in the rush to privatise. Then there are questions about whether the market size and structure of the industry or firm to be privatised are sufficient to make non-state forms of ownership a viable option. Equally important are the capacity and effectiveness of government regulatory mechanisms, which can ensure that competition is fair and based on legally enforceable rules. And finally, how does privatisation serve and benefit broad based public interest? In particular, how does privatisation serve the priorities of poverty reduction?

Such questions do not worry the World Bank. The Bank's private sector development programme has little to do with the interests of the poor and everything to do with the commercial interests of its Northern owners, particularly the United States. The Bank plans to expand privatisation into virtually every service sector through its lending and policy programmes. According to a recent Bank paper: "policy based lending would be a major vehicle for advancing investment climate reforms." In the Lao PDR, Cambodia and Vietnam, the PRSP framework is laying the groundwork for such reforms. The World Bank's International Development Association (IDA) will finance the government with soft loans for creating the "enabling environment" for private sector development while its International Finance Corporation (IFC) will facilitate capital at market rates for private investment.

In Vietnam, Lao PDR and Cambodia, the economic sizes of the countries are an indicator of what type of private sector will develop—domestic or foreign. Differences in their relative economic sizes also highlight the importance of market size and structure, and government capacity in the design of privatisation programs. In smaller countries, very few people/businesses are rich enough to buy into the privatised entities. This could either lead to the concentration of ownership in the hands of a small economic elite, or to the capture of ownership by foreign economic actors. Foreign ownership of erstwhile public enterprises, especially of utilities and essential good and services, is problematic and not desirable.

While it might be easier to let go of small and purely proprietary factories or enterprises (for e.g. shoe production), larger and more strategic enterprises are a different matter. Public utilities, goods and services are imbued with huge public interest. If appropriate regulatory mechanisms are not in place, or not working, public interest is seriously jeopardised.

Although issues of access remain regardless of the mode of ownership, a privatised set-up has implications beyond the loss of government control. For population groups and communities who are income-poor and/or not within the monetised economy (as is the case among urban and rural poor, and those living in remote areas in Vietnam, Cambodia and the Lao PDR), market mechanisms are not viable means for them gain access to essential goods and services. Here, it would be wise to recall the experience with past structural adjustment programmes: access to even the most basic services deteriorated even as user fees increased. This brings us to one of the most important concerns regarding privatisation — the distribution costs of privatisation.

Ideally, even in a privatised set-up, national governments can still retain their nurturing function. This is possible because the power of policy remains in their hands. But related policies in the PRSP greatly limit the capacity of governments to intervene. Fiscal prudence and responsibility become the masks for reduced subsidies and social entitlement programmes. And deregulated monetary policies that often result in high interest rate regimes hamper private provision of goods and services to so-called non-market sectors, i.e., bulk of the national population.

The ownership of and control over resources are not simple issues of efficiency. In the Lao PDR, Cambodia and Vietnam—as in most developing countries—there are a range of issues that privatisation programmes contradict and undermine. These include community and collective rights to natural resources (for e.g. communal forests, grazing lands and fishing lots that are slated for titling and privatisation), sovereign right to manage and control natural resources (for e.g. water resources being captured in hydropower facilities designed to export electricity), and the concentration of production and distribution capacity for essential goods and services in the hands of external corporate entities.

The World Bank has yet to show how its privatisation programme—like its PRSP strategy—will be of any use to the poor in the Lao PDR, Cambodia and Vietnam. Bank-led privatisation programmes are largely financed through public coffers and add to the already significant internal and external debt burdens in countries within the Bank's policy grip. What is almost certain here is that unless the three countries gather their political resources and find a way to halt to Bank led privatisation programmes, their economic sovereignty will be seriously undermined.

problem in BOT schemes is the issuance of Government guarantees for these large private investments. The guarantees dilute investor responsibility, distort their risk response, and in many ways mock the justification for private sector entry (i.e., that the Government is cash-strapped).

