Neoliberalism and Poverty Reduction Strategies in Africa

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1. Introduction

It is conventional wisdom both that during the past two decades, Africa was 'marginalised' by globalisation and that the Bretton Woods Institutions' strategies for stabilisation and recovery often produced neither. As recent solutions, three African presidents have proposed a 'New Partnership for Africa's Development' (Nepad, launched in 2001), and the World Bank and IMF are promoting 'Poverty Reduction Strategy Papers' (PRSPs, since 1999) and the 'Highly Indebted Poor Country' (HIPC) initiative (since 1996). Although Nepad is advertised as a 'homegrown' mandate, it is notable for strengthening the role of the Bretton Woods Institutions and World Trade Organisation (WTO) in Africa, for it promotes neoliberal economic policies. The alleged solution to Africa's marginalisation is posed in Nepad as *yet more globalisation*: more trade, finance and direct investment flows. At the same time, however, Nepad's initial commitment to good governance (including empowerment of civil society) has been substantially watered down. Moreover, HIPC is failing on many counts, and PRSPs are being looked at sceptically because 'participation' in policy formulation means little in practice.

The conflicts associated with elite, top-down reforms to African international economic relationships are profoundly ideological. By the end of the 20th century, as economic crises racked East Asia, large parts of Latin America, Russia and most of Africa--and as New York dot.com bubbles and bloated profit statements of many large corporations were beginning to burst--the ideology of neoliberalism began to wane. Tellingly, a Nobel Prize was given to former World Bank chief economist Joseph Stiglitz in October 2001. Although the prize recognised his 'information-theoretic' contributions to the neo-classical economic discipline, the implications of applying the idea of systemic market-failure to development could not be escaped, in part because Stiglitz (1998a, 1998b) coined the phrase 'Post-Washington Consensus' as early as 1998 to signify the need for a backlash.

Nevertheless, the residual power of the Washington and Geneva multilateral agencies, combined with the persistence of neoliberal conditionality in donor aid, meant that Africa did not witness much relaxation of pressure to conform to 1980s-90s orthodoxy. In the macroeconomic sphere, neoliberal policies include removal of import/export barriers, financial liberalisation, currency devaluation, lower corporate taxation, export-oriented industrial policy, austere fiscal policy (especially aimed at cutting social spending) and monetarism in central banking (with high real interest rates). In microdevelopmental terms, neoliberalism implies not only three standard microeconomic strategies--deregulation of business, flexibilised labour markets and privatisation (or corporatisation and commercialisation) of state-owned enterprises--but also various mandates specifically for social sectors: the elimination of subsidies, promotion of cost-recovery and user fees, disconnection of services to those who do not pay, means-testing for social programmes, and reliance upon market signals as the basis for local development strategies.

Yet even if policies didn't change, rhetoric did. The emergence of HIPC plans, PRSPs and Nepad together represent a new configuration with which civil society advocacy groups have had to

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engage. At the World Summit on Sustainable Development in Johannesburg in August-September 2002, South African president Thabo Mbeki went so far as to term the international economic system ‘global apartheid’--implying in the process that Nepad was a tool to break the chains of oppression (in contrast to those critics who consider it a cloth to polish the chains of global apartheid). It is important, therefore, to explore claims about the effectiveness of these new interventions in the macro-economic and micro-developmental spheres. Having assessed whether poverty and inequality are being lessened or exacerbated by the major neoliberal institutions, we then move to a consideration of the nature of opposition to residual neoliberalism.

2. Colonial and Post-colonial Continuities

Macroeconomic trends that, in 2002, continue to bedevil Africa have deep roots. Some are two decades old, namely, the Structural Adjustment Programmes imposed on African countries by the World Bank and IMF, often with ‘homegrown’ orientations. But even deeper, it is crucial to recognise the political nature of the transition from colonialism to neo-colonialism in Africa. Three sets of problems can be identified, associated with what Frantz Fanon (1961) described as ‘false decolonisation’:

- colonialism’s artificial borders, racism and ideological control, ethnic divide-and-rule strategies, land acquisition, labor control, suppression of competition from indigenous sources, military conflict (independence struggles) and replacement by African nationalism;

- for women, pre-colonial patrilineal systems evolved into colonial forms of inequality (e.g., minority status and legal guardianship) which often persisted and evolved as post-colonial forms of structured oppression (e.g., market-related brideprice); and

- political continuities from past to present which include unreformed state structures, international political and cultural relations with colonial powers, and especially class alliances involving *compradorism.*

The economic structure of Africa’s neo-colonial societies was relatively similar. Although as settler-colonial societies, South Africa and Zimbabwe did develop quite extensive manufacturing capacities, several economic features apply equally to other countries across the region:

- extractive industries, primary product export orientation, international commodity price fluctuations and ‘dependency’;

- lack of internal articulations between production and consumption, or between urban and rural areas;

- widening differences between social strata (class, ethnicity, rural/urban, gender, generational); and

- landlessness, accelerating urbanisation, and worsening unemployment.

The economic structure of Africa’s several settler-colonial societies included, additionally, a few important differences:

- Import Substitution Industrialisation which broadened the economic base to include some manufacturing;

- resistance to dependency due to the extent of local-based capital accumulation; and

- more virulent symptoms of social morbidity prior to independence, as settlers held on to privileges with sophisticated state repressive capacity, much of which carried over into the post-colonial state.

One crucial issue was the militarisation of the continent associated with colonial resistance to change, and to neocolonial power plays that inexorably resulted from partial transitions. Many African countries witnessed extraordinary social, civil and regional conflicts ranging from genocide to attempted coups during the 1980s-90s: Angola, Benin, Burkina Faso, Burundi, Cameroon, Chad, Congo, Cote d'Ivoire, the Democratic Republic of Congo, Ethiopia, Gabon, Ghana, Guinea-Bissau, Kenya, Lesotho, Liberia, Malawi, Mali, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Somalia, South Africa, Sudan, Togo, Uganda, Western Sahara and Zambia. Under these adverse conditions, what kind of economic development strategy might be feasible?

3. From ISI to SAPs

With respect to international markets, Africa has suffered unfair terms of trade--the difference between prices paid for exports in relation to prices paid for imports--since the peak of demand for its raw materials (and before synthetic substitutes were invented) during World War II. From the mid 1970s, terms of trade worsened, in part because of export-oriented policies (discussed below) which most African countries were compelled to adopt once they experienced debt crisis.

The decline in the price index for the main (non-fuel) commodities dropped especially dramatically from 1977 to 1982, while the export prices of developed countries increased steadily. During the 1982-90 global expansion, the terms of trade of Third World countries still fell markedly, by 4% per year. Much of the decline was due to the drop in oil prices that began in earnest in 1986, but non-oil producing Third World countries also witnessed a negative 1.5% annual deterioration in the prices of their prices of exports relative to imports. This trend continued after the 1990-92 global recession, leaving 1998 commodity prices at their lowest levels since the Great Depression (Barratt-Brown and Tiffen 1992).

In broader historical terms, the prices of primary commodities (other than fuels) have risen and fallen according to a deeper rhythm. Exporters of primary commodities, for example, have fared particularly badly when financiers have been most powerful. The cycle typically includes falling commodity prices, rising foreign debt, dramatic increases in interest rates, a desperate intensification of exports which lowers prices yet further, and bankruptcy. From around 1973, this process impoverished the non-industrialised Third World, with occasional, erratic exceptions in oil-producing regions.

For Africa, the trend to declining terms of trade was especially devastating because of the continent's extraordinary dependence upon a few export commodities. The following countries suffer from reliance upon a single product for at least 75% of their export earnings: Angola, Botswana, Burundi, Congo, Gabon, Guinea, Niger, Nigeria, Somalia, Uganda, and Zambia. The only countries which diversified their exports so that they claim at least 25% of their export earnings from more than four products are the Gambia, Lesotho, South Africa, Swaziland, Tanzania, and Zimbabwe. Generally, across Africa, four or fewer products make up three quarters of export revenues. More than three quarters of all Africa's trade is with developed countries.

Export-led growth strategies pursued since the 1970s by virtually all Third World countries meant that Africa's market share of world commodity prices also shrunk drastically. In the 1970s and 1980s alone, the African market share of coca fell from 75 to 58%, of palm oil from 58 to 18%, of sisal from 48 to 36%, of coffee from 35 to 20%, of crude petroleum from 15 to 8%, of cotton from 12 to 7%, and of copper from 10 to 6% (United Nations Conference on Trade and Development, 1991). The most far-ranging study of terms of trade put the income loss during the 1970s and 1980s at nearly 4% of GDP, about twice as high as that of other countries (Elbadawi and Ndulu, 1996). Notwithstanding falling prices and market shares, virtually no African economies made the necessary switch from reliance upon primary export commodities. One reason is that state marketing boards were mandated to conduct trade at extremely low prices (even at a loss) simply to acquire the foreign currency needed to service large debts.

Several factors were responsible for excessive borrowing on the demand-side. Willing bankers promoted corruption and capital flight--in the DRC, for example, Mobutu was thought to be illegitimately worth US$5 billion by the time of his 1996 overthrow. The cost of imported oil rose dramatically in 1973 and 1979, and markets for raw materials stagnated and declined, requiring a short-term substitute for foreign-currency revenues in the form of loans. Structurally, the 1970s witnessed a marked slow-down in import-substitution industrialisation (ISI) in most Lesser Development Countries (LDCs). This was because, as Paul Burkett (1987) argues,

> Most LDC economies are *disarticulated* in two ways: 1) dependence on primary exports tends to place downward pressure on wages and thus to increase income inequality--which limits the market for domestic import substitution industry largely to luxury goods purchased from profit income; 2) the relative

> dominance of luxury goods production in ISI increases imports of intermediate goods and the penetration of multinational firms from the developed countries, thus reinforcing the dependence on export income and the depression of wages while inhibiting the development of a domestic capital goods sector.

The inward-looking import-substitution industrialisation strategy typically did not foster linkages between mass consumption and mass production (which would have led to greater balance and sustainability), but rather was aimed--as in South Africa and Zimbabwe, the economies with the most advanced manufacturing sectors--at establishing local production of luxury goods for a small, wealthy elite. Ironically, as specialisation increased, the ISI approach ultimately made these countries even more dependent on external sources of sophisticated machinery, parts and raw materials than they had been earlier. Subsequent export-led growth strategies were typically promoted as a central component of 'macroeconomic reforms' imposed on countries by lenders and Northern governments, notwithstanding the declining, glutted character of world markets associated with the main goods produced in Africa. In virtually no cases, in Africa or elsewhere, were power relations optimal to develop an economy from the standpoint of meeting the basic needs of all citizens, even though such a strategy would have provided far greater 'multipliers' (economic spin-offs) than multinational corporate investments or African post-colonial rulers' own prestige projects.

On the supply side of the debt equation, the forces behind lending and the expansion of the two dozen largest international banks included:

- interbank competition and the flight from US regulation;
- the rise of the Eurodollar markets;
- transnational corporate expansion accompanied by the increasing control of corporate activity through financial mechanisms;
- centralisation of OPEC revenues in Northern banks, hence strong availability of funds;
- 1970s recessions and declining Northern investment (need for investment of liquid financial resources elsewhere);
- the rise of speculation, currency trading and innovations in finance;
- the response from governments in the form of deregulation, competition in laxity between regulators (and countries) and liberalisation of exchange controls;
- the rise of international tax havens and hot money centres; and
- the onset of the monetarist ideology which discouraged printing of money by local central banks, in favour of foreign borrowing.

Another feature was the rise of monetary rivalries between the Northern financial power centres, combined with international economic instability. Factors here included:

- the collapse of the 1944 Bretton Woods financial regulatory system (fixing the dollar-gold price);
- growing US balance of payments and trade deficits;
- dollar devaluation in a flexible exchange rate system;
- high inflation and negative real interest rates until 1980;
- gluts in global commodity markets, and crash of (non-petroleum) commodity prices (77% fall from 1973-87);
- geopolitical implications; and

• the rise of neoliberal ideological hegemony. All these factors led to an international regime of high interest rates, as global real interest rates rose from -4% to 4% from the 1970s to the 1980s.

