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Is it Worthwhile to Engage in PRSPs?

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February 21, 2008
Crowne Plaza, Crystal City VA

Capacity-Building Discussion with Members of the
Youth Coalition for Sexual and Reproductive Rights
from Asia, Africa, the Caribbean, and North and South America

Dear Members of the Youth Coalition,

Thank you for inviting me to share ideas with you today. You asked me to speak about PRSPs. Now that you have heard about PRSPs from World Bank officials and other civil society activists whose views I have not heard, I will tell you why I think PRSPs lack clout and should not be your most critical target. I will also suggest some alternative strategies.

I plan to share the story of Gender Action's interaction with PRSPs in the hope that you might find our experiences are valuable for your work.

To share the story of Gender Action's interaction with PRSPs, it is illuminating to tell you a little personal history that connects to Gender Action's interaction with PRSPs.

When I was a student in the 1960s studying international development first at McGill University and later at the University of Toronto, I thought China was fascinating. Therefore, I learned Chinese and did graduate studies in political economy at the U of Beijing in the 1970s.

Returning to Canada in the late 1970s, it was difficult to find a job focused on China, then my area of expertise. So when I heard that China was joining the World Bank in 1980, I thought I should also join the World Bank to work on China. I joined the World Bank just before the Bank launched structural adjustment programs, before there were any protests on the streets against the Bank. Since then the Bank has moved in such a bad direction that today I participate in street protests against the Bank.

Little did I know when I applied to work in the World Bank that a new lending mechanism called structural adjustment would quietly unfold.

The link between Poverty Reduction Strategy Papers (PRSPs) and structural adjustment is critical because PRSPs are de facto national plans that promote the Bank-Fund structural adjustment agenda.

You probably know what WB SALs are but to be sure we are on the same page here is my take: Structural Adjustment Loans (SALs) provide quick disbursing loans to developing countries that commit to improve their balance of payments in exchange for policy reforms. Mandatory SAL policy reforms include decentralization, privatization, price and trade liberalization, public sector streamlining including civil service layoffs, tightening state budgets which means less health care and education, and State-Owned Enterprise (SOE) closing and restructuring including not just factories but also hospitals and schools. These are the typical measures that SAL countries must undertake to receive rapid cash infusions from the World Bank into their debt-ridden economies. With few variations, SAL menus are standard across countries.

While I worked in the Bank on China, in 1987 UNICEF published Adjustment with a Human Face a seminal study revealing how, thanks to SALs, mothers and infants and the poor at large were losing whatever health and education services they had previously.

While SALs allegedly are supposed to help indebted countries, SALs have been a major culprit in indebting developing countries. Today I am a member of the Jubilee Council that works to cancel the debt of poor countries.

In recent years, the volume and proportion of Bank loans disbursed for SALs has escalated significantly. From their inception in 1980 through the late 1990s, SALs composed roughly a quarter or less of global Bank lending reflecting the Bank's own 25 percent ceiling on SAL lending as a proportion of total loans. However, the Bank response to the late 1990s East Asian and Argentine financial crises was to provide massive SALs to the affected countries. SALs unprecedentedly composed over 53 percent of global Bank loans in 1999 and 2001 and they have remained at high levels although the Bank does everything to obscure this fact. Because SALs are so important to Bank lending, the Bank removed the 25 percent cap on how much it may spend on SALs as a proportion of total lending and it renamed SALs development policy credits and Poverty Reduction Support Credits, misleading names, which are actually double-speak.

When I got wind of structural adjustment programs, I created the first job inside the Bank in 1987 to examine the social impacts of structural adjustment programs. It was a massive challenge to bring this issue of the social impacts of structural adjustment to the attention of senior Bank managers. This job ended when my sympathetic division chief who supported my work left. He was replaced by a Chilean Chicago Boy economist.

For almost two decades I worked inside the seductive IFIs, first in the World Bank, then at the IDB, then back at the World Bank.

During my last World Bank job in the late 1990s, I worked in the central gender unit. At that time, the Bank and the Fund were launching PRSPs. With their usual massive propaganda and huge fanfare that accompany new Bank-Fund initiatives, the Bank and the Fund announced to staff and countries that they, the Bank and Fund, had become convinced that the only possible effective, successful development strategy must be based on country ownership and genuine citizen participation in the development process.

The Bank and Fund announced that PRSPs would be the Bank-Fund vehicle based on country ownership and participatory processes. PRSPs sounded great.

