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**A New Regulatory Discipline:  
Poverty Reduction Strategy Papers (PRSPs) in  
the Framework of Postcolonial International  
Law and Global Governance**

**Chai-Ling Celine Tan**

A thesis submitted to the School of Law,  
University of Warwick  
in fulfilment of the requirements for the award of the  
degree of Doctor of Philosophy

School of Law,  
University of Warwick  
September 2007

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thesis.

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the spine.

Some images distorted

This thesis is dedicated to my parents,  
Helen Tai and Tan Keng Song



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To these people, and to the often maligned and struggling policymakers in the third world who do what they can with limited resources and even more restrictive political space, I owe a special debt. I only hope this work is a small step to greater understanding and even greater justice.



## **Declaration**

The candidate acknowledges that the material contained in this thesis is the work solely of the author. Some of the work arising from this research have been published or submitted for publication prior to the submission of this thesis. However, none of the material used herewith have been published or submitted for publication prior to the commencement of the candidate's period of study.

The candidate acknowledges that this work has not been submitted previously for a degree at this or any other institution.

# Abstract

This thesis is an examination of the Poverty Strategy Paper (PRSP) approach to regulating countries' access to external financing. It locates the PRSP project in the context of contemporary global governance and postcolonial international law and considers its impact on third world state engagement with the international economy and the regulatory webs and institutions, notably the World Bank and the International Monetary Fund (IMF), which underpin these relations.

Approaching the subject from an inter-disciplinary perspective, straddling discourses of law, political economy and sociology, this research combines an empirical methodology for examining the linkages between the normative effect of the PRSP framework and the actors who advance these norms with a critical analysis of the power dynamics which underlie the relationships of the subjects and objects of the framework.

The thesis demonstrates that far from its emancipatory language, the PRSP project, both in its operational and discursive manifestations, foreclose possibilities for the radical revision of the current asymmetrical rules and institutions of international economic law. Conversely, findings from this research suggest that the PRSP framework adversely reconfigures the form and substance of third world engagement with international law and the global economy.

The PRSP project reframes fundamental tenets of international cooperation and global communal responsibility by problematising the state in the context of economic and social development; and constituting nation states as primary sites for the fulfilment of economic and social rights ascribed collectively. This restructuring takes place through a series of legal and institutional interventions of the PRSP framework, as well as through shifts in the regulatory mechanisms, notably the doctrine of conditionality, governing relationships between third world states and their external financiers.

In this manner, the PRSP framework introduces a new regulatory discipline on third world states and represents a continuation, if not exacerbation, of the asymmetrical sovereignty characterising postcolonial international law and the imperial nature of the 'development' project sustaining the logic of these relationships, with significant impact on the potential for resistance and reform.

## Glossary of Terms

ADB	Asian Development Bank
APR	Annual Performance Review (PRSP)
BWI	Bretton Woods institution
CDF	Comprehensive Development Framework
CG	Consultative Group
CPIA	Country Policy and Institutional Assessment
CSO	Civil society organisation
DFID	Department for International Development (UK)
DPL	Development Policy Loan
ESAF	Enhanced Structural Adjustment Facility
ESF	Exogenous Shocks Facility
ESW	Economic and sector work
EEF	Extended Fund Facility
FDI	Foreign direct investment
G7	Group of 7
G8	Group of 8
G24	Group of 24
G77	Group of 77
GRA	General Resources Account
HIPC	Heavily Indebted Poor Countries Initiative
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	Inter-American Development Bank
IEG	Independent Evaluation Group (World Bank)
IEO	Independent Evaluation Office (IMF)
IFC	International Finance Corporation
IFI	International financial institution
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
INGO	International non-governmental organisation
JSA	Joint Staff Assessment
JSAN	Joint Staff Advisory Note



LDP	Letter of Development Policy
LOI	Letter of Intent
MDRI	Multilateral Debt Relief Initiative
MDG	Millennium Development Goal
MEFP	Memorandum of Economic and Financial Policy
METF	Medium-Term Expenditure Framework
MIGA	Multilateral Investment Guarantee Agency
NAFTA	North American Free Trade Agreement
NIEO	New International Economic Order
NGO	Non-governmental organisation
OECD	Organisation for Economic Cooperation and Development
OED	Operations Evaluation Department (World Bank)
PBA	Performance-based allocation
PEM	Public expenditure management
PER	Public expenditure review
PFM	Public financial management
PFP	Policy Framework Paper
PPA	Participatory poverty assessment
PRGF	Poverty Reduction and Growth Facility
PRSC	Poverty Reduction Strategy Credit
PRSP	Poverty Reduction Strategy Paper
PRSTF	Poverty Reduction Strategy Trust Fund
PRS	Poverty Reduction Strategy
PSI	Policy Support Instrument
PSIA	Poverty and Social Impact Assessment
SAF	Structural Adjustment Facility
SAP	Structural Adjustment Programme
SAPRI	Structural Adjustment Participatory Review Initiative
SARRIN	Structural Adjustment Participatory Review Network
SAL	Structural Adjustment Loan
SBA	Stand-By Arrangement
SECAL	Sectoral Adjustment Loan
SRF	Supplemental Reserve Facility
SSA	Sub-Saharan Africa/African

UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNICEF	United Nations Fund for Children
UNDP	United Nations Development Programme
UK	United Kingdom
US	United States of America
WTO	World Trade Organisation

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## **A Note on Terminology**

### **1. PRSP, PRS and PRSP framework**

In this thesis, the term ‘Poverty Reduction Strategy Paper’ (PRSP) will be used to refer to the document which is the outcome of the ‘Poverty Reduction Strategy’ (PRS) process. The terms ‘PRSP framework’, ‘PRSP project’ or ‘PRSP initiative’ will be used to refer to the PRSP operational framework as a whole, including the PRS process, the PRSP evaluation, PRSP-related financing instruments, etc.

### **2. World Bank and IDA**

The term ‘World Bank’ is commonly used to refer collectively to both the International Bank for Reconstruction and Development (IBRD), the original ‘World Bank’ set up in 1944 at the Bretton Woods conference in New Hampshire, as well as the International Development Association (IDA), the World Bank’s concessional financing arm, established in 1960. Unless otherwise stated, the term will be similarly utilised here.

The World Bank Group consists of the IBRD, the IDA, the International Finance Corporation (IFC) (established in 1956); the Multilateral Investment Guarantee Agency (MIGA) (established in 1985), and the International Centre for the Settlement of Investment Disputes (ICSID) set up in 1966.

### **3. Development financing and aid, donors and recipients**

The term ‘development financing’ is generally used to refer to all forms of financing for economic development purposes, commercial or otherwise, and undertaken both by the private and the public sectors. I use the term ‘development financing’ to refer to what is commonly known as ‘development aid’ or formally classified as ‘official development assistance’ (ODA).

The OECD Development Assistance Committee (DAC) classifies ODA as transfers from donor countries to recipient countries or multilateral institutions, such as the



World Bank or regional development banks or UN agencies. In order for transfers – financial or in the form of ‘technical assistance’ to be classified as ODA, they must:

- (1) be undertaken by the official sector;
- (2) have economic development and welfare as their main objectives;
- and
- (3) be provided on a concessional basis, through outright grants, debt relief, or loans with a 25 percent grant element

Sometimes, for the sake of brevity or in reference to an external source, the term ‘aid’ will be used instead of ‘development financing’ but I recognise the anachronism of the term and its connotations. It will normally be used to denote the asymmetrical nature of the financing relationship between the disbursers of aid (‘donors’ or ‘financiers’) and the parties in receipt of it (‘recipients’ or ‘clients’).

#### **4. Third world, developing countries, north and south**

While the term ‘third world’ has been characterised in various quarters as anachronistic in today’s global context, and has been discarded in favour of the geographically-attributed ‘north/south’ terminology, many scholars and activists from the developing countries have retained its usage as a continuing form of resistance to hegemonic attempts to disperse the collective voice and organising unity of third world states and third world peoples. As Chimni has argued, ‘once the common history of subjection to colonialism, and/or the continuing underdevelopment and marginalization of countries in Asia, Africa and Latin America is attached sufficient significance the category ‘third world’ assumes life’ (Chimni, 2003: 49).

The term has particular resonance for third world legal scholars for whom the uniformity in application of international law has had the effect of aggregating the structural iniquities which continue to characterise the developing world’s engagement with the international legal order (see discussion in Chapter Two). Again, as argued by Chimni, the category of the ‘third world’ is ‘crucial to organizing and offering collective resistance to hegemonic policies’ and ‘reflects a level of unity



imagined and constituted in ways which would enable resistance to a range of practices which systematically disadvantage and subordinate an otherwise diverse group of people' (ibid).

In this thesis, the term 'third world' will be used interchangeably with the term 'developing countries' and with the occasional reference to the terms 'north' and 'south' but again in recognition of some negative associations with the use of such terms.

## **5. Low-income countries**

Low-income countries are defined as countries with less than a per capita income of US\$1,025a year (as of 2006). These are the countries eligible to borrow from the International Development Association (IDA), the concessional lending arm of the World Bank. The term is used in this thesis technically rather than normatively.

## **6. Policy-based versus project financing**

Policy-based lending is discussed in detail in Chapter Four but generally, policy-based or programmatic lending differs from 'investment lending' – financing for a specific project – in that it provides balance of payments support to countries in exchange for a programme of economic reform, either at the national or sectoral level.

Figure 1: Relationship between PRSP and PRSP Enabling Instruments

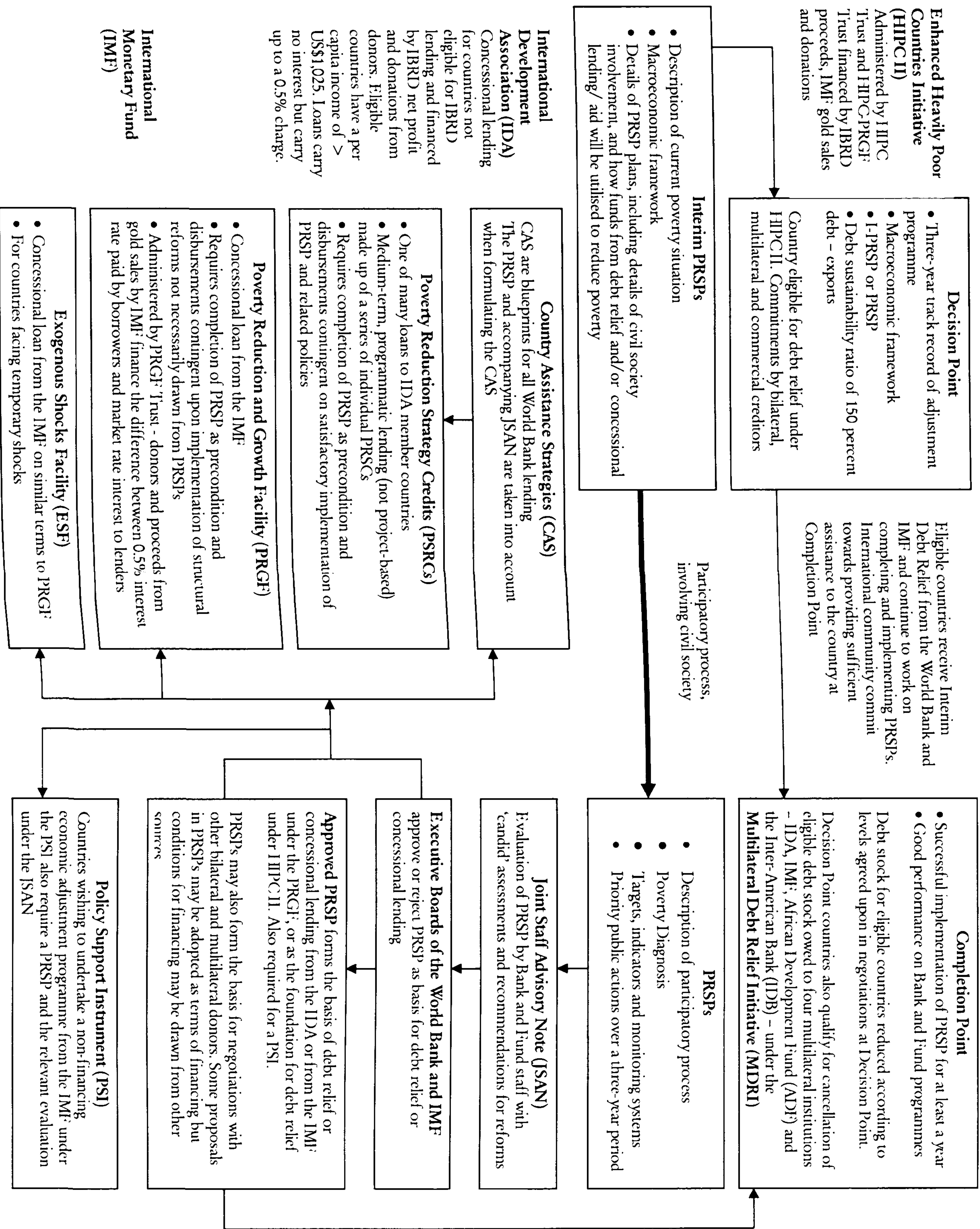




Figure 2: World Bank Financing Structure

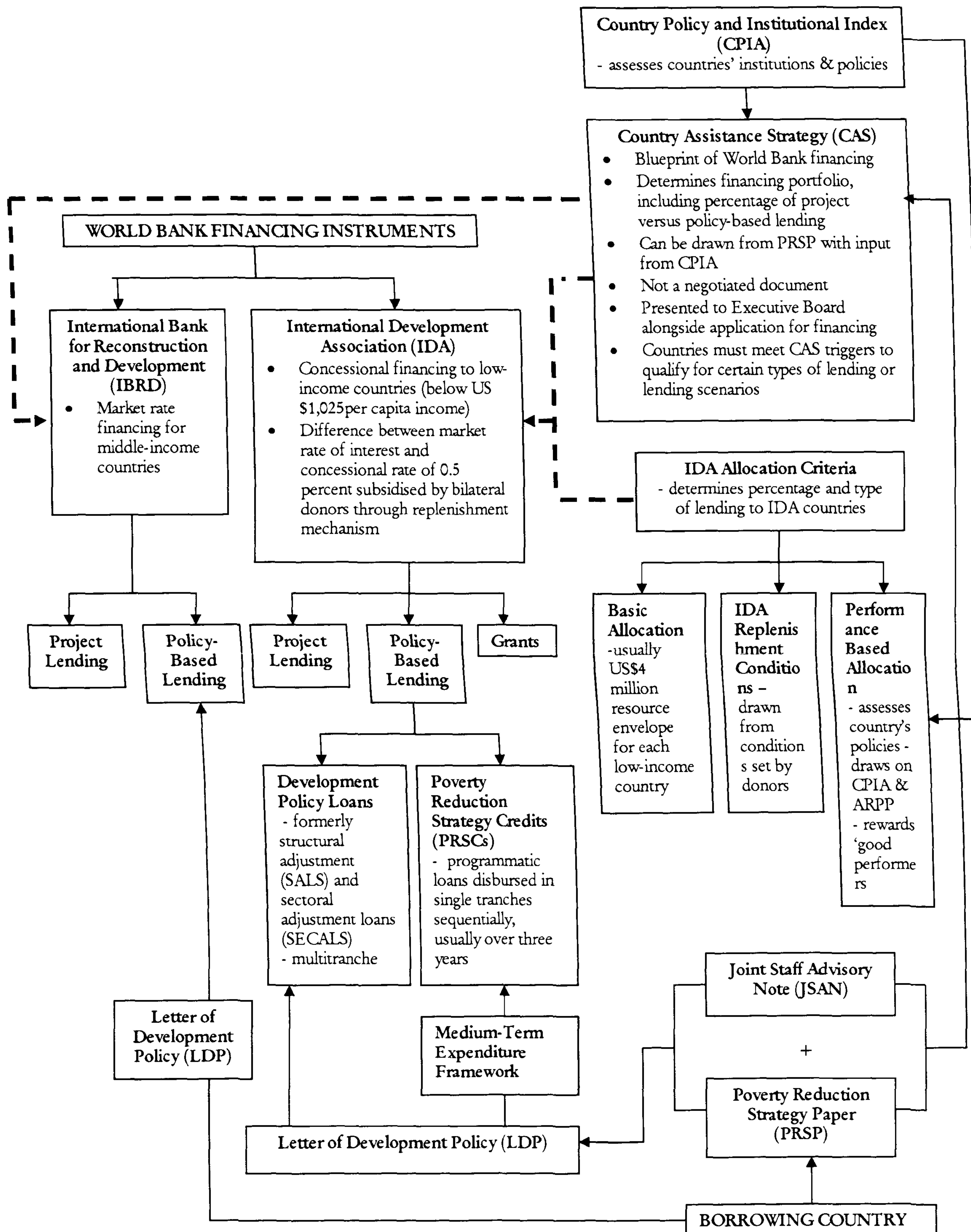
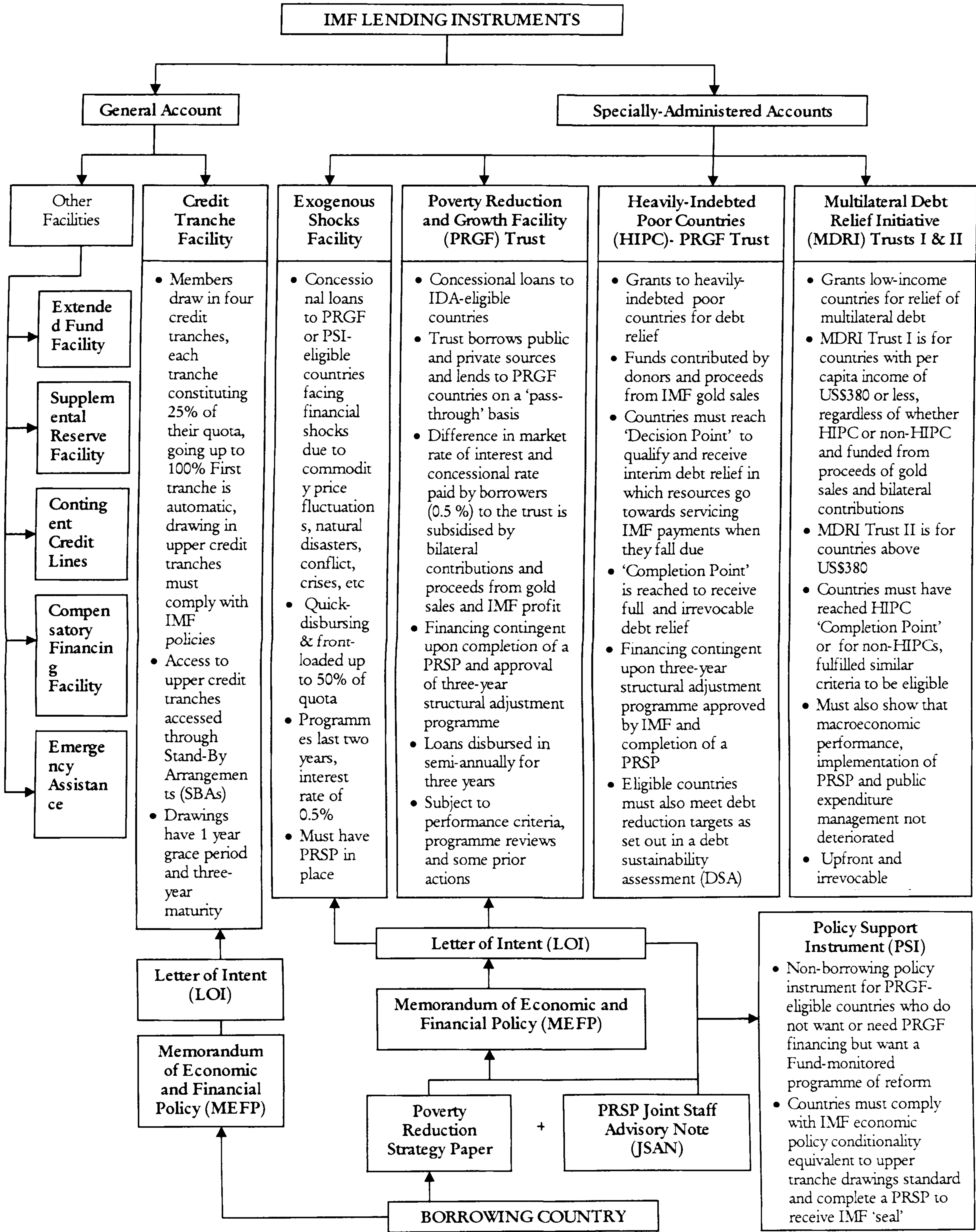


Figure 3: IMF Lending Structure





# Chapter One

## Introduction and Overview

The late 1990s was a period of dislocation and change in development policymaking and in international economic governance. The street protests against the locus of international trade and financial policymaking in Seattle (World Trade Organisation), Cologne (G8) and Prague (World Bank and the International Monetary Fund) in 1999 capped the crescendo of public dissatisfaction brewing over the past two decades resultant from the globalization of the economic policies advanced by the Washington Consensus<sup>1</sup> and pursued through national regulatory reforms overseen by global and regional governance institutions<sup>2</sup>.

A new discourse of development was taking place amidst the growing discontent with the processes and institutions driving the global economy. A decade and a half of structural adjustment policies imposed on third world countries by the World Bank and the International Monetary Fund (IMF) in exchange for badly needed financial resources had seen little or no improvement but had, in many cases, led to a deterioration in the social and economic situation of the countries in receipt of such financing. Debt accumulation was starving many countries of the resources needed to fund basic goods and services and countries were increasingly locked in a vicious cycle of aid-debt servicing-more aid.

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<sup>1</sup> The 'Washington Consensus' is a term often misrepresented and misunderstood. The term itself is coined by US economist John Williamson who first used it in a background paper for a conference on Latin American structural adjustment to refer to a set of ten economic reforms that he considered were necessary in order to redress the economic problems faced by Latin America in the 1980s. The paper entitled 'What Washington Means by Policy Reform' identifies the ten policy instruments – including fiscal austerity, trade and financial liberalisation, deregulation and privatisation – which Williamson felt could be deployed in these countries with 'a reasonable degree of consensus' in Washington, the 'Washington' being 'both the political Washington of Congress and senior members of the administration and the technocratic Washington of the international financial institutions, the economic agencies of the US government, the Federal Reserve Board and the think tanks' (Williamson, 2004: 2; 2002). The term has been used since as a catch-all phrase to encompass the policies espoused by Williamson. See discussion in Chapter Three, section 3.2.

<sup>2</sup> The key to the 'politics of globalization' articulated in part through what Higgott (2000) terms the 'combative politics' of the late 1990s, is this correlation between globalization and poverty as exemplified by the growth in income disparity between the world's richest and the world's poorest, demarcated usually along geographical lines. Higgott argues that independent of whether the two are causally related, this perceived relationship between inequality and the policies of economic globalization combined with 'the degree to which the existing institutions [are seen] to underwrite the *status quo* rather than work for its eradication' has led to the challenges heaped on these institutions by their detractors (Higgott, 2000: 137; see also discussion of this point in Chapter Three, section 3.1).



In 1996, Jubilee 2000 was set up by a coalition of groups and individuals, including religious organisations and church groups, to campaign for a full cancellation of third world debt before the millennial year. In 1998, the coalition, enjoying broad-based support from organisations and individuals from the north and the south, mobilised 300,000 demonstrators in Birmingham at the site of the G7 summit calling for greater and deeper debt relief than the existing measures offered, including under the Heavily Indebted Poor Countries Initiative (HIPC)<sup>3</sup>.

The Jubilee 2000 campaign was pivotal in fostering a new public consciousness in what is now termed as the ‘post-structural adjustment’ era by explicitly linking the problem of sovereign debt with citizenry impoverishment in developing countries at the level of international policymaking. The coalition also exemplified the increasing political clout of non-state actors in the international normative order, notably that of a cadre of specialist non-governmental advocates and lobbyists in the form of international non-governmental organisations (INGOs). Unlike their predecessors, these new actors brought onto the world stage a professionalisation of traditional advocacy and lobbying roles and increasing sophistication in global policy analysis, not only creating an alternative tapestry of political and policy narratives but also forming an emerging constituency of civil society advocates at the global level.

While the existence of pressure groups in decision-making fora was not a new development, the role of debt campaigners as lobbyists *for governments* in the south rather than as lobbyists against the same governments<sup>4</sup> was a significant development in international policymaking. Bolstered by the support of this new political force, a new confidence was imbued in the weaker state actors involved in the negotiating structure of global economic governance. The effect was a powerful assault on the asymmetrical norms of international economic law and the global regulatory regimes which sustain them.

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<sup>3</sup> The HIPC initiative was introduced in 1996 to grant debt relief to a ring-fenced set of countries who were deemed to have ‘unsustainable debt burdens’ and included for the first time, relief from debt owed to multilateral institutions, such as the IMF and the World Bank (see Annex II).

<sup>4</sup> This was in contrast to what was (and still is) the case with areas such as human rights and environmental safeguards.



The collapse of the World Trade Organization (WTO)'s third ministerial meeting in Seattle in 1999 demonstrated to the world the strength of political mobilisation on the part of weaker actors in the global system – the developing countries within the WTO who walked out of an unfair negotiating structure of the trade talks *and* the affected communities of individuals and groups outside on the streets who coalesced in numbers outside the institutional framework to make their voices heard<sup>5</sup>.

As protesters thronged the streets, the analytical and operational framework of international economic governance, including the fundamental aspects of sovereign debt and development financing, was subject to re-examination within international policy circles. The collapse of the tiger economies in east and south-east Asia during the Asian financial crisis of 1997 – 98 and the subsequent social and economic upheavals accompanying IMF stabilisation programmes in countries such as Thailand, Indonesia and South Korea provided the catalyst for the financial community as a whole to reconsider the fundamental tenets of the global economy. While deriding the masses of 'anti-globalization' protesters<sup>6</sup> for their railings against the international economic system, there were real concerns within the international financial community of the consequences of not addressing these concerns with the state of the world economy.

It was in this political climate that the Poverty Reduction Strategy Papers (PRSPs) were introduced. The World Bank and IMF Board of Governors announced at their annual meetings in September 1999 that PRSPs would serve as the new framework for regulating access to debt relief and concessional financing<sup>7</sup> for low-income countries (World Bank and IMF, 1999). In terms of its relationship to the Bank and

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<sup>5</sup> For detailed analysis of the collapse of the talks, see Khor (1999a) and the documents in Africa Policy E-Journal on Africa: Seattle Aftermath at: <http://www.africaaction.org/docs99/wto9912.htm> (1 March 2007).

<sup>6</sup> The term 'anti-globalization', often used as an adjective to describe the social movements opposed to the globalization of Washington Consensus-type economic reforms, was initially coined by the *Financial Times*. It is another term that is commonly misused and is misrepresentative of the majority of these non-governmental organisations and social movements as well as supporters of their campaigns who are not opposed to the concept of 'globalization' on principle but are critical of the modalities of certain types of economic globalization. Campaigners have sought to reclaim the terrain of terminology by substituting their own nomenclature. For example, the term 'economic justice movement' is now widely used to denote the coalition of civil society groups and individuals fighting to reform the structural inequities of the current global economy.

<sup>7</sup> Concessional financing is typically financing extended to countries who cannot afford market-based lending and is used here to denote all or either of concessional lending (loans provided on an interest-free basis with generous repayment periods); grant financing; or debt relief.



the Fund, the PRSP replaced the Policy Framework Papers (PFPs) as prerequisites for their financing. The announcement of the PRSPs came quickly after the announcement by the G8 ministers in Cologne of a new enhanced debt relief package for developing countries – the enhanced HIPC (HIPC II) – which would be centred upon the PRSPs and be funded from by bilateral and multilateral donors and from proceeds of gold sales by the IMF (see Annex II).

Taken together, the PRSP framework and its attendant financing instruments represent a significant shift not only in the modalities of delivering development finance to low-income countries, but also in the form and substance of these countries' engagement in the international arena. For many countries dependent on external public financing, the PRSP framework would become central to the development of the 'new architecture of aid', governing not only their access to financial resources but also their engagement with the international community.