During the initial rise in African foreign debt, through most of the 1970s, the interest rates on dollar-denominated loans were negative in real terms (i.e., once inflation was discounted, it cost less to repay the loans than they were initially worth). Then in 1979, the interest payments suddenly increased dramatically when the US Federal Reserve implemented 'monetarist' (high-interest rate) policy. From negative rates in the 1970s, inflation-adjusted interest rates averaged 4%. A related issue was the 'collateral'--also known as security--on such loans. Such security was thought not to be an issue, since sovereign countries in the post-war era were not supposed to default. To this end, the IMF was used during the first part of the 1980s as a vehicle for ensuring African countries repaid Northern commercial bank loans, in exchange for the IMF gaining the power over those countries to impose austere macroeconomic policies which emphasised liberalisation, export orientation and an end to social subsidies.

The World Bank also stepped in, expanding beyond individual project and sector loans so as to finance full-fledged structural adjustment. All of this represented little more than a bailout (by Northern taxpayers via the IMF and World Bank) of Northern commercial banks. But incoming funds continued to decline, and by 1984, net financial resource transfers to the Third World were negative for the first time, as countries spent more on interest payments than they gained in new loans. By the end of the decade, the net South-North transfer had reached $50 billion a year, which reflected the success of financiers in shifting the repayment burden to not only Northern taxpayers but also to Third World citizens.

International economic power relations were typified by a comment by US Treasury Secretary John Connally when the US defaulted on its $80 billion gold/dollar obligation, 'We had a problem and we are sharing it with the world just like we shared our prosperity... That's what friends are for'. The power of creditors over debtors increased dramatically. Although 20-25 countries were in default each year during the 1930s, that number never exceeded eight during the 1950s and 1960s, but in the early 1980s, 33 countries suddenly found themselves in need of foreign debt 'rescheduling'. As a result, the role of World Bank and IMF rose in importance, with the US government still largely calling the shots within the institutions, and strongly promoting Structural Adjustment Programmes.

As a result, the Third World debt crisis was considered 'solved' by the early 1990s, as most Northern banks had by then either received their Third World loan money back via IMF/World Bank bailouts; or sold the bad loans at a discount on 'secondary markets' of sovereign debt; or, quite commonly, declared the loans as unrepayable for local tax purposes but continued to demand repayment by Third World countries. The debt crisis no longer threatened the Northern banks.

However, in contrast, developing countries found that by 1997 they still had more than $2 trillion in foreign debt to repay (up from $1.3 trillion during the early 1980s when the debt crisis broke out and $1.4 trillion in 1990). In 1997, the debtor countries paid the North $270 billion in debt service, up from $160 billion in 1990; in net terms, African countries paid $162 billion more than they received in new loans in 1997, up from $60 billion in 1990 (Jubilee 2000, 1997).

There was little hope for most countries of balancing their accounts by attracting steady inflows of Foreign Direct Investment (FDI). To review the data on investment flows to Africa as a whole is depressing. Across the world there was a large upsurge in FDI during the 1980s-90s (UN Conference on Trade and Development, 2000). From levels in the $50-100 billion range from the mid-1970s to the mid-1980s (as profits stagnated at post-war lows in the major industrialised countries), there was a huge boom once liberalisation of financial and trade policies were imposed, and as local currencies fell dramatically in the process. Overseas investments by multinational corporations skyrocketed to $865 billion by 1999, getting firesale prices in East Asia at the end of the century thanks to that region's financial collapse. From 1990-99, global FDI rose by 314%, compared to an increase in world trade of 65% and world GDP growth of 40%.

However, FDI trends exemplified global 'uneven development.' Just ten major developed countries account for 70% of FDI activity (Japan, Belgium/Luxembourg, Ireland, Canada, Germany, the Netherlands, France, Sweden, Britain and the United States). Still, a growing share of FDI can be found in the largest emerging markets (especially China, East Asia and the large Latin American countries). All developing countries attracted annual FDI flows of $175 billion during 1997-98 and $200 billion in 1999 (up from just $25 billion in 1990). During the 1990s, annual commercial bank loans rose from $20 billion to $100 billion in 1997 but dropped back down to $20 billion in 1999; portfolio investment rose from $5 billion to $50 billion in 1996 but fell to $25 billion in 1999; and Official Development Assistance stayed relatively stagnant at around $50 billion over the period. Thus by 1999, FDI represented 67% of all North-South flows of resources.

Meanwhile, Africa's share of FDI fell from 25% of all multinational corporate investments during the 1970s to less than 5% during the late 1990s. And even the tiny amounts of FDI in Sub-Saharan Africa in recent years can be attributed in large part to oil company investments in Angola ($1.8 billion in 1999) and Nigeria ($1.4 billion). The only substantive FDI flows into Sub-Saharan Africa unrelated to extractive minerals by 1999 were into South Africa ($1.4 billion). But on a relative basis, that amounted to just $10 per $1000 of GDP in South Africa (the same as Zimbabwe). And regrettably, due to liberalised foreign exchange controls, South Africa's own outflows of FDI (by SA-headquartered firms) exceeded inflows, even before the repatriation of dividends/profits, payments of patent/royalty fees. Worse, statistics have never picked up the durable problem of transfer pricing, whereby foreign investors steal money from developing countries by misinvoicing inputs drawn from abroad (e.g., mining firms in South Africa through their Zug, Switzerland offices). In any event, the bulk of FDI into South Africa was based on mergers and acquisitions. Many thousands of jobs were lost in the process, and inappropriate technology transfer made South Africa all the more dependent and vulnerable. In all these regards, FDI exacerbated South Africa's and Africa's vulnerabilities.

Beginning with Mexico in 1982, the untenable combination of skewed investment and rising debt repayments caused a series of Third World defaults. Sometimes the defaults were delayed by virtue of the World Bank and IMF arranging an urgent credit for the purpose of paying debts coming due. Occasionally, governments stood up to international pressure by declaring a partial repayment moratorium. They attracted enormous political pressure, as in the cases of Zambia under Kenneth Kaunda, Brazil following its temporary 1987 default, Peru under the populist Alain Garcia, or Nicaragua under the Sandinistas (South Africa in 1985-87 may be the most successful counterexample, as Pretoria successfully negotiated a repayment 'standstill' with Northern banks).

The debt is particularly onerous for most African countries, which defaulted *en masse* during the early 1980s, but were simply given new loans to pay off old loans. As a result, although between 1984 and 1996 the lowest-income African countries paid $1.5 billion in repayments--a sum 1.5 times greater than the amount owed in 1980, as a result of compound interest payments--the outstanding debt rose and rose. Repayment averaged 16% of state spending during the 1980s, compared to 12% on education, 10% on defence and 4% on health.

There is convincing documentation that women and vulnerable children, the elderly and disabled people are the main victims of debt repayment pressure, as they are expected to survive with less social subsidy, with more pressure on the fabric of the family during economic crisis, and with HIV/AIDS closely correlated to structural adjustment. The economic policies imposed on African countries as a result of their trade and debt vulnerabilities, are worth yet more consideration.

Based on the World Bank's 1981 Berg Report, most of the macroeconomic reforms that IMF and Bank teams insisted African countries pursue have been relatively uniform. The programmes, subsequently known as the 'Washington Consensus,' nearly always involve the following components, most of which are extremely detrimental to state social policies:

- government budget cuts, increases in users fees for public services and privatisation of state enterprises;
- the lifting of price controls, subsidies and any other distortions of market forces;
- liberalisation of currency controls and currency devaluation;
- higher interest rates and deregulation of local finance;
- removal of import barriers (trade tariffs and quotas); and
- an emphasis on promotion of exports, above all other economic priorities.

The effects of these policies have been quite consistent. Budget cuts depressed economies' effective demand, leading to declining growth. Often the alleged 'crowding out' of productive investment by government spending was not actually the reason for lack of investment, so the budget cuts were not compensated for by private sector growth. The implementation of privatisation often did not distinguish which state enterprises may have been strategic in nature, was too often accompanied by corruption, and often suffered from foreign takeover of domestic industry with scant regard for maintaining local employment or production levels (the incentive was sometimes simply gaining access to markets).

Moreover, there were no attempts by World Bank and IMF economists to determine how state agencies could supply services that enhanced ‘public goods’ (and merit goods). For example, the positive effects of water supply on public health, environmental protection, local economic activity and gender equality were never calculated. Thus all state services were reduced to mere commodities, requiring of their recipients full cost recovery through elimination of subsidies.

The key characteristics of Bank and IMF Structural Adjustment Programmes (SAPs) included trade and financial liberalisation, harsh monetarism, exchange decontrol and currency devaluation, removal of government subsidies and price controls, reduced social spending, and privatisation of state assets. In sub-Saharan Africa as a whole, 35% of the World Bank’s financing during the last half of the 1980s fell into the category of ‘adjustment,’ an amount in excess of US$1 billion per year. By the late 1980s, two-thirds of the 16 poorest African countries under Bank influence raised their interest rates to positive real levels. Debt repayments intensified due to the higher interest rates, and by 1984, the net financial resource transfer to Third World went negative for the first time, by the end of the decade reaching negative $50 billion a year.

There was high-profile official opposition to the Bank from Tanzania and Cuba in 1983, Peru in 1986, Brazil in 1987, Zambia in 1987 and 1990 and Kenya in 1994. Upsurges of domestic political instability were dealt with in two ways: increased repression and rhetorical concessions to easing the impact of adjustment. In the first case, the 1970s-era sovereign loans were in many cases used by borrowers to import arms to suppress the local citizenry, which in turn had the effect of raising the national credit rating and hence created a virtuous cycle for commercial bankers and authoritarian regimes. Third World arms spending increased by a factor of thirteen during the 1970s.

In the second case, alleged ‘social safety nets’ were retroactively fitted in some African countries, led by Ghana’s Programme of Actions to Mitigate the Social Costs of Adjustment. But these were generally ineffective, in part because of corruption by ruling elites. Where SAPs were applied in the field of health, for exmaple, few interests were strong enough to oppose their implementation, and as we will see below, the costs--especially user-fee and cost-recovery systems (beginning with drugs)--have proven far greater than any benefits.

Another central reason for declining economic growth under structural adjustment was the tendency for interest rates to jump to very high levels once financial controls were released, or when a foreign currency crisis emerged. Hardest hit were often small businesses. Likewise, the lifting of price controls along with foreign currency liberalisation and currency devaluation often created a generalised inflationary tendency, accompanying a surge of luxury-goods imports. While this made more goods available especially in elite urban shops, they were often so far out of range of most consumers that the benefits of liberalisation never trickled down.

The emphasis on liberalising imports and promoting exports did virtually nothing to improve the balance of trade (in most cases, liberalisation caused trade surpluses to rapidly become deficits). Austerity usually killed formal-sector jobs, deindustrialised weak manufacturing sectors, rewarded the financial sector, and in the process worsened social inequality. At the end of the 1990s, the continent recorded somewhat higher growth, off a very low base in some countries. Yet such growth self-evidently failed to trickle down to most people, as poverty worsened and inequality rose sharply. And already-meagre state services simply collapsed in many parts of the continent. Structural adjustment not only worsened economic conditions. It never grappled with the real causes of the disempowerment of the mass of producers.

4. SAPs in Question

By the late 1980s, after about a decade’s experience in approximately three dozen African countries, critics more forcefully questioned macroeconomic reform. A debate raged about whether two World Bank reports--*Africa’s Adjustment and Growth in the 1980s* and *Sub-Saharan Africa: From Crisis to Sustainable Growth*, both published in 1989--adequately explained the continent’s dramatic declines in standards of living, terms of trade and ability to service debt. There was great doubt about the truth of a Bank claim that during the late 1980s, countries which adopted orthodox macroeconomic reforms grew more quickly.

Arguing in favour of structural adjustment, the World Bank was joined by many African leaders who probably felt they had no other choice in the matter. Their adoption of structural adjustment as (cynically-named) 'homegrown' programmes can only be understood against the need the Bank expressed, by the late 1980s, for legitimacy (Lamb, 1987). In the same spirit, the Bank and its allies at the US Agency for International Development even argued, for a brief period in 1994, that structural adjustment was not harmful to the poor:

> In African countries that have undertaken some reforms and achieved some increase in growth, the majority of the poor are probably better off and almost certainly no worse off. The poor are mostly rural, and as producers, they tend to benefit from agricultural, trade and exchange rate reforms and from the demonopolisation of important commercial activities. As consumers, both the urban and the rural poor tend to be hurt by rising food prices. But adjustment measures have seldom had a major impact on food prices in either the open market or the parallel market, which supplies most of the poor (World Bank, 1994b).

