



Sunday, July 22, 2001

National Development Strategy

By Kenneth King

The Poverty Reduction Strategy Paper

Poverty in Guyana is occasioned by an interlocking complex of policies and actions. My intention is, therefore, to discuss its eradication from our country only towards the end of this series of articles on the NDS. By that time, I would have had the opportunity to identify the various causes of poverty, and to describe and examine the many recommendations which have been made by the authors of the NDS to alleviate its impact in the short-run, and ultimately to remove it almost entirely from our land. However, in view of the fact that the government is currently involved in the preparation of a Poverty Reduction Strategy Paper (PRSP), and because there appears to be some confusion in the public's mind in respect of the processes to be followed in doing so, I am responding here to a request to write a note on the manner of its formulation, and or what should be included in the document.

Poverty Reduction Strategy Papers are drawn up by states, which are both highly indebted and poor, for presentation to the Boards of the World Bank and the IMF. These countries must have demonstrated over a period of years that they are capable of managing their economies effectively. If the PRSP satisfies the requirements of these boards, the debtor countries are forgiven certain specified debts. They are required, however, to utilise the financial resources, which they save through this debt-forgiveness to reduce the incidence of poverty among their citizens. It should be clearly understood that under this HIPC arrangement, as it is called, they do not receive additional grants or loans. The money, which is spent in the poverty reduction programme is their own. However, they are permitted to spend it on themselves, instead of being forced to pay it to their creditors.

The PRSP which is submitted to the Executive Boards of the World Bank and the IMF must be accompanied by an assessment, by the staff of the Fund and the Bank, of its contents and of the processes that were followed in its formulation. This staff assessment paper must indicate whether or not the staff consider that the PRSP is credible and may be used as a framework for concessional assistance from the Bretton Woods Institutions. It is considered to be such an important document that detailed guidelines have been issued for its preparation. Because these guidelines encompass the criteria on which our PRSP would be judged, I have relied heavily on them in this article. My presentation is also informed by my own observations, over the past eighteen months or so, of the

procedures that have been followed in a number of African countries and in one South America nation.

It cannot be too strongly emphasized that the guidelines insist that one of the main principles, which ought to underpin the formulation of the PRSP is that of participation. As the guidelines state, the PRSP should be "prepared by the government through a country-driven process, including broad participation that promotes country ownership of the strategy and its implementation, as well as partnerships among the government, domestic stakeholders and development partners." Indeed, the participatory processes are considered to be as important as the substance of the strategy itself, and the assessors are required to answer specific questions: Have central ministries, parliament, civil society groups, women's groups, the private sector, trade unions, academics, and ethnic minorities, for example, participated? What mechanisms have been used to consult the poor? What has been the involvement of bilateral and multilateral partners? Does the PRSP summarise major issues raised during the participatory process? What have been the impacts of the process on the content of the strategy?

Even those who are only vaguely familiar with the procedures and attitudes of the Bank and the IMF will appreciate what a profound sea-change these institutions have undergone within the last decade. In the past, agreements between the Bretton Woods Institutions and governments were closely guarded secrets. Indeed, in many instances, only the financial and economic ministries and the heads of government were privy to their contents and conditionalities. What was perhaps more reprehensible was the fact that the citizens of the countries and, sometimes, cabinets of government were often divided over the appropriateness of the measures which were imposed on them. Partly as a result of this, many of the programmes made little or no impact either on general development or on poverty reduction. Hence the fact that the process which is now followed in formulating the strategy is considered by the IMF and the Bank to be more important than the contents of the strategy itself.

This must not be viewed as yet another curtailment of a country's freedom by the Bretton Woods Institutions. The evidence is quite clear that when participatory processes are followed, the decisions that are arrived at are more acceptable, are more enthusiastically implemented, and ultimately lead to more sustainable development than those, which are arrived at by central fiat. Participation is particularly important in ethnically divided countries, such as Guyana, precisely because it provides a mechanism for collective action and consensus/building.

Indeed, where governments are imaginative, creative and caring they seize the opportunity of the PRSP to integrate the participatory process into their own existing procedures for policy and decision-making. In other words, participation becomes institutionalised, to the benefit of all the country's citizens.

Another aspect of the process, which deserves attention in Guyana is the degree to which the PRSP, which normally covers a period of three years, is based on a more comprehensive diagnosis of the country's problems, and is an integral part of a longer-term perspective. Within our context, this obviously means that there must not only be coherence and integration between the NDS and the PRSP, but that the NDS must provide the foundation on which the PRSP is constructed. These organic linkages must be clearly demonstrated in the PRSP.

The guidelines also require the assessors to make judgements on what measures are being proposed to address such systemic problems as procurement, corruption, transparency and accountability and what steps are being taken to overcome any critical problems which might inhibit the performance of the public service. Indeed, they demand that a general assessment be made of any plans for improvement in the governance of the country.

I have concentrated on these matters, because it is evident that the Bretton Woods Institutions share the opinion of many development specialists that the issues of governance are as crucial to poverty eradication as are targets, indicators, macro economic and sectoral policies, and the like, which are all, of course, covered by the guidelines.

One final word. Well-meaning governments, in many parts of the world, in an effort to be decisive and expeditious, and in the name of efficiency, often seek to curtail the processes of consultation and participation. They do so at their peril.

The citizens of most developing countries are now more acutely aware of their right to be heard than in any other period in the history of mankind. They are therefore now more likely vigorously to protest if they consider these rights to be unfairly abrogated. In the long-term, processes, policies and strategies that take into account the necessity for social inclusion redound not only to the advantage of a country's citizens, but also to the credit of their leaders.