### **1.1. A New 'Social Contract'**

A PRSP is primarily a document outlining a country's national economic policy with a focus on a programme for poverty reduction, developed nationally through a participatory process involving a cross-section of stakeholders. Aside from identifying the nature, sources and incidences of poverty in the country, a PRSP must detail how the country's resources – chiefly those provided through debt relief and concessional financing – will be disbursed to ameliorate these problems. Programme support from the World Bank and the IMF and debt relief – under HIPC II or the recently instituted Multilateral Debt Relief Initiative (MDRI) is contingent upon the completion of a PRSP – or at least an Interim-PRSP (I-PRSP) – and the said PRSP evaluated by the Bank and the Fund (see Annexes I and II).

PRSPs have now become the focus for much of the policy dialogue and negotiations for financing between low-income countries, international financial institutions (IFIs), and bilateral and multilateral donors. PRSPs now provide the basis for all World Bank and IMF financing to low-income countries, the facilities for which were also renamed in the PRSP changeover, with the IMF replacing its Enhanced



Structural Adjustment Facility (ESAF) with the Poverty Reduction and Growth Facility (PRGF) and the World Bank introducing Poverty Reduction Strategy Credits (PRSCs) as new financing instruments for countries borrowing from the International Development Association (IDA) (see Annexes I and II). PRSPs were also to inform the World Bank's Country Assistance Strategies (CAS), the blueprint for all Bank financial operations in member states and are increasingly instituted as prerequisites for bilateral donor financing and Paris Club debt restructuring negotiations for low-income countries (see *ibid*).

The PRSP framework represents the consolidation of development agendas of the 1990s. Operationally, the PRSP represents a bridge between the new conceptual framework of development financing, such as the principles enshrined in the World Bank's Comprehensive Development Framework (CDF)<sup>8</sup> or the United Nations-initiated Millennium Development Goals (MDGs)<sup>9</sup>, and new financing instruments, outlined below, that would facilitate the disbursement of resources for meeting these objectives.

The PRSP approach however goes beyond conceptual rhetoric and procedural documentation – it operationalises a framework which prescribes and institutionalises procedural and institutional reforms that PRSP countries have to undergo to facilitate their access to external financing from the IFIs and official donor agencies<sup>10</sup>. Evaluation of countries' compliance with these criteria is conducted primarily by the Bank and the Fund through the Joint Staff Advisory Note (JSAN) process which will assess the PRS in relation to its suitability to form the basis of financial support from the Bank, Fund and other financiers<sup>11</sup> (World Bank and IMF,

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<sup>8</sup> See Chapter Three, section 3.2 for details on the CDF.

<sup>9</sup> The MDGs refer to the eight development goals to be achieved by 2015 by state signatories to the Millennium Declaration (adopted in September 2000 by 189 nations and signed by 147 governments at the UN Millennium Summit). These goals include the eradication of poverty, the achievement of universal primary education, the reduction in child mortality and improvement in maternal health and the promotion of gender equity). See: <http://www.un.org/millenniumgoals/> (1 March 2007).

<sup>10</sup> For example, the World Bank distinguishes the PRSP from the CDF in terms of this attachment to resources and operations. According to the Bank, the CDF is 'a set of principles, processes or mechanisms rather than a programme of action' like the PRSP which as 'an instrument of policy implementation' to detail priorities, targets, indicator, costings and financing plans, and procedures for monitoring (World Bank, 2003b: 13).

<sup>11</sup> The JSAN replaced the Joint Staff Assessment (JSA) in November 2004, primarily to dispense with the received notion that the JSA represented a 'Washington sign-off' and to enable Bank and Fund staff to exercise greater frankness and candour in their evaluations (World Bank and IMF, 2005b: para 2; see Chapter Five for a detailed discussion on this shift).



2005b). A World Bank-led study describes the PRSP approach as ‘a new form of social contract’ entered into by governments of low-income countries with official bilateral and multilateral financiers for the production of ‘credible framework’ for concessional financing and debt relief (World Bank, 2003: 13).

Each PRSP is required to be: (1) *nationally owned*, meaning the strategies outlined in the PRSP is generated by the constituencies it purports to serve and by the government of the country involved in the process; and (2) formulated in a *participatory* manner, involving a wide range of government and civil society actors, including representatives of ‘the poor’ whom these policies affect. This is institutionalised in a participatory Poverty Reduction Strategy (PRS) process, a mechanism through which intra-governmental, inter-governmental and non-governmental dialogue is established with a range of stakeholders and policy formulated via a process of representation, consultation and engagement between all parties.

From the point of view of PRSP proponents, this process rebalances the power asymmetries inherent in international development financing and injects a measure of agency and accountability into a previously opaque and hierarchical decision-making process. Cash-strapped countries now possess the operational framework through which social and economic priorities may be developed in a consultative manner with all segments of society and government and subsequently presented to the official financing community as a plan for effective utilisation of financial assistance.

The implementation of the agreed economic reforms (exchanged in return for external resources) and the appropriate disbursement of resources is subsequently policed through greater oversight of public expenditure management. Accordingly, the Bank and Fund view the PRS approach as one of ‘balancing mutual accountabilities’ – of client governments to domestic constituents and official financiers, and of official financiers to client governments – over the use of state economic resources (IMF and World Bank, 2005: para 21).

Yet, herein lays the fundamental premise – and the fundamental problem – of the PRSP initiative – that is, the framework serves to a large extent, as a regulatory



restraint for the states subject to its discipline. It follows, from the conceptual principles and operational directives underpinning the PRSP approach, that the PRSP state as recipient of concessional financing and debt relief, must demonstrate its desire to be disciplined by a set of rules representing the universal normative framework for all state resource extraction, allocation and administration.

The PRSP framework involves a substantial reorganisation of state apparatuses in PRSP countries, facilitating not only the universalisation of national economic planning – the setting of uniform ‘development’ targets and common prioritisation of public policy – but also a globalization of bureaucratic and political structures – the establishment of a template for public participatory policymaking and intra-governmental policy dialogue.

These extensive interventions belie the PRSP project’s rhetoric of ‘country ownership’ inasmuch as it serves to establish compliance with the asymmetrical rules of the current international economic order. Conformity with the status quo is assured by excluding those states who fail to play by the rules, not through force but through the evaluation of their willingness to be subjected to ‘universally’ recognised policy objectives and the corresponding reforms to secure these objectives.

## 1.2. Domain of Research

This thesis seeks to locate the PRSP framework within the context of contemporary global governance, international relations<sup>12</sup> and postcolonial international law<sup>13</sup>,

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<sup>12</sup> Although some scholars do not place importance in distinguishing between the use of the terms ‘global governance’ and ‘international relations’, I feel that the distinction between them should be noted. ‘International relations’ is a subset of ‘global governance’, referring to relations between sovereign states on a bilateral basis. ‘Global governance’ would refer to the system of governing global relations, including relations between states but not exclusively so. It also involves the establishment of institutions of governance at the global and international level to regulate international relations, political, economic or social. Most of such institutions remain *international* rather than *global* in nature as representations are still primarily made by state actors who remain primary subjects of *international* law and which constitute the primary legal personalities under constitutions of global governance organisations. However, the increasing jurisdiction of these institutions into what were previously sovereign territorial concerns under the delegated authority conferred on these institutions has morphed many of such ‘international organizations’ into ‘global governance agencies’ task with specific administrative duties over their members (see Scholte, 2000: 22; 132 – 134).

<sup>13</sup> The term ‘postcolonial international law’ is used here to distinguish the set of rules, doctrines and institutions which form the normative and operational framework of the international legal order in the postcolonial era from those which served to order the conduct between imperial powers and



particularly, but not exclusively, in global economic governance and international economic law. This thesis is a critique of the PRSP operational framework, the conceptual underpinnings of the project and the political and geo-strategic agenda driving its operationalisation. It is not about specific PRSP processes in individual countries nor is it an examination of the substantive content of PRSPs and/or PRSP-related instruments.

There is a wealth of literature, including many empirical studies conducted on the different country processes and individual and comparative studies of PRSP documents (for example, Christiansen with Hovland, 2003; Gould, 2005a & b; Moleanears and Renard, 2002) many of which have also been carried out by NGOs participating in either the country processes or Washington DC-based reviews (for example, Chavez-Malaluan and Guttal, 2003 & 2002; World Vision, 2005)<sup>14</sup>. I do not wish to duplicate the excellent work that has been done by these researchers but to conceptualise the phenomena they describe in the context of its impact on international law and economic relations.

This research concentrates on examining the effect of this new approach to regulation and consequently, its impact on international law and global governance, specifically third world engagement in these arenas. The epistemological objective here is to construct a theoretical understanding of the PRSP process and its attendant financing and policy instruments in the context of international law and global governance. This thesis aims to site the PRSP initiative within existing debates on globalization, law and global governance by asking if the PRSP framework constitutes an extension and/or an intensification of existing patterns of global

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between colonial states and their dominions. The term 'postcolonial' is used here temporally and distinguished from its use to denote a specific epistemological practice, that is the scholarship of 'postcolonialism', although the thesis is sympathetic to the theoretical concerns of the postcolonialism.

<sup>14</sup> In this regard, the PRSP framework has significantly changed the landscape of research on subjects of this nature, in particular the involvement of a broader range of actors – notably civil society organisations (CSOs) in the research and hence, a change in the type of research produced – as well as a shift towards more advocacy type research. While NGOs have been involved in empirical research before, the difficulty in obtaining documents had deterred many from undertaking research on the impacts of development finance on the constituencies they represent or work with. The PRSP framework, while still marred by lack of transparency in many areas, have at least enabled the publication of essential documents as part of the consultation process, and hence, facilitated research on the substantive content of PRSPs. Engagement with governments, and the IFIs, in the process of policy formulation has also led to a rise in anecdotal literature on the process of development financing and enabled more first-hand experienced critique on the process.



regulation in the postcolonial period, particularly in the era of economic, social and cultural globalization, and if so, how.

The questions posed by this research were twofold:

(1) does the PRSP approach to development financing constitute a departure from the existing modalities and regulatory norms of international development financing ? and

(2) if the PRSP approach does constitute a departure from existing modalities and norms, what are the implications of this shift on the constitution of global economic governance and international law ?

In seeking answers to the questions, I combine an analysis of the operational aspects of the PRSP initiative, including its legal and policy components, with an examination of its conceptual framework and its political and economic drivers. This involves an examination of the PRSP project as both a *legal* and *political* phenomenon. For the PRSP to have a legal impact, it must affect the rights and duties of actors involved in the framework and for it to be political, it must have an impact on the normative power of these actors, that is, the ability to set rules and to advance principles through normative mechanisms.

This thesis is born out of a discovery of the paucity of research on the *realpolitik* of the PRSP project – locating the conceptual and operational underpinnings of the PRSP project and PRSP-related instruments within the discourse and historical context of international law and politics. While research into development policy and practice has traditionally straddled the disciplines of political economy, economics and sociology, there have been very few interdisciplinary analyses of the normative framework regulating relationships between parties to development financing agreements, much less of the forms of power that structure these relationships.

Scholarship in this area is clearly bifurcated between positivistic accounts of the techno-legal aspects of development financing (see Gold, 1996, Shihata, 2000a, b &



c<sup>15</sup>) and contextual political economy analyses of aid relationships and development policy (see Helleiner, 2002, Wade, 2001; Woods, 2006; 2001). Legal scholars of international economic law, such as Lastra (2006); Lowenfeld (2002) and Qureshi (1999), have contributed substantially to a substantive understanding of the legal framework of the World Bank and the IMF but have stopped short of an analysis of what these legal structures mean to the construction of international law and global governance, and less so, on how they impact on the dynamic of relationships between the actors involved. Similarly, institutional approaches to the study of development financing and policy contribute to the understanding of the institutional context in which development financing takes place (see Miller-Adams, 1999, Pincus and Winters, 2002, Stone and Wright, 2007) but do not link these institutional processes to a wider normative context.

This thesis is therefore both a critique of the PRS process and its accompanying policy and financing mechanisms as well as a critique of the current epistemology of PRSPs in the context of development studies and approaches to international law and global governance. It considers, in particular, the PRSP initiative in relation to the Bretton Woods institutions (BWIs) and examines the framework in the context of the evolving mandates of these two organisations over the decades since their inception. Specifically, it examines their centrality to the system of resources mobilisation and extraction and the roles they play in managing third world engagement in international law and economic relations.

However, the research here goes beyond an institutional analysis of the BWIs, either from an organisational theory perspective, an intellectual approach popularised in recent years (see Babb and Buira, 2004; Miller-Adams, 1999; Stone and Wright, 2007; Woods, 2006)<sup>16</sup>, or from a standard political economy approach which analyses the

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<sup>15</sup> Both Gold and Shihata were former general-counsels of the IMF and the World Bank Group respectively.

<sup>16</sup> The adoption of methodologies from organisational studies and management research in the study of international organisations, notably the World Bank, has become increasingly popular over the years, as researchers begin to recognise the limitations of relying on a singular approach to social-political research on these organisations and their impact on their constituents. In particular, phenomenological approaches to organisation theory depicting organisational structures as legitimating myths have been utilised by World Bank researchers to explain the Bank's rationalisation of its policies and the constraints the bureaucracy of the Bank places on its own operations. This has followed on from the popularity of socio-organisational approaches in economic sociology – pioneered by Karl Polanyi and popularised by organisational theorists such as Mark Granovetter and



effect of Bank and Fund operations, either from a conventional materialist perspective (see Cammack, 2001a & b; Craig and Porter, 2003; Chossudovsky, 1997a & b) or from an socio-anthropological perspective (see Gould, 2005a & b; Harrison, 2005, 2001a & b).

While I feel that a focus on the organisational structure and culture of the World Bank and IMF – given that these institutions are large, hierarchical bureaucracies – is critical to understanding the driving imperatives behind the PRSP approach, I feel this can only partially explain the widespread acceptance of the process by their membership. The universalisation of the PRSP process can only be fully explained by entering into the realm of political economy where political power at the international inter-state level, to a large extent, structures the policies that are conceived and implemented by financing institutions, such as the Bank and Fund.

Recourse to the theoretical categories established by international relations researchers, in particular, postcolonial research in this area, remains necessary in an attempt to answer the aforementioned research questions. In particular, it is necessary to question the existing methodologies of studying the PRSP phenomena in the context of the development financing and international economic law. Socio-legal research in this area is limited, and tends to be clustered around the epistemology of political economy, and occasionally, anthropology and sociology.

Except for Anghie (2004, 2002, 2000) and to a limited extent, Rajagopal (2003) and Pahuja (2004, 2000), few legal theorists have approached the subject of IFIs through the prism of postcolonial research, or have successfully adopted sociological and political economy approaches in their consideration of the substantive structural concerns of international law and power. For me, an examination of the modalities for the PRSP framework and their implications on the structure of global governance and international regulatory norms must include an exploration of the historical context that gave birth to the PRSPs, including its imperial heritage, *as well as* an examination of the methodologies of research that shape the narratives of the PRSP.

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Paul DiMaggio- that have applied sociological models of analysis to economic phenomena (see Zukin and DiMaggio, 1990).



Therefore, it is critical that research on PRSPs must also take into account the methodological narratives that shape research on PRSPs and development financing as a whole and take care not to reinforce (through adoption) methodological stereotypes. A critique of methodology was thus an ongoing exercise during the course of this research. Like the authors in Cooke and Kothari's insightful compendium of research into participatory development approaches, this research aimed at moving away from the 'methodological revisionism' that characterises the study of PRSPs towards addressing 'more directly how the discourse itself, and not just the practice, embodies the potential for an unjustified exercise of power' (Cooke and Kothari, 2002:4).

It is hoped that adopting a different approach to the study of PRSPs will lead to the excavation of the real dynamics of power that reside within the PRSP initiative and that this thesis will contribute to the unmasking of fissures that will serve as opportunities for real transformatory power.

### 1.3. Methodology

This thesis approaches its subject matter from both a *structural materialist* perspective – examining the apparatus of the PRSP process and its effects on the structure of global governance and international regulatory mechanisms – and a *discursive* perspective – examining the discourses that inhabit the PRSP process and the means in which these discourses contribute to the foundations of global governance. Here, I juxtapose an empirical methodology for examining the normative linkages between the operational framework of the PRSP initiative and the actors who forward these norms with a critical analysis of the power dynamics underlying the relationships of the subjects and objects of the framework.

This thesis borrows from the methodology adopted by Braithwaite and Drahos (2000) in their study of global business regulation and combines it with a materialist analysis of power at the global level. At the same time, it goes beyond the materialist critique and adopts a discursive method of analysing the mechanics of structural power by studying the conditions that give rise to the representational power of the



PRSP discourse. Here, Foucault's analysis of power enables us to understand the technologies of power at play in international economic relations and the postcolonial structures of international law and global governance which regulate these relationships.

**a) Analysing the Relationship between Actors, Principles and Mechanisms of Globalization**

As a starting point, I found it necessary to draw the links between the empirical reality of PRSPs and the contribution of the PRSP framework to international law and governance by drawing on the techniques adopted by Braithwaite and Drahos. Braithwaite and Drahos view the process of globalization as best conceptualised in terms of the relationships between actors, mechanisms and principles, with understanding conflicts of principles as key to understanding regulatory globalization (Braithwaite and Drahos, 2000: 15).

Adopting the approach to social scientific study from Elster (1989)<sup>17</sup>, Braithwaite and Drahos use mechanisms as a means of explaining the causal link between events in regulatory globalization<sup>18</sup>, identifying mechanisms of globalization as 'processes that increase the extent to which patterns of regulation in one part of the world are similar, or linked, to patterns of regulation in other parts' with these processes involving 'one or more actors (state and non-state) in a series of actions (and reactions) that are linked to the goals and desires of the actors (Braithwaite and Drahos, 2000: 15 , 17). Mechanisms, such as economic or military coercion, modelling and capacity building, are used by actors within the global economic system to effect change in their favour through the advocacy of principles, such as 'transparency', 'reciprocity', and 'national treatment'.

Braithwaite and Drahos found in their study of global business regulation 'that actors involved in the processes of globalization articulate, support and seek to entrench

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<sup>17</sup> Elster approaches the study of social phenomena through 'explanation by mechanisms', using a causal mechanism to explain the link between two events in order to build a 'temporal snapshot' of events to construct a factual account of social reality (Elster, 1989, p 3).

<sup>18</sup> Braithwaite and Drahos define the globalization of regulation (or regulatory globalization) as the replication of regulatory norms, standards, principles across different regulatory jurisdictions (see for example, Braithwaite and Drahos, 2000: 3- 10).



principles in regulatory systems in different ways’ and that ‘in the contest of principles, actors use mechanisms to give weight to some principles over others’ (Braithwaite and Drahos, 2000: 18 –19). Principles are defined as norms, which may or may not be juridical in nature, that inform the construction of rules in the globalization of business regulation (Braithwaite and Drahos, 2000: 18 - 20). The authors view the examination of this contest of principles crucial:

Understanding the conflict of principles is integral to understanding the globalization of business regulation. The successful weighting of one principle over another has consequences at both the level of conduct and for regulatory change (Braithwaite and Drahos, 2000: 18).

As a policy instrument that is applied to all countries seeking bilateral and multilateral debt relief as well as concessional financing from the Bank and the Fund, the PRSP may be categorised as a ‘mechanism of globalization’ as defined by Braithwaite and Drahos. Examining the impact of the PRSP approach on the constitution of international law and global governance, it is necessary to consider how the PRSP framework promotes the universalisation of regulatory norms that further the interests of actors engaged in the process. Approaching the PRSP framework from this perspective enables us to consider the contest of principles between actors that exist in the wider sphere of global economic governance and to locate the PRSP framework within this contest.

The relationship between these principles and the actors who advance the principles shed light on how the PRSP framework is conceived and constructed, and, more importantly, highlights the means by which the PRSP initiative serves a larger governance purpose outside the regulation of development financing. Principles, according to Braithwaite and Drahos, serve as ‘abstract prescriptions that precede rule complexity’ (Braithwaite and Drahos, 2000: 15) and consequently, it is possible to analyse the principles that underlie the PRSP framework as the prescriptive instruments upon which regulatory mechanisms, such the PRSP process and PRSP-related policy and financing instruments, are based.



A complementary methodology is used by Jayasuriya in analysing the phenomenon of globalization. Jayasuriya adopts an epistemological approach to studying the changes in the globalized economy that is premised on understanding the means in which globalization and 'its new ensemble of governance institutions' work towards changing 'the internal architecture of the state' (Jayasuriya, 2001b: 5). He argues that the 'key issue' for understanding the way in which globalization is reshaping domestic and global governance is understanding the modalities of producing and reproducing 'economic order' locally and globally and that such analysis should be directed at examining the 'production of 'order' in the global economy' rather than focused on 'the significance of trade and capital market transformations in the global economy' (ibid: 4 – 5).

In other words, Jayasuriya provides the inverse but complementary approach to studying the globalization of regulation to that of Braithwaite and Drahos, contending that an examination into how the state is being transformed internally through external pressures will enable us to better understand how regulatory norms are translated and homogenised across jurisdictions (ibid). Through an examination of this 're-engineering' of the state, we can understand how state forms are embedded within a larger global framework of regulation and how these global institutions and the hegemonic actors which shape them correspondingly embed these norms within domestic state structures (Jayasuriya, 2001a and 2001). The modalities of state reconfiguration taking place under the PRSP initiative may therefore be seen as part of wider shifts in the technologies and modalities of governance at the global level.

These shifts may also be reflective of the practice of 'forum shifting' by the hegemonic actors seeking to forward favoured principles in the different regulatory regimes. Braithwaite and Drahos define 'forum shifting' as the means in which powerful actors in global regulatory regimes, usually states, most notably the United States, shift the regulatory agenda away from a particular forum to another forum or abandon the forum when the forum proves inconvenient for advancing its interests (Braithwaite and Drahos, 2000: 564). The reason for shifting forums, the authors argue, is to prevent defeat at the hands of negotiating opponents:



Forum shifting is a form of optimizing behaviour. An actor avoids a suboptimal outcome by shifting to a new game in which it has a better shot at an optimal outcome (ibid).

Here, the PRSP framework may be regarded as a form of ‘forum shifting’ by the dominant states in the global economy seeking to maintain the legitimacy and operational status quo of the regulatory norms and practices under attack from the resistance against neoliberal globalization<sup>19</sup>. In the contest of principles, only powerful actors have the capacity to utilise this mechanism inasmuch as they have the capacity to redraw the disciplinary landscape of international economic law and global governance.

#### **b) Locating Regulatory Patterns within a Wider Analysis of Power**

In considering the contest of principles in the wider global governance forum, it is necessary to locate these principles within a larger theoretical and methodological framework. It is in this critical assessment of the PRSP operations that the limitations of Braithwaite and Drahos’ methodology become clear and a need to have recourse to an alternative method of critique becomes apparent. While the authors identify key principles that underlie the processes of globalization through their empirical research and provide a methodological link between the advocacy of principles, actors’ interests and mechanisms used to advance these principles, they do not enter into a debate about the power structures that underlie this contest of principles.

Similarly, while scholars of international relations, such as Jayasuriya, seek to construct an understanding of the operational impact of regulatory structures, either through an analysis of the impact of globalization on internal structures or from the internationalisation of state structures, such analyses often fall short of providing a contextual account of the nature of the power relationships behind these changes. Accordingly, while it is imperative that we study the impact of the PRSP framework on the structures of international law and global governance, including examining its

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<sup>19</sup> I use the term ‘neoliberal globalization’ to denote the globalization of regulation facilitated by adherence to the Washington Consensus model of economic organisation and to contrast between other forms of social, cultural and economic forms of globalization (see footnote 1 for a definition of the ‘Washington Consensus’).



impact on third world engagement on the same, it is also crucial that we unmask the modalities and dynamics of power which underpin the framework.

This thesis therefore relies on Foucault's methodology of analysing power and representation to investigate both the contested terrain in which the principles that underlie the PRSP project are constructed and their effect on international law and global governance. Specifically, Foucault's methodology of studying the manifestations of power through understanding *power relations* rather than studying the effects of *powerful institutions* (or entities)<sup>20</sup> enables us to map the transition in means in which this power is manifested or rather, in the means through which discipline is enforced over the objects of power (see Foucault, 1994: 340 – 345; 1991: 261 – 266).

For Foucault, power is immanent to the object it regulates, it is reproductive rather than hierarchical, to be appropriated by individuals, institutions or states when they exercise control over another individual, institution or state (Foucault, 1994: 340 – 343). Accordingly, a Foucauldian theory of power rests upon understanding power as the sum of power relations: 'Power exists only as exercised by some on others, only when it is put into action' (ibid: 340). In analysing the impact of the PRSP framework on the globalization of regulation and the constitution of international law therefore, it is necessary to understand the dynamics between the parties to the framework and their relationship to each other and the discipline to which they are subjected.

According to Foucault:

A power relationship ... can only be articulated on the basis of two elements that are indispensable ...: that the 'other' (the one over whom power is exercised) is recognized and maintained to the very end as a subject who acts and that, faced with a relationship of power,

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<sup>20</sup> For Foucault, analysing power by analysing specific institutional manifestations of such power, without its grounding within the social nexus from which it is drawn, risks masking the real source of power in pursuit of analysing the bureaucratic imperatives which drive the institutional agenda and risks giving the institutions and their attendant regulations 'an exaggerated privilege in the relations of power and, hence, seeing in the latter, only modulations of law and coercion' (Foucault, 1994: 342 – 343).



a whole field of responses, reactions, results and possible inventions may open up (ibid).

The exercise of power is therefore ‘a management of possibilities’ (ibid: 341) and understanding the operations of power is to understand how these possibilities are administered over the object of the power relations, either inciting, inducing or seducing the object to be disciplined or making things easier or more difficult for it, releasing or contriving, making probable or less and ‘in the extreme’ constraining or forbidding absolutely (ibid). Consequently, for Foucault, it is the exercise of such power over the process of economic production and reproduction that constitutes the mode of action called ‘government’ (ibid: 341). The process of ‘governmentality’ thus involves an ensemble of institutional apparatuses and strategies ‘that allow the exercise of this very specific albeit complex form of power’ and ‘the development of a whole complex of knowledges’ to manage the objects of this power (ibid: 219 – 220).

Foucault’s methodology enables us to consider the historical conditions that gave rise to the principles that underlie the PRSP project and to locate them in the context of the PRSP as a mechanism of globalization. In unmasking the dynamics of power inherent in the framework, we can excavate the objectifying narratives of its underlying disciplinary norms and critically assess their wider impact on the construction of other regulatory norms and normative networks. Scheurich terms this ‘policy archaeology’ – the deconstruction of a priori assumptions about a problematic that contributes to policy research and the ‘powerful ‘grids’ or networks of regularities’ that determine the problematising of key concepts within policy studies (Scheurich, 1997: 94 – 118).

Using this methodology also enables us to examine how power is exercised through various regulatory instruments at the global level, including how the PRSP framework represents a shift in the modalities of global power. Specifically, this thesis considers how the PRSP framework constitutes an evolution from what Foucault terms the ‘technologies of domination’ to ‘technologies of self’, the two poles from which ‘the organisation of power over life’ is deployed or, in other words, the movement from a ‘disciplinary society’ to a ‘society of control’ (see Foucault,



1994: 220 – 221; 1991: 261 – 263). Here, the movement is away from the disciplinary supervision of societies (or in our case, third world states) – that is, through establishing normative frameworks for behaviour and the exclusion/penalisation of departures from such norms – towards the establishment of a ‘bio-political’ power in which the objects of power (societies or states) reproduce these norms and seek to insert themselves into the very relationship of power (ibid).

This dovetails with Braithwaite and Drahos’ analysis of the processual shifts in global business regulation today which sees the movement away from remunerative and coercive webs of influence towards the use of dialogic webs in securing both adoption and compliance with norms in the aforementioned contest of principles. According to Braithwaite and Drahos:

Dialogic webs also heighten the probability that the norms established by means of the web will be internalized by actors who are part of the web. Dialogic commitments to a regime bring fidelity to norms that webs of coercion do not. Obtaining a fidelity to norms means that compliance with the norms is more likely to be robust (Braithwaite and Drahos, 2000: 563).