This is not to say that private sector participation in economic activity should not be encouraged. But in order to make such participation yield significant economic gains for the host countries, the development of national and local regulatory capacity must be prioritised, and domestic firms should be given preferential treatment over external firms (see box). Bank led reforms are geared towards creating hospitable environments for *foreign* private investment, and not towards expanding a responsible and publicly accountable domestic private sector. Governments, donors and creditors alike must rethink the granting of sovereign guarantees to foreign entities.

5. Trade Liberalisation and Promotion of Export Processing Zones

The trade programs in the I-PRSP and PRSC policy matrices focus on market access and liberalisation. There is heavy reliance on exports, especially of rice and other cash crops, as means of increasing incomes. The PRSP does not underscore the two-way character of trade. Being able to export also means that these countries will be compelled to receive imports from other countries. Past experience shows that this is likely to have negative consequences for countries with weak domestic markets, negligible supports for domestic producers and where a significant portion of the population is engaged in subsistence production. But the strategy papers make no mention of this, nor do the policy matrices outline policies by which these countries can better deal with the influx of imports because of liberalisation.

Agriculture policies in the Lao PDR, Cambodia and Vietnam are closely tied to trade policies and the agriculture sectors in all three countries constitute more than 50 percent of the share of their respective GDP figures. In all three countries, the prescription for agriculture is the same: shift agriculture away from its current focus of self sufficiency towards agriculture as a commercial enterprise, with an assumed market playing an expanded role in meeting local food and production needs. The I-PRSPs do not offer an analysis of what the countries would lose, or of how its more vulnerable populations would be affected by trade liberalisation if such measures are put in place without first putting in place the necessary protections and supports to ensure security for local producers and consumers. For example, in Vietnam, the rice export industry will be deregulated and quantitative restrictions on rice exports will be abolished. Vietnam may be a net exporter of rice, but it is also prone to seasonal lows in the supply of rice. The complete deregulation of the rice export industry will be inimical to Vietnam's economic advantage and food security at local levels.

Export processing zones (EPZs) are projected in the PRSPs as a viable and important means to attract Foreign Direct Investment (FDI), build domestic production capacity, generate employment and promote exports.

The PRSP and the Integrated Framework:
Prioritising Trade over Poverty Alleviation

During the 1996 WTO Ministerial Meeting in Singapore, an Inter-Agency Working Group (IAWG), composed of six core agencies – the IMF, the International Trade Centre (ITC), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the World Bank and the WTO, was formed to co-ordinate technical assistance and aid towards assisting the Least Developed Countries (LDCs) to integrate into the world trading system. In October the following year, the IAWG, together with trade ministers from the 38 LDCs endorsed the *Integrated Framework for Trade-Related Technical Assistance (IF)*.

The IF is supposed to guide trade-related technical co-operation being co-ordinated by the six core agencies in three areas: (1) trade policy; (2) obstacles to trade expansion (supply constraints/institutional bottlenecks, trade promotion/ support services, market access); and (3) technical assistance.[30]

Critics were sceptical about the real motivation behind the IF. They pointed out that a collaborative approach towards trade-related technical assistance by the most powerful global policy making institutions further limited the space for critical debates on rapid trade liberalisation and integration into the global trading system. That is, the IF could smother hesitations on the part of LDCs towards WTO membership through promises of financial and technical assistance. The IF, for instance, had an overly optimistic and narrow view of trade liberalisation. The basic technical assistance concerns were too focused on exports constraints, glossing over the fact that the development of internal markets and domestic capacities are the first steps toward making export oriented production beneficial to LDCs.

In 2000, a mandated review of the IF was done. The findings of the review and the subsequent resolution of the six core agencies made sceptics even more wary. No longer is the IF merely concerned with technical assistance. The ante has been upped to mainstreaming trade into country development strategies and national plans of the LDCs. This will be ensured through the PRSP, the Comprehensive Development Framework (CDF), and the UNDP Assistance Framework, and will feed into World Bank Consultative Group (CG) and UNDP Round Table Meetings.[31] The six agencies in effect now carry their advocacy *collectively* at the national level.