A variety of rebuttals and correlation of adjustment/poverty data followed, in the spirit of the *African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation* (*AAF-SAP*, as discussed below) (Ali, 1998 and Costello, Watson and Woodward, 1994). Notwithstanding social programmes sometimes added so as to mitigate the effects of structural adjustment, the adverse effects were indeed concentrated on the poorest, least organised groups in society. Imposition of user fees, especially, led to a decline in utilisation rates for health and educational services, which in turn substantially reduced 'human capital formation,' with women suffering disproportionately.

Notwithstanding the attraction of 'sustainable development' concepts--particularly the need to 'internalise externalities' (i.e., draw in other factors left out in market exchanges, such as pollution)--the rhetoric to this end was rarely matched by action. Virtually no attempts were made by the World Bank, IMF, donors or domestic policy-makers to determine how state agencies could supply services that enhanced positive externalities. The effects of water supply on public health, environmental protection, local economic activity and gender equality were the subject of some Bank (1994b) research. But as noted above, in practical South African (and other) applications, public services were often reduced to mere commodities. In turn, this required that consumers pay so as to equate with full cost-recovery, and hence that the state eliminate cross-subsidies (rising block tariffs and lifeline supplies) that would favour the poor. (The point, typically, was to attract private investors in joint ventures, outsourcing or outright privatisation of state services, as Bank personnel readily admitted.)(Bond, 2000.) To the extent social subsidies were still permitted, they were targeted via 'means-testing' in an ineffectual manner. Nearly all social programmes introduced to mitigate adjustment performed poorly (Mkandawire and Soludo, 1999, 74-75).

Evidence has grown of the social cost of the orthodox 'neoliberal' (free-market) development trajectory. In three southern African countries (Malawi, Zambia and Zimbabwe), daily protein consumption (per capita), for example, fell 20-25% during the 1970-95 period. In the health sector, SADC-wide conditions deteriorated during the mid-1990s to levels amongst the world's worst for under-five mortality (140 per 1,000 children); maternal mortality (888 per 100,000 live births); life expectancy (52); malnutrition (20% of children under five under weight, and 36% suffering stunting); measles immunisation (just 68% of 1-year olds); contraceptive use (just 28% of women from 15-45 years); and incidence of the deadly diseases malaria (5,550 per 100,000 people), tuberculosis (149 per 100,000 people), and HIV-AIDS (30 AIDS cases per 100,000 people and a 12% prevalence for adults under 49 years in 1995, worsening dramatically by decade's end as the pandemic spread through South Africa) (Southern African Political Economic Series, 1998).

While social suffering worsened, the capacity of nation-states to increase health and education expenditures declined. Given that Third World countries' social and economic policy-making was increasingly shifted from national capitals to Washington, on behalf of the financial markets, it is perhaps not surprising that an entire generation of nationalist leaders diverted course from populist mandates, towards implementing ineffectual structural adjustment programmes (which in turn generally destroyed their popularity). So too did once-'communist' governments, in Mozambique and Angola, endorse a crude market-oriented and export-led strategy. This was a global problem, affecting all ex-communist, social-democratic, and labour parties virtually everywhere. But in sub-Saharan Africa the denuding of national sovereignty was most pronounced, leading in some cases, in the Horn and in West Africa, to the collapse of state structures, of legal frameworks, of monetary systems, and of any semblance of order.

Naturally, many ordinary Africans firmly resisted structural adjustment. 'IMF Riots'--the gut protests that occurred frequently once IMF dictates on cutting subsidies were applied to an impoverished urban population--increased in intensity, occurring in most capital cities of highly-indebted nations. They led to the fall of more than a dozen African governments in the late 1980s and early 1990s, including Kenneth Kaunda in Zambia in 1991. More obscure (often religious-based) 'silent revolutions' occurred through barter and other exit options in rural areas. Growing linkages between human rights violations and debt were made by social movements, including even middle-class church congregations.

Formal critiques were also offered by an ever-smaller, beleaguered group of African intellectuals and progressive technical officials. For example, the United Nations Economic Commission on Africa, led by Adebayo Adedeji, had offered two important rebuttals by the time structural adjustment became generalised, during the late 1980s: *Statistics and Policies: ECA Preliminary Observations on the World Bank Report* and the *African Alterative Framework to Structural Adjustment Programmes*. Further critiques emerged from case studies by independent observers, as well as in social statistics and reports from the UN Conference on Trade and Development, UN Children's Emergency Relief Fund, and the Food and Agricultural Organisation.

Recall that the economic problems discussed above were, at root, premised on the slowdown in economic growth in the major industrial countries beginning during the 1970s. Thus the power of finance over the Third World during the 1980s represented not so much a true 'solution' in terms of more open trade and investment prospects (and hence higher multinational corporate profits and lower global wages than would have been the case otherwise), but rather *a deepening of the problem*, as the limits of the strategy of draining the Third World were felt by even the most powerful of the world's banks. Indeed, the Third World debt crisis contributed significantly to international financial turmoil.

Yet unlike the 1930s, the Northern creditors did not suffered the kind of generalised financial collapse that gave so many other countries the ability to default, without facing serious political ramifications. (Those earlier creditors were mainly individual bondholders, not centralised, powerful commercial banks and Washington financial institutions.) Instead, the debt was rolled over and meagre amounts of 'debt relief' were ladled out to countries which continued to play by Washington's rules. However, because of growing pressure from a variety of sources, not least northern movements of socially-conscious people in the Jubilee 2000 network, those rules had to be slightly adjusted, particularly to incorporate poverty reduction rhetoric.

5. The Emergence of 'Poverty Reduction'

The World Bank/IMF Poverty Reduction Strategy Papers (PRSPs) are the latest in a long list of four letter acronymns defining IMF and World Bank activity in countries of the South, including variants of the Structural Adjustment Programmes from the 1970s to the 1990s, the Highly Indebted Poor Countries (HIPC) initiative of the mid-1990s and the enhanced HIPC of the late 1990s to date, of which the PRSPs are a central element. All stem from the recognition--sometimes explicit, often just implicit--that the existing SAPs were not delivering what was promised.

By the end of the 1980s, the negative effects of the structural adjustment programmes on the African continent were more than apparent. In April 1989, the United Nations Economic Commission for Africa released a document on behalf of the Organisation of African Unity assessing the nature of the African political economy and the impact of structural adjustment policies and suggesting an alternative approach. The document, entitled *African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation*, used World Bank data to contest claims by the Bank and United Nations Development Programme (1989) that the 'evidence points to better overall economic performance in countries that pursue strong reform programmes than those that do not' .

In contrast, using Bank classification of sub-Saharan countries into those with strong structural adjustment programmes, those with weak structural adjustment programmes and those called non-adjusting, the *AAF-SAP* arrived at the following conclusion:

> Gross domestic product data show that for the first group of countries--those with strong structural adjustment programmes--recorded an overall negative average annual growth rate (about 1.5%) during the period 1980-1987. The performance of this group, however, varied from year to year. At the initiation of adjustment programmes in 1980-1981, these countries registered a negative GDP growth rate of about 8% followed by an improvement in 1981-82. In 1982-84, GDP growth declined significantly with some recovery being achieved in the 1984-1986 period, the latter followed again by a significant decline in 1986-1987. The second and third groups of countries--weak adjusting countries and non-adjusting countries--achieved an overall average annual GDP growth rate of 1.2% and 3.1%, respectively, during the period

> 1980-1987. Although the latter two groups of countries also had varying annual GDP growth rates during the 1980-1982 period, they achieved annual positive growth rates throughout the period, except in 1983-1984 for weak adjusting countries, and 1986-1987 for the 'other countries when negative rates of growth were recorded' The overall annual average growth rate for Africa as a whole was a relatively low 0.4%, between 1980-1987, largely influenced by the poor performance of countries with strong adjustment programmes.
>
> The above analysis is complemented by another evaluation carried out by the World Bank in 1988... According to this, it is indicated that Sub-Saharan African countries implementing structural adjustment programmes experienced after adoption of SAPs: GDP growth decline from 2.7% to 1.8%; a decline in the investment/GDP ratio from 20.6% to 17.1%; a rise in the budget deficit from -6.5% to -7.5% of GDP; and a rise in the debt service / export earning ratio from 17.5% to 23.4% (United Nations Economic Commission for Africa, 1989, 22-23).

The *AAF-SAP* criticised structural adjustment on grounds that the adverse impacts were far-reaching:

> There is mounting evidence that stabilisation and structural adjustment programmes are rending the fabric of the African society. Worse still, their severest impact is on the vulnerable groups in the society--children, women and the aged--who constitute two thirds of the population.
>
> The major traditional adverse social consequences of structural adjustment programmes are: declining per capita income and real wages; rising unemployment and underemployment; deterioration in the level of social services as a result of cuts on social public expenditures; falling educational and training standards; rising malnutrition and health problems; and rising poverty levels and income inequalities.
>
> Many African governments have had to effect substantial cuts in their public social expenditures such as education, health and other social services in order to release resources for debt service and reduce their budget deficits.

These arguments have been made repeatedly since, but they are noteworthy in that they represented the official thinking of the Organisation of African Unity, based on clear empirical evidence in the relatively early years of World Bank and IMF structural adjustment. The impact of these programmes was also generating resistance amongst people and organisations in countries across Africa and the world, including hundreds of 'IMF Riots' as well as mass protests at their meetings, such as Berlin in 1988, Bangkok in 1991, Madrid in 1994, Washington in 2000, Prague in 2000 and Oslo in 2002 (Walton and Seddon, 1994; Bond, 2001).

Opposition to the two institutions has forced them to respond, with the World Bank in particular reinventing itself in numerous ways. It developed operating principles taking environmental and gender considerations into account. It established an Inspection Panel to hear cases where communities are adversely affected by World Bank projects. It set up a variety of structures for engagement with other stakeholders, including the various World Bank-NGO forums at international, continental and national levels. It responded to opposition to the rising indebtedness of countries to the two institutions by launching the Highly Indebted Poor Countries (HIPC) initiative.

These and other initiatives led to a softening of the opposition to the institutions with many organisations muting their demands against these institutions to pressure for ongoing reforms. Yet, behind the facade, the World Bank and IMF intensified their imposition of structural adjustment and escalated the conditions required for the loans the indebted countries needed in order to service their debts.

For example, the *World Development Reports* are a manifestation of the increasing role played by the World Bank in areas of social policy. On the one hand, this creates the image of an organisation that is concerned about people's well-being, but on the other it represents a significant increase in its power vis a vis the United Nations and its sub-structures. According to David Werner and David Sanders, 'It is an ominous sign when a giant financial institution with such strong ties to big government and big business bullies its way into health care. Yet according to *The Lancet*, the World Bank is now moving into first place as the global agency most influencing health policy, leaving the World Health Organisation a weak second' (Werner and Sanders, 1997).

6. Legitimacy Crisis at the Bank and IMF

By the end of the 1990s, the World Bank's various attempts at reinventing itself were fraying at the edges. The HIPC initiative was exposed as a process by which the World Bank and IMF imposed ever more stringent conditionalities on debtor countries without the countries benefiting from the promised debt relief. The poorer countries of the world were faced with increasing debt burdens, deepening economic crises and significant deterioration in basic health indicators, such as life expectancy and infant mortality.

Moreover, internal reforms were not working. The most powerful proponent of a new approach, chief economist Joseph Stiglitz, was hounded out after just 30 months, in September 1999. The Bank's Inspection Panel was increasingly seen as nothing more than a rubber stamp of World Bank policies and projects. Joint investigations with civil society, such as the 1995-2001 Structural Adjustment Participatory Review Initiative and the 1998-2000 World Commission on Dams (WCD) were yielding results that highlighted the negative effects of these policies and projects. But the Bank then withdrew from both processes in 2002, in the case of the WCD amplified the damage with a new Water Resources Sector Strategy (WRSS) that endorsed large dams, privatisation and further application of cost-recovery principles. In response, the key civil society actors wrote to the Bank that,

> The World Bank's singularly negative and non-committal response to the WCD Report means that the Bank will no longer be accepted as an honest broker in any further multi-stakeholder dialogues. Experience since the publication of the WCD Report shows that common ground exists between civil society and forward-looking private sector and government institutions. In contrast, the World Bank's response to the WCD, its role in projects like the Bujagali dam in Uganda, and the new draft WRSS indicate that the Bank is entering a new era of intensified controversy and conflict (McCully, 2002).

Perhaps most notably, the Third World wing international Jubilee movement, Jubilee South, held a debt tribunal in 2002 and called for the Bank and IMF to be 'decommissioned' because of their failures to carry out debt cancellation (http://www.jubileesouth.net). A World Bank Bonds Boycott gained the support of major social movements North and South, and persuaded large North American investors to instruct funds managers never to buy another World Bank bond (http://www.worldbankboycott.org). The reform approach increasingly gave way to calls for the closure of the World Bank, IMF and WTO.