Although Braithwaite and Drahos do not subscribe to postmodern analyses of discourse, their analysis of dialogic regulatory sequences resonates with Foucault’s conception of power, inasmuch as it resonates with Foucault’s discourse politics and the power of discursive technologies (see below). As Braithwaite and Drahos contend: ‘Hegemony means that within dialogic webs there is more reason to hear the voices of those with a capacity to escalate webs of reward and coercion’ (ibid: 551).

Thus, insofar as dialogic webs remain dominated by powerful actors within the regulatory fora, compliance with the norms advanced by these actors by weaker actors in the system through such mechanisms of dialogue indicate the reproductive nature of the power inasmuch as it demonstrates continuity with the overt disciplinary force of power.



### c) **Representational Power and the Discipline of Discourse**

Fidelity to the norms advanced by powerful constituencies are also an indication of the discursive strength of their dialogic webs, indicating the persuasiveness of their representations. Consequently, adopting a discursive methodology to studying the representational power of concepts articulated in the PRSP project enables us to understand not only the conditions under which such concepts are problematised but also the normative impact flowing from this problematisation. This contributes to our understanding of the relationship between the principles of the PRSP project, the actors who advance these principles and the mechanism by which these principles are advanced, namely the PRSP framework.

A Foucauldian analysis of the development discourse has been applied in recent years by authors mapping the evolution of development thinking. In particular, Escobar has examined the role of development discourse in constructing the current reality of development policy and practice through the ‘colonization of reality’, that is, ‘how certain representations become dominant and shape indelibly the ways in which reality is imagined and acted upon’ (Escobar, 1995: 5; see also Chapter Two, section 2.1).

A team of researchers at the Institute of Development Studies (IDS) have utilised this approach to examine the policy processes that impact upon poverty policy. As McGee and Brock explain: ‘Seeing policy as a discourse illuminates some of the processes by which particular methods of poverty assessments gain hegemony, through their attachment to particular narrative of cause and effect’ (McGee and Brock, 2001: 6). This requires an analytical approach that can account for how particular versions of policy triggers and solutions ‘are taken up and embedded and to locate the emergence and shaping of these versions in particular social and historical contexts’ (Brock et al, 2001: 4).

This approach to the study of development policy and practice – in this case, that of regulating access to development financing – offers what Crush terms as the ‘conceptual space’ for exploring ‘the links between the discursive and the non-discursive; between the words, the practices and the institutional expressions of



development; between the relations of power and domination that order the world and the words and images that represent those worlds' (Crush, 1995: 6).

Braithwaite and Drahos do not preclude the possibility of subjecting their methodology to further theoretical scrutiny, acknowledging that there is opportunity within their methodological framework to consider theories of globalization that are 'more reductive or structural in orientation' (Braithwaite and Drahos, 2000: 15).

However, at the same time, the authors reject structuralist Marxist critiques and critical 'postmodernist' approach, including discursive techniques, to explaining the phenomena of globalization, arguing that their method reveals 'little support' for a 'more sophisticated structuralist Marxist explanation which subordinates purposive action to the reproduction of systemic inevitability' at the same time that postmodernist theory fails to take into account the dominating forces of military and financial coercion when prioritising discourse in the construction of social reality (Braithwaite and Drahos, 2000: 601).

This thesis argues to the contrary and demonstrates the epistemic advantage of combining a positivist methodology of conceptualising legal and political phenomena, such as that adopted by Braithwaite and Drahos, and a critical methodology that aims to unmask the power relations behind the processual shifts.

In examining an institutional framework such as the PRSP and PRSP-related instruments, it is necessary to adopt a structuralist perspective 'that sees certain phenomena as having a function, without implying that it is completely purposive, still less conspiratorial' but at the same time conforming to an unalterable system (Biel, 2000: 231). While not necessarily adopting the structuralist explanation as to the systemic inevitability in the contest of principles and power relations among actors, employing a structuralist materialist approach to studying globalization is necessary to identify the structure and forms of dominance, in this case, in conceptualising the powerful interests behind the PRSP approach.

Therefore, in answering the research questions posed in section 1.2 above, it is necessary to view the PRSP framework as both: (1) *an institutional process* – locating the



general PRSP process within the historical and contemporary context and examining the structures of power that inhabit this process *and* (2) *a textual foundation of knowledge production* – examining the discourse of the PRSP process as embodied in PRSP documentation and in ideas, concepts and epistemic rules that emerge from the PRSP process through actors connected with the process. Only in this way can we construct an epistemology around the PRSP framework as a regulatory mechanism and/or a new disciplinary framework.

#### 1.4. A Note on Methods

As mentioned above, this thesis aims to conceptualise the PRSP process and its implications for international law and global governance. Much of the research for the thesis therefore involved theoretical and contextual analysis of existing reports and documentation on the PRSP processes in different countries and reviews of the overarching operational framework of the initiative and its associated financing instruments, encompassing primary and secondary documentary material sourced from libraries and organisational archives.

The documentary research for this thesis entailed a consultation and analysis of a range of official and unofficial documentation on the PRSP framework, PRSP processes and PRSP-related instruments, such as the PRGF and PRSCs. These documents were drawn from a myriad of official BWI and non-BWI documents – most of them now freely available on the World Bank and IMF websites – as well as legal agreements and some confidential policy documents obtained from first-hand sources. Qualitative assessments of specific documents were undertaken in line with the methodologies outlined in section 1.3 above.

This review of PRSP and PRSP-associated literature was supplemented by qualitative interviews and informal conversations with a sample of policymakers, activists and campaigners, politicians, and institution bureaucrats; including some of key players in the PRSP process, as well as observations from attendance at a number of consultative meetings and internal discussions with campaigners and activists. This field research was carried out mostly during the period of a year from April 2004 to

April 2005. As some of the information obtained through such interviews, conversations and observational engagements are highly confidential and/or controversial if ascribed to particular sources, some sources have asked to remain anonymous or have non-attributed quotes. These interviews have supplemented, expanded upon or clarified data drawn from the aforementioned literature and documentation.

### 1.5. Map of the Thesis

This thesis aims to draw a conceptual and methodological map of the PRSP framework and its impact on the constitution of global governance and postcolonial international law.

**Chapter Two** situates the PRSP framework within the wider context of postcolonial international law, locating this initiative within the legacy of circumscribed sovereignty which characterises third world state engagement with the exterior. Establishing the theoretical frame of reference for the thesis, this chapter examines how the PRSP framework has been inserted into this dynamic of postcolonial relationships and how the World Bank and the IMF emerged as central institutions in the management of the third world, particularly states' engagement with the international economy.

**Chapter Three** proceeds to examine how the pivotal roles played by the Bretton Woods institutions in the postcolonial international order established them as key institutions for managing the crisis of legitimacy in the international order in the late 1990s. This chapter seeks to understand how the temporal convergence between the shifting institutional agendas of the Bank and Fund and the geo-strategic imperatives of their major shareholders – the industrialised countries that form the metropolitan centres of the postcolonial global economy – to quell the rising tide of dissent against the dislocations of neoliberal economic reforms resulted in the formation of the disciplinary framework of the PRSP project.



**Chapter Four** begins the examination of the disciplinary power of the PRSP framework through an analysis of how the reforms of the PRSP architecture reshape the modalities of states' engagement with the external economy and, notably, with its external financiers. This chapter will demonstrate how the changes in the technologies of aid regulation reflect the shifting forms of power at the global level, with particular reference to the evolution of the doctrine of 'conditionality' as a pivotal regulatory instrument.

**Chapter Five** continues with the analysis of the PRSP framework's disciplinary power over third world states through examining the impact of the PRSP framework on the internal constitution of states, particularly through the efforts at capturing domestic *policy space*. It considers how the paradoxical incentivising and disciplining of the states subject to the PRSP initiative – together with their domestic constituents and external sympathisers<sup>21</sup> - has been operationalised through a framework which engenders the utilisation of new modalities of discipline highlighted in the previous chapter.

**Chapter Six** follows on from the analysis in the preceding chapter, examining the participatory process mandated under the PRSP framework, locating these socio-political reforms within the overarching effort to rehabilitate the state apparatus under the PRSP framework. Where Chapter Five examines how discipline is maintained through the internalisation of policy and institutional reform by states, this chapter seeks to examine how these reforms are legitimated through the *capture of political space* – the mobilisation of domestic political consensus in support of such reforms.

**Chapter Seven** will consolidate the findings of the thesis within a wider examination of the dynamics of power in the international arena and considers the implications of the reforms on the constitution of global governance and international law. This chapter will consider if the forms of intervention into sovereign nations necessitated by the PRSP project are deeper and greater than previous forms of control, and considers the potential of the PRSP project in subverting or rekindling the

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<sup>21</sup> I use this term to refer to the coalition of citizenry groups from the third world and their metropolitan centres (that is, the south and north) which provided the external support to groups fighting the domestic manifestations of structural adjustment.

possibilities for engaged collective action among the state actors in resistance to the inequities of the current globalized economy.



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## Chapter Two

# PRSPs in Postcolonial International Law and Global Governance

*'The international legal system is a powerful site for contestation ... Because law has the constitutive power to universalize certain knowledges and to disqualify others, the ability to speak and to influence law-making processes is a critical determinant of access to power'*

*- Dianne Otto, 1996: 359 -*

Poverty Reduction Strategy Papers have been hailed as the greatest change in development financing since the introduction of structural adjustment lending in the early 1980s, reflecting not only a change in the structure of concessional financing but also a shift in the discourse of development policy and practice. Crucially, the framework signals a larger paradigmatic shift in the cartography of aid and, consequently, in the constitution of north-south relations, of which aid relations form a pivotal strand. For many third world states whose relationships with the exterior have been primarily characterised by such relationships of resource dependency, the PRSP framework has fundamental implications for their engagement, both individually and collectively, in multilateral governance institutions and in the global economy.

The reorganising of the form and substance of negotiations between developing countries and international financial institutions as well as other official financiers impact critically on the relationships these countries maintain in other areas of significance, notably in the realm of international economic law and global financial and economic governance. In this manner, PRSPs are not only restructuring the modalities of financing but also reframing fundamental tenets of international law and mechanisms of global governance, implemented through a series of strategic interventions into target countries.



The opportunity for the extensive state interventions brought about through the PRSP framework is however only possible where the sovereignty of the states in question are circumscribed through their initial insertion into the international order and the continued existence of international institutions that facilitate the extension of this imperial character of international relations. Accordingly, there is a need to situate the PRSP approach and its attendant institutional framework – notably its organisational drivers, World Bank and the IMF – within the structure of postcolonial international law as well as in contemporary global governance.

In this chapter, I seek explore the ways in which third world states were originally incorporated into the international legal order to explain how the PRSP framework and other interventions of the postcolonial period can and have been effected and legitimised, in spite of incongruence with conventional understandings of international law. Locating third world engagement with international law in the ‘colonial encounter’ (Anghie, 2004; Otto, 1996); in the logic of modern legal mythology (Fitzpatrick, 1992; Tarullo, 1985) and in contemporary politics of patronage (Badie, 2000), including the central facilitating role played by the Bretton Woods institutions, will enable us to better situate the PRSP framework within the current framework of economic globalization and contemporary international relations.

This will demonstrate that rather than being inimical to the project of international law, the PRSP framework forms a vital and cohesive part of international law, specifically international economic law and the attendant institutions of global economic governance, so constituted in the postcolonial era. Crucially, the disentanglement of the PRSP approach and its attendant discourses from the self-validating narratives of universalism, enfranchisement and empowerment is key to understanding the role it plays in perpetuating inequalities at the international level.

Consequently, I argue here that the PRSP framework represents a continuation, if not an exacerbation of the asymmetrical sovereignty characterising postcolonial ‘international’ law and the imperial nature of the ‘development’ project which has sustained the logic of this relationship. In doing so, this chapter demonstrates, in a similar vein to Anghie’s analysis of the ‘good governance’ project which preceded the



PRSP framework, that the insertion of the PRSP framework into sovereign lending operations masks ‘the imperial character’ of international law ‘even when it is being reproduced in a way that powerfully shapes contemporary international relations’ (Anghie: 2004: 250). Understanding this legacy is central to developing a theory about the role of the PRSP framework in the context of globalization and contemporary global governance.

## **2.1. PRSPs in the International Order: Asymmetrical Sovereignty and Circumscription of State Autonomy**

The PRSP framework may be regarded as an affront to the principles of sovereign equality and non-intervention, the pillars of the postwar international legal order enshrined by the norms established in the Charter of the United Nations 1947. The extensive domestic interventions of the PRSP approach and its reorganisation of the socio-political fabric of PRSP countries represent a clear circumscription of the principles of state autonomy, non-discrimination and self-determination constituting the lynchpins of international law in the postcolonial period.

Yet, the near universal implementation of such an intrusive, institutionalised instrument of state reorganisation in the third world has gone virtually unchallenged in the international arena. On the contrary, the introduction of such a process of ‘participatory’ policymaking and ‘consultative’ decision-making, linked to the disbursement of much needed external financing, has been welcomed, if not celebrated, by previous detractors of the BWIs and the current aid architecture on grounds of its inclusiveness and its promotion of ‘country ownership’. Where there has been criticism of the PRSP approach, such critiques have centred upon the disjuncture between the rhetoric of the PRSP principles and their operational implementation rather than on the impact or potential impact of such an interventionist mechanism in international law.

This can be partially explained by the practice of epistemic delineation and/or disciplinary incoherence in analysis of the PRSP framework, notably in the absence of legal critique on an issue that is viewed primarily as a subject of international



political economy or international relations or under the rubric of ‘development studies’.

More significantly however, this failure to critically contextualise the PRSP framework in international law can be attributed to the perception that the PRSP approach is appropriately constituted within international law – international economic law in particular – in that the framework rehabilitates, albeit incrementally, the unequal nature of international economic relations. In this manner, the PRSP framework is viewed as reforming the iniquities associated with the circumscription of autonomy under structural adjustment. At the same time, its spotlight on poverty reduction rescues the focus of international economic law from a mandate premised on the project of modernity that accompanied postcolonial economic governance.

These conceptualisations, and consequently, the operational efficacy of the PRSP framework, could only have taken place within a legacy of state asymmetry in international law into which postcolonial third world states – now the *only* states subject to the interventions of the Bretton Woods institutions – have been inserted. The wholesale revision of the modalities of PRSP countries’ engagement with the international community – through the rules regulating access to aid, concessional financing and debt relief – exemplifies the current international legal order in which third world states remain *objects* of international law rather than its *subjects*. The interventions facilitated by the PRSP approach may thus be regarded as being both *legitimised by* and *facilitative of* the imperial character of international law, exemplifying what Pahuja (2005) terms as ‘the postcoloniality of international law’<sup>1</sup>.

### 2.1.1. Locating the PRSP Project in the ‘Postcoloniality’ of International Law

Fundamental to the constitution of this ‘postcoloniality’ in international law is its sustenance of the ‘dynamic of difference’ (Anghie, 2004: 4) as reflected in a) the construction of European/ western/ occidental identity in opposition to a self-constructed, alternate representation of what it is not or, in Fitzpatrick’s words, ‘an identity in negation’ (Fitzpatrick, 2001: 147); and b) the ceaseless creation of an

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<sup>1</sup> Pahuja uses this term to refer to how international law ‘both sustains and contains within it what we might call the condition of the postcolonial’ (Pahuja, 2005: 460).



‘Other’ – a reduction of non-European identity to the characteristics which this definitive ‘Self’ rejects<sup>2</sup> (Anghie, 2004; Fitzpatrick, 2001; Pahuja, 2005; Said, 2003)<sup>3</sup>. This process creates the ‘gap between two cultures, demarcating one as ‘universal’ and civilized and the other as ‘particular’ and uncivilized’ (Anghie, 2004: 4) in which the constitution of the ‘universal’ avoids the fixity of definition by positing itself ‘in an irredeemable opposition’ to savagery which that constitutes the ‘particular’ (Fitzpatrick, 2001: 147).

The European or occidental identity therefore reserves for itself the characterisation of the ‘universal’ and of ‘civilisation’ not through the design of rules for what it should *include* but by reference to what it should *exclude*, that is, anything the west abrogates, abhors or declares as aberrant. It is this underlying delineation which defines the function of postcolonial international law not as one of creating order among sovereign states but as one of seeking containment of this ‘cultural difference’ among states (Anghie, 2004; 2002). It is also this binary between ‘civilisation’ and ‘primitivity’ that distinguishes between first and third world engagement with international law, a distinction which also underlines the logic of the PRSP approach and inserts this framework within the current context of international law.

Firstly, the ‘dynamic of difference’ ensured the universalisation of ‘a single system of international law with explicitly European origins’ (Anghie, 2002: 516) – a process forged during the colonial era and intensified during the period of decolonisation – and the unquestioning assumption of newly independent and non-European societies into the pre-existing community of nations and their subjection to norms for which these new entities had played no part in designing (Anghie, 2004 & 2002; Fitzpatrick, 2001; Pahuja, 2005). As a consequence, asymmetrical relationships were established in the international legal order between the ‘subjects’ of international law – the former colonial powers for whom international law pre-decolonisation regulated

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<sup>2</sup> This analysis viewing the constitution of reality as a complex intersection between domains of recognition and relational experiences – the formation of self identity residing in the modality of that identity’s relation to others (or the ‘modality of relation to the self’ or ‘technologies of self’) bolstered by a series of discursive practices – was pioneered by Foucault (see for example, ‘Preface to the History of Sexuality, Volume II’ in Foucault, 1991: 336 – 339 and Foucault, 1972) and applied to the construction of knowledge about non-European societies by Said (1972) in his germinal work on *Orientalism* and later, to the practices and institutions of ‘development’ by Escobar (1995).

<sup>3</sup> The bulk of such scholarship on postcolonial representational practices, have all drawn heavily upon Edward Said’s germinal work on the Orientalist discourse – the phenomenon of ‘Orientalism’ – in which the production of ideas about the non-West is bound up with the complex hegemonic relationships of power and domination between the Occident and the Orient (see Said, 2003).



their access to and use of *terra nullius* – and the ‘objects’ of international law – former colonies and other non-European states whose inclusion into the sovereign realm were governed by their accession to the aforementioned established ‘universal’ norms (Anghie, 2004: 100 – 104)<sup>4</sup>.

The force of the corpus of rules, doctrines, practices and institutions which make up international law thus has differing applications for the differing states party to them. Whereas for first world states, international law served, and still serves, the function of ordering relations among sovereign states, for third world states, the question was one of ‘acquisition of sovereignty’, because the concept of sovereignty was aligned as it were ‘with European ideas of social order, political organization, progress and development’ (Anghie, 2004: 102 – 103). This has resulted in what Badie calls ‘the juridical fiction of sovereignty’ in which the ‘international system can be constituted only of sovereign states whose juridical identity reflects that of Western states’ (Badie, 2000: 78).

Formal sovereignty acquired in its juridical form in the postcolonial period therefore did not accord postcolonial states with substantive equality in their engagement with international law because the doctrine of sovereignty itself was ‘improvised out of the colonial encounter’ when applied to new recruits to the international legal order, rendering third world sovereignty ‘distinctive’ and ‘uniquely vulnerable and dependent’ from that of first world sovereignty (Anghie: 6)

Consequently, and secondly, because international law is ‘responsively oriented and contained by the idea of civilisation’ (Fitzpatrick, 2001: 152), a ‘civilisation’ that is premised on the redemption of ‘the backward, aberrant, violent, oppressed and underdeveloped people of the non-European world’ (Anghie, 2004: 3), international law and international institutions sought to bridge the aforementioned gap between cultures through the development of techniques to confront and contain this difference and to achieve ‘uniformity and universality’ among states (ibid: 4; Anghie,

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<sup>4</sup> An exception to this development has been the diverging economic trajectories of the countries of the Communist bloc during the Cold War as well as Cuba and China prior to the liberalisation of the Chinese economy in the late 20th and early 21st century. However, the economic reforms which then followed the Eastern European and ex-Soviet Union countries and China (and to a lesser, extent, India’s) accession into the current global economy post-Cold War, reiterates the application of this norm.



2002: 516 - 520). This became more imperative in the aftermath of the decolonisation process which necessitated 'a new form of containment' of the 'Other', the newly established states brought 'into an even more proximate relation with the West' (Pahuja, 2005: 465).

The technologies and institutions of postcolonial international law provide the instruments for such containment inasmuch as they provide the mechanisms to frustrate anything less than an orderly entry of these new states into the international legal order, and anything less than a full acquiescence to the terms and conditions, through, *inter alia*, the withholding of commensurable rights and privileges associated with such entry. The legitimacy of interventions on the part of the 'international community' via 'international' institutions was secured through the maintenance of the aforementioned 'dynamic of difference', enabling the 'application of sanctions' and necessitating internal interventions in communities which failed to comply with the universal norms established by the international community in the same way that imperial conquest had been legitimised by the 'civilizing mission' to transform 'backward and primitive' societies' (Anghie, 2004: 3 – 4; 2002: 519; Pahuja, 2005: 465).

For Anghie, the development of new international institutions – beginning with the Mandate System of the League of Nations<sup>5</sup> and culminating with the birth of the international financial institutions – were crucial to the foundation of the postwar legal order, enabling the development and implementation of new technologies to rehabilitate the state in aberration of 'universal' values (Anghie, 2004; 2002). Subsequently, the circumscribed nature of third world sovereignty and the colonial legacy of international law enabled international law and institutions of global governance to intervene in the domestic sphere and 'to administer civilizing therapy' to these newly 'sovereign' states (Anghie, 2002: 547).

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<sup>5</sup> The Mandate System was an international regime created by the League of Nations in the aftermath of the First World War for the purpose of governing the territories annexed or colonized by Germany and the Ottoman empire, the two great powers defeated in the War, placing these territories 'under a system of international tutelage' rather than distributing them 'among the victorious powers as spoils of war' (Anghie, 2004: 116). The Mandate System marked a shift from an endorsement of conquest in international law to an attempt to include previously exploited and colonised peoples into the international system and 'promote self-government' in accordance with the norms of the 'international' community (ibid).



### 2.1.2. Reproducing Colonial Asymmetries through Postcolonial Law

The imperial heritage of international law juxtaposed with the invention of ‘developmentalism’ has thus produced a powerful body of rules, doctrines, institutions and regimes of knowledge which has governed third world engagement in the international arena in the postcolonial era. For Escobar, the systems of discourse and representation associated with the advent of ‘development’ as ‘a domain of thought and action’<sup>6</sup> in the immediate postwar period has not only ‘created an extremely efficient apparatus for producing knowledge about, and the exercise of power over the Third World’, the organisation of the third world into a social Darwinistic model of progress has enabled the successful deployment of ‘a regime of government over the Third World, the one half of a bifurcated reality between ‘developed’ and ‘underdeveloped’ (Escobar, 1995: 9 – 10).

Accordingly, while the justification for the interventionist restructuring of sovereign third world states was reframed from one based on biological hierarchies to one delimited by cultural polarities, the object of the ‘civilising mission’ remains the same. The replacement of ‘biological racism with an equally pernicious form of cultural racism’ through which Eurocentric ideas of socio-political and economic organisation became superior (Tucker, 1999: 5) thus became an important instrument in the consolidation of the postcolonial world economy. ‘Development’ became a ‘historically singular experience, the creation of a domain of thought and action’ (Escobar, 1995: 10) which served to contain and discipline not only the internal productive capacities of postcolonial states but also the liberative potential and political autonomy of their new-found sovereignty.

The recognition of third world states and the legitimacy of third world claims under international law then became premised on a) their capacity to demonstrate adherence to the norms established by the ‘international’ legal order; and b) in their

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<sup>6</sup> Escobar views the process of ‘development’ as constituting a part of the ‘anthropology of modernity’, a historically contingent phenomenon premised upon the elevation of one system of knowledge – the ‘modern’, industrialised west – and the ‘marginalization and disqualification of non-Western knowledge systems’ (Escobar, 1995: 13). Escobar attributes the possibility of this epistemological approach to the development of tools of analysis in the 1960s and ‘70s, notably those found in Foucault’s work on discourse which ‘produces permissible modes of being and thinking while disqualifying and even making others impossible (Escobar, 1995: 5; see Chapter One for a discussion on Foucault’s theory discursive power).



failure to demonstrate the aforementioned, their willingness to be rehabilitated and accept interventions for reform in order that they may be restructured into compliance. In this manner, colonialism gives way to a ‘new legal imperialism’ which operates not through ‘direct colonial imposition’ by singularly powerful nation states but through the control and manipulation by these states of a community of nations – the ‘internationalisation’ of colonial power through new ‘contractual modes of domination’ or a voluntary accession to the institutions of the global political economy (see Fitzpatrick, 2001: 212 – 213).

International law and the institutions sustaining it therefore became not only the means through which first world states determined third world accession into the global political and economic order, but also a means through which third world participation in these international domains is continually disciplined through a constant revision of the terms and conditions of their engagement. The modernist discourse of difference which underpinned the development of the postwar international legal order – whereby ‘decolonization was only available on narrow terms, to entities that resembled the European nation-state’ (Otto, 1996: 343) – continue to serve as exclusionary devices in current international relations (ibid: 338).

Hence, the translation of what Tarullo terms ‘the myth of normalcy’ – the sanctifying of a singular image of what is ‘normal’ for states participating in the international economy<sup>7</sup> – into international economic law constrains the third world’s participation in and contribution to the development of its organising principles (Tarullo, 1985: 547 – 548; 550)<sup>8</sup>. The institutionalising of this logic of normalcy in international economic relations between states not only naturalises and perpetuates the aforementioned categories of representation in international legal discourse, it also confines negotiations and resolution of disputes to the reproduction of these ‘images of sameness where they do not already exist’ and the ‘eradication of communities of difference’ where they do exist (Tarullo, 1985: 550 – 552). These ‘myths’ inherent in

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<sup>7</sup> In this respect, Tarullo adopts the Escobarian definition of developmentalism –and its critique of the modernist categorisation of ‘development’ as a societal graduation from agrarian to industrial (ibid) – less as a normative interpretation of international economic relations, as Escobar et al do, but as a heuristic device for understanding the logic of international economic law which has at its core the ‘myth of normalcy’ as its organising principle (Tarullo, 1985). Oppositional interpretations are viewed not as generating alternative systems of knowledge or practice but as departures from the norm for which rehabilitation is necessary.

<sup>8</sup> See also Pahuja’s exploration of Tarullo’s ‘myth of normalcy’ (Pahuja, 2000: 792 – 793).



international economic relations, ‘teach difference as a departure, often temporary, from normal’ and aberrations which necessitate the intervention of the international community, such as IMF conditionalities to redress the financial imbalances of an indebted state (Tarullo, 1985: 546 – 547).

At the heart of these attempts at ‘containment’ are both the need to ration the transfer of capital from the north to the south and the need to maintain access to the resources of the south by the north, in keeping with the geo-strategic and economic imperatives of maintaining the status quo of colonial economic relations in the postcolonial period. This regulation of capital flows to the south – in terms of monitoring the volume of resource transfers as well as the utilisation of such resources domestically – is driven by the necessity to maintain what Hopkins and Wallerstein term the ‘core-periphery zonal organization of world production’ (Hopkins and Wallerstein, 1996: 4)<sup>9</sup> characteristic of the postcolonial international financial and trade architecture<sup>10</sup>.

Accordingly, the sustenance of the systemic ‘peripheralization’ of the world economy – maintaining developing countries within the lower echelons of the global commodity chains pivoted around organising centres in the north (Hudson, 2003: 186) – necessitates that ‘development occurs only within the tightly controlled parameters of structural adjustment’ (or any other terms established by the

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<sup>9</sup> As ‘world-systems’ theorists, Hopkins and Wallerstein’s approach to understanding the postcolonial world economy and its impact on socio-political relations is premised upon an analysis of the systemic changes in the forms and structures of the interstate system and world production - ‘evolving institutional domains’ they term as ‘vectors’ of the world system which have served to organise people’s activities in the period following the end of the Second World War. According to Hopkins and Wallerstein, ‘the modern world system’ has developed six ‘distinguishable but not separable vectors’: ‘the interstate system, the structure of world production, the structure of the world labour force, the patterns of human welfare, the social cohesion of states and the structures of knowledge’ (Hopkins and Wallerstein, 1996: 2). Hopkins and Wallerstein, while acknowledging the role of hegemonic state power under the interstate system, place greater emphasis on the dominating impact of the world production structure in organising social relations worldwide (ibid: 2 – 5). Specifically the process of capital accumulation on a world scale which saw ‘the establishment of commodity chains of production extending backwards from the organizing centres’ continually maintains the ‘core’ countries in a position of privilege by virtue of their capture of the means of production and the countries in the ‘periphery’ constantly being subject to the exigencies of the centres of production (ibid). Nonetheless, ‘world systems’ theorists generally reject the theories of dependency or neo-imperialism as they argue that ‘core-periphery zonal organization’ could occur within third world states and that it is not confined to state accumulation on a global scale.