In Southeast Asia, Cambodia was identified as one of the pilot countries for the enhanced IF (the other two countries selected as pilot countries for the IF are Madagascar and Mauritania). The main expression of this initiative is the Tokyo Road Map, *Mainstreaming Trade for Poverty Alleviation*[32], prepared in time for the Fifth CG meeting for Cambodia in June 2001. Unfortunately there is nothing in the document to allay the critics' fears. The trade strategy being explored and promoted remains unduly focused on exports, without adequate discussion about what happens on the other end, i.e., imports. Subsequent follow-up activities for the IF left the Cambodian office of a core agency extremely dissatisfied. Cambodian officials pointed out that the IF team that visited the country did not even follow the agreed guidelines. They found this particularly distressing since the recommendation of the team will ultimately find its way to Cambodia's PRSP.

The IF is part of a larger effort by the World Bank to bolster support for its policy loans and structural adjustment programmes, and described in a World Bank document titled "Leveraging Trade for Development: The World Bank Role." The document was presented to the Board of Governors of the Bank and the Fund in April, 2001 and lays out the measures that the Bank will take to open borrowing countries to foreign investors by using trade as a lever. Particularly in poorer countries, the Bank claims that it will exploit the overlap of new trade activities with its ongoing sectoral reform programmes by focussing increased attention on "behind the border issues," such as investment regulations, business services, trade facilitation and other barriers to full trade and investment liberalisation.[33]

In this quite lengthy document, the Bank repeatedly asserts its objective to help governments design reforms that will expand trade and encourage "pro-poor growth." But it provides no clues as to how its proposed trade reforms are "pro-poor," or even credible evidence that its sectoral reform programmes have yielded gains for the poor and vulnerable. The document does, however, explicitly state that its trade reform package will be a central component of its PRSPs in all countries, whether low, or middle income. It also betrays the Bank's continuing obsession with creating "enabling environments" for privatisation and foreign investment through risk protection and insurance, legal advice, technical assistance, dispute settlement and other facilities for foreign investors.

Interestingly, while the World Bank document acknowledges the importance of regional trade arrangements among developing countries in facilitating economic prosperity, it clearly sees the usefulness of such arrangements in only as far as they smooth the way for these countries to integrate into global trade markets. At places it even cautions that regional trade arrangements may "disadvantage global export competitiveness in much the same way as national barriers do." And further, "…North-South regional agreements are more likely to improve welfare than South-South ones, simply because experience to date shows that they usually result in lower trade barriers…. and because the greater structural differences in North-South economies usually produce greater gains from trade creation."[34] Clearly, the Bank is wary of trade arrangements among its borrowing countries lest they threaten the commercial interests of its more wealthy Northern masters.

The IF and other World Bank efforts in promoting trade and investment liberalisation in its borrowing countries provide ample evidence that the Bank neither views, nor supports trade as a mechanism for national development among its poorer members. While it laments that the protectionism of rich countries imposes costs on developing countries that exceed aid flows,[35] it makes no recommendations for rich countries to dismantle their protectionist structures, or for the WTO to loosen up its agreements related to intellectual property and patents protection, trade related investment measures and technology transfer. Instead, as experiences in Vietnam, Cambodia and the Lao PDR show, it advocates for poorer countries to restructure their domestic regulations and laws to become WTO compliant.

However, neither the strategy papers, nor the policy matrices address the barriers to building domestic production and trade capacity posed by Bank led privatisation and investment regimes and the multilateral trading system governed by the World Trade Organisation (WTO). Nor do the strategy papers even attempt to incorporate the learning from other countries' experiences of the long-term negative impacts of EPZ strategies--particularly on women and youth-- and their social, environmental and human costs.