The new demands emerged from an increasingly clear understanding of the nature of these institutions. The Jubilee movement and its allies, particularly in countries of the South, came to identify debt not as a mere technical problem, but as an instrument of domination. Talk of debt relief under the banner of the HIPC initiative was exposed as a mask for the real agenda of keeping countries in a state of indebtedness, as a lever by which to keep them under the macroeconomic and microeconomic control of the Bretton Woods Institutions. Such a power relationship allowed yet more conditionalities to be placed upon the countries, which in turn served the interests of giant transnational corporations, whose desires for investor-friendly environments, a declining social wage, an end to capital controls (such as profit/dividend repatriation), export-oriented growth strategies (with consequent gluts in commodity markets and hence declines in raw material prices), and lower taxes were all met through neoliberal conditionality.

This critical analysis informed the demand that the World Bank, IMF and G8 countries cancel the debt without placing any conditions on debtor nations. This demand deepened over the subsequent years into a call for debtor nations to repudiate the debt, and to form a cartel to that end. Moreover, the entire paradigm within which debt had been discussed was turned on its head. The debtor countries had paid their debt many times over, were it not for the tyranny of compound interest rates. The policies and activities of the G8 countries, the international finance institutions and the trans-national corporations had caused and were continuing to cause extensive damage to the people and environment in the South. As such, the latter were deemed to be the debtors of an ecological or historical debt to the countries of the South, to be paid in the form of reparations for the damage done.

These demands were backed up by increasing levels of protest. An estimated 70,000 people circled the city of Birmingham in the United Kingdom to protest the debt at the time of the G8 meeting in 1998. This set the tone for the subsequent G8 meetings in Germany and Japan. The massive protests against the WTO in Seattle in November 1999, resulting in the delayed start to the WTO Ministerial Meeting and contributing to its final disintegration, took protest to a new level, where every meeting of the world's most powerful governments and institutions can expect to be met by protest activity.

7. The Introduction of PRSPs

The response of the G8 countries and the institutions was twofold. At the G8 meeting in Cologne, Germany, in 1999, the government leaders announced that they would overhaul the HIPC initiative.

This was hailed by some Jubilee campaign structures (notably Jubilee UK, Jubilee Germany and Jubilee USA) as a step in the right direction.

But the majority of the Jubilee and anti-debt campaigns and organisations, many of whom came together in Cologne under the banner of Jubilee South, disagreed. A Jubilee South press statement on the G8 announcement referred to it as a 'cruel hoax'. The amount of the debt relief put on the table was for the most part a mere rearticulation of previous proposals. The debt relief process remained firmly in the hands of the G8 countries and Bretton Woods institutions. The relief on offer was partial, amounting to little more than an accounting exercise in that more and more poor countries were reaching such levels of indebtedness that they could no longer meet their debt service obligations. The overhauled HIPC initiative, variously called enhanced HIPC or HIPC 2, amounted to countries remaining indebted and tied to more conditionalities in order to obtain the debt relief.

There were serious shortcomings in the implementation of the Cologne announcement, with virtually no progress made during the course of the next year. In Cologne, the G-7 governments had pledged to meet a target of implementing debt relief for at least 20 countries by 2000, but they came to the next G8 summit in Okinawa, Japan, in July 2000 with nothing to report. By the end of 2000, nine countries had received some relief, but the amounts of relief were minimal. In certain instances, recalculation of the repayment of debt resulted paradoxically in an increase in annual debt servicing.

Fantu Cheru (2001), an academic consultant to the United Nations Economic and Social Council, argues that the main reason for this failure was the lack of finance, referring to the enhanced HIPC as an 'emperor without clothes':

> The enhanced initiative is experiencing a number of problems, the critical one being its financing... Both multilateral and bilateral creditors were expected to provide the estimated $28 billion (in net present value terms) to finance the debt relief programme. Of this amount, four multilateral creditors--the World Bank, IMF, the Africa Development Bank and the Inter-American Development Bank--are expected to provide about $14 billion; bilateral creditors about $13.2 billion, and commercial creditors the rest...
>
> The main reasons for the deflated expectations about financing the initiative relate to the politics of budget appropriation in the principal donor countries. The heads of States of the G-7 countries can promise debt relief during the Annual Meetings. But, at the end of the day, it is their respective legislative bodies and parliaments that must decide how much money to appropriate or not. Since debt relief above and beyond annual appropriations for bilateral aid results in added budgetary cost for each country, many bilateral creditors face huge political hurdles in order to secure additional resources from their respective parliaments. This is particularly difficult in many Western capitals where opposition to foreign aid is growing.

The amounts involved are significant for the HIPC countries given their poor economic standing, but are negligible for the G8 countries and the international finance institutions. The lack of finance for the initiative is perhaps more accurately a feature of the deep resistance to debt relief and a reflection of the commitment of keeping the HIPC countries indebted as a means of maintaining control of their economies.

There are many other reasons for the failure of the expanded HIPC initiative to yield better results. These include the protracted processes countries had to follow in order to reach the decision and completion points, the decision point being that point at which a country is eligible for interim support and the completion point being that at which it is eligible for a reduction in debt stock. The HIPC initiative entailed that countries demonstrate adherence to strict macroeconomic policies and implement the structural programmes imposed on them. Even though the Cologne initiative included a reduction in the times a country needed to serve to reach these points, meeting the requirements remained a significant obstacle. Further, there was insufficient money allocated by the G8 governments to the HIPC Trust Fund.

Yet in mid-2000, the G8 leaders in Okinawa took a different tack. They laid the blame for the lack of progress squarely at the door of the indebted countries. They pointed to the poor track record of democracy, high levels of corruption and conflicts and wars in the HIPC countries as the reason for delays in implementing the Cologne announcement.

It is in this context of elite maneuvres, passing-the-buck and legitimacy-building exercises that the emergence of the PRSP process must be understood. The Bank and IMF took advantage of the confusion on debt relief to address their waning credibility. In September 1999, they imposed upon HIPC countries a new requirement: they would be required to produce PRSPs in order to be eligible for debt relief and for new borrowing. According to the IMF External Relations Department (2002):

> The World Bank Group and the IMF approved an approach that recognised that nationally-owned participatory poverty reduction strategies were the most promising means of securing more effective policymaking and better partnerships between countries and donors. To ensure that assistance is well used for poverty reduction, Poverty Reduction Strategy Papers (PRSPs) would henceforth be the basis of all their concessional lending, and for debt relief under the enhanced Heavily Indebted Poor Country (HIPC) Initiative.

In blaming the victim, the World Bank and IMF saw an opportunity to put themselves above reproach. By insisting on participation in the debt relief process, they took on the mantle of overseer of a democratic process.

It goes without saying that many of the HIPC countries fall well short of acceptable practice as regards democracy, corruption and conflict. Governments in Malawi, Mozambique and Zambia are beset with dictatorial tendencies and corrupt practices. But the World Bank and IMF do not stand above these problems. Many have argued that the impact of structural adjustment programmes has led to the decline of democracy and the escalation of conflict.

Likewise, in terms of corruption, these institutions, the G8 governments and the transnational corporations are far from blameless. In the well-publicised example of the Lesotho Highlands Water Project (LHWP), the Lesotho Government attempted in 1994 to remove Masupha Sole, the chief executive of the development authority, from his position because of corruption. The removal was opposed by the World Bank in December 1994, and under threat of legal action by the Bank, the chief executive was permitted to retain his position where until 1998 he continued to draw bribes from construction companies (Bond, 2002).

The Bank undermined itself further on the LHWP corruption problem again in 2002 when it refused to help finance Sole's prosecution (after initially getting good press for offering). Then, instead of debarring all the 'dirty dozen' large construction companies implicated, the Bank took action against only three middlemen intermediaries of the companies, in part because, according to a lame line of argument, the construction firms did not abuse the Bank's loan share of the project. The Lesotho affair, possibly the highest-profile case of its type in Third World history, again reminded the world of the Bretton Woods Institutions' reputation for molly-coddling corruption.

To the extent that the Bank *is* concerned to limit corruption, self-interest is also a factor. In October 1999 at Transparency International's International Anti-Corruption Conference in Durban, Bank president James Wolfensohn postured, 'As far as our institution is concerned, there is nothing more important than the issue of corruption... Corruption [is] not just political, but it [is] the single-most significant factor in the issue of development, of equity and of social justice'. But the Bank's own need to convince taxpayers that the institution is not funding corrupt regimes helps explain why Wolfensohn might have condoned the repeated sweeping of LHWP bribery under the rug: 'Corruption is now affecting the sources of funding and international balance on development assistance. At this very moment, in parliaments in developed countries, the voters of those countries are saying: We do not want to give money to any form of development assistance if it finishes up in an offshore bank account' (International Rivers Network, 2002).

Alejandro Bendaña (2002), a founder of the Jubilee Debt Coalition in Nicaragua and of Jubilee South, argues that the G8, World Bank and IMF focus on corruption in the public sector to hide the corruption of the private sector and the corrupt nature of neoliberalism itself:

> In what amounted to a tacit admission that globalisation and debt relief schemes were not benefiting the poor (to say the least), the Bretton Woods institutions now insisted that 'pro-poor economic growth' strategies were indispensable. As a corollary to the new discourse and as a further explanation for the persistence of poverty and inequity, the multilateral institutions and their principal rich countries shareholders went on to argue that 'bad government', including official corruption, were fundamental obstacles to development.
>
> How convenient to wed the rediscovery of poverty to malgovernance! This blame-the-victim approach shifted attention away from the economic model which in fact produces poverty and facilitates corruption
>
> For its part, the anticorruption measures demanded by Washington all focused on the public sector and the judiciary (to insure 'clear' guarantees for investors). Little was said as to the relation between privatisation and corruption, about abuses carried out by the corporate sector, of the fact that corrupters and corrupted tend to work together, as for example with debt and credit deals. More importantly, the issues of

> corruption inherent in unequal structures and systemic corruption simply do not fit in the anticorruption discourse.

The requirement that countries must produce PRSPs is an additional form of conditionality. Most civil society critics have concluded that the World Bank and IMF have introduced the PRSPs as a means of papering over the undemocratic nature of their institutions, the corrupt manner in which they operate and their role in imposing damaging SAPs on the countries of the South. The PRSPs have served to create a false impression that the Bank and IMF occupy the moral high ground keeping the undemocratic and corrupt indebted countries on the straight and narrow. In so doing, they have simultaneously enhanced their power.

In making the PRSPs a requirement for debt relief and further lending, the World Bank and IMF have in effect extended their sphere of influence well beyond economic matters and into every aspect of social policy. Through the PRSPs, the World Bank and IMF are imposing themselves in areas in which they have a poor track record and a lack of competence. Concerns in this regard inside the World Bank became public through the now well-known leaked memo from World Bank staff in the Middle East and North Africa to James Wolfensohn:

> The list of fiduciary tasks is being constantly enlarged with increasing requirements that are burdensome both on our borrowers and staff. The list has grown from environment and resettlement a few years ago, to now also include social assessment, financial management… and so on. While no one can question the importance of these issues, staff have been put unnecessarily in a straight jacket in how they must approach these issues through detailed 'guidelines' enforced by an army of 'reviewers'... The World Bank is increasingly being drawn into activities, which are politically sensitive (participatory processes, involvement of civil society, corruption and so on). There is no doubt about the importance and relevance of each of these for development and success of World Bank assistance, but staff are not well prepared to handle these issues which creates more anxiety and stress (cited in Verheul and Cooper, 2001).

8. Early Experiences with PRSPs

The World Bank and IMF have claimed qualified success for the PRSPs to date. From the IMF/WB Development Committee, which in 2001-02 is chaired by Trevor Manuel (also co-chair of the UN Financing for Development Conference at Monterrey, Mexico in March 2002), a November 2001 communique summed up the extent to which essentially *status quo* relations prevail:

> Ministers welcomed the significant progress made in implementing the PRSP approach, noting that 38 countries had completed interim PRSPs and eight countries their first full PRSPs. They appreciated the extent to which poverty reduction strategies build on existing national strategies and processes, with a focus on broadening participation and sharpening poverty diagnosis and monitoring, as well as on prioritising and costing policies and programs for poverty reduction...
>
> Ministers welcome the continued progress made in implementing the HIPC Initiative, noting that twenty-four countries have now reached their decision points under the enhanced HIPC framework, qualifying for debt service relief amounting to some $36 billion; three countries have now reached their completion points and are receiving their full relief under the enhanced Initiative. There has also been a significant reduction in debt stock and debt service in these countries, and the commitment of qualifying HIPCs to increased poverty reduction spending has been encouraging...
>
> The Committee recognised the need to take into account worsening global growth prospects and declines in terms of trade, when updating HIPC initiative debt sustainability analysis at completion point (World Bank and IMF Development Committee, 2001).