<sup>10</sup> As Hudson argues, the narrow preoccupation of the northern architects of the postwar world economy was centred on the development of ‘export enclaves’ in the south ‘to produce raw materials needed by North American and European industry, at prices satisfactory to the user countries’ (Hudson, 2003: 186).



metropolitan states) and that the ‘political and social conditions for the global accumulation system are maintained’ (Biel, 2000: 87). In other words, in maintaining the imperial relationships of dependency in the postcolonial period, the flow of capital to postcolonial states needed ‘to be regulated to prevent the South from using the resources to catch up with the centre’ (ibid: 86).

This logic of unequal exchange still characterises the relationship between third world states and their former imperial powers today. The continued dependence of postcolonial states on the political and financial patronage of the metropolitan centre necessitates the constitutional mimicry by these states that facilitates the reproduction of the aforementioned norms (Badie, 2000: 24 – 27; 77 – 780). This is mediated through the financial flows from the north to the south – either in the form of private capital investment (foreign direct investment (FDI) or technology transfer), publicly guaranteed debt (bond issues, development financing loans) or concessional resource transfers (bilateral or multilateral aid or debt relief) – which remain contingent upon the adoption of reforms contractually obliged by such transfers.

Thus, the fact of juridical sovereignty is incommensurate with the act of self-determination which in itself remains a normative value for many third world states, divested of economic resources and dispossessed of political and territorial authority, in the postcolonial era. This leads to the paradoxical legitimating of interventions aimed at redressing this ‘sovereignty gap’, a justification that is also increasingly advanced in the discourse accompanying the PRSP-led ‘new architecture of aid’. The circumscribed nature of third world sovereignty, along with the uneven integration of states into the postcolonial international economy, has resulted in creation of a discourse of ‘quasi states’ or ‘negative sovereignty’ (see Jackson, 1990; Williams, 2000) to describe the condition of postcolonial statehood, including that of many PRSP states, in accordance with the binary representations of difference discussed above.

Here, states which depart from the norms of statehood are considered to have ‘failed to fulfil the purposes of state sovereignty’ (Williams, 2000: 567) by failing ‘to meet the basic prerequisites of a sovereign government’ (Ghani, Lockhart and Carnahan,



2005: 4), thereby necessitating the imposition of ‘state-building’ exercises from the exterior to close the gap between their *de jure* and *de facto* sovereignty (ibid). Badie argues that this paradox of sovereignty is encouraged by the metropolitan states ‘because they readily benefit from it’ (Badie, 2000: 79). The maintenance of the ‘non-West’ in the condition of Jackson’s ‘negative sovereignty’ worsens both ‘the effects of distance between the center and the periphery within the international system’ as well as the relationships of dependence between the core and peripheral states by weakening the authority of the state ‘thereby increasing their propensity to seek the status of client to the states in the center’ (ibid: 80). The need to maintain this juridical fiction of statehood thereby legitimises interventions to negate the fragmentation of ‘the decomposition of the internal functioning of peripheral societies’ (ibid), either as a result of failure of resources or political cohesion.

The rehabilitation of states under the PRSP framework, organised around dependence on external resources, resonates with the logic of asymmetrical sovereignty and the embedded paternalism of ‘international cooperation’ therein. The conceptual premise and operational framework of the PRSP approach therefore reflect a continuity with the legacy of international law as forged in the colonial confrontation and represent the most recent example of how Anghie’s ‘dynamic of difference’, as manifested contemporarily in Tarullo’s ‘myth of normalcy’, continue to serve as mechanisms for revising third world engagement with international law.

## **2.2. Institutions of Postcolonial Governance:**

### **The Bretton Woods System**

The binary constructions of ‘order ‘ and ‘disorder’ and ‘positive’/‘negative’ sovereignty in international law necessitated, as discussed above, the establishment of institutional structures to support the management of third world states’ entry into and participation in the international legal order, including the maintenance of the aforementioned systems of representation. The birth of the Bretton Woods institutions must therefore be located in the context of this ‘unique relationship between international institutions and the non-European world’ (Anghie, 2002: 625), requiring the development of technologies aimed at ‘developing, refining, reinforcing,



reproducing and managing this model of statehood and sovereignty’ (Anghie, 2000: 289).

Consequently, it follows that the efficacy of the PRSP framework in managing the participation of postcolonial states in the global economy is centred upon the historical influence of the World Bank and the IMF on these states. The evolutionary (but not necessarily linear) progression of modalities of development financing towards the PRSP approach must therefore be situated within the postcolonial political economy of aid and the centrality of the BWIs to this system of resource mobilisation and transfer.

Since their inception in 1947, the World Bank and the IMF have served as pivotal institutions mediating postcolonial states’ engagement with the international economy and with the international legal mechanisms sustaining such engagement. Both the Bank and the Fund have, particularly in the last three decades, served as powerful intermediaries between postcolonial states and their imperial metropolis<sup>11</sup>. Due to their formidable institutional leverage, the BWIs have, crucially, acted as conduits for the transmission of the aforementioned narratives of normalcy, seeking to contain and manage the difference located between the oppositional representations of the two worlds and at the same time, providing the organisational framework through which these narratives may be transformed into operational norms and institutions.

### 2.2.1. Legacies of the Colonial Encounter

The force of the World Bank and the IMF resides in their unique governance structure which remains fundamentally different and separate from that of the United Nations and other UN specialised agencies, even though the institutions are formally incorporated as ‘specialised agencies’ under the Charter of the United Nations<sup>12</sup>. Reflecting the geo-strategic and economic imperatives of the immediate

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<sup>11</sup> While not explicit at the outset, this role has expanded over time (see discussion below). Since the collapse of the Berlin Wall in 1989, the BWIs have also assumed the key responsibility for mediating the rehabilitation of ex-Communist bloc countries, notably in eastern Europe, into the neoliberal economic order as well.

<sup>12</sup> **Article 57 of the UN Charter 1945** provides that inter-governmental organisations, having responsibilities in ‘economic, social, cultural, education, health and related areas’ may be brought into a



postwar period, the current governance structure of the Bank and the Fund continue to operate on an anachronistic decision-making framework favouring the powerful former imperial powers and marginalising the economically weak and politically peripheral postcolonial states. While both institutions justify their autonomy from the UN system on the grounds that each of them is ‘required to function as, an independent organization’<sup>13</sup>, neither of these institutions are truly ‘independent’ nor ‘international’ in character.

Although there is a limited equalising provision in the decision-making structures of the World Bank and the IMF in which each member state is allocated a basic share of votes, the voting power of each member is contingent primarily upon how much weight the country’s economy carries in the world economy (Buirra, 2005; Woods, 2006: 22 – 24)<sup>14</sup>. This relative economic weight is then reflected in assigned quotas for each member which is then translated into ‘a share of contributions and votes (and in the IMF, access to resources)’<sup>15</sup>, resulting in the US possessing the largest share of votes (and effective veto power), followed by four other G7 countries, Japan, Germany, France and the UK (Woods, 2006: 22)<sup>16</sup>.

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relationship with the UN under **Article 63 of the Charter**. **Article 63** authorises the Economic and Social Council (ECOSOC) to enter into agreements with these agencies and coordinate the activities of these agencies in consultation with the General Assembly and UN members. The **Agreement between the UN and the IMF** and the **Agreement between the UN and the IBRD 1947** (hereinafter known as the ‘Relationship Agreements’). Agreements between the UN and other members of the World Bank Group, such as the IFC in 1956 and the IDA in 1961, are governed by similar provisions to that of the UN-IBRD agreement.

<sup>13</sup> **Articles 1(2) of the Agreement between the United Nations and the International Bank for Reconstruction and Development 1947** and the **Agreement between the United Nations and the International Monetary Fund 1947**.

<sup>14</sup> See **Article V, Section 3(a) of the IBRD Articles of Agreement** and **Article XXII, Section 5(a) of the IMF Articles of Agreement**. The IDA has a slightly different voting structure in which members are accorded 500 membership votes plus an additional vote for every US\$5,000 of their initial subscription (Article Vi, Section 3(a) IDA Articles of Agreement). This was reviewed during the Third Replenishment negotiations and voting rights now take into account the cumulative financial contributions of IDA creditor (known as Part 1) countries although the basic votes of borrower (or Part II) countries are maintained through a increase in subscriptions at a nominal rate (IDA, 2001a: para 11; Shihata, 2000a: 585 – 589; also see discussion below).

<sup>15</sup> In the IMF, each member receives, in addition to the 250 basic votes, one vote for every US\$100,000 (or subsequently for every SDR 100,000) of quota while in the Bank, each member receives an additional vote for each share of stock (valued at US\$120,635 per share) held by the country on top of the 250 basic votes (Woods, 2006: 22 - 24; see also Buirra, 2005: 9).

<sup>16</sup> The US currently holds 17.08 percent of the total voting power in the Fund and 16.39 percent in the Bank – followed by Japan (6.13/7.86), Germany (5.99/4.49), France (4.95/4.3) and the UK (4.95/4.3) (IMF, 2006a; IBRD, 2006a). G7 countries collectively hold around 45 percent of the total votes in both institutions and the combined share of the European Union countries stand as high as 32 percent while African countries as a whole only wield slightly less than six percent of the overall total (Buirra, 2005: 10, Table 1; Van Houtven, 2004: 19).



The controlling influence of these countries at the BWIs is reinforced by the representation structure of the Bank and Fund Executive Boards, the main decision-making organ of the BWIs<sup>17</sup>, in which only the largest five countries (plus China, Russia and Saudi Arabia), are represented individually by a single Executive Director (ED) appointed by their countries. Other members are grouped into 16 constituencies reflecting the relative strength of their members and elect an Executive Director between them. Consequently, the countries most subject to Bank and Fund interventions, including, especially, the low-income countries subject to the PRSP framework, have the least voice. Sub-Saharan African (SSA) countries, representing 25 percent of the membership and making up the majority of PRSP countries are particularly marginalised. Forty-four SSA countries are represented by only two Executive Directors and wield a mere total of 4.4 percent of the total voting power in the IMF and slightly under two percent at the Bank (IMF, 2006b; IBRD, 2006b; Rustomjee, 2005: 23 -24).

The disenfranchisement of developing countries at the BWIs is further magnified by the asymmetrical manner in which countries are represented by the Executive Directors. Employed as officials of the Bank and the Fund and funded by the two institutions, Executive Directors are theoretically responsible to their institutions and not to individual member states and are not obliged 'to defer to the view of his or her member states nor cast votes in accordance with their instructions'<sup>18</sup> (Brown, 1992: 105 – 107; Shihata, 2000a: 653 – 656). In practice, the system favours single-country constituencies where Executive Directors are *appointed* by countries they represent and are almost likely to take instructions from their capitals<sup>19</sup>. Executive

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<sup>17</sup> Constitutionally, the highest decision-making bodies at the Bank and the Fund are the respective Boards of Governors, comprised of the finance ministers, central bank governors or other high-ranking government official of all member states. However, the governors may (and have) delegate the exercise of their powers to the respective Executive Boards, except those powers reserved exclusively for the Board of Governors (Article V, Section 2(b) IBRD Articles of Agreement; Article VI, Section 2(b) IDA Articles of Agreement; and Article XII, Section 2(b) IMF Articles of Agreement). Two committees of governors have also been created in each institution, the Development Committee for the Bank and the International Monetary and Financial Committee (IMFC) (previously the Interim Committee) for the Fund with a similar composition to that of the respective Executive Boards to provide greater political oversight of the institutions.

<sup>18</sup> According to Brown, the Bank's (and by extension, the Fund's) Articles of Agreement can be interpreted as providing that 'it is the members who have the voting power but it is the Governors and/or the EDs who are actually entitled to cast the votes of those members' (Brown, 1992: 107).

<sup>19</sup> The United States ED's office in particular acts almost like an arm of the US government with US federal law entitling such executive directors to all benefits accruing to US civil servants ((ibid: 108) and the US Treasury oversees and vets all decisions undertaken by the US Executive Director. US Executive Directors at multilateral development banks (MDBs) are also bound by a number of



Directors *elected* in group constituencies on the other hand are not able to split the votes in his or her constituency to reflect the differing views of member states (ibid: 656). This particularly marginalises developing countries in mixed constituencies where the Executive Director is almost likely to be from an industrialised member country.

Moreover, in spite of this complicated voting structure, decisions at the Bank and the Fund do not involve a formal tally of votes. Instead, they are made through an ascertainment of ‘the sense of the [Board] meeting’ by the Bank president or the IMF’s managing director as chairs of the respective Executive Boards, although this ‘sense’ must be a position that ‘is supported by Executive Directors having sufficient votes’ (Van Houtven, 2002: 23; see also Shihata, 2000a). Consequently, both the chair of the Board and sufficiently influential Executive Directors can – and frequently do – have significant impact on the decisions taken at the Executive Board (see Van Houtven, 2002: 24), more so when BWI convention dictates that the Bank President is appointed by the US and the IMF Managing Director by the European members, once again reflecting anachronistic postwar alliances.

The porousness of the Bank and Fund’s governance structure to political pressure is reflected in the policy shifts of the institutions over the years, including the decision to implement the PRSP framework<sup>20</sup>. As will be discussed in Chapter Three, the impetus for the PRSP initiative came not from the south but from a constellation of political and economic forces in the north and the decision to operationalise the framework was adopted in spite of opposition by representatives of the low-income countries affected on the Bank and Fund Executive Boards (see section 3.3).

### 2.2.2. Aggravating Asymmetry

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Congressional legislation to vote in accordance to the relevant legislative provisions in pursuit of US political and economic interests. For example in opposing financing by the MDBs ‘if it will establish or expand production for export of certain agricultural commodities ... and thereby cause injury to US producers of the same or competing products’ (Brown, 1992: 204 – 205).

<sup>20</sup> The PRSP initiative may also be viewed as part of a larger UK government-driven – or more specifically, UK Treasury-driven – campaign on Africa, particularly in relation to debt relief and aid, operationalised at the Bank and the Fund largely as a result of the UK Chancellor Gordon Brown’s chairmanship of the International Monetary and Financial Committee (IMFC), the political oversight committee of the Fund. Meanwhile, the Bush administration’s policy stamp at the World Bank is clearly marked by recently appointed president Paul Wolfowitz’s push for governance and anti-corruption measures to be instituted as part of the operational policy of the World Bank Group.



Over the six decades since their inception, the governance asymmetry at the World Bank and the IMF has been exacerbated through a series of manoeuvres by the powerful states to strengthen their influence at the BWIs and to block institutional reforms called for by developing country members. These interventions have also resulted in the *de facto* cartelisation of development financing by the Bank and the Fund as financier countries chose to channel multilateral financing through the institutions over which they have greater leverage.

Firstly, the limited voice and vote of developing country members have been further eroded through unbalanced quota reviews over the years. Quota increases at the Bank and Fund have not reflected the increasing economic strength of developing countries, particularly emerging market economies, in the world economy – exacerbating comparative voting anomalies so that, for example, Brazil’s quota is two-thirds that of Belgium and China’s quota is smaller than Italy’s (Van Houtven, 2004: 19). Quota reviews have also failed to revise the number of basic votes, resulting in the decline of basic votes relative to total votes from 11.3 percent in the 1970s to 2.1 percent today<sup>21</sup> (Buir, 2005: 9; Van Houtven, 2004: 19; 2002: 6).

Secondly, and more importantly for the purposes of this thesis, is the creeping bilateralism at the BWIs which has undermined the initial objectives of multilateralism, however circumscribed. Central to this development has been the introduction of donor-driven concessional windows at the Bank and the Fund, primarily the IDA and the ESAF, now the PRGF, the operations of which centre around the PRSP framework. Although the original financing structure of the BWIs – notably through market-based lending at the Bank<sup>22</sup> and capital subscriptions at the

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<sup>21</sup> Current efforts to increase the ‘voice and vote’ of developing country members at the IMF will contribute little to reforming this system of representation based on economic strength. The reforms have only seen immediate ad-hoc quota increases for four major middle-income countries – China, Mexico, South Korea and Turkey – with further quota increases proposed for a yet unnamed number of countries pending a review of the existing quota formula and an increase in the basic votes to maintain the current voting power of low-income member states in light of these increases (see IMF, 2006d). These proposals have been criticised by a number of developing countries – notably Argentina, Brazil, Egypt, and India who voted against the proposal in a recent resolution – for failing to guarantee the enlargement of voting share of developing countries as a whole and for failing to guarantee such comprehensive reform (see Khor, 2006).

<sup>22</sup> Founded by the paid-in capital subscriptions of its members, the IBRD raises financial resources from investments on the international capital markets, drawing upon the callable capital of its members (representing 90 percent of capital subscriptions) as guarantees, as well as through retained earnings and loan repayments while the IMF relies on the capital subscriptions of its members and the General Arrangements to Borrow (GAB) and the New Arrangements to Borrow (NAB) which



Fund – rendered them relatively immune from political pressures (Woods, 2006: 23), the establishment of these concessional windows have drastically eroded this financial autonomy. The periodic replenishment requirements of these concessional facilities have enabled the major shareholding countries of the Bank and Fund to exert leverage over the policies of the Bank and the Fund outside the formally constituted decision-making framework and enabling the bilateral interests of these financiers to be cloaked in the veneer of multilateral policymaking.

The creation of the IDA with its short three-year replenishment cycle, in particular, has enabled the US to significantly influence not only the policies of the Association but also those of the World Bank Group as a whole (Kapur, 2003: 7; Shihata, 2000a: 564; Woods, 2006: 28 – 29). Substantial expansion of the Bank's mandate has come about as a result of IDA replenishment negotiations carried out by the 'IDA Deputies', representatives of creditor (or Part 1) countries involved in replenishment discussions, bypassing formal channels of decision-making and thereby excluding representatives of developing countries<sup>23</sup>. The US has repeatedly 'used threats to reduce or withhold contributions to the IDA in order to demand changes in policy' at the World Bank (Woods, 2006: 28), a policy which has now been imitated by other IDA creditor governments, albeit to a lesser degree. Such operational policy reform impact upon the relationship between the World Bank and its borrowers and are often reflected in more onerous conditions for financing.

Bilateral influence at the World Bank has also further increased as a consequence of the Bank's use of co-financing instruments and trust funds which are managed and administered by the Bank in collaboration with an external donor<sup>24</sup> as well as the creation of debt relief trusts, notably the HIPC and the new MDRI Trusts. The introduction of the ESAF, now the PRGF, and the equivalent debt relief trust funds – the PRGF-HIPC and PRGF-MDRI Trusts – at the IMF also create a

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enables the Fund to borrow from select members to finance drawings from other members (see Woods, 2006: 24; 31).

<sup>23</sup> The extent to which the IDA Deputies now control policymaking at the Bank has been criticised by its former Bank general counsel, the late Ibrahim Shihata. He argued that attaching policy conditions to IDA replenishments circumvents official governance arrangements by allowing policy decisions to be 'practically predetermined by IDA Deputies' – who 'are not an organ of the IDA in any formal sense' – instead of being freely considered by Executive Directors who are duly appointed or elected by members (Shihata, 2000a: 567 – 568).

<sup>24</sup> These co-financing arrangements and trust funds, which include the Poverty Reduction Strategy Trust Fund (PRSTF) that funds PRSP-related activities, give donors 'much more direct control over the resources used' (Woods, 2006: 29) and undermines cohesive policymaking at the Bank.



corresponding problem of bilateralism at the Fund in that resources for such funds must be mobilised elsewhere but that conditions attached to financing from these trusts are implemented by the IMF in IMF member states<sup>25</sup>

Consequently and thirdly, the leverage exerted bilaterally by their most powerful members has resulted in extending the influence of the Bretton Woods institutions into areas outside their original constitutional remit. Significant institutional reforms have been formulated during the IDA replenishments as a result of donors making such changes a prerequisite for IDA contributions. Most notably, since the Ninth Replenishment, issues of institutional policy, including Bank operational policies and management of Bank activities have ‘become a fundamental element’ in the IDA replenishment negotiations<sup>26</sup> (IDA, 2001a: para 13; Kapur, 2003: 2 – 3), including policies which led to the inception of the PRSP framework. This ‘mission creep’<sup>27</sup> has correspondingly increased the institutions’ leverage over third world states and has progressively bolstered the role of the IMF and the World Bank in facilitating north-south financial flows, notably but exclusively, that of official financial transfers.

Moreover, as financing for PRSP countries is drawn exclusively from the IDA, the PRGF and the relevant debt relief trusts, much of the operational decisions affecting these countries are likely to be made in these bilateral forums with little or no input from the countries affected by such policy shifts. Instead, the structure of the Bank’s MDRI Trust which remains premised on the IDA replenishment model – that is, the debt relief allocated to eligible countries is contingent upon periodic donor contributions (IDA, 2006: para 42)<sup>28</sup> – ensures that the terms of financing for debt

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<sup>25</sup> For example, the locus of the HIPC initiative and the MDRI was at the G 7 summits of 1999 and 2005 but the modalities for these instruments were developed at the Fund (see Chapter Three).

<sup>26</sup> This includes the incorporation of environmental safeguards in IDA (and subsequently IBRD, IFC and MIGA) operations (Ninth and Tenth Replenishments) as well as the inclusion of governance-related conditionalities (GRCs) which were pushed through by donors during the 12th IDA replenishment in 1998 (IDA, 2001a: paras 14 – 17; Kapur and Webb, 2000: 3).

<sup>27</sup> The concept of ‘mission creep’ is often used to describe the progression of the World Bank and IMF activities over the years. Babb and Buira define ‘mission creep’ as ‘the systematic shifting of organizational activities away from original mandates’ (Babb and Buira, 2004: 2)

<sup>28</sup> According to IDA, ‘additional resources for financing the costs under the MDRI will be added to IDA’s resources broadly following the established procedures for regular IDA replenishments. Donors will contribute the additional resources under Instruments of Commitments, which will be amended over time to reflect updated cost estimates as well as additional donor financing commitments as these become available’ (IDA, 2006: para 42). The crucial factor here is that the resources allocated for cancelling an eligible country’s debt service for any given year will be deducted from the country’s total allocated IDA allocation for the year and any additional donor resources will be allocated to countries according to their performance under the IDA performance-based allocation



relief-eligible countries will remain contingent upon negotiations between the IDA Deputies as opposed to discussions at the Executive Board level.

### 2.2.3. Monopolising the Forum

The decision to retain the organisational independence of the Bretton Woods institutions from the UN system<sup>29</sup> and the maintenance of the aforementioned governance structure favouring a small cartel of industrialised countries has had significant implications for global economic policymaking and international economic and financial regulation. The increasing encroachment of the Bank and Fund into areas outside their traditional remit has meant the emergence of the Bank and the Fund as the primary global institutions for social and economic development and regulation with the treatment of their additional mandates subject to the political and economic interests of their major shareholders.

At the same time, the influence of the UN economic agencies have been progressively weakened, with these organisations' capacity in economic research, policy formulation and international economic negotiations eroded through financial and other pressures brought to bear on these agencies and their personnel by industrialised countries (South Centre, 1996). The coinciding of the expansion of the BWIs' work programmes with the reduction in the UN's role in economic policy agenda setting represented a slow but sure 'transfer of power' from the UN agencies to the World Bank and the IMF (ibid: ch 8) who are shielded from the UN's relatively more representative governance structure by virtue of their specific Relationship Agreements (see section 2.2.1 above).

According to the South Centre<sup>30</sup>, the policy positions adopted by northern countries vis-à-vis these agencies have been driven by more than budgetary concerns and represented 'consistent efforts to discourage and diminish the South's collective

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(PBA) system (ibid: para 31; see also Chapter Four; for further details on the PBA system), making future financing contingent upon the implementation of 'performance criteria' set by the IDA, primarily through the IDA replenishment negotiations.

<sup>29</sup> And hence from the more rigorous scrutiny of the more representative UN General Assembly.

<sup>30</sup> The South Centre is an inter-governmental organisation established by developing countries following on from the work of the South Commission, to mobilise expertise, policy support and collective action for southern states at the international level. See South Centre website: <http://www.southcentre.org/ASouthIGO.htm> (1 March 2007).



action, and to limit key economic activities and initiatives within the UN system', thereby 'eroding and weakening those organizations which were *not fully under the major powers' control*' (ibid: ch 2, emphasis added). As a result, the UN agencies, including other specialised agencies, which have comparative advantage over economic research and social and development policies and in poverty reduction and humanitarian relief, such as the Food and Agriculture Organisation (FAO), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP) and the World Health Organisation (WHO), have been increasingly sidelined in the shift of these issues to the Bank and the Fund.

More importantly, there has been a concerted effort on the part of northern states to undermine the regulatory powers of the UN, particularly in extinguishing efforts to develop regimes for transnational economic regulation within the ambit of the UN system. The stalled attempts at mobilising a New International Economic Order (NIEO) <sup>31</sup> in the late 1970s and early 1980s and the collapse of the international commodity agreements – coordinated under the auspices of UNCTAD – in the 1980s are illustrative of efforts by the industrialised countries to reassert hegemony over postcolonial states by shifting the regulatory forum for negotiations on international economic issues.

This progressive undermining of more democratic and inclusive regulatory forums cognisant of the needs and interests of postcolonial states, particularly in the last 20 years, and the corresponding rise of the Bank and Fund as institutions of governance, as opposed to merely financial institutions, is reflective of the significant 'forum shift'<sup>32</sup> of the northern states towards regulatory regimes favourable to the interests of not only metropolitan capital but global capitalism in itself. The centrality of the BWIs under the 'new architecture of aid' – in terms of administering the PRSP framework and debt relief mechanisms as well as providing concessional finance – has further marginalised the role of the UN economic agencies, notably UNCTAD

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<sup>31</sup> The NIEO or 'New International Economic Order' represented a concerted effort by the newly-independent states to assert their rights for a more equitable and redistributive global economy which dispenses with the pre-existing framework of colonial extraction and exploitation of the developing world. See discussion in Chapter Three, section 3.2.1.

<sup>32</sup> See Chapter One, section 1.3 for a description of 'forum shifting'.



and the UNDP, from key roles in the social and economic organisation of these countries.

### **2.3. Managing the Third World: The Bank and Fund in Postcolonial Governance**

The asymmetrical governance framework of the World Bank and the IMF, replicating colonial power relations and privileging the industrialised countries of the north, has resulted in the creation of a formidable apparatus of governance and management of the third world. The role played by the World Bank and the IMF in sustaining the imperial character of postcolonial international law has been twofold.

Firstly, the institutions have intervened to rehabilitate, internally, the postcolonial state in the process of bridging or normalising the ‘difference’ among states and thereby sustaining the logic of ‘normalcy’ in international relations. Secondly, the BWIs have served to manage the third world’s engagement in the international order through organising the terms of their participation in the global economy and administrating their economic relationships with the north, both official and commercial. Not only have the Bank and Fund established themselves as repositories of knowledge about the third world, with increased regulatory powers, these two institutions have effectively marshalled this knowledge into controlling the participation of developing countries in the international system.

#### **2.3.1. Bridging the Dynamic of Difference**

One of the key mandates of the World Bank and the IMF in developing countries in the postcolonial period, as alluded to at various stages of this thesis, has been the containment of ‘difference’ between states and the modernising imperatives to efface structures of socio-political and economic organisation incommensurate with the logic of postcolonial economic relations and, in the past three decades, with the logic of neoliberal globalization. The transformation of these societies and the erasure of different systems of social and economic organisation were critical to the sustenance

of the postcolonial international relationships in pursuit of neocolonial economic expansion.