6. Natural Resources and Land Policy

The I-PRSPs tackles the controversial issues of land rights and access to natural resources through changes in the legal framework for the use, ownership and transfer of lands. Specifically, land titling, tradability and marketability are made possible with the view towards ostensibly reducing uncertainty in land markets and increasing incentives for investments on land. However, given the nature of land and resource tenure, management, usufruct and ownership patterns previously prevailing, and the income levels in the three countries, these policies reveal the limited understanding by the Bank of the multiple values that different types of lands have for local populations and larger national interests.

Framing land use rights from a purely market perspective and without ample regulation and support policies from government is potentially dangerous. The Bank views land as a marketable asset, to be bought, traded, mortgaged, leased, used as collateral, or as an incentive for other economic gains such as tourism and recreation. In the Bank's mindset, if land does not yield immediate and measurable financial gains, its utility and value are wasted. To date, the Bank has displayed little understanding of the importance of land as an asset or assurance for long term social, cultural and economic security. Increasing land values are an invitation for people to part with their land, particularly in the absence of other supports that would assist them to retain land. Informal interviews in Cambodia reveal that land titling and market friendly investments in land have resulted in large numbers of people selling their lands to external investors. Ironically, majority of these people are cash and income poor, the same populations that the World Bank claims to be helping through its poverty reduction strategies

Ignoring the Lessons from Structural Adjustment Programmes

In June 2001, the World Bank released a report on two decades of structural adjustment lending.[36] In July, 2001, it concluded a five-year tripartite review of its Structural Adjustment Programmes (SAPs). While the World Bank would not openly declare the SAPs as a major mistake, it did come close to acknowledging the SAP's major weaknesses in the early 1990s. It was hoped that the World Bank's participation in the recently concluded Structural Adjustment Review Initiative (SAPRI) with government and civil society would further highlight these weaknesses and produce more nuanced policy interventions.

The tripartite review of SAPs were done in seven countries: Bangladesh, Hungary, Ghana, Uganda, Zimbabwe, Ecuador and El Salvador. The civil society group within the SAPRI also did citizen's assessments (without World Bank and government participation) in two countries, the Philippines and Mexico.

The SAPRI was supposed to be a tripartite exercise with the three sets of actors involved from the very start of the process. Along the way, however, when it became apparent that the results of the exercise were largely critical of SAPs, the World Bank made several attempts to distance itself from the review. In the end, the World Bank wrote a report separate from the one prepared by the SAPRI Global Steering Committee even as it remained fully involved in the identification of topics for review, the design of the methodology, and the selection of researchers for the SAPRI.

The final results were two very distinct reports[37]. The SAPRI Global Steering Committee provided extremely detailed discussions on the poverty, inequality and distributional impacts of SAPs, particularly on the following points:

1 The growth performance under SAPs was mixed at best. Even if on balance growth was achieved, the gap in income distribution worsened.
2 SAPs led to the restructuring of the productive sectors of the economy. Specifically, SAPs led to: de-industrialisation in the small- and medium-scale industries and manufacturing oriented towards the domestic market; the diminution of communal farming systems which in turn led to declining agricultural shares in the national economy; and, the development of enclave elite economies.
3 The confluence of various policies under SAPs and inadequate safety-net mechanisms led to a decline in employment opportunities and concentration of employment in the affected sectors, followed by the decline in real wages and breadth of social protection (via the modification of labour laws to cater to restructured markets).
4 The restructuring of the state sector led to reduced/ poor access to and quality of social services, even as privatisation and restructuring were often followed by increases in user fees.
5 There was inequity in the distribution of costs and benefits from adjustment, with the elite and large production units capturing most of the benefits. SAPs also increased the degree of ownership by foreigners of privatised assets.
6 Adjustment policies were implemented with little sensitivity to gender and environmental considerations, and were generally implemented without strong built-in mechanisms for social preparation.
7 SAPs were unable, if not blind, to the issues of weak institutions and corruption.
8 SAPs had largely been non-participatory, undemocratic and non-transparent processes.