Note that creating PRSPs was the Bank and Fund's response to external criticism from big NGOs, notably Oxfam and World Vision. These NGOs underlined that the Bank and Fund were not living up to their promised poverty reduction mission. In response, the Bank and Fund launched PRSPs which repackaged previous instruments like Policy Framework Papers which Bank and Fund staff wrote and ministers of finance signed. Note that Bank and Fund Boards of Directors still must approve so-called country-owned PRSPs.

When the Bank and Fund launched PRSPs, all donors fell into line as they usually take their cues from the giant Bank and Fund. All donors became strong PRPS advocates. UNDP and other UN agencies and virtually all bilateral donors (all except USAID which uniquely carries out its own "democratization" and "privatization" mission), for example CIDA, provided technical assistance and other funding to help countries prepare their country-owned PRSPs. In the field in Rwanda and Uganda, I found the same British consultant writing the so-called country-owned PRSPs containing the same structural adjustment policy reforms.

Meanwhile back in the Bank when I worked in the gender unit during 1999-2000, I and my gender unit colleagues met with authors of the new PRSP Source Book – the guide for writing PRSPs which spelled out everything PRSPs must contain -- to get authors of chapters on the environment, health, agriculture etc to address gender issues. Only a few listened to us.

Not long after my initial experience with PRSPs inside the Bank, I decided to create Gender Action as an advocacy campaign to get the IFIs to meet their promises to promote women's empowerment and gender equality. Why did I create Gender Action, a civil society group to pressure the IFIs? While working inside the IFIs during the 1980s and 1990s I saw that the most dynamic, responsive solutions to development problems were emanating from the citizen's sector = civil society, while the IFIs were entrenched bureaucracies serving corporate interests. When I joined the Bank around 1980, there was very few civil society organizations. They mushroomed in the 80s and 90s to deliver services governments were not delivering and improve policies of governments and supra-governments like the IFIs. I realized that citizen groups, that began proliferating worldwide during the 1980s, were designing the most dynamic, responsive solutions to development problems. This inspired me to launch Gender Action in 2002, as a non-profit advocacy campaign to hold the IFIs accountable on their promises to empower women and leverage the IFIs' power to redress the unacceptable feminization of poverty.

A proud example of successful Gender Action advocacy that perhaps you participated in too, was our spring 2007 advocacy when Gender Action helped mobilize an emergency response from civil society to the World Bank's draft Health, Nutrition and Population (HNP) Strategy designed to guide Bank HNP investments over the next decade. Upon reviewing the leaked draft strategy, Gender Action and other citizen groups found that the draft HNP Strategy threatened to eliminate the Bank's 30 year-old support for reproductive health, safe abortion and family planning. Gender Action helped coordinate the emergency response from civil society, which led key members of the World Bank's Executive Directors to reject the draft and restore commitment to family planning. I personally drafted a letter to the Canadian Executive Director which AWID, Oxfam Canada, the Bretton Woods Project and many other groups led by Canadians signed and Gender Action co-drafted and signed letters to other Executive Directors.

The approved strategy, however, restored discussion of reproductive health in an isolated section toward the end of the strategy. The strategy avoided mentioning reproductive health in the Executive Summary, Introduction and most of the text despite the Bank's gender strategy commitment to mainstream it into all Bank health activities. The new HNP Strategy also takes a retrograde permissive position on user fees for health services for the poor reversing the Bank's previous position to eliminate them to achieve its poverty reduction mission.

Returning to PRPSs, one of Gender Action's early projects was to work with women's groups and parliamentarians in developing countries to "engender" PRSPs. We did gender analyses of many PRPSs and in-country collaborations in various countries especially in Africa, including training workshops on how to engender PRSPs. Our in-country PRSP work was funded by CIDA, the Dutch and Finnish governments and UNDP and UNIFEM. During our first three years Gender Action worked on engendering PRSPs.

Through capacity-building workshops, Gender Action collaborated with developing country citizens' groups to deconstruct their PRSPs for gender impacts and conduct advocacy to engender them. Our in-country PRSP collaborations took place in Bangladesh, Bosnia and Herzegovina, Eritrea, Mozambique, Malawi, Namibia and Rwanda. We also analyzed many more PRSPs for gendered impacts. Although PRSPs of countries where Gender Action has worked tend to be more gender sensitive than those of other countries, our analysis demonstrates that PRSP documents and implementation overall neglect to address gender discrimination and promote women's rights, especially in their macroeconomic frameworks that define country budgets (See for example, Gender Action's Do Poverty Reduction Strategy Papers Address Gender Issues? A Gender Audit of 2002 PRSPs).

In country after country, citizens and parliamentarians told me that the PRSP process was not country-owned, that calling them participatory was a sham, that the only reason that countries prepared PRSPs was that the Bank and Fund forced them to do so.