As discussed in section 2.1, the problematisation of poverty in the postcolonial period created new regimes of representation in which racialised constructions of identities of ‘Self’ and ‘Other’ forged in the colonial confrontation have been recast in the modernist discourse of development. These powerful regimes of representation, defined by Doty as ‘the ways in which the South has been discursively represented by policymakers, scholars, journalists and others in the North’ (Doty, 1996: 2), are central to the development of techniques of discipline and incorporation in the postcolonial period.

This ‘body of theory and practice’ – Said’s ‘Orientalism’ – sustained through generations of ‘considerable material investment’ and systemised into ‘an accepted grid for filtering though the Orient into Western consciousness’ (Said, 2003: 6) has been effectively deployed in the postcolonial era to maintain exploitative relationships between the north and south. The problematisation of ‘poverty’ and ‘underdevelopment’ in postcolonial states therefore necessitated the production of a ‘science’ of ‘developmentalism’ which inserts ‘into a regime of thought and practice’ about the third world ‘certain interventions for the eradication of poverty [that] became central to the world order’ (Escobar, 1995: 21 – 24).

The BWIs have been instrumental in developing this ‘science’ of development and in sustaining such practices of representation through the organisation and dissemination of particularised and essentialised knowledge and meanings about the developing world and about the structure of the global economy. Over the years, the Bank and the Fund have progressively reserved for themselves the task of gathering, disseminating and most importantly, gatekeeping, the information about and for developing countries. This includes naturalising knowledge about certain types of socio-economic development and political organisation, and classifying countries’ involvement in the international arena in accordance to the adherence to such



naturalised understandings of the domestic and international economy and the role of developing countries within it<sup>33</sup>.

And while the organisation of such knowledge was primarily linked with the disbursement of financial resources by the institutions themselves in their early period, the emergence of the BWIs as ‘development agencies’ since the 1970s have extended the discursive reach of the Bank and Fund’s narratives on development and financial and economic organisation. In other words, where previously the generation of financial and economic knowledge about their borrowers have been confined to what is necessary for institutional fiduciary assessments of project loans (for the Bank) and for access to counter-cyclical financing (for the Fund)<sup>34</sup>, the expanded mandates of the two institutions have resulted in a wider and much more influential role for the production of such information and generated an expansion in the coverage of the information gathered and disseminated.

### *Banking on Knowledge*

The Bank’s role in knowledge production and dissemination is particularly extensive as it is intensive, encompassing a wide range of research work, analytic and advisory services and capacity building programmes. This knowledge dissemination role is critical to developing the Bank’s reputation as a development agency, more so than its financing operations. The ideas generated by the Bank in this capacity, along with information emanating from the Fund, are extremely influential in shaping the development trajectories of its borrowing members as they are often ‘vital in providing roadmaps for policymakers contemplating change’ (Woods, 2006: 4) as well as providing key signalling to other official financiers and private markets<sup>35</sup>.

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<sup>33</sup> According to Doty, the rhetorical strategies of ‘naturalisation’ and ‘classification’ are central to the disciplinary power of discursive practice – where ‘naturalisation’ serves to construct a presupposed reality, creating ‘background knowledge that is taken to be true’, the strategy of ‘classification’ establishes hierarchies of belonging in accordance to observance with such naturalised conduct, often serving ‘to naturalize by placing human beings into the categories in which they ‘naturally’ belong’ (Doty, 1996: 10).

<sup>34</sup> For more on the expansion of the Bank and Fund’s original mandate, see Chapter Four and detailed accounts in Akyüz (2004) and Tan (2006a).

<sup>35</sup> A Bretton Woods Project report, for example, cites a World Bank 1999 report highlighting the widespread reach of the Bank’s analytic work: 84 percent of 271 high-level policymakers in 36 developing countries and transition economies surveyed said they used the Bank’s analytical reports and rated the Bank as ‘the most important information source of a list of domestic and international organisations’ (Wilks, 2004: 1). According to the Bank itself, the institution delivered 694 economic and sector work (ESW) ‘products’ and 351 technical assistance ‘products’ in 2005 (World Bank,



The unparalleled access of the Bank to ‘rare, privileged and sensitive cache of country level information’ on its diverse areas of work (Guttal, 2004: 200) not only lends legitimacy to its narratives but also gives it an enormous advantage over alternative discourses. Diagnostic economic and sector work (ESW) instruments, work in powerful ways to contain the aforementioned dynamic of difference by establishing the threshold of the ‘norm’ and by reviewing the extent of countries’ departure from such ‘norms’ in order that such ‘aberrations’ may be confronted and redressed. These analytical tools, constituting wide-ranging assessments and reviews of a country’s economic, financial and governance systems<sup>36</sup>, not only generate an enormous amount of data on the Bank’s borrowing members, they also evaluate countries’ social, political and economic systems in accordance with the criteria established by the Bank and the geo-strategic and economic interests which underpin these criteria<sup>37</sup>.

This process of reproducing the discursive dichotomies of difference is reinforced by the Bank’s technical assistance and capacity building work to promote the internalisation of the aforementioned norms of social and economic organisation. As Stone and Wright note: ‘Part of the mission of the World Bank is to conduct research and produce new ideas to inform policy, as well as to spread knowledge about best practices and persuade client countries and other stakeholders of the validity of such knowledge’ (Stone and Wright, 2006: 9).

### ***Policing the Financial System***

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2005p) and an external evaluation of the Bank’s research noted that the institution’s researchers and consultants produced over 4,000 reports and papers between 1998 and 2005 (Banerjee et al, 2006: 3).

<sup>36</sup> Such as poverty and social impact assessments (PSIAs), public expenditure reviews (PERs) and country financial accountability assessments (CFAAs). These instruments focus respectively on reviewing countries’ poverty policies, evaluating public expenditure management, and review the regulatory framework of public and private sector financial management (World Bank, 2006). Other diagnostic instruments include institutional governance reviews which ‘focus on the functioning of key public institutions and *how to reform them*’; financial sector assessment programme reports ‘which assess financial systems and *help design appropriate public policies*’; country environmental analyses ‘which analyze countries’ environmental problems and *help devise responses*’ and country infrastructure framework reports ‘which assess infrastructure and *outline investment needs and priorities*’ (World Bank, 2006, emphasis added).

<sup>37</sup> For example, the Bank’s country procurement assessment reviews ‘diagnose whether a country’s procurement system and practices *meet acceptable international standards of openness and accountability*’ (World Bank, 2006).



Although the IMF's role in such knowledge production is much less extensive than the Bank's, the information generated by the Fund is much more influential. However limited in comparison, there remains significant competition for the ideas generated by the Bank's vast knowledge machinery from other multilateral development organisations, such as regional development banks and the UN development agencies, and from bilateral development agencies, think tanks and research institutions. There remains little counterweight to the specialised information collated and generated by the IMF, particularly in its capacity as supervisor of the international financial architecture. Furthermore, like the World Bank, the Fund is privy to highly sensitive and confidential financial information of its member states, particularly the developing country members which draw on its resources, and its analysis on the domestic policies of these members are often key determinants for these countries' access to official and private financing<sup>38</sup>.

Central to the discursive power of the IMF is its surveillance work under **Article IV** of its constitution<sup>39</sup> which gains the institution entry to key financial and policy records of member states and accords it with the power to translate the harvested data into the 'technical' knowledge upon which these countries are represented in the world economy. Consequently, like the Bank, the Fund uses its privileged access to information about its members to construct representations about these countries and reproduce entrenched meanings about the structure of the world economy and the role of these countries within it.

The organisation of such information by the Fund therefore rearticulates the dichotomies of 'civilisation' and 'primordialism' by classifying countries in accordance with their adherence to the strictures of the neoliberal postcolonial economy. The Fund's oversight responsibilities, and consequently the amount of data it generates and the meanings it reproduces, have expanded greatly in the last decade, encompassing not only issues under its original mandate of surveillance but also

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<sup>38</sup> As will be discussed in following chapters, this gatekeeping role extends even to World Bank financing which are contingent upon a satisfactory macroeconomic assessment from the Fund.

<sup>39</sup> The Fund's annual bilateral surveillance of its members include assessments of countries' exchange rate, fiscal and monetary policies; financial sector issues, including reviews under the Financial Sector Assessment Programme (FSAP); risks and vulnerabilities arising from the countries' exposure to international capital flows; and domestic institutional and structural policies, including countries' adherence to 'internationally recognized standards and codes *in areas crucial to the efficient functioning of a modern economy*' (IMF, 2006c, emphasis added).



assessments of countries' compliance with other international regulatory norms. The institution's work on standards and codes – evaluating countries' compliance with international regulatory standards<sup>40</sup> – is particularly illustrative of the contribution of the IMF's discursive role in maintaining the 'myth of normalcy' – premised on adherence to fundamental principles of capitalist regulation – in the international financial system.

The Bank and Fund's near-monopoly of information on critical aspects of social and economic development and financial issues has led to a crowding out of alternative voices on many issues of critical import to its developing country members, particularly those from low-income countries for whom other sources of information remain either prohibitively expensive or linguistically inaccessible. As Guttal observes, these institutions, backed up by 'immense financial resources' create a 'giant 'knowledge monopoly', edging out competition from alternative perspectives, analyses and ideas' (Guttal, 2004: 204). The 'epistemic' role of the Bretton Woods institutions is reinforced by their leverage as 'lenders of last resort', providing financing and technical advice in times of crisis (Woods, 2006: 68).

This institutional foray into new areas of work has been driven by a combination of deference to the politically motivated demands of their major shareholders (see section 2.2.1 above) and by the BWIs' own bureaucratic imperative to maintain institutional relevance and legitimacy in the world economy. Therefore, while the impetus to reproduce the dichotomous images of modernity and primordialism may be largely driven by the geo-strategic and economic interests of their industrialised country members, a significant part of this effort may be attributed to the Bank and the Fund's organisational instinct for survival (see Woods, 2006: 4 – 5; also Tan, 2006a).

The maintenance of the aforementioned embedded distinctions between states thus provides political and personal justification for the continued interventions of both institutions in developing countries. Accordingly, while the technical work

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<sup>40</sup> The Fund conducts regular assessments of countries' compliance with any one of 12 areas and associated standards which it considers useful for its and the Bank's operational work, including areas such as banking supervision, fiscal transparency, insolvency and creditor rights, insurance supervision and even anti-money laundering and countering the financing of terrorism (AML/CFT) (introduced in November 2002) (IMF, 2003b: 8, Box 1).



undertaken by the Bank and the Fund are used extensively in support of their policy interventions, these financial data sets and ‘academic’ prescriptions of social and economic development have often been found to be ‘based neither on clear evidence nor on pure expert analysis or predictions’ but instead reflect bureaucrats trying to square political pressures and institutional constraints (Woods, 2006: 4).

Additionally, due to their conflicting interests as financiers and technical advisors to member states, much of the ‘knowledge’ generated by these two institutions has been produced to justify lending practices and changes in operational policies due to shifting political interests (see Guttal, 2004: 200; Woods, *ibid*). In a recently released external evaluation of the Bank’s research from 1998 – 2005, for example, auditors slammed the Bank’s use of its internally generated research ‘to proselytize on behalf of Bank policy, often without taking a balanced view of the evidence, and without expressing appropriate skepticism’, adding that ‘research that was favorable to Bank positions was given great prominence, and unfavorable research ignored’ (Banerjee et al, 2006: 6).

### **2.3.2. Managing the Terms of Engagement**

Having constructed the discursive regime within which postcolonial states need to operate, the BWIs have proceeded to act as interlocutors between these countries and the international community, particularly in respect to their insertion into the global economy and the public and private international law which sustains it. The management of postcolonial states’ entry into and engagement in the international economic and financial system is a critical aspect of the work of the World Bank and the IMF, providing the institutional framework through which the disciplinary technologies sustaining the postcolonial international economy may be applied on states subject to their jurisdiction. As discussed above, the legitimacy for these interventions stem from the regimes of representation which naturalise certain ideas of progress, the lack of which in third world states requires the intercession of the ‘international’ community as embodied by these two multilateral organisations.

Given the institutions’ juxtaposed mandates as financiers in and regulators of the global economy, these institutions have provided the ideal institutional framework



for the management of such postcolonial economic structures and relationships. Firstly, the Bank and the Fund have supplied or facilitated access to the necessary financial resources – both catalytic and compensatory – for the internal reorganisation or rehabilitation of third world states to accommodate the project of development and consequently, the exigencies of neoliberal globalization. Secondly, the institutions have served to manage the conditions of entry and participation of these states in the international economy, not only rationing their access to external economic resources but also organising the terms of such transfers to and from these economies.

#### a) **Financing the Postcolonial Economy**

Implicit in the constitutional mandates of the World Bank and the IMF is acknowledgment of the inherent instability of the international economy and system of social, economic and political organisation into which the institutions were born. The failure of capital markets and the private sector to finance the provision of global public goods and to stimulate developing economies as well as the intrinsic fragility of financial markets prone to cycles of expansion and depression have long served as rationales of official multilateral lending (see Akyüz, 2006) and the imperative to mitigate the effects of unfettered private capital markets was fundamental to the decision to establish the BWIs in 1947.

While originally aimed at regulating postwar economic relations between industrialised countries to prevent recurrence of the economic depression and destructive adjustment policies during the interwar period<sup>41</sup>, the World Bank and the IMF quickly evolved into institutions aimed at managing the insertion of the former colonies of these industrialised countries into the international economy. The inability of the newly independent states to raise sufficient capital for the process of modernisation and incorporation into the international economy necessitated the facilitation of financing for these countries, but on terms that would subject them to the discipline of international capital markets and within the carefully controlled

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<sup>41</sup> This included the prevention of what is commonly known as the ‘beggar-thy-neighbour’ policies in which countries facing balance of payments problems unilaterally undertake deflationary adjustments in their fiscal policies and adopt trade and exchange rate restrictions which resulted in negative externalities affecting other countries (see Akyüz, 2006), raising the propensity for military conflict as happened in the period preceding the Second World War.



parameters of BWI supervision. At the same time, the fragile dependence of these newly integrated economies into the international financial architecture also required the existence of some form of safety net to cushion the effects of market volatility in these states and on private capital.

### *Catalysing Growth*

The catalytic role of BWI financing has been realised through the provision of loans (and later, grants) by the IBRD and subsequently, the IDA and to a limited extent, the IMF through the PRGF, for capital investment in social and economic sectors, as well as through the facilitation of private capital flows. World Bank financing therefore plays a dual role in catalysing market-led growth in postcolonial states – firstly by directly financing development and economic restructuring projects in developing countries and secondly, by creating a conducive environment for private investment through the conditions of its loans and grants. World Bank financing is also aimed at catalysing private capital flows by promoting market discipline among its borrowing members.

The financing of specific projects for ‘reconstruction and development’ enables the Bank, on behalf of the US and other major shareholders, to channel financial resources into sectors of the economy which are conducive for the maintenance of the aforementioned demarcated world economy and to control the conditions under which third world states could organise their economies. Financing large-scale infrastructure and agricultural development projects, including extractive industries and cash crop production, alongside investment in transport and financial service sectors, have enabled the World Bank to assist countries in reorienting their economies towards export-oriented commodity production aimed at servicing northern-based transnational commodity chains at the expense of domestic industrialisation and food security<sup>42</sup>. Meanwhile, the shift from project lending to policy-based lending in the late 1970s and early 1980s enabled the Bank to finance extensive restructuring of third world economies to better facilitate their insertion

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<sup>42</sup> The political economy of these projects and the adverse social and economic impacts of such projects have been well-documented (see for example, Chossudovsky, 1997; George and Sabelli, 1993; Sender, 2002).



and integration into the globalized world economy (see Chapter Three; also section (b) below).

The regulation of borrowing country economies by Bank financing is further reinforced through the terms of such financing. For example, the prohibition against financing local expenditures<sup>43</sup> has, for many years, meant that borrowers could only use Bank resources for *purchasing goods and services from abroad* unless circumstances warrant such financing, preventing the endogenous development of local industries and maximising the utility of local capacity (see Hudson, 2003: 190 – 191; World Bank, 2004j: paras 18 – 22)<sup>44</sup>.

Although this policy has now been relaxed – in terms of allowing greater latitude for financing local expenditures – the Bank remains prudent in authorising such financing, citing macroeconomic considerations, such as inflationary pressures (see World Bank, 2004j, *ibid*). Additionally, loan or grant resources from the Bank are not directly transferred to the borrower but only disbursed against authorised expenditures from a central disbursement account ‘following a very rigid procedure under the strict supervision and control of the World Bank’ (Agarwal, 2000: 7; Article II, IBRD General Conditions for Loans; Article II, IDA General Conditions for Credits and Grants).

Additionally, World Bank financing is viewed as stimulus for private capital flows through the fostering of financial discipline in respective borrowing countries and the accrual of investment ratings for individual countries through their continued debt servicing to the Bank. Hence, although the IBRD extends financing to countries which do not have the requisite financial standing to borrow from international capital markets<sup>45</sup>, these loans are provided under market or near-market conditions.

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<sup>43</sup> Unless justified under ‘exceptional’ (for IBRD lending) or ‘special’ (for IDA lending) circumstances, World Bank loans are denominated in *foreign currencies* to meet the *foreign costs* of the project financed (Article IV, Section 3 IBRD Articles of Agreement; Article V, Section 2 IDA Articles of Agreement).

<sup>44</sup> Hudson, and others like him, have argued that while such currency restrictions have had the positive effect of maintaining financial prudence in borrowing countries – that is, making countries commit substantial amounts of their own resources towards financing domestic expenditure for development projects – it has precluded the development of local industries since capital has to be imported from abroad, such as financing only aspects of agricultural technology that could be imported from more advanced nations (Hudson, 2003: 191).

<sup>45</sup> Article III, Section 4(ii) provides that IBRD loans or guarantees may be extended if ‘[t]he Bank is satisfied that in the *prevailing market conditions* the borrower would be unable otherwise to obtain the



While the **IBRD Articles of Agreement** state that loans should be provided to members on ‘reasonable’ terms (**Article III, Section 4(ii)**) with such terms remaining unspecified<sup>46</sup>, the Bank has consistently applied market-based interest rates to its loans<sup>47</sup> (World Bank, 2003a: paras 1; 4). Furthermore, as IBRD loans are to facilitate the ‘investment of capital for productive purposes’ only (**Article I (i), IBRD Articles of Agreement**), such loans must be ‘capable of generating a financial surplus to amortize the loan and pay interest upon it in a definable time span’ (Hudson, 2003: 191).

Meanwhile, although the IDA was established to provide similar financing on concessional terms to developing countries ineligible for IBRD lending, the **IDA Articles of Agreement** stipulate that such financing should not be extended if members can obtain similar resources from either the IBRD or ‘from private sources on terms which are reasonable for the recipient’ (**Article V, Section 1(c)**).

Both the IBRD and IDA constitutions also stress the supplementary function of World Bank financing, that is, Bank financing should only be ancillary to or supportive of private capital flows and that such financing should be aimed ultimately at facilitating country access to private sources of financing (see **Articles I (ii) IBRD Articles of Agreement; Article V, Section 1(c) IDA Articles of Agreement**; Shihata, 2000b:75 – 76). The creation of the International Finance Corporation (IFC) in 1957 and the Multilateral Investment Guarantee Agency (MIGA) in 1988 to provide loans (IFC) and investment guarantees (MIGA) to the private sector in developing countries further cements this mandate of the World Bank Group.

### *Compensating Losses*

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loan under conditions which in the opinion of the Bank are *reasonable* for the borrower’ (IBRD Articles of Agreement, emphasis added).

<sup>46</sup> Except for the provision that the rates, charges and repayment schedule should be ‘appropriate to the project’ (Article III, Section 4(iv) IBRD Articles of Agreement)

<sup>47</sup> Although repayment terms may vary with the per capita income of the borrower (World Bank, 2003a: paras 1; 30 – 33).



In addition to their catalytic financing function, the Bank and the Fund also play an important role in moderating the excesses of the global capitalist system, primarily in financing the fallout from financial crises, in terms of cushioning the effects of such crises on affected member states but also, more importantly in recent years, in mitigating the effects of such crises on northern private capital and the credibility of the globalized financial architecture.

By providing counter-cyclical financing – that is, providing resources during periods when private capital is unwilling or unable to extend finance – the Bank and the Fund operate to shore up the existing financial system by underwriting the risks associated with reliance on private markets. Such financing, available through IMF drawings and the World Bank's policy-based lending, enables these institutions to compensate for financial difficulties faced by member states as a result of their integration into the global economy. However, while some proportion of the resources disbursed for such purposes may serve as social and economic safety nets in affected countries, the primary objective of such financing is to militate against any moves to radically change the fundamental premise of the postcolonial world economy or the international financial architecture.

Crisis financing by the IMF – through its Stand-By Arrangements (SBAs), Extended Fund Facility (EFF) and the more recently created Supplemental Reserve Facility (SRF)<sup>48</sup> – enables members experiencing balance of payments difficulties, arising from what the Fund classifies either as 'short-term, temporary or cyclical' causes or 'longer-term structural problems' respectively (IMF, 2001b: 10), to draw on the IMF's collective pool of resources to meet its external financial obligations. Originally aimed at providing financing to support domestic economic activity and stimulate local productive capacities in times of global capital market failures, even this mandate of the Fund has evolved over the years to a more retrogressive function of maintaining countries' currency on debt repayments<sup>49</sup>.

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<sup>48</sup> Established at the height of the Asian financial crises in 1997, the SRF in particular was designed specifically to deal with countries experiencing the type of crises resulting from current patterns of financial globalization, that is, those facing 'exceptional balance of payments difficulties due to large, short-term financing need following a sudden and disruptive loss of confidence reflected in pressure on the capital account and the member's foreign reserves' (IMF, 2001b: 42).

<sup>49</sup> As Shihata observed, in relation to the financial crises of the 1980s, '[t]he inability of many middle-income countries to service their commercial bank debt posed a systemic threat to the banking systems of the major developed countries' and necessitated 'a continuous flow of new money to



Accordingly, the IMF's interventions in financial crises now primarily involves 'ad hoc financial bailout operations designed to keep countries current on their debt repayments to private creditors, to maintain capital account convertibility and to prevent default' (Akyüz, 2005: 27). Often, this also involves governments assuming the financial liabilities of the local private sector to foreign investors, converting private debt into public debt and ironically, undermining the true market discipline by encouraging imprudent lending by private investors and creating what economists term 'moral hazard' (Akyüz, 2005: 30). In other words, the IMF's 'overdraft facility' – replenishing government reserves through its own resources and facilitating bilateral lines of credit – 'constitutes a convenient 'social safety net' for the institutional speculator' (Chossudovsky, 1997b).

Mitigating financial crises and balance of payments difficulties associated with the volatile global economy through policy-based lending also enables the BWIs to recast the negative consequences of iniquitous international economic law and financial rules as domestic problems, caused by endemic internal institutional or policy failures which require 'structural adjustment' rather as systemic failures requiring a radical revision of the rules of global finance and international trade. Consequently, the provision of much needed financing during periods of crises by the Bank and the Fund obscures what Biel terms 'NIEO-style-demands to change the system itself' and so reducing policy solutions to a question of adaptation of domestic institutions to the global system and providing 'pre-emptive' financing to compensate local political elites from the economic fallout of the crises and mitigating 'the poverty which encouraged revolution' against the system (Biel, 2000: 233).

## **b) Managing Participation in the Postcolonial Economy and International Legal Order**

One of the most significant outcomes of the third world's reliance on financing from the Bretton Woods institutions and from BWI-linked resources, as will be alluded to throughout this thesis, has been the appropriation of domestic policy space by these two institutions, including the circumscription of state regulatory authority. A

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debtor countries in order to ensure that they remained current on their interest payments' (Shihata, 2000b: 362).



corollary of such a requisition has been the curtailment and/or containment of states' autonomy in managing their external relations with other members of the international community. As discussed above, the discursive regime established by the World Bank and the IMF and the accompanying conditions of resource dependency create a powerful regulatory forum through which the major shareholders of the institutions – the northern, metropolitan states – can oversee the insertion of these economies into the international economy and hence, supervise their relationships with northern capital.

These interventions have been facilitated by the consolidation of the use of 'conditionality' as a default regulatory instrument between the BWIs and their borrower, a development which has accorded the Bank and Fund and, by extension, their most powerful shareholders, greater autonomy over borrowing countries and which has progressively entrenched the BWIs as regulatory domains as opposed to functioning purely as financial institutions (see Chapter Four).

### *Adjustment Conditionalities*

The terms of structural adjustment lending – and to a large extent, the conditions of crisis financing – have enabled the World Bank and the IMF to facilitate the internal regulatory reforms necessary for states' integration with other international regulatory fora, notably in international trade and finance. The extensive restructuring of domestic institutions and regulatory policy through structural and sectoral adjustment conditionalities have resulted in the Bank and Fund's effective management of borrowing countries' external trade and financial policies. The impact of these reforms have been a collective undermining of developing countries' negotiating strength within the multilateral (and some bilateral) fora as a result of concessions undertaken unilaterally by these countries under the auspices of Bank and Fund adjustment programmes.

Two important reforms wrought by structural/sectoral adjustment and/or economic stabilisation programmes by the Bank and the Fund on developing countries in the past three decades have been the progressive liberalisation of the domestic trade and financial regimes to facilitate greater integration of countries into the global



economy. In particular, the drastic reduction and elimination of trade barriers and the removal of controls on capital flows in countries subject to economic reform programmes of the Bank and the Fund have meant that the pace and sequencing of these countries' entry into the international trading and financial system has been determined less by national economic geo-strategic needs than by the dictates of financing conditionalities and the imperatives of global capital. The BWIs thus mediate the engagement of their borrowing members' in the world economy through determining the conditions under which these countries can and should engage in cross-border movement of trade and financial capital.

This development has had two major impacts on affected countries. Firstly, the rationalisation of trade and finance regimes under structural adjustment have created what Chimni has referred to as '*a functional unified global economic space* for the operation of transnational capital' through the 'prescription of uniform global standards' (Chimni, 2004: 6 -7; 9). In presiding over the economic restructuring of countries undergoing structural or sectoral adjustment programmes, the Bank and the Fund have been able to harmonise trade and financial rules across a large cross-section of the third world. For example, Stewart points out that the BWIs, notably the IMF through its lending conditionalities and technical assistance work, have been at the forefront of what she terms the 'mass production of tax reform' in developing countries, modelling fiscal policies after tax regimes in industrialised countries which favour private investors and the home countries of foreign capital (Stewart, 2003).

Often, these reforms have paved the way for formalised entry into binding bilateral agreements, such as bilateral tax or investment treaties, or international or regional regulatory regimes, such as the WTO or the North American Free Trade Agreement (NAFTA), or accession of 'soft' regulatory norms, such as the Basel Committee's standards of banking supervision. This has included, in some cases, specific conditionalities requiring countries to bring domestic legislation in conformity with international regulatory norms, such as establishing intellectual property rights, and implement financial codes and standards, such as central bank accounting procedures, without the countries involved necessarily having negotiated for itself within the said regulatory forum.



Secondly, by obliging countries to undertake unilateral liberalisation measures or, in some cases, privatisation reforms, Bank and Fund conditionalities have undermined these countries' negotiating positions in other regulatory fora and enabling, in many cases, for the unilateral concessions made under structural adjustment to be 'locked-in' by binding legal obligations in other forums<sup>50</sup> (Rowden, 2001; Tan, 2001). Developing countries which enter into talks with low applied tariffs or with many more sectors of their economies liberalised under structural adjustment lose their bargaining position as a result of such unilateral liberalisation

Conditionalities requiring countries to reduce or eliminate applied tariff rates, for example, impact on these countries' ability to negotiate for higher bound tariff rates during trade bilateral or multilateral trade talks, such as at the WTO, as these countries would be hard-pressed by trading partners, usually the powerful industrialised countries which also represent the BWIs' major shareholders, to justify a higher bound tariff rate in view of existing tariff structures<sup>51</sup> (see Khor, 2005b). Additionally, countries which have unilaterally liberalised their financial services sectors or privatised public service sectors<sup>52</sup> under structural adjustment may be pressured by the same trading partners in the WTO to bind such commitments under the **General Agreement on Trade in Services (GATS)**.

### *Coercion of Indebtedness*

The undermining of third world capacity to negotiate in the international arena is compounded by the roles that the World Bank and the IMF play in gatekeeping financial resource flows to these countries, including in the management of sovereign debt. While not the largest providers of global development financing, the Bank and Fund exercise enormous influence over borrowing countries because of the

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<sup>50</sup> And as shall be discussed in following chapters, despite some rhetoric to the contrary, these economic reforms have not changed with the advent of the PRSPs.