The IMF External Relations Department (2002) summarises developments as follows:

> There has been widespread acceptance of the PRSP approach. Today, these processes are taking hold in some 60 low-income countries, and are helping promote a more open and inclusive national dialogue on the most effective policies and public actions for poverty reduction. And the approach has increasingly been embraced by countries' external development partners. Because it is based on the two pillars of country self-help and support from the international community, the PRSP approach promises to make development

> assistance more effective. Nevertheless, the process is continually being refined, including through a 2001/2002 review that identified good practices in the PRSP approach, for countries and their partners alike.
>
> The review showed that there is room for improvement. Further actions are required to make participation processes more open and to develop and promptly implement policies that accelerate economic growth. And donors must better align their assistance with PRSPs, simplify and harmonise their procedures, and work for more predictable aid flows.

There has indeed been a significant response to the World Bank and IMF decision on PRSPs. In southern Africa, social movements, NGOs, labour and environmentalists have organised in various ways to become involved in the PRSP process. In Zambia, the Civil Society for Poverty Reduction was established specifically to engage with the process. The Malawi Economic Justice Network arose out of a coming together of civil society organisations to develop a common approach to PRSPs. In Tanzania and Mozambique, civil society has also come together around PRSPs. Jubilee 2000 Angola drew representatives of civil society together from across the war-torn country to participate in a conference on PRSPs.

In all too many countries, civil society has lacked the avenues to meaningful interaction with the ruling governments. The opportunities to participate in national processes towards addressing poverty and development have been limited. The introduction of PRSPs suggested opportunities for engagement. The following commentary describes the context within which the November 2001 PRSP conference in Angola was organised:

> Angola is still in the throes of an exceptionally long, violent and destructive war. Any rational arguments that existed for fighting the war have long been replaced by the greed of opposing elites thrashing it out over the abundant wealth of the country.
>
> The degree to which the elites have advanced their wealth stands in stark contrast to the vast majority of the population, millions of whom suffer the scars of war and live in abject poverty.
>
> People in the churches, educational institutions, unions and communities are increasingly coming together to demand an end to the war, but their access to the government elite is severely limited. In this light, the possibility offered by the PRSP process for participation in national decision-making is indeed an attractive one. This has not gone unnoticed by the World Bank and IMF, which are making increasing inroads into a country relatively untouched by these institutions to date (Anonymous, 2001).

But in many instances, expectations of the PRSP process have been dashed and experiences are at odds with the claims made by the IMF and World Bank. Concerns have been raised around the commitment of governments and the international institutions to the participatory process, the issues that have been opened for participation and those that have not, the degree to which the voices of civil society have been incorporated into the poverty reduction strategy papers and the role of the World Bank and IMF as final authorities on the content of the papers.

These concerns are best expressed in the words of those who have been involved in the processes in their countries (Malawi Economic Justice Network, 2001):

> The Malawi Economic Justice Network is concerned with the status of civil society participation in the PRSP process to date. Civil society in Malawi has been committed to producing a genuine PRSP that will, in the long run, see genuine poverty reduction of Malawians. Several recommendations have been put forward since the process started. But as the process is coming close to the end, the national ownership we have been trying to build is fast diminishing.
>
> It has been reiterated by Civil Society that there is urgent need to review the communication in the process among all stakeholders. MEJN is however concerned that there is little progress made in this regard. Information sharing in the PRSP process is still one way from Civil Society to the government. In addition the process is still secretive and not open. Civil Society has had to hunt to smuggle information.

According to the Feminist Activism Coalition in Tanzania:

> The involvement of citizens in the [Consultative Group (CG)] continues to be marginal. We would have expected the CG process to be an occasion for real public engagement and an opportunity to make policy-level decision-making transparent and accessible to the men, women and youth of this country. But this has not been happening. The issues under review have not been subject to a broad public debate. Nor is there

> evidence that the deliberations are adequately informed of the perspectives of the large majority of Tanzanians...
>
> The 2001 CG forum was advertised in the newspapers only a few weeks ago, and little information was provided to the larger public about its purposes, focus and method. The key documents have not been part of the public domain. The process had turned into a last minute scramble to register for the meeting, with clear disadvantages for groups located outside Dar es Salaam...
>
> The ‘informal’ meeting that involves CSOs takes place on September 10 and 11, after the ‘formal’ Donor/Government session on September 7 and 8. What is the logic behind this arrangement? What is the point of bringing CSOs when the main overarching issues have already been decided? What is the ownership in such a process?

The Feminist Activism Coalition also identified an important terrain that has been untouched by the talk of participation, namely that of loans. It stresses the importance of transparency and civil society involvement in decision-making around new loans:

> A number of loans, principally from Bretton Woods institutions, are in the pipeline. But the details of the programmes they fund, the conditionalities of disbursement, the terms for repayment and the overall negotiation process are not a matter of public record and discussion. History has taught us the potential for even well-intended loans to turn into choking debt noose-ropes. New loans must therefore involve the widest critical scrutiny: the future of our children ought not to be mortgaged without careful public consideration (Tanzania Feminist Activism Coalition, 2001).

The Kenyan National Council of NGOs decided to participate because of the interest shown by their members. Odour Ong’wen (2001), chair of the council, explained: ‘When they announced that there would be a PRSP with a lot of participation, there was a lot of excitement because these organisations wanted to be consulted, they wanted to be at the table.’ He continued:

> We have to appreciate the fact that the organisations of civil society were able to engage with government bureaucrats in policy dialogue; this in itself was positive...
>
> But given our experience with PRSP, we knew that even if the poor themselves talked their hearts out and said what they wanted to say, at the end of the day, the PRSP secretariat (inside Treasury) would still put what they thought the World Bank wanted to hear. We decided the only way we could be sure these views would see the light of day was to have an NGO person working in the secretariat. The government said they couldn’t afford it, but we said we’d do it at our own expense. When the draft PRSP came out, it was the standard IMF line. The government promised us the second draft would be much better.

Jubilee South organised conferences in Latin America, Asia and Africa to assess the PRSPs in these regions. The African conference took place in Kampala, Uganda, in May 2001 and included national Jubilee campaigns, debt and development organisations, NGOs, women’s organisations and church representation. A mix of organisations had been participating in PRSP processes in their countries, while others had decided not to take part. The conference thus allowed for the full sweep of debate on the implementation of the PRSPs on the continent. It concluded with a declaration titled ‘Poverty Reduction Strategy Papers: Structural Adjustment Programmes in Disguise’. The declaration includes the following points about participation in the PRSPs:

> The experiences of the functioning of PRSPs in our countries raise a number of additional concerns with regard to the involvement of organisations of civil society:
>
> - The PRSPs are not based on real people’s participation and ownership, or decision-making. To the contrary, there is no intention of taking civil society perspectives seriously, but to keep participation to mere public relations legitimisation;
> - The lack of genuine commitment to participation is further manifested in the failure to provide full and timeous access to all necessary information, limiting the capacity of civil society to make meaningful contributions.
> - The PRSPs have been introduced according to pre-set external schedules which in most countries has resulted in an altogether inadequate time period for an effective participatory process.
> - In addition to all the constraints placed on governments and civil society organisations in formulating PRSPs, the World Bank and IMF retain the right to veto the final programmes. This

> reflects the ultimate mockery of the threadbare claim that the PRSPs are based on 'national ownership'.
>
> • An additional serious concern is the way in which PRSPs are being used by the World Bank and IMF, both directly and indirectly, to co-opt NGOs to 'monitor' their own governments on behalf of these institutions (Jubilee South, 2001).

These concerns have also been reflected in various NGO, funding agency and academic studies. Afrodad, a debt network based in Harare, Zimbabwe, conducted a study on participation in PRSPs in five countries, namely Burkina Faso, Mauritania, Mozambique, Tanzania and Uganda, selected on the basis that these were the first sub-Saharan countries to undergo PRSPs (Afrodad, 2001)). It noted that in each of these countries there were processes with varying degrees of participation that preceded the PRSPs,

> Mozambique's government policies and strategies since the late 1980s had been expressed in the Plano de Acção para Redução da Pobreza Absoluta, Tanzania had adopted a National Poverty Eradication Strategy in 1997, Uganda had a Poverty Eradication Action Plan, Burkina Faso had established its priorities under Cadre Strategique da Lutte Contra la Pauvrete, and Mauritania had a series of National Reference Documents encompassing social, economic and other national issues.

The World Bank and IMF insisted that these processes should be refashioned to fit the PRSP mould. The PRSPs thus, rather than introducing participation into poverty and development concerns, interfered to lesser or greater degrees with existing processes.

In Mozambique, the PARPA was accepted by the World Bank and IMF as the Interim PRSP. In Tanzania, the PRSP represents the implementation strategy of the NPES. The Ugandan PEAP was adopted as the country's PRSP. In Mauritania, the change to PRSP entailed a shift of focus away from the informal economy to the formal private sector.

The Afrodad study went further to argue that the PRSPs, far from ensuring higher levels of participation than before, merely reflected levels of participation in the existing initiatives:

> The studies reflect quite different levels of participation in the processes of the five countries. In Uganda, civil society was involved at every stage and, was complemented by a parallel civil society process set up by (mainly international) NGOs. Ugandans were assured that their participation had been meaningful when they saw most of their inputs and recommendations incorporated into the final PEAP/PRSP report. Tanzanians on the other hand see themselves as having moved from the NPES structure, believed to have 'strong government ownership and leadership' to the PRSP structure, which the report describes as indicating 'foreign influence as the most significant factor'...
>
> The study from Tanzania reports that 'Many of the civil society actors feel cheated by both the government and the donors, especially the World Bank'. The official PRSP process in Tanzania was entirely Government led with only cosmetic attempts to involve civil society and induce them to approve drafts prepared in advance by the Technical Committee. Even the Zonal Workshops, which were purportedly aimed at soliciting views from the grassroots, involved only 804 participants across the whole country and some of these were government employees (District Executive Directors). Though women make up the majority of the poor, only 22 percentage of all participants were female. Following the Zonal Workshops, a draft PRSP was prepared but this was not brought back to civil society, even for 'rubber stamping'...
>
> Likewise, in Mozambique, it has been acknowledged by the international financial institutions and other sources that the PRSP 'builds strongly on the plans and strategies of the Government' under the PARPA. Thus civil society tends to be sidelined both ways...
>
> Thus, in Uganda, where there was quite some satisfaction with the amount of civil society's participation in the formulation of the PRSP, Government has also made a commitment to make known all relevant information about public policies, budgetary policies and public expenditure. The Uganda Debt Network has already become involved in monitoring the Poverty Action Fund, a government mechanism for mobilisation of the savings from debt relief in priority areas for poverty alleviation. While the Mauritanian process took place much more firmly under government structures, there was some civil society involvement at every stage and civil society has also been involved, more recently, in the follow up process. The Tanzania report suggests inadequate participation of civil society in the PRSP process and there is no suggestion that CSOs expect to be involved in the implementation or, monitoring and evaluation stages.

The Ugandan experience received favourable comment in the Afrodad study, but there are many who do not share this perspective. Warren Nyamugasira and Rick Rowden of the Uganda National NGO Forum describe civil society organisations being used against what they stand for:

> Among CSOs there is growing concern that perhaps their participation in the endeavour has amounted to little more than a way for the World Bank and IMF to co-opt the activist community and civil society in Uganda into supporting the same traditional policies... to create a perception that the NGO community has given its blessing to a strategy which [it opposes] (Nyamugasira and Rowden, 2002).

In Lesotho, the Lesotho Council of Non-Governmental Organisations (LCN) entered into a partnership with the government to engage in grassroots consultations with communities and other stakeholders. It conducted a study to assess the perceptions of the process amongst communities, civil society organisations, the government and members of the Technical Working Group of the PRSP (TWG) and the media.