For many civil society organisations, these results were not new. But they had hoped that since the World Bank was involved from the very start, these results would be made the basis for careful discussions and a springboard for the drafting of alternatives.

On its part, the World Bank offered three lessons:

"First, adjustment is not an easy process, politically as well as socially. It profoundly affects people's lives….

Second, it has also become clear that adjustment has to be 'owned' by the government and the society in order to be successful…

Third, the experience of the six (sic)[38] SAPRI countries suggests some broad lessons on designing comprehensive structural reforms that minimise the potentially adverse effects while reaping the economic benefits:

- Institutions are essential…(include) regulations that ensure competition and a proper legal environment…;
- …a step-by-step approach to adjustment is appropriate to allow complex reforms to be closely linked with the development of institutions;
- It is important to provide adequate safety nets…;
- Special attention should be paid to safeguarding social expenditures and maintaining access to health care and nutrition."[39]

Predictably, the World Bank's admission of the impacts of SAPs was far from what the civil society component of the SAPRI had hoped for. Overall, the Bank failed to grasp or even acknowledge the depth and breadth of problems that need to be addressed in its policy based lending While civil society challenged the viability of a "one size fits all" approach to structural reform and furnished proof of the severely negative results of Bank-Fund adjustment policies, the World Bank report was quick to claim that these hypotheses or criticisms were not "tested" or were "contrary to international experience".

Such attitude is arrogant and dangerous. And judging from the comprehensive policy matrices annexed to the Vietnam, Cambodia and Lao PDR I-PRSPs, the timeframe of policy reforms (three years), and the almost complete uniformity of policy prescriptions for the three countries, it is clear that the World Bank has little commitment to learning from the past experiences of its policy lending. As it turns out, the governments in Vietnam, Cambodia and the Lao PDR have not been informed of the results of the SAPRI exercise. In some cases, even the World Bank country offices are in the dark about it. For the most part, the Bank's country offices are implementation and monitoring arms, while much of the substantial decisions are made and co-ordinated by task managers in Washington DC. Such is clearly the case for Cambodia as far as structural adjustment credits, the PRSP, and other major programs go.[40]

Conclusion

The PRSP is not about poverty reduction, regardless of how often the words poverty and poor appear in the strategy papers and policy matrices. The rhetoric about reducing poverty may be there, but the most important aspect of the PRSP—the HOW—rings all too familiar to be credible. In fact, the PRSP fails on almost every count when it comes to addressing historically entrenched and long-term causes of poverty, inequality and exploitation. Instead of tackling the complex process of redistribution—of land, income, wealth, employment and development opportunities—the PRSP takes refuge in the language of private property rights and overlooks the more important social relations of use, exchange, tenure and ownership.

Instead of supporting local and national food security, or even the potential to alleviate hunger through food self-sufficiency, the PRSP focuses on the production and export of crops that majority of the population would not be able to consume. Under the PRSP, agricultural production must prioritise the changing demands of alien markets over meeting local-national food and consumption needs. In the Lao PDR and Cambodia, many food crops are currently imported from neighbouring countries. Considering the fact that they share similar topographies and have fertile lands, it is curious why the Bank has made no attempts to promote comprehensive policies towards basic food import substitution.

Instead of exploring how progressive taxation can be implemented, the PRSP advocates simplistic (but administratively difficult) tax measures such as the value-added tax system. Instead of helping governments ensure fair and equitable access to essential goods and services, the PRSP seeks to remove government from its role of social and economic protection, and to transfer even the most fundamental of social and economic services to external private enterprises backed by its own investment arm (the IFC) or by wealthy Northern governments. The poor and vulnerable will be taken care of by safety nets—if there is money for them—and if some people fall through the cracks, well, the Bank and the Fund never denied that structural adjustment would be painful.

Instead of helping countries to develop sustainable, secure and dignified livelihood opportunities for their peoples, the PRSP demands such restructuring that creates widespread unemployment and underemployment. Through policies aimed at fostering "pro-poor growth," workers are stripped of fair wages, compensations and entitlements, workplace protection, and the rights to organise and negotiate.