<sup>51</sup> Bound tariff rates are maximum rates which countries have contracted to be bound by under the WTO – countries may however choose not to apply tariffs up to the bound tariff rate and frequently do so, so that applied tariffs are usually lower than bound tariffs. However, many developing countries choose to bind their tariffs at a higher rate in order to provide for exigencies, such as responding with imposition of higher import duties to instances of import surges whereby the local market is flooded by imported products as a result of low or non-existent barriers.

<sup>52</sup> Services 'supplied un the exercise of governmental authority', including basic services such as water, health and sanitation, are exempt from being subject to GATS discipline under **Article 1.3(c) of the Agreement** but if a public service has been privatised, even partially, such a service is no longer exempted and therefore can be brought under the purview of GATS (Khor, 2005b: 18 – 19).



sequencing and significance of such financing. Aside from the fact that ‘the timing of their loans gives them considerable leverage because they lend at times when governments have few alternative sources of finance’ (Woods, 2006: 71), the *signalling* function of these loans to other official donors and private creditors reinforces countries’ dependency on the Bretton Woods institutions, particularly in times of financial crises and prolonged sovereign indebtedness.

Over the years, and especially since the onset of the debt crises in Latin America and Africa in the 1980s, the Bank and Fund have emerged as important interlocutors between indebted third world states and their creditors/donors, defining the means and methods by which these countries engage with the international financial community. This function is both contributory to and resultant of the ‘preferred creditor’ status of the World Bank and the IMF which situates the two institutions at the top of the pecking order when it comes to debt repayment from debtor countries (see *ibid*: 164). Furthermore, the vast technical arsenal of the two institutions and their privileged access to country data also place them, especially the IMF, at the helm of any coordinated financing effort, rendering financial flows contingent upon Bank and Fund accreditation, such as the commonly utilised IMF macroeconomic ‘stamp of approval’<sup>53</sup>.

The IMF, in particular, is at the heart of managing third world debt, both in terms of facilitating financial ‘rescue packages’ for middle-income countries in crises – mobilising resources from bilateral creditors and donors in addition to its own financing (see Akyüz, 2005: 27) – as well as administering debt relief and debt rescheduling negotiations for low-income countries. Not only does the Fund coordinate countries’ relations with their creditors, it also establishes conditions for debt relief or terms for debt rescheduling.

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<sup>53</sup> Due to the absence of any other agency with comparable capacity, IMF accreditation is used as the default assessment of a country’s macroeconomic framework for almost all bilateral and multilateral donors and a number of private investors. According to a former UK government advisor, many bilateral donors are ill-equipped or reluctant to invest in resources to undertake their own macroeconomic assessments, preferring instead to rely on the IMF (interview, January 2006).



Most notable is the prominent role it plays at the Paris Club<sup>54</sup> negotiations, the first port of call for countries seeking to reschedule sovereign debt or seek debt relief. Not only are countries required to prepare a PRSP – coordinated and evaluated by the Bank and Fund – as well as implement an IMF-supported programme, either the PRGF or the new Policy Support Instrument (PSI)<sup>55</sup>, as pre-requisites for Paris Club negotiations (Vilanova and Martin, 2001: 2), assessments of a country's 'debt sustainability' and hence, its eligibility under various debt rescheduling and debt relief schemes are determined by the IMF. Callaghy contends that 'debt sustainability' is often 'a highly ambiguous and manipulatable [and] political, notion', determined in many cases through consideration of political rather than economic or technical factors (Callaghy, 2003: 212 – 213).

Additionally, the IMF also sits on, and often chairs, alongside the World Bank, the various country or regional Consultative Groups of donors and creditors which negotiate at the national level with country authorities on issues of debt and official development financing. This cooperative of donors and creditors form an intimidating pre-emptive bloc to indebted countries, often undermining their capacity to negotiate bilaterally with creditors on more favourable terms or seek to bargain collectively as a group or on multilateral terms. Paris Club negotiations are conducted on a country-by-country basis between the organisation of creditor country representatives and a delegation from the country seeking debt rescheduling, resulting in bilateral agreements between the creditor and debtor countries giving weight to the multilaterally agreed minutes of the negotiations (Callaghy, 2003: 202; Paris Club, 2006).

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<sup>54</sup> The Paris Club was founded in 1956 as 'an informal group of creditor countries with no permanent members', established originally 'to provide debt relief to debtor countries with temporary liquidity problems, with the aim of preventing imminent defaults' (Vilanova and Martin, 2001: 1). Since the 1980s, the organisation (which derives its name from its permanent secretariat based in Paris) has primarily functioned as a debt rescheduling institution not only aimed at preventing further liquidity problems but also at alleviating debt burdens of heavily indebted countries. The Club functions to ensure 'unanimity' of rescheduling terms to debtor countries and 'equal burden sharing' among its creditor members (ibid). In other words, the Paris Club acts as a cartel for creditor countries to ensure that none loses out in rescheduling debtor country debt.

<sup>55</sup> The PSI is essentially a non-borrowing or non-financing Fund-monitored programme of reforms that a country enters into voluntarily with the institution. Compliance with policy conditions equivalent to upper tranche conditionalities by the country involved is necessary for a successful programme review or otherwise known as an IMF 'sign-off' that the country is 'on-track' with its economic reforms (see IMF, 2006f).



The cartelisation of debt management ensures that debt strategies of countries are managed in accordance to the interests of the OECD countries and private capital rather than on the basis of the country's national interests. The individualisation of debt negotiations precludes collective bargaining by debtor states, even though these states often accrue the debts to the same creditors and are subject to the same debt regime<sup>56</sup> and the effect of such 'case-by-case' negotiations has been 'to institutionalize huge asymmetries in bargaining power in debt negotiations' (Fogarty, 2003: 237). This enables creditor countries to extract the greatest concessions from debtors to maximise their share under association's burden-sharing framework.

Like the lead role of the BWIs in consultative donor/creditor groups for development financing – which have become increasingly widespread under the new architecture of aid with the shift from project to programme aid and budget support systems (see Chapter Three, section 3.2) – the linking of debt negotiations with BWI assessments and implementation of Bank and Fund programmes severely circumscribes indebted countries' ability to obtain alternative sources of financing and has contributed to the unpredictability of resource flows to these countries. As Biel contends, the absence of competition among sources of development finance makes it difficult 'for the South to bargain for better terms in funding' and debt relief and enables creditor countries to 'present a united front to developing countries' with demands that approval by the BWIs 'is a necessary condition for investment' (Biel, 2000: 241).

## 2.4. Conclusion

The insertion of postcolonial states into the international legal order was premised on the sustenance of colonial economic relationships and the national geo-strategic interests of the postwar planners of the international governance architecture. This chapter has demonstrated that despite formal bequests of sovereignty and constructions of state autonomy in the postcolonial era, third world states remain conscripted into a straightjacket of interlocking economic and political strictures as a

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<sup>56</sup> A reform of this format of debt negotiations was sought by third world states as a key demand in their calls for an NIEO but this faltered alongside the other demands of the NIEO lobby (Callaghy, 2001, in Fogarty, 2003: 237).



result of the asymmetrical international order and system of global governance they were initially inserted into. These iniquitous relationships are continually validated by the evolving discursive regimes of representation deployed to legitimise the interventions of the former and new (read: United States) imperial powers in the ostensibly sovereign states of the postcolonial international order.

The symbols of the new 'international community' have since been harnessed to recast the colonial 'civilising mission' into the logic of 'reconstruction', 'development' and 'cooperation', the acquiescence of postcolonial states to the intercessions of this new 'community of nations' acquired through the perceived need by recently sovereign states to constitutionally mimic the socio-economic, political and juridical structures of the metropolitan states to maintain access to the economic resources and geo-strategic alliances resulting from their continued relationships of dependency. Consequently, as Badie observes:

Western international law had become universalized, accepted and recognized by non-Western partners as the procedure for regulating international relations', with 'the conditions of inequality and dependence [having been] softened symbolically by the fact that they appeared to result from the voluntary consent of the contracting parties, hence from their sovereignty (Badie, 2000: 77).

Conceptualising the new north-south relations in terms of representational practice enables us to situate current interventions of the international juridical and economic order within this series of historical encounters which Doty terms as 'imperial encounters' – 'the idea of asymmetrical encounters in which one entity [the west/north/Anglo-European world] has been able to construct 'realities' that were taken seriously and acted upon and the other entity [the non-west/south/non-European world] has been denied equal degrees or kinds of agency' (Doty, 1996: 3). The continued constructions of identities of peoples, societies, states and regions in binary terms – the abstract oppositions between 'developed' and 'underdeveloped', 'modern' and 'traditional', 'rich' and 'poor' – creates the 'dynamic of difference' that justify the reconstructions of postcolonial societies and economies by institutions of the new international legal order.



The creation of the Bretton Woods institutions and the progressive enlargement of their mandate in years following their inception was premised upon this fundamental demarcation between the north and the south, and the need to efface the difference between the west and non-western world to better facilitate the project of new international economy based on what Badie calls ‘the logic of universalization’ (Badie, 2000: 77). These institutions have been cast as the face of the ‘international community’, the source of multilateral economic engagement, serving to create ‘the international system [that] was unified around a center that the West intended to occupy’ (ibid), thereby universalising the laws and principles of social and economic organisation which the west pioneered and which serves the geo-strategic interests of the northern states and the economic imperatives of transnational capital.

This is validated by the regimes of representations which continue to characterise and regulate international relationships. The birth of international financial institutions have been pivotal to sustenance of this postcolonial order and based on the need to mediate the engagements of these countries in the governance of the global economy. At the same time, this mandate, corresponding with the design of the postcolonial system of aid, was suffused with the very real objective of rationing capital transfers to the south, effectively preventing the endogenous development of southern countries which may threaten the relationship of dependence upon which the postcolonial world order was premised (see Biel, 2000: 87). This necessitated the development of disciplinary instruments – the ‘science’ of developmentalism and aid management – to mediate the engagements between the south and the north and between the south and northern private capital.

The existence of a regime of knowledge production and dissemination, embedded with particular ‘myths’ of social, economic and political organisation, therefore sustains, inasmuch as it is sustained by, a corresponding regulatory regime disciplining the detractors of such conventional wisdom. In other words, unless there are punitive repercussions, real or perceived, resulting from normative departures or disengagement from the established order, the efficacy of this discursive framework in containing the cultural difference so feared by the former colonial states of their newly sovereign colleagues (or in the case of the most recent postcolonial period, the



endogenous economic strength of the newly industrialising countries) is circumscribed. The process of subordinating peripheral economies to the dictates of imperial capital through certain social transformations – including the restructuring of indigenous patterns of socio-economic organisation – not by direct coercion or military force but by new means of indirect control – through development financing modalities for example – has, according to Wood, ‘been a major function of capitalist imperialism since its inception’ (Wood, 2005a: 21).

The asymmetrical governance structure of the BWIs and their tentacular reach into the interior of third world member states over the years have furnished powerful imperial states with the ideal institutional framework through which such disciplinary power may be exercised.

The PRSP framework, located within this imperial legacy of international law and international institutions, may therefore be viewed as part of the evolution of disciplinary instruments – regulatory norms and discourse – central to the governance of the postcolonial world order, characterised today by patterns of neoliberal globalization. Understanding the way in which third world states were originally incorporated into the international legal order will go far in explaining how these and other interventions of the postcolonial period can and have been effected and legitimised in spite of their apparent incongruence with fundamental principles of international law.

At the same time, the changes in the world economy and the shifting geo-politics of the international order over the period of decolonisation has necessitated corresponding changes in the means in which these structures, ideologies and disciplinary techniques are deployed to further aforementioned entrenched economic and geo-strategic interests. The shifting locus of global power – and correspondingly, global authority – have shifted the foundations of the immediate postcolonial order premised on the Westphalian model of postcolonial international law and governance. In particular, the emergence of a transnational capitalist class as well as what Cutler terms as the new ‘mercatoocracy’ – ‘an elite association of public and private organizations engaged in the unification and globalization of transnational merchant law’ (Cutler, 2003: 180 – 181) – has challenged not only the traditional



instrumentalities of regulatory discipline on a global level, but also the ontology of global governance in the postcolonial period.

These new developments, along with exhortations about the demise of the state, necessitate an examination into the new modalities of control and configurations of power, including those of which the PRSP framework and its attendant forces represent. Therefore, where the instruments of postcolonial governance resonate with the technologies of imperialism, the reconfigurations of global power, particularly in the past three decades, and the new patterns (and sophistication) of resource transfers requires a more nuanced analysis of how postcolonial international law and the institutions of postcolonial economic governance – notably the Bretton Woods institutions – have evolved to reinforce the patterns of influence in the postcolonial period. In this regard, the PRSP framework forms a pivotal part of this new disciplinary global constitution and the following chapters will explore the framework's role in this wider shift in the regulatory framework of global governance.

## Chapter Three

### PRSPs and the Crisis of Legitimacy in the International Order

*'The way poverty is framed clearly has an important influence on the ways in which poverty reduction policies come to be shaped ... these narratives establish the frames of reference that define and bound what forms of knowledge count, and whose versions, claims and interests are legitimate.'*

- Karen Brock, Andrea Cornwall and John Gaventa, 2001: 8 -

The Poverty Reduction Strategy Paper framework departs conceptually and operationally from previous modalities for development financing, forming a central pillar in the 'new architecture of aid', the collective term ascribed to the constellation of new financing initiatives and regulatory instruments that have emerged in the 'post-structural adjustment'<sup>1</sup> era. However, far from being just a policy instrument, the PRSP framework represents a larger ambitious attempt to harmonise aid regulation, hitherto a fragmented web of overlapping yet dispersed network of policy and practice.

The previous chapter's situation of the PRSP approach outside the immediacy of its operational function as an instrument for delivering development finance and within the larger framework of international relations and global governance enabled us to conceive of the role of PRSPs in advancing wider objectives in the international legal and political order. In this manner, the PRSP framework seeks not only to consolidate the diffused network of actors in these processes but also to shape the

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<sup>1</sup> The term 'post-structural adjustment', like the use of the term 'postcolonial' in this thesis, is utilised nomenclaturally rather than substantively or normatively. It is used to denote the temporal period of development financing in the retirement of the conceptual and operational use of 'structural adjustment' by the 'international development' community, notably the World Bank and the IMF. It does not assume that the substance of 'structural adjustment' policies have been replaced by more progressive policy prescriptions in the facilities which succeeded such financing programmes.



normative content of these actors' engagements in the aforementioned regulatory and quasi-regulatory webs.

Consequently, an examination into the historical context that gave birth to the PRSPs is necessary in order to locate the sites of dominance and influence in which the conceptual and operational underpinnings of the framework emerged. This is an important exercise as conventional narratives of the PRSP framework often fail to locate the birth of the PRSP project within a specific temporal and geo-political space. This has limited the analysis of how the framework sits within the shifting constitution of postcolonial power relations, particularly within the dynamics of inter-state and *inter*-national engagement in the era of globalization.

This chapter argues that while aspects of the PRSP approach reflect the evolving agendas of and changing dynamics between institutional actors in the 'international development community'<sup>2</sup> in the period preceding its inception, the framework itself and its relationship to the wider 'new architecture of aid' can be specifically foregrounded in the aftermath of *a crisis of legitimacy* in the international economic order in the late 1990s and the failure of conventional disciplinary mechanisms – notably structural adjustment programmes (SAPs) – to contain this crisis.

The operationalising of a framework, such as the PRSP, linking a political and social governance agenda to disbursement of financial resources, was primarily catalysed by an imperative to restore relevance to existing structures of multilateral trade and finance, notably to third world states, and to mitigate the groundswell of public dissent to the free-wheeling policies of the globalized Washington Consensus, often bankrolled by the international financial institutions<sup>3</sup>.

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<sup>2</sup> I use the term 'international development community' as a means to describe a particular set of actors who work on issues relating to the social and economic policies in developing countries. Most of these actors are based in the north, comprising of individuals and organisations in international organisations such as UN agencies, the Bretton Woods institutions, INGOs, such as Oxfam, World Vision and the Jubilee coalitions, in academia and within donor organisations. In no way is the word 'international' meant to convey any notion of a truly global community in terms of inclusiveness of voices from all corners of the globe. This is not the case as governments in the south and most civil society actors outside the key policymaking capitals of Washington DC, Brussels and London, have little input into the policy outcomes affecting development models and options.

<sup>3</sup> This is not to say that all actors involved in this process have such deliberate intentions individually, nor are the institutional apparatuses of the Bank, Fund and bilateral donors homogeneous in their outlook and are beholden to these precepts and ambitions, but the nature of the capital and its resulting systemic power is such that these twin aims appear to be consistently recurrent in conversations and documentation over the course of this research. While driven by different



Accordingly, this chapter will demonstrate that the norms which subsequently formed the conceptual and operational basis of the PRSP framework had been framed amidst a contested terrain of policy narratives and regulatory objectives, the outcome of which was the result of privileging certain voices and excluding others, notably the very constituency – the third world – upon whom the framework impacts. At the same time, the paradox of the PRSP process is illustrated by its implementation within a disciplinary framework, established through the precedents of SAPs and the opportunities afforded by the attendant regulatory vacuum left by their economic reorganisation.

### **3.1. PRSPs as a Response to the Limitations of Structural Adjustment**

The reorientation of international development policy vis-à-vis low-income countries in the decade preceding the inception of the PRSP framework was clearly a response to a carefully couched problematic: the economic reforms of neoliberal globalization were leading to a deterioration in the social and economic condition of communities in countries undergoing such change and that development financing, delivered through conventional mechanisms, notably SAPs, have failed to contain the dislocations and mitigate the pressures associated with these reforms.

Like Higgott's (2000) analysis of the political impact of the correlation between globalization and inequality<sup>4</sup>, I argue here that for the purposes of understanding the context in which the PRSP approach was developed, the causal relationship between

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imperatives, there is even a reluctance to address or assume personal responsibility for the consequences of the policies recommended or a failure to see the consequences of their actions in a larger scheme of operations. See Biel's elucidation of structuralism which 'sees certain phenomena as having a function, without implying that it is completely purposive' (Biel, 2000: 231). Just as '[t]he World Bank does not necessarily start from a subjective desire to promote exploitation', so do the individual technocrats within the Bank and Fund and within donor agencies not possess a desire to control but that control is part of a systemic desire 'so one can only conform as best possible to it' and that this system is 'driven by capital accumulation' (ibid).

<sup>4</sup> See Chapter One, footnote 2. Higgott argues that regardless of whether there is a causal relationship between globalization and income inequality, either within or between states, 'the identification of the correlation' is sufficient to cause 'the dispossessed to believe that globalization is the source of their plight' (Higgott, 2000: 136). Correspondingly, I argue that regardless of whether certain institutional actors central to in this process of globalization, of which SAPs form a part of, believe in the veracity of this correlation, the fact that it exists necessitates an appropriate technical and/or political response.



these economic reforms (pursued through SAPs or other mechanisms) and impoverishment need not necessarily be verified for it to form what Higgott terms ‘a political issue of utmost importance’ (Higgott, 2000: 136) for the actors involved.

The mere correlation between structural adjustment and poverty necessitated the corresponding revision of institutional policy and regulatory practice in response, the difference residing in the differing desired outcomes of the actors involved. Accordingly, the interaction of the various actors engaged in the formulation of the PRSP process with this problematic has been, as we will see in section 3.3 below, dependent on their political, institutional and geo-strategic objectives. The PRSP framework may be viewed as a reflection of the contested heritage of the principles fought at this level. For the hegemonic state actors involved, this impetus was driven largely by the aforementioned failure of SAPs to contain the disruptive potential of the fallout from neoliberal globalization.

### **3.1.1. The Disciplinary Rationale of Adjustment Lending**

Locating the PRSP framework within the wider political economy of neoliberal globalization, we may therefore trace the genesis of the project to the failure of SAPs to respond to the challenges in the world economy preceding the inception of PRSPs. As discussed in Chapter Two, adjustment financing enabled hegemonic states, operating through the aegis of the Bretton Woods institutions, to manage third world participation in the postcolonial international economic system through the prescription of specific policy conditionalities tied to the disbursement of aid.

The motivations for the introduction of SAPs were themselves primarily rooted in another crisis of legitimacy in the international political economy in the late 1970s and early 1980s. The emergence of policy-based lending in the 1980s originated largely from an imperative to stem the rising tide of economic nationalism among developing countries, using conditionality as a tool for reforming the nationalist economic policies that were taking shape in these countries (see Mosley et al, 1991: 3-4)<sup>5</sup>. As the period of mass decolonisation drew to a close, the industrialised

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<sup>5</sup> There are a couple of caveats which must be stressed with regard to the work by Mosley et al in this respect. Firstly, while the authors did conduct a wide-ranging study of the World Bank’s policy-based lending, their research findings are largely empirical and the authors do not attempt much of a larger



countries in the west faced a new third world rebellion in the form of the movement for a New International Economic Order (NIEO).

The NIEO movement challenged the fundamentals of the international economic system, which, in spite of decolonisation, remained premised upon the exploitative relationship of the colonial period and linked the notion of economic sovereignty with political independence. Developing countries began to address issues of ownership and control over their natural resources, questioning the concentration of economic power in northern-based transnational entities and many began embarking on a process of delinking from the patterns of colonial ownership in their national plans (Biel, 2000: 124; Mosley et al, 1991: 3 – 4).

The demands of the developing countries vis-à-vis western capital culminated in the United Nations General Assembly Resolution of 12 December 1974 on the **Charter of Economic Rights and Duties of States** (GAR 3281 (XXIX), 12 December 1974) and the adoption of a manifesto on the ‘Declaration and Program of Action of the New International Order’<sup>6</sup>. The NIEO demands threatened to undermine the rationing of capital from the north to the south that was carefully regulated through existing aid policy and trade agreements that mirrored former colonial relationships.

As discussed in Chapter Two, the role of administering the ration was vested by the industrialised powers in the World Bank and the IMF, enabling these institutions not only to act as conduits for financing to the south but also as monitors of public and private capital flows from the north to the south (see Chapter Two sections 2.2 & 2.3; Biel, 2000: 86 – 87; 232- 232).

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theoretical understanding of the Bank’s structural role. Secondly, while the authors state that their objectives of study as an assessment of ‘aid and power’, their study is limited to an instrumental assessment of such power. The authors concentrate on assessing the power exerted by international organisations, namely the World Bank and the IMF, over the policy autonomy of developing countries (Mosley et al, 1991: 3) but do not question the role played by the Bank and Fund as institutional instruments of leverage by the industrialised countries which control the institutions.

<sup>6</sup> The Charter reasserted, *inter alia*, the rights of states to full sovereignty over their natural resources, authority over foreign investment, including the right not to give preferential treatment to foreign investors, regulate and supervise the activities of transnational corporations and the right to expropriate and nationalise foreign property with due compensation determined by the domestic law of the nationalising state (**Article 2, Chapter II, General Assembly Resolution 3281 (XXIX), 12 December 1974**).



SAPs were consequently the response to these increasing threats to the hegemony of western capital. Through SAPs, the industrialised countries, via the Bank and the Fund, were able to substitute their definition of ‘structural problems’ interpreting them as internal macroeconomic disequilibria which had to be corrected and unnecessary state intervention into markets which had to be removed. This new discourse, argues Biel, ‘completely rejected the NIEO-style demands to change the system itself’, reducing policy solutions to ‘a question of ‘adapting’ a country in the South to fit into the system by creating local conditions’ conducive to foreign capital (Biel, 2000: 233) and increasingly, the globalized economy<sup>7</sup>.

### 3.1.2. The Failure to Discipline

The resurgence of economic liberalism that accompanied the rise to power of Ronald Reagan and Margaret Thatcher on both sides of the Atlantic in the 1980s had set the conceptual framework for foreign policy objectives of the industrialised countries during the period of structural adjustment and, along with the geo-strategic imperatives of the Cold War, heightened the political imperatives to stem the rising tide of economic nationalism in the developing world that was cresting on the NIEO wave. The Washington Consensus model of socio-economic organisation, premised on the geo-strategic imperative to promote an ideological shift during the period of its inception, has been described by Brock et al as ‘the basic policy instrument of the neoliberal resurgence’ (Brock et al, 2001: 13).

Under this conceptual approach, economic growth led by market forces became the new economic rationale and the potential for development and poverty reduction lay in ensuring fiscal and monetary austerity in the developing economies and creating an enabling environment for economic activity, which included trade and financial liberalisation, investment deregulation, privatisation of publicly-owned enterprises,

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<sup>7</sup> Indeed, Boughton’s institutional biography of the IMF which charts the evolution of the Fund from 1979 to 1989 – the years during which SAPs were widely introduced and implemented – is revealing in its analysis of the central role played by the IMF (and to a analogous extent, the World Bank) in restructuring the framework of international economic relations during that period and of the motivations of the actors primarily responsible for instigating these reforms (Boughton, 2000). Boughton conceives the changes wrought through structural adjustment programmes as amounting to a *Silent Revolution* (the title of his publication), one that effected ‘a shift in the prevailing paradigm for international and political relations, away from tendencies toward *autarky, insularism, mercantilism, and governmental planning and control over economic activity*; and toward a common set of beliefs and policies based on open international trade and finance, competitive pricing and production decisions, and cooperation between countries’ (Boughton, 2000: 3, emphasis added).



including public services and the creation of an enabling environment for private capital, both domestic and foreign (SAPRI, 2004: 1-4).

Consequently, the policies driving development financing were premised on facilitating the universal adoption of the Washington Consensus model of economic policymaking, operationalised primarily through the introduction of policy-based loans at the World Bank and the introduction of structural economic conditions for lending from the IMF. Among others, this has led to the now-universal critique of SAPs as the ‘one-size-fits-all’ blueprints or boilerplates for economic planning<sup>8</sup> (see Craig and Porter, 2003: 55; Stiglitz, 2002: 34; 47).

Financing agreements under SAPs were drawn up based on assessments by staff at the World Bank and the IMF and loan conditionalities were drawn from economic policies designed at the Bank and Fund headquarters in Washington DC with little or no input from the local communities and civil society and marginal input from country policymakers and legislators. While wide-sweeping reforms were introduced in domestic regulatory policy, public expenditure, fiscal and trade policy, very little consultation took place nationally (between civil society, the public and the government) and bilaterally (between the government and the international financial institutions) prior to the entry into force of each agreement (see discussion in Chapter Two, section 2.2.3).

Towards the end of the 1990s, however, evidence began surfacing of the limitations of SAPs to mitigate the pressures associated with the economic reforms they sought to implement. In spite of the promises of economic growth and prospects for a raised standard of living under SAPs, poverty, even by the World Bank and IMF’s own accounts, rose in most countries that underwent structural adjustment.

According to Bank and Fund figures, the number of people living below the poverty line (delineated at US\$1 a day) in most parts of the world rose between 1990 and 2000, many in countries where SAPs were introduced in the 1980s (World Bank and IMF, 2004 and World Bank, 2003 in World Bank, 2004k: 2, figure 1.1). Economic

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<sup>8</sup> Joseph Stiglitz describes as standard, for example, the IMF practice of preparing a draft report known as the ‘boilerplate’ in full prior to visiting a client country in which ‘whole paragraphs’ had been ‘borrowed from the report of one country and inserted into another’ (Stiglitz, 2002: 47).



growth for least-developed countries (LDCs) from 1990 to 1996 was recorded at an average of two percent<sup>9</sup> per annum (UNCTAD, 2002b: 3). Meanwhile, the burden of external debt was crippling many countries across the developing world, particularly in sub-Saharan Africa where governments can spend up to one third to a half of their national budgets on debt servicing (Vandermootle, 2003: 16).

This extensive criticism of the Washington Consensus, the conceptual approach underpinning adjustment financing, coupled with a series of crises in the international financial system (see section 3.2. below), began to strain the capacity of SAPs to provide this disciplinary framework, necessitating a new institutional and *geo-political* response to the incipient crisis of legitimacy in the global economy.