Members of the TWG commented that the Ministry of Development Planning is dominating the TWG, there is too much outside influence in the form of consultancies, there is a high turnover of membership of the TWG and only half the members have continued to be active. The question was asked: ‘Is the Ministry of Development Planning the right home for the PRSP, and should the Secretariat really be made of government officials?’ The interim strategy emphasises growth based on an export orientation, fiscal restraint and tight monetary policy. The civil society response has been described as follows:

> The participating CSOs noted a similarity between the PRSP and the Structural Adjustment Programme (SAP) but did not feel the urge to revisit the macroeconomic framework sculpted by the government in the pursuit of the PRSP. This contrasts somewhat with the posture formerly adopted by the CSOs in the context of the SAP. The present disinclination for unpacking the policy package may be informed by the perception of continuity between SAPs and the PRSP, and the experience of defeat on this matter in the context of SAPs (cited in Panos, 2001).

The Afrodad study also pointed to the lack of capacity in civil society as a severe constraint on participation. According to the report,

> By definition, the countries undertaking PRSPs are both ‘heavily indebted’ and ‘poor’. It is, therefore, inevitable that they will be severely constrained in their capacity to carry out a comprehensive, participatory consultation exercise with all the requirements in terms of personnel/expertise, transport, communications, documentation and so on that this entails. Although civil society, if called on to do so, can add on to government efforts, it is also true that (at least national) CSOs and NGOs in a poor country are unlikely to be very well resourced either.

The study notes the failure of the World Bank and IMF to avail resources to civil society to allow for more civil society involvement. Many others have also raised concerns around capacity. The Uganda Debt Network notes the lack of capacity in civil society to engage in issues of policy. It points to the danger that civil society organisations ‘might end up endorsing positions about which they have little knowledge’ and argues for the need to support civil society organisations in building their capacity in policy work, the monitoring of poverty and the like.

Likewise, on the basis of the country studies, Afrodad concludes that there is a lack of genuine desire, both on the part of governments and the Bank/IMF, for more meaningful participation:

> Debt relief under the HIPC initiative comes, as with anything else from the Bretton Woods institutions, with requirements and conditions attached. In this case, the requirement is the completion of a PRSP according to certain rules, most notably participation of civil society. The relationship is still one of ‘if you want what we have to offer, you must do things our way’. At the global level, this reflects well entrenched power relations rather than anything that could be called ‘participatory’.

9. The PRSPs and Neoliberal Policy

Participation is thus an additional requirement or conditionality that countries of the South need to meet. But the participation that is required is at the same time circumscribed. It falls well short of genuine participation in which governments, the people and their organisations engage in joint decision-making towards control of their own development. Governments are by and large not prepared to open participation to this extent. In any case, however, the World Bank and IMF have designed the PRSPs so that participation stops short of real decision-making. The World Bank and IMF staff play a hands-on role in developing the PRSPs to their satisfaction. They then forward joint staff assessments of the completed PRSPs to the boards of the institutions, which hold the ultimate power to endorse or reject the PRSPs. The PRSPs thus constitute a process in which the governments and people of the countries of the South are compelled to participate in the World Bank and IMF programmes for those countries.

The World Bank and IMF blamed the victims for the damage caused by structural adjustment programmes by pointing to democratic shortcomings, corruption and conflicts in the countries suffering the damage. The Bretton Woods Institutions have subsequently put themselves in a position to continue to blame the governments and people of the South in that the latter have participated in developing the PRSPs for their countries.

Cheru describes the nature of the relationship between the Bank/IMF and HIPC countries:

> In the majority of countries examined, the broad macroeconomic objectives are inconsistent with the poverty reduction goals. The same conclusion was reached in a recent report by the United States General Accounting Office, which pointed out that there is tension between the desire to deliver debt relief quickly and the need to ensure that a proper poverty reduction framework is in place. Only the Uganda PRSP is firmly anchored in the Government's comprehensive Poverty Eradication Action Plan first developed in 1997 and revised to take into account new poverty data, detailed sector plans and direct consultation with the poor. But this process took more than two and half years to complete...
>
> What explains this disconnect between macroeconomic components of the interim PRSPs and the poverty reduction goals? The answer is to be found in the unequal power relations between indebted countries and the institutions that manage the HIPC process, namely, the IMF and the World Bank... The Governments of HIPC try to make their PRSP meet the lending criteria of the Fund and the Bank, and have thus put too much emphasis on macroeconomic considerations, fiscal reform and privatisation measures to placate these powerful institutions, without thinking through how such policies impact on poverty reduction and in what context. At the end of the day, what matters the most to these Governments is that they get the badly needed cash flow from these institutions. As one finance minister interviewed for this report succinctly put it, 'We do not want to second-guess the Fund. We prefer to pre-empt them by giving them what they want before they start lecturing us about this and that. By so doing, we send a clear message that we know what we are doing--i.e. we believe in structural adjustment'...
>
> The decision by debtors to 'placate' the IMF is both political and financial, since eligibility for debt relief under HIPC-II is conditioned upon 'good performance' in the implementation of IMF and World Bank policies. While countries should be encouraged and supported to adopt sensible policies that make good economic and political sense, IMF-supported programmes remain stringent, inflexible and in some instances very punitive, leaving very little room for countries to manoeuvre. The ESAF programmes in their reincarnated form (now renamed Poverty Reduction and Growth Facility) remain firmly focused on macroeconomic and financial concerns.

The influence of the World Bank and IMF goes beyond the unequal financial relations described by Cheru. The institutions have come to dominate the terms of debate in the policy terrain. They have large staff complements doing research to back up their policy perspectives. According to the World Bank, there are 100,000 'foreign experts' working in Africa. The World Bank and IMF researchers, together with others from the North, completely dwarf the existing research capacity in Africa itself. Alex Wilks and Fabien Lefrançois of the Bretton Woods Project in the United Kingdom describe the impact of this imbalance:

> The World Bank and its sister agency, the International Monetary Fund (IMF), often give the impression that there is consensus on the development agenda, and that only details remain to be worked out. The Bank is pursuing this logic through studies in its client countries on a wide range of policy issues. These studies may be more influential than many outsiders realise and partly explain why the Poverty Reduction Strategy process has not ushered in real debates about macroeconomic policies...
>
> The Bank most of the time no longer has to rely on its financial clout alone, as it is winning arguments upstream. Through its global and national-level studies, and its extensive network of official,

> journalist and academic contacts, the Bank has a strong influence on policy debates even where it is not lending. But the Bank is clearly in the most influential position where it can combine its 'knowledge' and lending functions, imposing conditions to support its advice.
>
> The World Bank should be far more open about how it is commissioning research and the methods being used. But beyond this, more must be done to break the Bank's near monopoly on development analysis by diversifying the commissioners and producers of research (Wilks and Lefrançois, 2002).

The Malawian example is illustrative of the content of PRSPs. The first drafts of the PRSP included four 'pillars', namely 'sustainable pro-poor, growth', 'human capital development', 'improving the quality of life of the most vulnerable' and 'good governance'. But Chapter 5 of the PRSP, outlining the macroeconomic and expenditure framework within which the poverty reduction strategy is expected to operate, was missing. It only appeared in the third draft.

The chapter stressed economic growth and macroeconomic stability. It identified a number of 'strategic activities', including control of money supply and inflation, maintenance of a stable and competitive exchange rate, hard budget constraints through strong political oversight, increased independence of the Reserve Bank from Government, strong monitoring and enforcement procedures against overspending parastatals, development of an inter-bank foreign exchange market with private sector involvement in forex management and a policy to encourage diversification of exports.

It went further to quantify a 'resource envelope', including estimates for the three years from 2002/3 to 2004/5, and identify an expenditure framework, including 'statutory and statehood' expenditures and PRSP activities. It specified that 'statutory and statehood' expenditures have first call on the budget. Interest payments, debt repayment, pensions and gratuities are thus catered for ahead of any expenditure on poverty. The chapter also identified a 'resource gap' between the poverty reduction activities identified in the PRSP and the total amount available in the resource envelope (Malawi Economic Justice Network, 2001). In other words, the country is expected to mobilise funds beyond its budget in order to implement the priority poverty reduction measures identified in the PRSP.

These macroeconomic and expenditure measures suggest a strong continuity between the structural adjustment programmes of the World Bank and IMF and the framework within which the PRSPs are expected to operate. The approach to expenditure also entrenches the servicing of debt as a priority and secures debt as a mechanism by which the institutions can maintain a stranglehold over the economy.

The Malawian example is replicated in other countries. In the case of Burkina Faso, the first stated objective of the PRSP is 'equity-based growth'. The PRSP then identifies four principles to realise this objective, namely 'macroeconomic stability, competitiveness, reduced factor costs and clearer rules and training' (Gomes, Lakhani and J.Woodman, 2002). Again, these principles largely mirror the standard neoliberal policies of the World Bank and IMF and have repeatedly been shown to lead to greater inequality instead of equity.

In Kenya, civil servants assigned to the PRSP process include former World Bank employees and employees whose salaries for their work on the PRSP were financed by the World Bank. According to Action Aid, which works in Kenya and other Southern countries, the Kenyan PRSP failed to include many of the significant issues raised in the participatory process. Recommendations to assess the impact on poverty of measures such as trade liberalisation, the patenting of plants and herbal medicines and the retrenchment of agricultural extension civil servants went unheeded. Calls for legislation to allow for the participation of organised labour in discussions on privatisation and retrenchment were ignored. Demands for a progressive tax structure were countered with a response to intensify the regressive nature of the tax structure in the form of more burdensome VAT policies. The need for increases in social expenditure was not reflected in any significant change in national budgets. Prior to the PRSP process, Kenya had already approved a National Poverty Eradication Plan, which included a proposed Charter for Social Integration to realise the right to education, health and public information. Suggestions to ensure that the PRSP reflected the charter's approach to these rights were rejected (Action Aid, 2002).

Research on PRSPs in other countries consistently yields similar findings. In an analysis of different PRSPs, McGee found 'broad consensus among our civil society sources in Ghana, Malawi, Mozambique, Tanzania and Zambia that their coalitions have been totally unable to influence macro-economic policy or even engage governments in dialogue about it' (McGee, 2002).

The experience of Action Aid staff and partners in Kenya, Malawi, Rwanda and Uganda (as well as other non-African countries) led to Action Aid (2001) describing PRSPs as 'inclusive circles' of participation which frail to penetrate the 'exclusive cycles' of decision-making and control:

> The closer the document gets to finalisation and discussion with multilateral and bilateral institutions, the more it recedes into the opaque board-rooms of these institutions. Public accountability and participation... start to collapse with development of the core loan instruments--namely, World Bank Country Assistance Strategies, the Government Letter of Intent, the IMF Poverty Reduction Growth Facility Arrangements, the Memorandum of the World Bank President and the Poverty Reduction Support Credits.

In Action Aid's estimation, the World Bank and IMF maintain direct influence and control over the PRSPs in all seven countries and loan conditions determined on completion of the PRSPs retain the core macroeconomic policies of the structural adjustment programmes.

In the case of Tanzania, a World Bank team and the government held secret discussions on macroeconomic policy and conditions attached to a new loan. Likewise, in Uganda, World Bank and IMF loans given to support the PRSP were agreed behind closed doors (Friends of the Earth and Halifax Initiative, 2002). This represents a step backwards, in that Ugandan civil society networks organising around debt had fought successfully for the right to ensure parliamentary oversight of and civil society input into decisions on loans to the country (Action Aid, 2001).

Kenyan minister of finance Okemo exposed the coercion exerted on the Kenyan Government. One of the country's newspapers reported,

> Letters confirming Kenya's commitment to reform--supposedly written by top government officials--were actually drafted by the donors and then handed to him (the Minister of Finance) to sign. Mr Okemo said the arrangement was 'an open secret' and that the minister was told 'to sign along the dotted line as an ultimatum.'
>
> And he asked: 'Is this not coercion? There is a clear need to reduce the intrusiveness of our development partners in domestic policy-making. We should not allow donors to micro-manage our economies through conditionalities,' he said in a speech read by his deputy, Mr. Christopher Lomada (*Daily Nation*, 26 October, 2001).

The minister was removed from office shortly after he went public on this issue.

In addition, promotion of the private sector is a central feature of the PRSPs. For example, the Tanzanian PRSP promotes private sector involvement in the delivery of public health services.

The further orientation of African economies towards production for export--as opposed to own-food production or inward-oriented industrialisation--is also firmly on the agenda. Ironically, however, recent research from within the World Bank on the impact of increasing levels of trade on income levels goes against prevailing Bank and IMF conviction that neoliberal policies and increased trade are beneficial to the poor. Bank economist Branco Milanovic, in an official Policy Research Working Paper, conceded a correlation of global openness to increasing inequality within lower income countries from the 1980s to the 1990s. In 1988, the unweighted average of the income of the bottom decile of the population in 88 countries was 30.7% of the mean income of the population. By 1993, the bottom decile's income had declined to 24.8% of the mean. The relative incomes of the bottom seven deciles went down and those of the top three went up. The poorest experienced the sharpest decline and the richest the biggest increase.