In 2004, Gender Action and many IFI watching civil society groups, about 80 groups, met in Ghana. At our meetings, hosted by the Third World Network, we collectively agreed to no longer engage in PRSPs.

At this point Gender Action changed its position and stopped engaging in PRSPs.

Why Gender Action No Longer Engages in PRSPs (From Gender Action's Website Country Strategies Page)

Gender Action no longer directly engages in International Financial Institution-driven Poverty Reduction Strategy Papers (PRSPs), national strategies written by countries to meet World Bank and International Monetary Fund (IMF) specifications. Through over 50 PRSPs produced since their launch in 1999, it has become crystal clear that they are instruments for rich countries that dominate the World Bank and IMF to force poor countries to embrace reforms which reduce government economic interventions in favor of free-market approaches. Despite their name and discussion about "poverty reduction," PRSP macroeconomic reforms actually benefit elites and transnational corporations while impoverishing women and men in developing countries and undermining national sovereignty.

Like many civil society organizations, Gender Action had great expectations of PRSPs. PRSP macroeconomic frameworks actually continue two previous decades of IMF and World Bank driven policy-based lending that prioritizes 'macroeconomic stability' and economic growth over reducing poverty and gender inequality. Policy-based loans typically require poor countries to implement tight macroeconomic and fiscal policies including government expenditure cutbacks, public sector downsizing, privatization of state owned enterprises and unilateral trade liberalization (Economic Reforms and Gender pages). The most recent incarnation of policy-based loans are called IMF Poverty Reduction Growth Facilities (PRGFs) and World Bank Poverty Reduction Support Credits (PRSCs). Their tight macroeconomic and fiscal policies increase poverty despite their names.

Even if PRSPs were gender sensitive, country-owned, participatory and did not continue bad macroeconomic policies--which they do--they lack the clout of loan conditions contained in loan agreements with IFIs which must be implemented for countries to continue receiving donor funds. Many of the provisions in PRSPs are simply ignored because they are unenforceable.

The PRSP process tends to work like this: Governments take PRSP macroeconomic policies directly from reforms already mandated in IMF and World Bank policy-based loans to ensure their PRSPs are approved by the Boards of the Bank and the Fund. The macroeconomic chapter in the IMF and World Bank-created guide for countries preparing PRSPs promotes the same reforms found in policy-based loans that disregard human rights and gender impacts. Although we advised the authors of the macroeconomics chapter on how to address gender issues, and gender is supposed to be a 'cross-cutting' theme integrated thoroughly into PRSPs, the chapter fails to discuss gender impacts.

Gender Action's analysis has shown that the rigid fiscal and monetary policies in PRSPs, PRGFs and PRSCs and other policy-based loans choke social spending, deepening poverty particularly among women. For example, public health expenditure cutbacks increase women's home care for sick family members and reduce their time available for paid work; public sector and enterprise restructuring eliminates many jobs and benefits -- women are often the first to lose jobs and last to be rehired because they are assumed to be secondary breadwinners despite increasing numbers of female headed households; and unreciprocated developing country tariff reductions threaten the livelihood of farmers, the majority of whom are women in the poorest countries. The World Bank and IMF fail to recognize such gendered consequences of PRSPs, PRSCs, and PRGFs that undermine empowering women and achieving gender equality and poverty reduction. In fact, the World Bank's Gender and Development Operational Policy that promotes gender equality in its operations specifically exempts its application to policy-based loans.

Through Gender Action's in-country collaborations, we have witnessed how PRSPs undermine democratic processes and violate national sovereignty. This is because PRSP approval usually bypasses local legislative processes and civil society participation in PRSP consultations—including among women's groups and in macroeconomic policymaking—has usually been cursory or limited to government-approved groups. PRSP consultations are generally dominated by Finance Ministry officials, donors, consultants, and country elites, while women, the poor, ethnic and religious minorities, indigenous peoples, elected officials, and planning and line ministries are grossly underrepresented. Yet PRSPs must be approved by the World Bank and IMF Boards of Directors, a clear violation of national sovereignty. This depiction results from my personal field experience engaging in PRSPs.

Gender Action is stepping up efforts with its civil society partners to pressure the taxpayer-funded World Bank and IMF to stop imposing harmful policies on poor countries and people through PRSPs, PRSCs, PRGFs and other instruments that benefit transnational corporations and elites, but not the poor. Together with other citizens' groups around the world, Gender Action supports progressive country-determined macroeconomic policies that encourage redistribution of wealth, increased social spending and just trade regimes. We support country- and rights-based approaches to development that PRSPs, PRGFs and PRSCs undermine.