### 3.2. Postscripting the Washington Consensus

PRSPs sought to redress the economic relativism of structural adjustment programmes by framing a conceptual approach to development financing that went beyond the fiscal and monetary straitjacket of SAPs, and at the same time, redressing the democratic deficits inherent in the process of accessing financing by enabling a more inclusive framework to socio-economic policymaking. In this manner, PRSPs reflect what Higgott describes as the ‘mood swing’ in the global political economy at the time from the Washington Consensus to the post-Washington Consensus, driven by the recognition in policy and academic circles, as we shall see below, ‘that globalization has to be *politically* legitimized, democratized and socialized if the gains of the *economic* liberalization process are not to be lost to its beneficiaries (Higgott, 2000: 134).

The post-Washington Consensus does not, however, see the rolling back of the policies of liberalisation, deregulation and privatisation which underpinned the modalities of SAPs or other regulatory reforms of globalization in the 1980s and 1990s, but seeks rather to ‘develop a political institutional framework to *embed* the structural adjustment policies of the Washington Consensus’ (Jayasuriya, 2001b: 1,

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<sup>9</sup> This figure excludes Bangladesh which accounts for a quarter of the economic size of the group of LDCs profiled. With the inclusion of Bangladesh, this figure rises to 2.8 percent (UNCTAD, 2002b: 3). In sub-Saharan Africa, the poverty ‘headcount’ rose from 47 percent to 49 percent with a corresponding zero rate of economic growth in the same period (World Bank, 2004k: 1 –2).



emphasis added, see also section 3.2.1. below). Encapsulating the post-Washington Consensus' core of 'anti-politics' by substituting 'the politics of procedure for the politics of bargaining' (ibid), PRSPs therefore represent a conceptual departure from the previous modalities of regulating development financing – that is, under structural adjustment – in three critical areas: the substantive emphasis on social mitigation; the broadening of constituents in policy formulation; and the mechanisms for delivery of financing.

### 3.2.1. From Adjustment to Poverty Reduction

Firstly, PRSPs move away from a reductionist approach to economic policymaking by placing an emphasis on poverty reduction, and, to a limited degree, on wider development priorities. The premise of structural adjustment – to correct the disequilibrium in a country's domestic balance-of-payments – focused largely on imposing fiscal and monetary discipline on the recipient country through IMF stabilisation programmes and on restructuring the domestic economy targeted at attracting private and foreign capital through the liberalisation of key economic sectors, such as trade and public utilities (SAPRI, 2004: 1 – 2) in hope that these reforms would generate a 'trickle down' effect to the general population, alleviating poverty as the economy corrected itself.

The PRSP approach, on the other hand, prioritises poverty reduction in the economic planning of countries in receipt of PRSP-related financing, both in terms of assessing poverty impacts of economic policies and prioritising social sector expenditure in national budgets. The discourse of the PRSP also focuses on longer-term objectives, such as developing education and health sectors, and ensuring sustainability of development programmes, opposed to short-term stabilisation measures under SAPs<sup>10</sup>.

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<sup>10</sup> It must be noted however, that these objectives remain underpinned by objectives of overall economic growth as '[t]he policy and institutional underpinnings for rapid sustained growth and poverty reduction – including goals for poverty reduction, institutional and structural reforms, sectoral strategies and specific anti-poverty programs, and the associated domestic and external financing needs – should all be integrated into a consistent macroeconomic framework over a three-year horizon' (IMF and World Bank, 1999: para 15).



This departure was particularly momentous for the IMF as, along with the changeover from the ESAF to the PRGF, it marked the first time the institution had explicitly adopted ‘poverty reduction as a formal objective of its activities’<sup>11</sup> (IMF, 2004e: 26; Whaites, 2002: 12). In particular, this shift cements the IMF’s transition from a crisis lender financing temporary balance-of-payments deficits to a ‘lender of first resort’<sup>12</sup> providing longer-term development financing to low-income countries.

The PRSP approach also paved the way for reform of the World Bank’s programmatic or policy-based lending operations, culminating in the replacement of ‘adjustment lending’ programmes with ‘development policy lending’ operations under the new **Operational Policy 8.60 (OP 8.60)** on ‘Development Policy Lending’. This new policy framework replaces the **Operational Directive 8.60 (OD8.60)** on ‘Adjustment Lending Policy’ and unifies all previous adjustment financing instruments under one umbrella (World Bank, 2004c: para 20). The plethora of acronymed policy-based loans, such as structural and sectoral adjustment loans and credits (SALs/SECALs/SECACs) and programmatic structural adjustment loans and credits (PSALs/PSACs) have been ‘retired’ and replaced by a single lending instrument – the development policy loan (DPL) although PRSCs retain their name ‘to maintain continuity with this well-established approach’ (ibid)<sup>13</sup>.

### 3.2.2. Securing Legitimacy through Participation

Secondly, PRSPs reinstate, at least, nominally, the concept of *agency* in development financing policy and practice by institutionalising the requirements of participation and partnership in the financing operations of the Bank and Fund and other multilateral and bilateral donors. This represents a significant departure from the PRSP predecessor, the Policy Framework Paper which has been described as: ‘a document drafted by the Fund and agreed by the Bank and the borrowing governments’ (Mosley et al, 1991: 53).

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<sup>11</sup> Whether or not the adoption of the ‘poverty’ work programme is desirable or appropriate in the context of the Fund’s legal and institutional jurisdiction remains subject to contest (see Chapter Four).

<sup>12</sup> See discussion in Chapter Two, sections 2.2 & 2.3, also in Akyüz, 2005 and 2004.

<sup>13</sup> PRSCs differ from regular development policy loans as they normally disbursed in a series of three or four single tranches based on countries fulfilling a set of prior actions under a medium-term framework as opposed to a multi-tranche financing operation in which each subsequent disbursement is contingent upon fulfilment of a set of ex-ante conditions (see World Bank, 2005e: paras 9 -12; Box 1 and Annex II; see also discussion in Chapter Four).



Mosley, Toye and Harrigan's extensive study of the World Bank's policy-based lending observed that the introduction of the PFP had significantly curtailed the borrowing country's ability to develop its own economic development agenda, effectively restricting 'room for independent manoeuvre' and creating 'a managed duopoly of policy advice' in which client countries – particularly 'poor, indebted countries where conditionality already bites the hardest' – find it difficult to challenge the policy decisions of the Bank and Fund once they have been taken (Mosley et al, 1991: 55).

PRSPs have therefore been designed to alleviate the hostility associated with this centralisation of control. They are instead geared towards facilitating the engagement of a broad-based constituency of stakeholders in the formulation of domestic policy objectives, although not necessarily policy formulation (IMF and World Bank, 1999: para 19; see also Chapter Five). Unlike SAPs, economic planning under PRSPs should reflect the development objectives and expenditure priorities of the countries in receipt of financing as well as the citizens of those countries.

This concept of *ownership* of development programmes represents a key shift in the discourse of development policy and practice brought about by the PRSP and the larger 'new architecture of aid' by shifting the emphasis from 'conditionality' to partnerships as the cornerstone of donor-recipient negotiations in aid relationships<sup>14</sup>.

### 3.2.3. Universal Framework for Disbursement

Finally, PRSPs consolidate the shift that began with SAPs from project to policy-based financing which links aid efficacy with the reorganisation of the recipient institutions, and marks the movement from what Hall and de la Motte term as 'tied aid' to 'globalised aid' (Hall and de la Motte, 2004: 3) whereby financing is increasingly funnelled through multilateral channels and through a single policy instrument to reduce transaction costs. This harmonisation is at the heart of the PRSP framework and underpins the wider 'new architecture of aid'.

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<sup>14</sup> See Chapter Four for detailed discussion on this shift in conditionality.



While the policies driving the different operational frameworks may have changed, the essence of a policy-driven model of engagement between the donor community and the client countries remains the same. The terms of financing are inherently tied to a policy brief subscribed to by the donor policymakers and engagement takes the form of ‘policy dialogue’, described by Cassen et al as ‘exchanges between aid donors and recipients about the domestic policy framework’ and using the influence of ‘aid transfer’ to restructure domestic economies (Cassen et al, 1986: 69). The difference is that the policy dialogue is now expected to take place in a more coordinated manner under the PRSP umbrella.

Prior to the PRSP approach, aid policy harmonisation has taken place on an ad-hoc basis or through country-specific mechanisms, such as the Bank and Fund-led Consultative Groups or debt rescheduling meetings under the auspices of the Paris Club. These meetings are usually secretive, donor-controlled and usually centred on aid distribution and allocation from a lender’s perspective as opposed to the recipients (Degnbol-Martinussen and Engberg-Pedersen, 2003: 191).

The new financing modalities, such as the PRSCs and other general budget support instruments, which have developed alongside the PRSP framework have been designed to take into account this conceptual shift towards an allegedly more transparent and cohesive multilateralisation of aid<sup>15</sup>. According to Hall and de la Motte: ‘[t]his shift from micro to macro levels takes a number of forms through shifting aid from project support to more general budget and policy support, through the ‘pooling’ of donor aid from different countries behind common policy conditions or the use of regional aid instruments (Hall and de la Motte, 2004, p 4). The PRSP is expected to form the backbone of this new aid agenda, acting as the common instrument through which bilateral and multilateral donors align their support to low-income countries.

On paper at least, these conceptual changes to the policy framework governing access to development financing appear to be wrought in favour of the communities in need of such financing, framed by a response to the failure of pre-existing

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<sup>15</sup> It must be stressed at this point, however, that the multilateralisation of aid is aimed primarily of harmonising aid outside the UN agencies as the UN itself represents a form of multilateralised aid that has been taking place for a long time before the PRSP approach was formalised. Subsequent chapters of this thesis will discuss this in greater detail.



modalities of financing to deliver on wider developmental objectives, including that of political franchise. However, as the following sections reveal, the aforementioned the conceptual discourse of the PRSP was shaped and framed by imperatives which go beyond technicalities of aid and management of development finance. As such, the reforms of the PRSP project were brought about as a result of pressures brought to bear on the IFIs and the G8 countries that represent the major disbursers of development financing and took root within an inherently asymmetrical relationship between the parties to the new initiative.

### 3.3. Competing Agendas for Change

The ‘new architecture of aid’ developed in the 1990s is a product of what Brock, Cornwall and Gaventa term ‘a process of hybridisation’ by which ‘dominant narratives of development policy and practice are constantly reshaped by their absorption of elements of counter-narratives giving rise to ‘the articulation of new variants that appear to offer a convergence of competing agendas, recasting old elements of older approaches in evocative new storylines’ (Brock et al, 2001: 8)<sup>16</sup>. This is evidenced by the process in which the new problematic of the PRSP is framed and articulated and later transformed into policy, practice and regulatory norms.

Callaghy (2001) in his analysis of the shift in the regulatory norms of the international debt regime from the Paris Club restructuring to the multilateral debt relief programme under the HIPC in 1996 and the HIPC II in 1999, sites the locus of change outside the state-to-state bargaining system of the international economic regulatory fora. Instead, he identifies a ‘triple helix’ of relationships and connections, comprising ‘the institutions of the international debt regime, the NGO debt networks, and the epistemic community’ that, having been confronted with a ‘central structural dilemma of the international political economy’, reacted in different ways towards the resolution of the problem (Callaghy, 2001: 116 – 117).

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<sup>16</sup> As mentioned in Chapter One, Brock et al adopt a Foucauldian analysis of development policy, viewing the evolution of development policy, including ‘international’ development policy and poverty policy, as the result of certain voices being privileged in the process of policy formulation and of dominant discourses setting the framework through which the ‘problem’ of poverty is framed, constructed, and resolved (Brock et al, 2001).



Having identified the ‘structural dilemma’ (or what I term as the ‘new problematic’) – the existence of a group of ‘weak’ states and economies which pose the potential for conflict in the international political economy due to their inability to ‘benefit as easily or quickly from economic reform and democratization as those elsewhere in the world’ – Callaghy considers how the disparate groups have responded to the problem. Change in the international debt regime to reflect the identified structural dilemma came as a result of ‘the synergy between these various forms of power, knowledge and discourse as they interacted with the underlying structural dilemma’ (Callaghy, 2001: 116 -118).

Similarly, in mapping the evolution of SAPs to the PRSP framework, it is clear that the impetus for reform can be traced to three separate but interrelated clusters of actors and processes, each with distinct but interlinked objectives for reforming the system for delivering development financing to low-income countries. These developments serve to clear the ground for a convergence of policy, practice and politics at the critical moment – I call it the ‘tipping point’<sup>17</sup> – in which the PRSP was introduced.

In each of the three instances – academic, institutional and geo-strategic – the objectives of the dominant actors and dominant discourses within the processes set the parameters for engagement with the problematic and, as a consequence, shaped the responses to the problematic accordingly. The PRSP and related financing mechanisms are the result of the convergence of these policy and political responses to the problematic and which corresponded with the strategic objectives of the dominant actors. Linking these three clusters of actors and events is the crucial role played by civil society organisations, in particular a cadre of specialist NGOs which formed advocacy coalitions and moved in between the three clusters, pitching their cause according to the strategic interests of each cluster of actors.

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<sup>17</sup> Sociologist Malcolm Gladwell conceptualises this phenomena as the ‘tipping point’ of social epidemics – ‘[t]he name given to the one dramatic moment in an epidemic where everything can change all at once’ (Gladwell, 2000: 9). In the case of the PRSP, the tipping point would be the event which consolidated developments of the 1990s served to create a catalytic shift in the policy towards aid and concessional lending to low-income countries and consequently, a shift in the regulatory regime governing financial and economic transactions between the north and the south.



### 3.3.1. The Role of the Epistemic Coalition

Firstly, PRSPs and the new financing modalities accompanying this initiative may be viewed as the outcome of a convergence of thinking in academia and policymaking circles on the effectiveness of aid and the impact of structural adjustment policies in the late 1980s and early 1990s. This ‘epistemic coalition’ played a crucial role in the formulation of the conceptual and operational principles that underlie the PRSP framework, helping not only to shape a consensus around identifying and framing the problematic, but also its policy solutions<sup>18</sup>. For Masood Ahmed, a key player in the design of the PRSP framework<sup>19</sup>, the initiative is a prime example of the results to be achieved when epistemic shifts in development policy *thinking* coincided with the political and institutional shifts in development policy *making* (Ahmed, 2004).

#### *Epistemic Shifts*

For this epistemic coalition, what was important was the shaping of a new discourse of development policy and practice. To do so meant framing the problematic and proposed solutions within an acceptable policy narrative – the process of ‘hybridisation’ – palatable to the key institutional and political actors with the power to change the regulatory regime. The power of this epistemic coalition was that of which Ahmed alludes to as the ‘multiplier effect’ of a body of multi-disciplinary research with similar conclusions which led to the formation of a set of policy

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<sup>18</sup> However, it is important to note here that while the framing of this problematic and its policy prescriptions reflect in some way the heterogeneous nature of this coalition, the overarching consensus within the coalition furnishes evidence of what Kapur terms as ‘crony intellectualism’ (Kapur, 2003: 12) characteristic of networks of this nature. Stone and Wright describe this predisposition as ‘an in-breeding tendency within intellectual networks to contact, consult and invite to conferences those who speak the same technocratic language or come from similar academic backgrounds’ (Stone and Wright, 2007: 14). Like all knowledge networks, the contest of knowledge within this particular epistemic coalition took place within limited parameters and privileged certain mainstream voices over other more radical voices. The nature of engagement also precluded the involvement of more critical researchers who have either not been invited because they do not speak the same technocratic language as the policy advocates or they have chosen not to engage in what they view as a flawed process.

<sup>19</sup> Ahmed has been credited as being a key player in moving the PRSP forward as an institutional advocate of the proposed framework within the Bank as vice-president of the Bank’s Poverty Reduction and Economic Management (PREM) department, and within the Fund, working specifically on the PRGF, as deputy director of its Policy Review and Development (PDR) department (interview: Whaites, 2004; also see IMF, 2000b). Ahmed left the Bank shortly after the inception of the PRSPs in 1999 for its sister institution after a falling out with Bank president James Wolfensohn (Mallaby, 2004: 256 – 257). At the time of making the aforementioned speech, he was policy director at the UK’s Department for International Development (DFID). At time of writing, he is the IMF’s director of external relations. Ahmed’s career itself exemplifies the effect of the revolving door characteristic of employment practice at the level of international development policymaking.



recommendations transmitted into policy narratives by key ‘policy translators’ in both the research and policy communities (ibid).

This body of research may be categorised into three key areas: a) empirical economic research into the impacts of SAPs and the effect of the debt overhang in low-income countries; b) research into the methodologies of aid assessment and aid delivery; and c) scholarship on civil society participants and participation in policymaking. The third category is important as the increasing influence of civil society groups on international development policymaking has both corresponded with and often precipitated the rise in academic scholarship on these developments.

Each of the three categories of research contributed to the development and final articulation of the fundamental tenets governing the PRSP project. Empirical research on SAPs provided the foundational body of data to support policy change while research into the methodologies of aid assessment and financing modalities suggested the problems with the existing system and proposed solutions for a new framework which were, in turn, supported by studies into incorporating new actors – civil society – into the policymaking process.

First of all, developments in the scholarship on poverty and welfare dimensions of structural adjustment and debt marked a shift away from the economic rationalism that characterised the SAPs. Catalysed by studies, such as Cornia, Stewart and Jolly’s influential report, *Adjustment with a Human Face*<sup>20</sup> in 1987, the concept of ‘poverty’ was being redefined away from a purely economic definition of income per capita towards encompassing issues of exclusion from social, political and economic services; of vulnerability by virtue of gender, class or race within communities of poor people; and of access to political structures, accountability and democratic participation in decision-making processes (Brock et al, 2001: 15 - 16; Christiansen with Hovland, 2003: 10)<sup>21</sup>.

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<sup>20</sup> The study, commissioned by the United Nations Children Fund (Unicef), concluded that SAP reforms were affecting children adversely and called for ‘alternative approaches to adjustment ... to tackle the rising problem of debt, poverty, and social strain’ (Cornia et al, 1987: 3). Unicef’s *Human Face* campaign that followed on from that report was the one of the first examples in this narrative of the ‘hybridisation’ policy, leading to the introduction of ‘social safety nets’ within adjustment programmes (Brock et al, 2001: 14; Whaites, 2002: 11).

<sup>21</sup> This distinct conceptual shift in the discourse of poverty within development circles can be bracketed by two issues of the World Bank’s annual flagship publication, the *World Development Report*



Conceptualising poverty as both a socio-political as well economic construct required constructing policy prescriptions which take into account the processes of policy formulation as well as issues of accountability and transparency in resource allocation, a key factor in determining the agency of poor people and in fostering empowerment. As such, policy prescriptions advocated by members of the epistemic community who took this view of the problematic focused on developing participatory methods in development assessment and planning (see for example, Sen, 1999, Stiglitz, 2001/1999) and on addressing the issue of governance within the recipient state to ensure transparency of aid allocation and disbursement.

Questions of ownership of economic reforms surfaced as NGOs increasingly lobbied the Bank and the Fund for greater access to the policymaking process. It was this criticism of donor-dictated policymaking associated with SAPs that began to find favour with donor technocrats who viewed the limits of policy conditionality from a technical perspective of aid efficacy. The limitations of structural adjustment as an instrument for policy leverage were highlighted by key studies which linked the failure of policy reform in SAP countries with the lack of political ownership in the design of adjustment programmes.

Mosley et al, for example, argued that the lack of policy uptake in recipient countries was due to both the political nature of SAP conditions and the non-inclusive nature of programme formulation (Mosley et al, 1991: 128). Implicit in Mosley et al's conclusions was the need to incorporate the political elites of recipient countries into the process of programme policy design in order to ensure greater adherence to the policy prescriptions set by the Bank and the Fund under economic reform programmes (ibid: 129).

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(WDR)<sup>21</sup>, the first being the *WDR 1990 on Poverty* which first emphasised the centrality of poverty in development policy and practice in line with the stance taken by UN agencies, such as the United Nations Development Fund (UNDP) through its *Human Development Reports*<sup>21</sup>. The second *WDR 2000/01* entitled *Attacking Poverty* broadened this approach by addressing issues of empowerment, security and opportunity for poor people, taking a wider construction of poverty in the context of larger development objectives (see Maxwell, 2003: 8 – 9). The *World Development Reports (WDRs)* are influential in shaping the conceptual approaches to development policy in the international arena due to the sheer scale of their dissemination – estimated at a minimum print run of 50,000 copies and 50,000 produced in seven other languages – and their origins from the World Bank's large research department which lends them 'considerable weight and legitimacy' amongst many quarters (Mawdsley and Rigg, 2002: 5 –6).



The findings from this study were supported by two influential World Bank research papers by Burnside and Dollar (1997) and Dollar and Svensson (1998) which linked the problem of aid effectiveness with the problem of institutional deficiencies within the recipient countries. Their contention that development aid was not having an impact on countries because of the countries' capacity to absorb and implement aid in an effective manner (Pender, 2002: 193) resonated with policymakers in the financier community who 'were keen to demonstrate a more rational basis for allocating their funds' (Ahmed, 2004). This discourse on aid effectiveness has widely been regarded as the overarching impetus for reform of the regulatory regime governing access to development financing<sup>22</sup>.

### *From Research to Policy Change*

One of the key epistemic components in creating the impetus for change from structural adjustment to the PRSP framework was the ESAF reviews. Commissioned by the IMF in 1996 to evaluate its concessional lending facility, the ESAF reviews were a first on many levels, including being the first IMF review to include an external evaluation. The external reviewers concluded that country studies indicated that 'ownership was a necessary condition of successful policy reform and program implementation' and recommended that ownership be strengthened at country level through the formulation of a national medium to long-term strategy around which a body of national consensus can be built around prior to negotiations with the Fund' (IMF, 1998: 21).

The impact of ESAF reviews demonstrates the effect of the epistemic convergence in forging the conceptual framework for the PRSP approach. While the reviewers of the ESAF, both internally and externally were mainstream economists, some of whom were committed to the Washington Consensus economic ideology, the views of the ESAF reviewers nonetheless resonated with other external researchers, and some researchers within the Bank, who subscribed to a more comprehensive view of development models and means of achieving development objectives. At the same time, the ESAF reviews reinforced what the policymakers in Washington DC had already been aware of for some time – that the PFPs were failing to generate results

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<sup>22</sup> See further discussion in Chapter Five.



and creating deeper resentment in the relationships between the IFIs and the recipient countries (interview: Plant, 2004).

The discourse of aid effectiveness as well had particular resonance with the decision-makers at the IFIs, namely the Bank President and the Fund Managing Director<sup>23</sup> and major shareholding governments on the Executive Boards, in considering operational changes to the development financing regime. The policy consensus emerging from mainstream discourses on aid effectiveness and the efficacy of conditionality provided policymakers with, in effect, an escape clause to architectural reform of the aid system. Policy conclusions that ‘there was no need to change fundamentally the policy prescriptions associated with aid’ but rather that ‘aid should be directed only to those countries that have already demonstrated the capacity to adopt good policies’ (Pender, 2002: 193)<sup>24</sup> enabled the Bank and the Fund to absorb the alternative conceptual approaches to development financing without rocking the foundations of its substantive content.

This episode demonstrates the centrality of epistemic coalitions to changes in public policy, notably global public policy. Engagements with the external research community reinforce internal knowledge shifts within policy institutions but such changes are operationalised only when there are political pressures to build convergence between the two. According to former World Bank senior economist Ravi Kanbur<sup>25</sup> (whose resignation from the World Bank over the furore relating to the *WDR 2000/01* marked the first of a series of high-profile departures from the institution), more often than not, the epistemic community was called upon to provide the intellectual response to external demands on the Bank and Fund created by developments in the global context (interview: Kanbur, 2004).

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<sup>23</sup> Who were, respectively at the time, the charismatic James Wolfensohn (see following section) and Michel Cammedessus, a conservative bureaucrat who was fairly unconvinced of the need to incorporate larger development priorities into structural adjustment and stabilisation programmes.

<sup>24</sup> Ahmed himself admits to the negative impact the discourse on aid effectiveness has had by advocating cutbacks to the countries with ‘poor’ policies (Ahmed, 2004; see also discussion on ‘selectivity’ in Chapters Five and Six).

<sup>25</sup> Kanbur was also responsible for coordinating the *WDR 2000/01* on *Attacking Poverty* and resigned at the later stages of the project when Bank senior management insisted on rewriting parts of the report, eliminating some of the reports more critical elements although the Bank has stated that it believed Kanbur’s reservations to be ‘unfounded’ (see Bretton Woods Project, 2000).



In other words, more than the ‘agenda-setting’ role of epistemic networks, academic research, within and outside the policy environment often becomes ‘a source of institutional legitimacy for chosen development paths’ (Stone and Wright, 2007: 9). Therefore, the ‘tipping point’ for the shift from SAPs to the PRSP framework took place not only in the convergence within the epistemic coalition but also a convergence between the interests of the advocates for reform and the politics of reform. In Ahmed’s words, ‘the time was right, the politics (*sic*) was right’ (Ahmed, 2004).

### 3.3.2. The Institutional Response to the Conceptual Framework

Under pressure from both the public lobby and their political masters to reform the aid delivery system in the face of the incipient systemic crisis and the backlash against the IFIs in the late 1990s, the World Bank and the IMF, and, to a lesser extent, bilateral aid agencies such as the UK’s Department for International Development (DFID), were confronted with the impetus to provide a sustained organisational solution to the problematic. The institutional processes that shifted the political ground for the inception of PRSPs are distinguished from the role played by the institutional policymakers who formed a part of the aforementioned epistemic community. These institutional advocates for reform relied upon the organisational impetus to respond to external pressure by translating the narratives for reform into policy solutions to the problematic, drawing upon the support of the wider epistemic community to legitimise their own strategies for reform.

#### *The Wolfensohn Legacy*

A key political development in the 1990s that led to the PRSP framework was the appointment of former banker James Wolfensohn as president of the World Bank Group in June 1995. Wolfensohn’s appointment has been widely regarded as a turning point for World Bank operational policies and, consequently, for that of most other bilateral and multilateral donors who regard the Bank as the ‘leader’ in development policy thinking<sup>26</sup>. Wolfensohn was under pressure from the US

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<sup>26</sup> A charismatic but temperamental entrepreneur, Wolfensohn had been passed over in the previous appointment to the presidency in favour of conservative financier Lewis Preston in 1991 (Mallaby, 2004: 56). Preston, however, took over the helm of the Bank at a critical political period for the Bank



administration and from other major Bank shareholders to address the rising tide of criticism of the Bank, particularly from a coalition of Anglo-American NGOs and its domestic supporters.

Wolfensohn's appointment was, to all intents and purposes, deliberately orchestrated to reinvent the Bank in the face of mounting criticism and to rehabilitate the Bank in the interests of US foreign policy. Vice-president Al Gore was said to be keen to revitalise the Bank's role in what was seen to be 'security areas' neglected during the Cold War, such as poverty, disease, etc (Mallaby, 2004). According to veteran environmental campaigner, Bruce Rich<sup>27</sup>, the Bank at the time when Wolfensohn took over was faced with a serious crisis of credibility, threatened with marginalisation in the international arena not only due to its inability to 'move money' to developing countries but also in constructing 'coherent, believable approaches' to resolving 'the economic and social quandaries of poorer parts of the world' (Rich, 2002: 28).

Wolfensohn was particularly mindful of the fact that he had inherited an institution in crisis, riddled with bureaucratic inertia and faced with external credibility issues. Not only were the protests against Bank project becoming more public, internal reports such as the critical *Wapenhans Report*<sup>28</sup> in 1992 confirmed that the Bank senior management was deeply steeped in a 'culture of loan approval' which was overriding performance and efficacy considerations in Bank operations, a practice that the incumbent president had pledged to change when taking office (Rich, 2002: 26 – 27).

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and the financial policymakers in Washington DC. Not only was the first Bush administration facing electoral defeat at the hands of telegenic Democrat Bill Clinton, institutions such as the World Bank were facing increasing public hostility towards its activities in developing countries, especially by the environmental movements. Wolfensohn biographer Sebastian Mallaby, recounting the public protests against the Bank during the 50th anniversary of the Bretton Woods institutions, said of Preston: 'Preston's qualities – his reserve, his modesty, his gentlemanly style – were no match for the theatrical antics of his NGO critics; the old Marine was up against guerrilla activists who didn't know or care what 'gentlemanly' meant, and they had overwhelmed him' (Mallaby, 2004: 63). When it became clear that the Bank was in need of a leader more capable of dealing with the criticisms it faced in the 1990s, the US administration decided to appoint Wolfensohn because 'Wolfensohn was a charmer, a seducer, a force of nature' or, in a nutshell, Wolfensohn '*was no Lewis Preston*' (Mallaby, 2004: 66 – 79, emphasis added).