In the same period, trade in these countries increased. The unweighted average for Africa of openness (exports plus imports) as a percentage of GDP increased from 59.7% in the period 1985-91 to 67.3% in the period 1992-97. The average for Asia increased from 61.5% to 77% from the first period to the second. The figures for Latin America were 54.4% and 64.5% respectively.

Using statistical analysis to establish the significance of the correlation between changes in income and openness, Milanovic (2002) concluded:

> at very low average income level, it is the rich who benefit from openness. As income level rises, that is around the income level of Colombia, Chile or Czech republic, the situation changes and it is the relative income of the poor and the middle class that rises compared to the rich. It seems that openness makes income distribution worse before making it better--or differently that the effect of openness on country's income distribution depends on country's initial income level.

Yet, as with previous examples of Bank/IMF data and research findings that go against the prevailing orthodoxy, this finding against openness is simply ignored in the macroeconomic policy prescriptions in the PRSPs.

The PRSPs also fail to address the debt crisis that was central to the introduction of the PRSP process in the first place. Research presented by Cafod, Oxfam, Christian Aid and Eurodad indicates that, of 20 countries that have reached the HIPC decision point, Mali, Niger, Sierra Leone and Zambia face annual debt service payments in 2003 to 2005 that are higher than those paid in 1998 to 2000 (Cafod, Oxfam, Christian Aid and Eurodad, 2002).

According to the Zambia's deputy minister of finance and national planning, Patrick Kalifungwa (2002), the country will benefit from relief dependent on 'successful implementation of the PRSP for at least one year.' Cafod, Oxfam, Christian Aid and Eurodad also point out that more than half of the HIPC countries are spending in excess of 15% of government revenue on debt servicing. In the case of Uganda, the first country to complete the HIPC process, its debt is higher than 200% of the debt to exports ratio. The March 2002 Completion Point Board paper for Burkina Faso indicates that the country will only achieve debt sustainability by the year 2016.

In Zambia, Kalifungwa described the shortcomings in debt management that persist in the country beyond the completion of the PRSP:

> Currently the Government of the Republic of Zambia has no policy on external debt. The current management of external debt is dependent upon Government implementation of the Loans and Guarantees Act CAP 366 of the laws of the Republic. The Act has set very broad targets of K20 trillion for external borrowing per year and K5 trillion for domestic borrowing per year. This provides an open-ended authority to borrow... Government feels that the HIPC Programme in its present form does not address the debt problem effectively and feels that the following should be addressed to make the programme effective:
>
> - Government is concerned about the long-term macroeconomic assumptions for growth and export earnings on which debt sustainability projections were made at decision point in the case of Zambia which appear to be overoptimistic. The projections of the exports are not realistic and may need Zambia's creditors topping up on relief to make the debt sustainable...
> - The link between the PRSP and the HIPC Completion Point should be rationalised in a way that the preparation of the PRSP is more reflective of the country's programmes than those of the Bretton Wood Institutions...
> - There is a need for Government to put in place proper procedures for the contraction and guaranteeing of debt by repealing the Act which will take care of the levels of borrowing, sectors of borrowing and who should borrow. There is a need for the country to rationalise its borrowings to the high output and needy areas only with borrowing powers being vested in a committee of Parliament or Government inter-ministerial committee.
> - There is need for the Government to streamline borrowing procedures with the setting of maximum terms of borrowing to avoid the setting of very high and unrealistic limits.
> - There is urgent need for cabinet to come up with a policy on external debt management.

In his address to a conference convened by Jubilee Zambia, Kalifungwa stressed that debt 'is the biggest economic problem that Zambia has.' He encouraged 'our partners in the fight for complete debt cancellation' to 'double your efforts in this very noble cause'. Yet the PRSP endorsed by the World Bank and IMF in 2001 leaves the country with uncertainty around its indebtedness and inadequate mechanisms to manage its debt.

The Dutch health policy NGO, Wemos, summarises the relationship between macroeconomic policy and social policies in the PRSP process as follows:

> The Washington Consensus has not been reviewed nor adjusted. Macro-economic and social policies seem two separate worlds, and the World Bank and IMF fail to understand their complex links. The macroeconomic chapter of the World Bank's PRSP Sourcebook repeats the well-known assertion that poverty reduction will occur through economic growth, macro-economic stabilisation, privatisation, investments in human capital including health and education and protecting the poor against shocks... Outcomes remain the same: reducing inflation and budget deficits to the lowest levels, and continued privatisation and liberalisation. From this perspective, poverty reduction remains subordinate to growth targets (Verheul and Cooper, 2001).

This analysis informed a letter sent by Wemos to the IMF, to which the Director of Policy Development and Review Department, Timothy Geithner (2002), replied:

> Experience has shown that macroeconomic instability in the form of higher inflation, large budget deficits and a depreciated exchange rate can hurt the poor disproportionately. Recognising the trade offs involved in balancing [the mutually reinforcing objectives of macroeconomic stability and social development], we (along with the World Bank and other development partners) are working closely with countries to identify the likely sources of growth and to raise the level and efficiency of investment in the social sectors, as well as in developing countervailing measures to mitigate any adverse short-term effects of proposed macroeconomic policies on the poor and vulnerable. In this regard, undertaking poverty and social impact analysis (PSIA) of key policy measures is critical to assess the likely impact of policies and to ensure that the poor and vulnerable are protected.

In other words, the macroeconomic package is set in stone. The PSIAs, which Geithner acknowledges are 'at a formative stage', are expected to detect the negative social consequences of macroeconomic policy. And these consequences are to be reversed by the 'countervailing measures', presumably interventions such as 'targeted relief' and 'safety nets' which have a track record of largely failing to provide the promised relief.

But the World Bank and IMF introduced PSIAs under pressure from NGOs and some governments, such as Oxfam and the British Department for International Development. The Bank defines PSIA as 'analysis of the distributional impact of policy reforms on the well-being or welfare of different stakeholder groups, with particular focus on the poor and vulnerable'. In 2002, it produced a draft User's Guide to Poverty and Social Impact Analysis.

Ministers in the HIPC Finance Ministers Network, including 33 HIPC countries, recently called on the World Bank and IMF to 'dramatically accelerate PSIA in HIPCs, [since] analysis of the links between macroeconomic and structural policies and poverty reduction remains among the weakest areas of most PRSPs'. They argued that

> it is essential to equip countries with the tools to conduct their own PSIAs rather than depending on outside assistance. These tools should have input from the Bretton Woods Institutions and donors, but be administered and disseminated by independent capacity-building sources, to avoid conflict of interest for partners in the negotiation process of PRGF [Poverty Reduction Growth Facility] and PRSC [Poverty Reduction Support Credit] frameworks (cited in Wilks and Lefrançois, 2002).

But, to date, the approach to PSIAs remains poorly defined. Wilks and Lefrançois (2002) argue that 'on the information currently available PSIA is just a long listing of methodologies. It is not at all clear that it will lead to a dramatic transformation in who is involved in producing World Bank analysis and what it covers.'

In sum, the PRSPs follow the familiar World Bank and IMF pattern of tight macroeconomic discipline and the promotion of the private sector. Based on the Central American experience, Bendaña (2002) argues that

> PRSPs will not alleviate poverty, because they do not address macro-economic and structural concerns. Policy matrixes take the form of policy conditions in order to obtain external financing. Dependence is reinforced, and the conditions are politically explosive, as they entail further belt-tightening, job-losses, increases in electricity and water prices. Indeed, the model demands more dieting in order to end hunger. Unsurprisingly, the 'nationally owned' Poverty Reduction Strategy Papers (PRSPs) matrixes tend to look much the same across nations, featuring privatisation of public utilities and other liberalisation measures as critical to fighting poverty!

It is hardly surprising that the Kampala conference concluded that the PRSPs are nothing other than 'Structural Adjustment Programmes in disguise':

> Social organisations and popular movements across the world have come out against structural adjustment programmes (SAPs) in their various guises, particularly as based on the feminisation of adjustment to the further detriment of women and children. Our campaigns have exposed the use of debt as a deliberate mechanism utilised by the World Bank and IMF to enforce the implementation of ever harsher structural adjustment programmes that are wreaking havoc across the world.

> As a result, the World Bank and IMF are facing a deepening crisis of legitimacy. Thus they have introduced PRSPs mainly as a public relations exercise to demonstrate a supposedly new-found concern for the poverty in the poorest countries of the South, and to prove that they have a genuine desire to see the people of these countries 'participating' in finding solutions to their poverty.
>
> But we are not fooled! Our sharing of experiences over the days of this workshop have strengthened our common understandings. We are clear that the PRSPs represent nothing other than yet another attempt by the World Bank and the IMF to continue imposing their structural adjustment programmes on the people of our countries. In fact, the PRSPs will result in an even more comprehensive control by the IMF and World Bank--not only over financial and economic policies but over every aspect and detail of all our national policies and programmes. This will entrench the continuation of IMF and World Bank control over our countries, and contribute to the continuation of the global power relations, in which the rich overwhelmingly concentrated in the North dominate the South and the whole world (Jubilee South, 2001).

10. Homegrown African Neoliberalism in Nepad

Another form of structural adjustment in disguise is the New Partnership for Africa's Development, or Nepad (see Bond, 2002 and http://www.nepad.org). Nepad was one of the main agenda items in the August-September 2002 World Summit on Sustainable Development in Johannesburg, having previously gone through official state and business endorsement processes at both the June summit of the G8 leaders (the Group of Eight main industrial powers) in Alberta, Canada, immediately followed by the southern African gathering of the World Economic Forum in Durban, and the July launch of the African Union (AU), also in Durban.

Because of its evolution under conditions of secrecy, in close contact with the G8 (in Okinawa in 2000 and Genoa in 2001), the Bretton Woods Institutions and international capital (at Davos in 2001), the Nepad plan denies the rich contributions of African social struggles in its very genesis. Nepad has gone by various names, including the African Renaissance (1996-2000), the Millennium Africa Recovery Plan (2000-July 2001) and the New African Initiative (July-October 2001). Aside from Thabo Mbeki, its main advocates are Abdelaziz Bouteflika of Algeria, Olusegun Obasanjo of Nigeria and Benjamin Mkapa of Tanzania.

The document's core premise is that poverty in Africa can be cured, if only the world elite gives the continent a chance. Nepad suggests that 'The continued marginalisation of Africa from the globalisation process and the social exclusion of the vast majority of its peoples constitute a serious threat to global stability.' The argument depends upon a depoliticised view of globalisation: 'We readily admit that globalisation is a product of scientific and technological advances, many of which have been market-driven.' Moreover, 'The locomotive for these major advances is the highly industrialised nations.'

In reality, these three arguments are better put by reversing the logic. Africa's continued poverty and degradation ('marginalisation') are a direct *outcome* of globalisation, not a lack of globalisation. Technology lubricates but does not *cause* international economic dynamics. The advanced capitalist world has itself witnessed lower profits and growth since the 1970s, and the dot.com craze is only one indication of technology's *failure* to resolve economic crisis.

The Nepad contains important paragraphs that are emblematic of the nuanced way in which debt, structural adjustment and neoliberalism are being marketed, both intellectually and institutionally. For example,

> The structural adjustment programmes of the 1980s provided only a partial solution. They promoted reforms that tended to remove serious price distortions, but gave inadequate attention to the provision of social services. As a consequence, only a few countries managed to achieve sustainable higher growth under these programmes.

A variety of questions emerge. Firstly, which countries achieved sustainable growth through adjustment? Botswana didn't undergo formal structural adjustment, and has a uniquely well-managed minerals resource base (from the standpoint of macroeconomics) *but very little evidence that growth has translated into development* (Mhone and Bond, 2002). The three main World Bank success stories of the 1980s-90s were Uganda, Ghana and Zimbabwe. All subsequently suffered major setbacks, especially the latter two, directly attributable to the distortions caused by reorientation of the economy away from people's needs, towards export-led growth which ultimately proved illusory. Likewise, South Africa adopted a home-grown structural adjustment programme in 1996, whose results were devastating to variables ranging from employment (one million lost jobs) to the value of the currency (two major--30%+--currency crises during the policy's implementation).