Alternatives

Above all, put your efforts into promoting genuinely country owned strategies, country national plans and sovereign country policy space.

Gender Action is actively working to end IFI conditionalities which undermine country sovereignty and increase poverty. These conditionalities are embodied in all the PR instruments – PRSPs, PRSCs and PRGFs. To end conditionalities our current timely strategic approach is weighing down on the IDA15 replenishment process. For more information, see our IDA 15 Coalition Campaign statement on our website.

Gender Action is also active in other alternative approaches, for example, we a Jubilee USA Network Council member. Jubilee is devoted to canceling the crushing debts of poor countries, caused by the IFIs. See http://www.jubileeusa.org.

Join our new anti-IMF campaign. Gender Action is a founding member of the first concerted global campaign to disempower the International Monetary Fund (IMF) because its policy advice and harmful loan conditions violate women's rights. PRPS content reflects these IMF conditions which Fund loans require. For example, IMF-mandated tariff reductions undermine the livelihood of farmers, the majority of whom are women in the world's poorest countries. Anti-IMF campaign seeks to end IMF control over the policies of low-income countries and eliminate the IMF's surveillance and gatekeeper roles determining access to donor finance. It promotes alternative financing options for countries in need without IMF conditionality.

The Anti-IMF campaign is a new campaign that is creating a broad-based coalition of organizations across the North and South working together to reduce the IMF's impact. We believe that the IMF has been the most pernicious IFI, including being one of two IFIs along with the World Bank responsible for imposing PRSPs on countries.

Let me read an excerpt from our anti-IMF statement:

"Over the last 30 years, we have observed the IMF's accumulation of enormous power to design economic policies for developing and transition country governments. At its height, the IMF re-shaped economic policy in dozens of countries, using the leverage afforded it by those countries' external debts and the trust of the world's wealthiest governments to impose an ideological and often-destructive set of policies on billions of people.

We believe that no single institution, especially one with such manifest deficits of democracy and legitimacy as the IMF, should exercise such extensive power over sovereign governments.

Even as some of that power has eroded in the last two years, the IMF continues to exercise substantial influence over the shape of the global economy, and in many of the world's most impoverished countries it continues to play a decisive role in policy-making.

The IMF's rigid view of macroeconomics – particularly its dedication to weakening governments' capacity to intervene in national economies and its privileging of very low inflation rates over any other development objectives – has undermined poverty reduction goals, exacerbated debt problems, widened the gap between rich and poor, and driven domestic producers out of business. At the same time, its policies have served the interests of multinational corporations and wealthy investors who can exploit newly-opened economies to make and export profits.

It is imperative, we believe, to continue reducing the IMF's role, especially in the most vulnerable countries.

The IMF now faces three inter-related crises, plunging it into probably its most vulnerable period. Its crisis of legitimacy stems from the failure of its policy advice and highly unequal governance structure; its budget crisis results from early loan repayments by major country borrowers who wish to sever their dependence on the IMF; and its identity crisis is rooted in uncertainty, on the part of both the IMF and the governments which control it, regarding its role in a rapidly changing global economy.

The logic of a multilateral institution playing a regulatory role in the global economy is plain to all of us, but the IMF, with its history of advancing the interests of its richest members, is poorly positioned to play an impartial role. Whether economic governance is carried out through national, regional, or global mechanisms, we believe that an orderly global economy can only succeed if it is transparently rooted in principles of fairplay, democracy, and human rights.

We recognize that achieving this end will require a diversity of advocacy and campaign strategies, and the coalition's members should decide how best to unite the campaign's objectives with the circumstances in their own regions and countries. We further recognize that in some cases this will entail working very closely with governments, while in others campaigners will remain in strict opposition to official policy-makers. Endorsement of the campaign implies that an organization is committed to doing what is within its capacity and mandate to disempower the IMF and strengthen people-centered and pro-development policy alternatives."

Leading up to the Anti-IMF campaign, we held several large workshops, especially our July 2007 conference in Bangkok, Thailand which Gender Action co-sponsored on Understanding Global Finance, Building International Resistance. The date and place marked the ten year anniversary of the East Asia Financial Crisis which was largely precipitated by bad IMF conditions.

the Anti-IMF campaign is exploring regional alternatives like the Bank of the South and the Chiang Mai Initiative, which might make loans to countries in need without attaching strings. And we are particularly focusing on solutions for Africa which to date lacks a regional alternative to the IMF. We are following the impacts of burgeoning Chinese investments in Africa.

The campaign is currently broadening its focus and membership to build momentum. Would the Youth Coalition like to consider joining our campaign? I will send you our full statement for your consideration.