There is much rhetoric in the PRSPs about gender equality and mainstreaming gender concerns in national development. But the PRSP does not advocate any measures to monitor the impacts of its policy prescriptions on women, particularly poor women, or to tailor policy reforms to respond to the needs of the poor and vulnerable.

Instead of guiding countries to find political and economic governance structures most appropriate for them, the PRSP demands the fragmentation of national institutions and the dismantling of domestic economic capacities. There is no place for economic and political sovereignty in the PRSP. Instead, countries must allow their lands, environments, natural resources and populations to feed distant markets and foreign, often trans-national corporations

And finally, instead of using the tremendous resources at their disposal to assist countries to develop nationally relevant and locally responsive approaches to human, development, well being, poverty reduction, wealth creation, and social stability and solidarity, the World Bank and the IMF push their poorer "clients" into rapid integration with global marketplaces that they have no control over, and without allowing them the political space, economic facilities and policy flexibility to shore up their domestic resources and capacities first.

The PRSP is upheld by the World Bank and the IMF as a comprehensive approach. That it certainly is, but not for poverty reduction. The PRSP is a comprehensive programme for structural adjustment, in the name of the poor.

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Notes

** During December, 2002, the Ministry of Planning and Investment in Vietnam, along with the World Bank and International NGOs started a process of consultation at the village level.

[1] The information presented in this study is a result of formal and informal interviews in the three countries, and a review of relevant national, Bank-Fund and donor agency documents. Wherever permitted, names of interviewees have been provided. However, some interviewees specifically requested to not be named for political and institutional reasons.

[2] For a comprehensive critique of the PRSP and PRGF, see: Still Sapping the Poor: A critique of IMF Poverty Reduction Strategies, Charles Abugre, ISODEC, June, 2000

[3] *Participation in Poverty Reduction Papers,* Caroline M. Robb, Africa Department, International Monetary Fund, August 2000.

[4] Comprehensive discussion about PRSP policies are provided in

- *An independent guide to PRSP*, Eurodad, Spring meetings, 2000.
- News and Notices, Volume2, Number 2, Spring 2000.
- *Making PRSPs work: the role of poverty assessments*, Oxfam International, April 200.

[5] Annual Report on Development Effectiveness, World Bank, 2000

[6] SAC was the instrument through which structural adjustment loans or credits were provided by the World Bank in SAPs; under the PRSP framework, SAC has been replaced by the PRSC as the loan instrument; however, this change is primarily alphabetical and has as yet shown no substantive difference in lending targets or priorities.

[7] Poverty Reduction Strategy Paper-Operational Issues, IMF-World Bank, December 10, 1999.

[8] *Concluding remarks by the Chairman of the IMF*'s Executive Board, December 21, 1999.

[9] Poverty Reduction Strategy Paper-Operational Issues, IMF-World Bank, December 10, 1999.

[10] Guidelines for Joint Staff Assessment of a Poverty Reduction Strategy Paper, IMF-World Bank, April 18, 2001.

[11] Poverty Reduction Strategy Paper-Operational Issues, IMF-World Bank, December 10, 1999.

[12] Poverty Reduction Support Credits, World Bank Operations Policy and Country Services, May 11, 2001, as attached in Operational Memorandum from Joanne Salop, Vice President, Operations Policy and Country Services, dated May 21, 2001.

[13] Interview with Mr. Su Yong Song, World Bank Senior Economist – Poverty Reduction and Economic Management Unit, East Asia and Pacific Region, March 16, 2001, Phnom Penh.

[14] Interview with Mr. Kim Saysamalen, Undersecretary of State, Ministry of Planning, August 22, 2001, Phnom Penh.

[15] Interview with Helen Brereton, World Bank Cambodia Mission, August 22, 2001, Phnom Penh.