As for Nepad's analysis of structural adjustment, one test of robust analysis is to pose the opposite premise, to determine whether the subsequent hypotheses are worth exploring. The following obvious questions arise:

• What if structural adjustment represented not 'a partial solution' but instead, reflecting local and global power shifts, a profound defeat for genuine African nationalists, workers, peasants, women, children and the environment?

• What if the structural adjustment programmes of the 1980s-90s were the result not of independent Africans searching honestly for 'solutions,' but instead mainly reflected the dramatic shift in power relations at both global scale (where financial and commercial circuits of capital were in ascendance) and within individual African states, away from lobbies favouring somewhat pro-poor social policies and (at least half-hearted) industrial development, towards cliques whose strategies served the interests of acquisitive, overconsumptive local elites, Washington financiers, and transnational corporations?

• What if 'promoting reforms' really amounted to the IMF and World Bank imposing their cookie-cutter neoliberal policies on desperately disempowered African societies, without any reference to democratic processes, resistance or diverse local conditions?

• What if the removal of 'serious price distortions' really meant the repeal of exchange controls (hence allowing massive capital flight), subsidy cuts (hence pushing masses of people below the poverty line), and lowered import tariffs (hence generating massive deindustrialisation)?

• What if 'inadequate attention to the provision of social services' in reality meant the opposite: excessive attention to applying neoliberalism not just to the macroeconomy, but also to health, education, water and other crucial state services? And what if the form of IMF/Bank attention included insistence upon greater cost recovery, higher user-fees, lower budgetary allocations, privatisation, and even the disconnection of supplies to those too poor to afford them, hence leading to the unnecessary deaths of millions of people?

Without a strong analysis of structural adjustment, Nepad is destined to repeat the failures associated with existing institutions and processes:

> The New Partnership for Africa's Development seeks the extension of debt relief beyond its current levels (based on debt 'sustainability'), which still require debt service payments amounting to a significant portion of the resource gap. The long-term objective of the New Partnership for Africa's Development is to link debt relief with costed poverty reduction outcomes. In the interim, debt service ceilings should be fixed as a proportion of fiscal revenue, with different ceilings for IDA and non-IDA countries. To secure the full commitment of concessional resources--debt relief plus ODA--that Africa requires, the leadership of the New Partnership for Africa's Development will negotiate these arrangements with creditor governments. Countries would engage with existing debt relief mechanisms--the HIPC and the Paris Club--before seeking recourse through the New Partnership for Africa's Development. The Debt Initiative will require agreed poverty reduction strategies, debt strategies and participation in the Economic Governance Initiative to ensure that countries are able to absorb the extra resources. In addition to seeking further debt relief through the interim debt strategy set out above, the New Partnership for Africa's Development leadership will establish a forum in which African countries will share experience and mobilise for the improvement of debt relief strategies.

The document's desire to allow Paris Club and HIPC processes to precede any potential intervention by Nepad leaders to 'improve' debt relief, is a far cry from the debt cancellation, repudiation and cartel that critics say is urgently needed, so as to avoid the fates of Argentina and Zimbabwe (which defaulted in recent years because of extreme necessity). As a result, progressive civil society organisations in Africa have repeatedly expressed scepticism about Nepad's main strategies:

• privatisation, especially of infrastructure such as water, electricity, telecoms and transport, will fail because of insufficient buying power of African consumers;

• more insertion of Africa into the world economy will simply worsen fast-declining terms of trade, given that African countries produce so many cash crops and minerals whose global markets are glutted;

• multi-party elections are held, typically, between variants of neoliberal parties, as in most countries, and cannot act as a veil for the lack of participatory democracy required to give legitimacy to so many failing African states;

• grand visions of information and communications technology are hopelessly unrealistic considering the lack of simple reliable electricity across the continent; and

• South Africa's self-mandate for peacekeeping gives no peace of mind, in the wake of Pretoria's ongoing purchase of US$5 billion worth of offensive weaponry and its unhappy record of regional military interventions.

Likewise in areas of economic reform, such as debt, financial flows and foreign investment, Nepad offers only the *status quo*. Instead of promoting debt cancellation, as do virtually all serious reformers, the Nepad strategy is to 'support existing poverty reduction initiatives at the multilateral level, such as the Comprehensive Development Framework of the World Bank and the Poverty Reduction Strategy approach linked to the Highly Indebted Poor Country debt relief initiative'. Only after trying these discredited strategies, replete with neoliberal conditions such as further privatisation, would African leaders 'seek recourse' through Nepad. Malawi's 2002 famine, because the country's grain stocks were sold following IMF advice to first repay commercial bankers, is telling.

As for speculative 'hot-money' inflows to emerging markets such as South Africa, these have harmed not helped development. Nepad calls for more, through further financial liberalisation. The vast majority of foreign loans granted to Third World governments over the past 30 years have not helped development, but have instead allied African state elites with foreign bankers. Nepad calls for more.

Nepad's solution to the foreign investment drought is consistent with international rhetoric about Public-Private Partnerships (PPPs) in privatised infrastructure: 'Establish and nurture PPPs as well as grant concessions towards the construction, development and maintenance of ports, roads, railways and maritime transportation... With the assistance of sector-specialised agencies, put in place policy and legislative frameworks to encourage competition'. However, most infrastructure is of a 'natural monopoly' type, for which competition is unsuitable: roads and railroads, telephone landlines, water and sewage reticulation systems, electricity transmission and distribution, ports and the like.

Nepad cannot make a case for competition in these areas. There is, in contrast, an extremely strong case, based on public-good features of infrastructure discussed in previous chapters, for *state* control and non-profit operation. Most noticeably, privatisation of infrastructure usually prevents cross-subsidisation to enhance affordability for poor consumers.

11. Opposition to Residual Neoliberalism

Popular criticisms of neoliberal globalisation are increasingly turning against Nepad, PRSPs and HIPC. For example, the most succinct critique of Nepad has come from an Accra meeting of the Council for Development and Social Science Research in Africa (Codesria) and Third World Network-Africa (TWN-Africa) in April 2002. According to the meeting's resolution:

> The most fundamental flaws of Nepad, which reproduce the central elements of the World Bank's *Can Africa Claim the Twenty-first Century?* and the ECA's *Compact for African Recovery*, include:
>
> (a) the neoliberal economic policy framework at the heart of the plan, and which repeats the structural adjustment policy packages of the preceding two decades and overlooks the disastrous effects of those policies;
>
> (b) the fact that in spite of its proclaimed recognition of the central role of the African people to the plan, the African people have not played any part in the conception, design and formulation of the Nepad;

> (c) notwithstanding its stated concerns for social and gender equity, it adopts the social and economic measures that have contributed to the marginalisation of women;
>
> (d) that in spite of claims of African origins, its main targets are foreign donors, particularly in the G8;
>
> (e) its vision of democracy is defined by the needs of creating a functional market;
>
> (f) it under-emphasises the external conditions fundamental to Africa's developmental crisis, and thereby does not promote any meaningful measure to manage and restrict the effects of this environment on Africa development efforts. On the contrary, the engagement that is seeks with institutions and processes like the World Bank, the IMF, the WTO, the United States Africa Growth and Opportunity Act, the Cotonou Agreement, will further lock Africa's economies disadvantageously into this environment;
>
> (g) the means for mobilisation of resources will further the disintegration of African economies that we have witnessed at the hands of structural adjustment and WTO rules.

Codesria and TWN-Africa are not alone. During the first half of 2002, African social movements, the largest South African civil society organisation (the Congress of SA Trade Unions, or Cosatu), and leading African intellectuals analysed Nepad and issued public statements that decry the document's lack of participation and consultation, its orientation to Western economic interests and its inability to make good on governance claims.

In January 2002, dozens of African social movements met in Bamako, Mali, as the African Social Forum, in preparation for the Porto Alegre World Social Forum. It was one of the first substantial conferences since the era of liberation to combine progressive NGOs and social movements from all parts of the continent. The Bamako Declaration included the following paragraphs:

> A strong consensus emerged at the Bamako Forum that the values, practices, structures and institutions of the currently dominant neoliberal order are inimical to and incompatible with the realisation of Africa's dignity, values and aspirations.
>
> The Forum rejected neo-liberal globalisation and further integration of Africa into an unjust system as a basis for its growth and development. In this context, there was a strong consensus that initiatives such as Nepad that are inspired by the IMF-WB strategies of Structural Adjustment Programmes, trade liberalisation that continues to subject Africa to an unequal exchange, and strictures on governance borrowed from the practices of Western countries and not rooted in the culture and history of the peoples of Africa.

In April 2002, the Central Executive Committee of Cosatu added its view on the problems intrinsic to Nepad:

> The CEC believe that the transformation of Africa can only happen if it is driven by its people. There was a strong feeling that the Nepad plan has been developed only through discussions between governments and business organisations, leaving the people far behind...
>
> The CEC raised concerns about the economic proposals in the Nepad. In particular, we need to ensure that macroeconomic governance does not stray too far towards stabilisation, at the cost of growth and employment creation. Moreover, the emphasis on privatisation in the section on infrastructure ignores the reality: that privatised services will not serve the poor on our continent.

These are just three examples of civil society and intellectual precedents for a critical perspective on Nepad. Notwithstanding the successful last-gasp attempts by Mbeki in June 2002 to win over church, African trade union and even SACP support for an 'engagement' with Nepad, there can be no doubt that Mbeki's plan will become a point of unification amongst progressives in African civil society:

- Progressive civil society organisations have traditionally demanded that all policies, programmes and projects of government be conducted in a transparent, participatory and respectful manner. Nepad's formulation failed on all accounts.

- Progressive civil society organisations have also traditionally provided rights-based advocacy that takes basic needs as human rights. At a philosophical foundational level, Nepad fails here, and instead promotes market-related strategies and privatised infrastructure even with respect to basic infrastructural services.

• Moreover, progressive civil society organisations have opposed the international neoliberal agenda of free markets, transnational corporate dominance of the South, lower government budgetary spending (under the rubric of alleged macroeconomic stability), and the lowering of standards for the sake of foreign investors. In terms of content, Nepad fails on these points.

• Finally, progressive civil society organisations have most forcefully promoted good governance and democracy. While Nepad gives lip-service to these ideals, it fails to take them sufficiently seriously such that obvious violations--e.g., of recent elections in Congo-Brazzaville, Madagascar, Zambia and Zimbabwe--are publicly criticised and punished. As one of Nepad's own co-authors, Senegalese president Wade put it, the leaders of Africa, including Nepad coauthors in South Africa and Nigeria, appear to have a 'trade union' approach that gives mutual support and solidarity to dictators and tyrants.

As if to amplify the latter point, South Africa announced at the end of October 2002 that politics would ultimately be withdrawn from the *Nepad* peer review mechanism and shunted over to the (suspect) African Union. *Business Day*'s (previously pro-*Nepad*) reporter Jonathan Katzenellenbogen conceded that the plan 'had fallen victim to the realities of African politics':

> Peer review based on reports that are insulated from government interference was the promise and hope of Nepad... The excuse given by insiders for a failure to address violations in human rights from Algeria to Zimbabwe has been that the Nepad peer review mechanism was not in place... It has clearly been impossible to break the mould of African politics... Diplomats said that there were indications that SA had succumbed to pressure from other African countries, including Libya and Nigeria, to confine peer review to economic and corporate governance matters. The signs are that a deal had been struck in the last few days, with few in government being privy to the details.
>
> What SA may have received in return for agreeing to the exclusion of political peer review is unclear, but there has been considerable haggling for some time over the location of still to be established African Union bodies such as the parliament and court of justice. There has been no explanation from government for the stream of contradictory statements since Deputy Foreign Minister Aziz Pahad's bombshell to the press at the Union Buildings on Monday morning that there would be no political peer review... Economic peer review cannot be uniquely African, but is rather a technical product. And with reports done by the International Monetary Fund, World Bank, African Development Bank, and United Nations Economic Commission for Africa it is unlikely that a great deal of value can be added (*Business Day*, 31 October 2002).

In sum, there are awesome contradictions associated with the continuation of neoliberal *macroeconomic* policies (and related politics) in Africa. But so too is opposition growing, in what promises to be the main African class/gender/geographical struggle of the early 21st century. Where the anti-neoliberal movements have been far behind the residual neoliberal projects--PRSPs, HIPC conditions and Nepad--is in posing an alternative, an 'African People's Consensus' (as the process has been termed). That, too, will come, inexorably, as Africans fight off the continental manifestations of global apartheid.

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