[16] For more information on PRSP and the SEDP II in Cambodia, please see the wesbite of the NGO Forum on Cambodia at: http: www.ngoforum.org.kh

[17] Interview with Mr. Chith Samath, Working Group Coordinator, NGO Forum on Cambodia, August 20, 2001, Phnom Penh.

[18] *Public Consultation and Participation in the Nam Theun 2 Hydroelectric Project in the Lao PDR*, Shalmali Guttal, Focus on the Global south, February, 2000.

[19] United Nations Transitional Authority for Cambodia.

[20] *Poverty Reduction Strategy Paper-Operational Issues*, IMF-World Bank, December 10, 1999.

[21] Ibid.

[22] Joint (IMF and IDA) Staff Assessment of Cambodia's Interim Poverty Reduction Strategy Paper, December 2000.

[23] Joint (IMF and IDA) Staff Assessment of Lao PDR's Interim Poverty Reduction Strategy Paper, April 2001.

[24] See *Report and Recommendation of the President of the International Development Association to the Executive Directors on a Proposed Poverty Reduction Support Credit to the Socialist Republic of Vietnam* (Report No: P-7446-VN), April 23, 2001.

[25] This section draws from an earlier paper by Jenina Chavez Malaluan, *Locating Civil Society Role in the PRSP Process: Opportunities, Dilemmas and Challenges – The Case of Cambodia*, October 2000.

[26] *Poverty Reduction Strategy Paper-Operational Issues*, IMF-World Bank, December 10, 1999.

[27] See *VIETNAM: Interim Poverty Reduction Strategy Paper and Joint IDA-IMF Staff Assessment of the Interim PRSP*, IDA/SecM2001-0224/1, April 13, 2001.

[28] This refers to a "situation... where interests of managers and shareholders differ. Principal i.e. shareholders, has interests in performance of firm but appoints an agent i.e., the manager to act in his place, so principal cannot fully control what the agent does." [MIT Dictionary of Modern Economics, 4th ed., David W. Pearce (ed.), 1996.] In public ownership, this implies that the bureaucrats (agent) will be less careful hence less efficient than the citizens/voters (principal) would be.

[29] Joseph E. Stiglitz, *Principles of Macroeconomics 2nd ed.* (New York: W.W. Norton and Company, Inc., 1993)

[30] WTO document WT/LDC/HL/1/Rev.1, dated 23 October 1997 (97-4650).

[31] WTO document WT/LDC/SWG/IF/2/Rev.1, dated 12 July 2000 (00-2842).

[32] *Mainstreaming Trade for Poverty Alleviation: Formulation of a Pro-Poor Trade Sector Strategy for Cambodia*, presented by Royal Government of Cambodia at the Cambodia's Fifth Consultative Group meeting, Tokyo, June 11-13, 2001.

[33] *Leveraging Trade for Development: The World Bank's Role,* Development Committee, World Bank-IMF, DC 2001-0004, April 13, 2001.

[34] Ibid.

[35] *World Bank to Exploit Trade for Structural Adjustment,* Abid Aslam, IPS/IF/aa/da/01.

[36] See World Bank Operations Policy and Country Services, "Adjustment Lending Retrospective," June 15, 2001.

[37] At the time of the formal closing of the SAPRI, the SAPRIN Global Steering Committee came out with only a preliminary draft. The final draft was to be presented at the SAPRIN public forum during the annual meetings of the IMF and the World Bank in end-September 2001. The above therefore are the authors' abstractions from various country papers included in the draft and notes from internal discussions of the SAPRIN.

[38] It appears that the World Bank had a different appreciation of which the SAPRI countries were. The six they refer to are Bangladesh, Ecuador, Ghana, Hungary, Mali and Uganda.

[39] The World Bank, *Adjustment from Within: Lessons from the Structural Adjustment Participatory Review Initiative*, July 2001.

[40] Interview with Helen Brereton, World Bank Cambodia Mission, August 22, 2001, Phnom Penh.