<sup>27</sup> Rich currently heads the Washington-based lobby group, Environmental Defense's international programme, examining the social and ecological impacts of the US's aid policy and activities of multilateral development banks on developing countries.

<sup>28</sup> Officially known as the *Effective Implementation, Key to Development Impact: Report of the World Bank's Portfolio Task Force*, the report was christened the *Wapenhans Report* after Willi Wapenhans, the Bank vice-president who oversaw the study.



Part of Wolfensohn's brief was to create greater legitimacy for Bank interventions in the developing world, both for the benefit of external critics such as advocacy groups and NGOs, and for detractors within the US Congress, particularly a group of hard-core Republican politicians who were viewing the Bank as an unnecessary tax on the US public. In the face of the congressional Meltzer Commission, established in 1998 to examine the role of the BWIs, and its unfavourable report<sup>29</sup>, Wolfensohn's plan was to engage the critics head on. One of such strategies was to engage in a dialogue with NGOs (see section 3.3.3), a precedent for the Bank administration.

Joseph Stiglitz<sup>30</sup>, appointed as the Bank's chief economist in February 1997, supplemented Wolfensohn's reforms by supplying the intellectual counterpart to Wolfensohn's political strategies. Stiglitz's time at the Bank marked the demarcation in the policy discourse of the Bank between the top-down monetarist approach of the SAPs and the more inclusive, holistic approach of the post-structural adjustment era (Chang, 2001: 1 – 4; Pender, 2001: 402 – 408; interview: Guerrero, 2004). Indeed, Stiglitz's ideas formed the basis of much of the new post-Washington Consensus ideology, triangulating the link between the neoliberalism of structural adjustment era and what Hatcher terms the 'neo-institutionalism' of the post-structural adjustment era and helping the Bank shape what she calls the 'integrated development model' which sought to 'implement new forms of governance in order to lock-in market-enabling policies' in client countries (Hatcher, 2006).

Stiglitz, in many ways, served as the link between the shifts in the conceptual framework of development policy and the political imperatives that drove institutional policy<sup>31</sup>. For some researchers at the Bank, Stiglitz paved the way for the

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<sup>29</sup> The final report called for, inter alia, severely reduced roles for the World Bank and the IMF, calling for an end to long-term lending for poverty reduction by the IMF and limited assistance from the Bank, utilising regional development banks where possible and replacing loans with grants and subsidising privately-funded public goods (US Congress, 2000).

<sup>30</sup> A former economics lecturer and economics advisor to US president Bill Clinton, Stiglitz was to become, and remains today, one of the most vociferous mainstream critics against the neoliberal economic policies set by the Washington Consensus and promulgated through the Bretton Woods institutions. Although Stiglitz's most strident criticisms were reserved for the IMF – his famous book, *Globalization and Its Discontents* (Stiglitz, 2002) created a very public spat between Stiglitz and the IMF bureaucracy in which senior IMF staff raced to the defence of the institution by denigrating the substance of the book and through personal attacks on Stiglitz himself (see Dawson, 2002) – his wide-ranging views on development policy extended to the approach adopted by the World Bank (Chang, 2001: 2).

<sup>31</sup> In the series of papers published during his tenure at the Bank, including those that make up the volume alluded to here, Stiglitz openly attacked the narrow conception of development offered by the Washington Consensus and operationalised through the policies of the international financial



articulation of alternative policies and provided the intellectual cover under which these policies may be developed and operationalised. In Chang's opinion, Stiglitz's criticism of the Washington Consensus came at a critical period, coinciding as it were 'with rising intellectual criticism and a renewed political resistance from the developing countries towards the neo-liberal world order' (Chang, 2001: 2)<sup>32</sup>.

In 1995, the financial crisis hit Mexico and the contagion subsequently spread to East Asia in 1996 – 97. The collapse of key East Asian economies – Thailand, Indonesia, South Korea, Malaysia – in the financial crisis of 1996 – 97 served as a wake-up call to the financial community and the ensuing political unrest that accompanied the IMF stabilisation programmes in countries such as Thailand and Indonesia highlighted the social and political consequences of an economic programme based on fiscal austerity that neglected the social welfare dimension. Advocacy groups, including debt campaigners, seized on the opportunity of the East Asian financial crisis to call for a change in the global economic order, using the effects of the financial crisis and the negative impacts of IMF stabilisation programmes, including rising fuel prices, as an indicator of the fallout from unbridled capitalism and trade and financial liberalisation.

Stiglitz's ideas were ideally placed to counteract charges that the IFIs were not responding to global events and to form the foundation upon which an alternative policy framework could be conceptualised and operationalised<sup>33</sup>. This alternative framework was ultimately set out by Wolfensohn in his Comprehensive Development Framework, the conceptual treatise that would form the theoretical

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institutions, including the IMF and the World Bank, and called for a more comprehensive view of economic policy which took into account the role of institutions, people and regulatory mechanisms (see Chang, 2001: 4 – 15).

<sup>32</sup> Paradoxically, these counter-ideas and Stiglitz's increasingly nascent criticisms against the IMF orthodoxy led ultimately to his high-profile resignation from the World Bank in November 1999. Commentators have previously suggested that his removal was demanded by then US Treasury Secretary Lawrence Summers in exchange for Wolfensohn's re-appointment in 2000, a suggestion that Wolfensohn biographer Sebastian Mallaby dismissed as a doubtful claim (Mallaby, 2004: 266). Stiglitz himself has said that his resignation came as a result of increasing disillusionment with the policies of the World Bank and with working for reform 'from the inside' which were not leading to timely policy responses (Ambrose, 2000).

<sup>33</sup> The political currency of Stiglitz's ideas may be demonstrated by his retention by Wolfensohn as 'special advisor to the president' post his resignation as chief economist. According to Mallaby, 'keeping Stiglitz on the payroll helped to distance the Bank from the IMF and mollify NGO critics' (Mallaby, 2004: 266 – 267) although pressure from the US administration later proved to difficult for the Bank to continue defending Stiglitz's attacks on the IMF and he was subsequently dropped altogether.



framework for the PRSP project. Senior Bank economist Pablo Guerrerro admits that the CDF was a result, to all intents and purposes, of an admission of failure on the part of Bank of previous policies, in particular that of structural adjustment: '[adjustment] was a big disaster because we were pouring huge amounts of money into countries that were unable to absorb the capital in a useful manner, [yielding] misery, indebtedness and no outcome (*sic*) ... the CDF is a product of arriving at that conclusion' (interview: Guerrerro, 2004).

### *Political Currency of Change*

The institutional change at the World Bank was encouraged by the success of the Labour Party in the 1997 UK parliamentary elections and the subsequent appointment of UK Chancellor of the Exchequer Gordon Brown to the chair of the International Monetary and Financial Committee (IMFC). Coming in after almost two decades in the political wilderness on a platform of third way reformism, the entry of this new British government into international development policy circles provided valuable support to the post-structural adjustment Stiglitz-Wolfensohn reforms in Washington and the conceptual framework for reform set by the epistemic coalition as discussed earlier<sup>34</sup>.

The CDF was also, in many ways, shaped by the Ugandan success story. The Uganda story has been cited as a successful story of participation in poverty reduction and an important example of policy success that shifted the discourse of development financing from conditionality to partnership and participation. Uganda's economic planning model developed under President Yoweri Museveni in the late 1990s was premised on a programme of participatory politics centred around a series of consultations with local communities and NGOs, chiefly, branches of transnational

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<sup>34</sup> At time of writing, the UK government, along with the Nordic countries, remain the most committed to the framework of development policy envisioned by Wolfensohn and Stiglitz in the post-structural adjustment era. In paper at least, the UK's DFID, created under the new Labour government in 1997, remains committed to channeling most of its development assistance through the PRSP framework and using budget support mechanisms (interviews: van Gelder, Guerrerro, 2004). Both Blair and Brown have also since sought to capitalise politically on their support for low-income countries, particularly those in Africa through various campaigns including the most recent Make Poverty History campaign. Brown, in particular, have in recent years, tacked his prime ministerial ambitions onto his international work and many activists view his encouragement of various debt relief initiatives as part of his larger political platform, responding to NGO demands that the Bretton Woods institutions be made more accountable and inclusive.



development NGOs – Oxfam International and ActionAid – that resulted in the Poverty Eradication Action Plan (PEAP) in 1997.

This document later formed the basis upon which negotiations between the Ugandan government and the IFIs were later conducted. This included negotiations under the Ugandan Multilateral Debt Fund (UMDF) which was proposed by the Ugandan government and acted as a vehicle through which debt negotiations would take place (Callaghy, 2001: 128 – 131; Christiansen with Hovland, 2003: 21 – 23; Mallaby, 2004: 217 – 229). The Ugandan model was subsequently taken up by Bank designers of the PRSP framework and later supported by the British government, largely because of the revolving door of policymakers within the Ugandan policymaking processes at the time and NGOs such as Oxfam, debt campaign groups such as Jubilee 2000 and DFID whereby the same persons who were instrumental in formulating Uganda's policies were later posted to London or Washington DC.

The Washington CDF compact and the Ugandan debt and development model also provided a useful conceptual base upon which the conditions for debt relief under the HIPC could be drawn. These conditions would later be translated into concrete policies upon which the PRSP framework would operationalise. The debt campaign was a critical step in the evolution of the PRSP as principles in a conceptual framework to conditions that would be attached to development financing and this is the result of the institutional response of the IFIs and donor countries to the demands of the debt campaigners and other advocacy groups.

The translation of CDF principles into a regulatory framework for accessing development financing was therefore an institutional response to the external pressures on the Bank, Fund and the G8 countries which had subscribed to the enhanced HIPC initiative. Debt campaigners, such as the Jubilee 2000 coalition, had been denouncing the original HIPC Initiative set up in 1996 in their demands for greater and deeper debt relief for impoverished countries as inconsequential due its limited impact on poverty reduction in the affected countries (see Christiansen with Hovland, 2003: 25 – 27; Callaghy, 2001, 131 – 139). As a result, their campaign for an enhanced HIPC initiative included calls for an alignment of debt relief with plans to reduce poverty in the indebted countries. NGOs campaigning for debt relief had



demanded that the money that was to be saved from debt reduction was to be spent by the country in receipt of such relief, on expenditure earmarked for poverty eradication.

### 3.3.3. Geo-Strategic Interests and the Role of the NGO Lobby

The Jubilee 2000 debt campaign demonstrated the strength of public opinion in mobilising support amongst institutional players for a change in the status quo and opened the space for the participation of a new coalition of actors in international development policymaking – that of the specialised NGO advocate. These developments served to widen the actors in international development policymaking and normalised the participation of non-state actors into the process of policy formulation and regulatory governance.

#### *The New Non-State Actors*

Fogarty (2003) and Callaghy (2001) both view ‘regime change’ in the international debt regime from the ad-hoc Paris Club system to the multilateralised agenda of the HIPC regime as resulting from, in the absence of any other explanation, the pressures brought to bear upon the G7 governments by the debt campaign lobby.

Fogarty observes that:

The LDCs’ debt relationships through the mid-1990s were managed in a closed, secretive and rigid process among rich-country creditors, but since 1996, these relationships have become embedded in a more open, consultative and flexible process in which sovereign and multilateral creditors have ceded a greater voice to the LDCs and their NGO advocates. *In the absence of a major impetus to change from other relevant factors, the role of the NGOs seems to have been the key reason for this change* (Fogarty, 2003: 230, emphasis added).

This observation is accurate to a certain extent for while NGOs certainly contributed to the creation of political space in which the discourse of debt relief and poverty



reduction could be articulated, framed and acted upon, the real political impetus for reform came less from the direct advocacy power of NGOs and social movements than from the discursive fallout of such pressure. While arguably, some northern-based NGOs, such as Oxfam International, have claimed the credit for restructuring the debt regime, and consequently, for the initiation of the PRSP framework<sup>35</sup>, their advocacy role in promoting this shift has not been as significant as the geo-strategic consequences of their ‘profoundly *political* act of critique and mobilization’ (Fogarty, 2003: 230). In other words, the political alliances built as a result of the NGOs’ debt campaign created the impetus for the industrialised countries to act, through their majority voice in the decision-making processes of the international financial governance institutions, to retain their geo-political hegemony in these areas.

While protests against the multilateral banks and financial institutions have been ongoing since the 1980s, the movement in the 1990s shifted gears politically at the geo-strategic level as a result of the alliances built between advocacy groups in the north and governments of the south. In the 1980s, advocacy groups were largely campaigning against environmental and social impacts of projects on affected communities in the south. In many of these campaigns, criticism was directed both at the IFIs, the multilateral and bilateral donors and the governments of the recipient countries themselves.

With the advent of structural adjustment and the move away from project lending, the NGO lobby began to link the economics with the environmental and campaigns began to be built around the general injustice of the global economic system as opposed to the mere singling out of a single campaign. According to Fox and Brown: ‘As the social, geographic, and institutional base of the campaigns broadened, anti-poverty concerns and structural adjustment became growing priorities on the [multilateral development bank] agenda’ (Fox and Brown, 2002: 6).

This was encouraged, albeit to a limited extent, by the Wolfensohn presidency at the World Bank. In 1996, a coalition of NGOs from the north and south, formed the Structural Adjustment Participatory Review International Network (SAPRIN) in response to the incoming Wolfensohn’s challenge to civil society groups to engage in

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<sup>35</sup> Callaghy provides a descriptive account of these events (see Callaghy, 2001: 140).



a joint Bank and civil society ‘multi-country, participatory investigation’ into the impacts of structural adjustment policies. The five-year project, conducted through wide-ranging empirical research by grassroots organisations in 10 countries, culminated in the SAPRI report<sup>36</sup> which revealed damning evidence against SAPs (SAPRI, 2004: 1 – 35). While the Bank subsequently disengaged itself from the project and sought to distance itself from the findings (ibid: 31 – 35), the impact of the initiative had already been felt through the galvanising of political voices against the institutional agenda of SAPs<sup>37</sup>.

One crucial difference in the NGO campaigns around SAPs though was that unlike the environmental campaigns, the concerns about structural inequality and the welfare dimensions of sovereign debt and fiscal austerity, required campaigners, in spite of their reservations, to work with the governments of indebted and low-income countries. This brought about a critical shift in the public lobby against the financial institutions and posed a more immediate and more potent geo-strategic threat to the G 7 countries than the environmental campaigns that had focused solely on the complicity of the IFIs and the recipient governments. The campaigns against structural adjustment marked the beginning of an often uneasy and wary relationship between NGOs and governments of low-income countries. In this respect, NGOs soon began to work with governments in the south as opposed to working against them.

At the same time, the raft of regulatory reforms pushed through neoliberal reforms embedded in structural adjustment programmes and through increasingly powerful multilateral institutions such as the WTO were increasingly incurring resistance from developing countries. The campaign against the Multilateral Agreement on Investment (MAI) cemented the relationship between campaign groups in the north and the governments in the south – the proposal for a draft MAI was first obtained through government leaks by a Canadian environmental NGO which circulated the information to the rest of the NGO community.

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<sup>36</sup> *Structural Adjustment, The SAPRI Report: The Policy Roots of Economic Crisis, Poverty and Inequality* (SAPRI, 2004).

<sup>37</sup> For more details on the SAPRI controversy and the findings, see SAPRI (2004).



The strength of the international protests took many western governments by surprise in the late 1990s with the large demonstrations of force outside key inter-governmental summits (G8, WTO, World Bank and IMF meetings) and corporate meetings (such as the annual World Economic Forum in Davos, Switzerland) forcing heads of state to confront the reality of the global order. Globalization was creating, in Stiglitz's own words, 'its discontents' (Stiglitz, 2001). The famous 'Battle of Seattle' at the site of the aborted WTO ministerial meeting in 1999 exemplified the force of this new political alliance and although the significance of this event is contested, it did, at its minimum, bring together a disparate network of dissenting voices restive for change and, in Higgott's analysis, set into motion 'a series of trigger points on the road to a changing international intellectual and policy agenda' (Higgott, 2000: 136).

### *Quelling the Disruption*

The international citizenry protests bolstered the 'renewed political resistance' (Chang, 2001: 2) of developing countries against the disadvantageous economic policies that were being enforced in their jurisdictions through iniquitous regulatory processes such as structural adjustment, and uneven economic forums such as the WTO, the North American Free Trade Agreement (NAFTA) and conditions attached to debt restructuring. After the OECD was forced to retract plans for the MAI as result of the refusal of developing countries to subscribe to 'the discussion of what they saw as a highly biased agenda' (Chang, 2001: 3), the renewed political force of a united 'third world' became clear, as did the new political leverage of the transnational social movement.

The social and economic dislocations of the aforementioned financial crises and socio-economic fallout from their accompanying adjustment programmes heightened the global loss of faith in the international economy, precipitating a series of third world rebellions in the global governance arena, from the collective ministerial walkout of Seattle to the unilateral dismissal of IMF interventions in Mahathir-led Malaysia, which held the threat for an incipient mass third world revolt against the rapaciousness of the neoliberal postcolonial world economy.



These geo-strategic imperatives were important in framing the objectives and later, the regulatory agenda of the PRSP framework. The necessity to control the resistance – the ‘prose of counter-insurgency’ in the words of Pahuja (2000: 797) – was a very real geo-political factor in the conceptualisation of the PRSP framework. Like the introduction of its predecessor framework, SAPs, the origins of the PRSP initiative are located within the percolating incipient crisis of faith in and threats to the status quo of the international economy of its times.

Here, the impetus was driven by the concern within the international financial community – by this mean, I refer to the community of sovereign donors, IFIs and the international corporate community – that the political resistance by the developing countries within the global economic system, bolstered by the support of an increasingly powerful transnational social movement with networks of citizenry support spanning both north and south posits a real danger to the functioning of the existing international economy and the global juridical order which sustains it. Pahuja speaks of a ‘fear of exit’ that posits an eternal spectre in the participation of the third world states in the international legal order:

The effect of the eternal presence of the spectre of the Third World primordialism means that implicit in the articulation of the fear of entry and the risk of systemic breakdown immanent in that entry, is the *fear of exit*, or the desire to prevent nations in financial difficulties from dropping out of the international system altogether (Pahuja, 2000: 797, emphasis added).

This ‘fear of exit’ is accompanied by the afore-mentioned ‘fear of entry’: the potentially disruptive potential of an inclusion into the international legal and economic order of ‘developing’ states whose juridical systems have not attained the corresponding safety level of ‘governance’ and institutional sophistication of the ‘developed’ world and whose limitations as such posit a real challenge to the maintenance of geo-strategic hegemony of the industrialised nations (Pahuja, 2000: 785 – 788).



In this respect, the PRSP framework may be seen as a means of quelling this potential danger of 'exit' by the low-income countries from the international economic system and, at the same time, tackling the danger of 'primordialism' that accompany these countries' inclusion in this system. This is evidenced by the conceptual and operational emphasis on country ownership of financing programmes and the provisions for debt relief to tackle the problem of 'exit' by providing incentives to countries to remain in the system, and by instituting process requirements such as poverty reduction strategies and monitoring systems to provide the necessary governance conditions to regulate the countries' continued participation in the economic legal order.

Conversation with a Bank staffer illustrates this point. This staff member admits that regulating the recipient countries' use of aid and debt relief (provided in response to the pressures of the NGOs and internal advocates for reform) was a particular concern for the industrialised country Board members in the changeover from structural adjustment to PRSP-initiated financing modalities, such as the budget support PRSC, demanding, in many cases that these countries adopt the fiscal accountability regimes set by their own domestic jurisdictions. According to this senior researcher, the G 7 governments often refuse to give consent to economic policies which accord the recipient countries blanket autonomy unless 'these countries can show that they meet standards, and not only standards, but the highest and most demanding standards' available (interview: 2004).

The PRSP framework with its set of operational parameters provided the opportunity to arrest the dissonance within the international political economy. While the PRSP only extends to the peripheral nations of the global economy, mostly located in sub-Saharan Africa – as opposed to the politically powerful Asian and Latin American middle-income countries – the importance of maintaining this bloc of countries within the global capitalist system is as much an exercise of discourse as one of utility, the offsetting of the loss of faith in the policies of globalization. The PRSP framework thus becomes the new regulatory framework for containing the threat of revolt, replacing the outmoded discipline of SAPs.



### 3.4. Missing Pieces in the Jigsaw – The Absent South

One very clear conclusion that can be drawn from the genealogical discussion of the PRSP framework above is that the impetus for change from structural adjustment to this new approach of development financing came from outside the communities and countries which the PRSPs are designed to affect. The planning, design, and implementation of the PRSP approach were consolidated in Washington DC, London, Brussels and Paris with little input from the participants of the framework. The imperatives for these conceptual and operational shifts in the delivery of development financing lie outside the state-to-state negotiating structure and outside the democratic apparatus of accountability and transparency within the jurisdictions in which the framework is supposed to operate.

Christiansen and Hovland's study of the historical narrative of the PRSP project and its role in multilateral policy change found that there was little southern government input into the process of formulating the PRSP framework. They conclude: 'Other than some limited discussion at Executive Director level of the World Bank and IMF, the contribution of Southern governments was largely indirect, through the demonstration effect of poverty reduction programmes in practice. Countries named in this respect were Mozambique, Tanzania, Bolivia, and especially Uganda' (Christiansen with Hovland, 2003: 21).

The overarching framework of the PRSP was thus designed and executed in the OECD countries, in consultation with northern-based NGOs, driven by organisational and political imperatives of the north. Even where the 'contribution' of southern governments has been recognised as a precipitating factor, this process was largely driven by large transnational NGOs<sup>38</sup>. In Uganda for example, as noted in section 3.2.2 above, international NGOs played a key role in drafting the conceptual and operational framework for the PEAP. According to Christiansen and Hovland, it was Oxfam and the Ugandan government which initiated Uganda's first Participatory Poverty Assessment (PPA) that formed the backdrop for the PEAP process (ibid: 22 – 23).

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<sup>38</sup> The role of these INGOs in the PRSP framework is considered in greater detail in Chapter Six.



The absence of genuine southern participation in the PRSP project's inception is significant when analysing the impact of the framework as a regulatory mechanism and as a mechanism for globalization. The lack of input from communities and states within this structure belies the true nature behind the rhetoric of PRSPs that the framework is premised on notions of *ownership*, *participation*, and *poverty reduction*. While the framework responds to some of the notions alluded to within its stated objectives, the origins of the PRSP approach not only impacts significantly on the pursuit of these goals, it questions the authenticity of its stated objectives.

Ironically, the means through which the PRSP framework was conceived, negotiated and approved by the shareholding governments of the Bretton Woods institutions and subsequently adopted by these governments in their bilateral relationships with PRSP countries demonstrate the continued subservience of third world states and their communities to the political constituencies of the north. It also highlights the fundamental asymmetries of the decision-making structures of the World Bank and the IMF, as discussed in Chapter Two (see section 2.2.1.) in that the weighted voting structure of the institutions enabled reforms to be approved in spite of significant opposition from countries to be affected by the changes and 'muted the voice of those members that knew most about the issue' (Rustomjee, 2006: 26).

Cyrus Rustomjee, former Executive Director for a constituency of sub-Saharan African countries at the IMF, reveals that the decision to operationalise the PRSP was taken by the Executive Boards of the Bank and Fund 'during a key board meeting in December 1999' in spite of significant objections from developing country members, notably SSA countries, on the form and substance of the PRSP approach and the capacity of resource-strapped client governments to implement such an ambitious project (ibid). According to Rustomjee:

Relevant and legitimate issues were raised regarding the pacing and phasing of the PRSPs, the need for different approaches to PRSP preparation, the lack of domestic capacity to prepare PRSPs in many countries, the lack of fiscal resources to give effect to the recommendations which PRSPs were likely to generate; diversion of policy-maker's efforts from other crucial activities, including their



macroeconomic reform efforts and their efforts to secure bilateral and multilateral debt relief. Only a few of these objections were translated into amendments to the framework's inception (ibid).

The absence of third world voices from the construction of the PRSP project highlights the colonial legacy of not just this particular policy instrument and its attendant regulatory framework but also of the larger architecture of aid, the impact of which continue to resonate in the implementation of PRSPs and its financing instruments. It highlights what southern constituencies have criticised as a northern preoccupation with the technocratic nature of development and the aid architecture, a sense of 'tweaking' the systematic components rather than redressing the systemic flaws of the political and economic relations that underlie the aid system (Menocal and Rogerson, 2006: 7).

The framing of the PRSP project in this context therefore demonstrates the extent that third world states and communities in the south continue to be the *objects*, as opposed to *subjects*, of the project of development. This is exacerbated, as we shall see below, by the legacy of state fragmentation left by structural adjustment in ex-SAP/current PRSP countries and the precedents established by adjustment reforms which legitimise the interventions of the actors central to the PRSP initiative.

### 3.5. PRSPs and the Legacy of State Fragmentation

The imposition of the PRSP with its significant interventions in target countries and implemented in a policymaking process that is set, by and large, by actors external to the country is indicative of the destructive legacy of structural adjustment policies on the constitution of the state in SAP countries and the resultant marginalisation of domestic structures of decision-making in the context of national planning and regulation and international engagement of these states.

A critical impact of the disciplinary force of structural adjustment was the creation of a domestic political space that enabled the imposition of PRSP reforms. Efforts at restructuring the state that were pivotal to structural adjustment policies have



resulted in the dispersal of state autonomy which has paved the way for successful insertion of the PRSP framework in these countries. The legacies of structural adjustment on recipient states have paved the way for the successful insertion of the PRSP framework in these countries insofar that the negative governance externalities of SAPs provided the impetus for interventions and that the disciplinary framework provided the regulatory precedents for interventions.

Two significant consequences of structural adjustment therefore have been both the concession of national regulatory authority to the international arena, resulting from the merging of domestic and international governance structures, and consequently, the fragmentation of state capacity, in terms of both economic reproduction and regulation, resulting from this shift in regulatory power. The ‘successful’ implementation of the PRSP framework is therefore a corollary to the ‘successful’ implementation of adjustment policies, a paradoxical heritage that is rarely represented in the discourse on the post-Washington Consensus architecture of aid.

### **3.5.1. Internationalisation of Decision-Making**

Structural adjustment, as alluded to in Chapter Two and sections 3.1 and 3.2, legitimised policy reform as an objective of resource transfer and as a subject of financing. The introduction of ‘policy-based’ financing – based on a programme of structural reform in recipient countries as opposed to financing an earmarked project under traditional ‘investment’ financing – under SAPS not only marked a shift in the substance of development financing but also in the process of policymaking in recipient countries.

The design of structural adjustment had enabled the IFIs to permeate internal structures of recipient countries in ways that were not possible before. Where Bank and Fund bureaucrats previously possessed only the autonomy to dispense technical advice on (a) project implementation (in the case of the Bank) and (b) the domestic monetary and fiscal policy insofar as they impact on domestic economic stability and



international financial cooperation, SAPs endowed these institutions with the political capital to capture key policymaking spaces within the domestic economy<sup>39</sup>.

In doing so, SAPs had created a transnational regulatory regime which has fragmented the internal sovereignty of states subject to its discipline and created what Jayasuriya terms ‘polycentric legal orders’ by internationalising specific state agencies and institutions – notably finance ministries, central banks and national financial regulatory authorities – which engage with the Bretton Woods institutions and which oversee domestic regulatory compliance, autonomously from other institutions of domestic governance ((Jayasuriya, 1999 : 438 – 441).

The importance of Bank and Fund signalling to external resource mobilisation for many countries has resulted in the creation of ‘islands of sovereignty’ (ibid: 439) within a state as the aforementioned state agencies linked into the larger global financial architecture begin to (and are encouraged to) operate autonomously from other parts of the government machinery in order to facilitate more effective policy dialogue with these institutions and enforce greater regulatory compliance with their policy prescriptions. This has created the development of ‘transnationalized sectors’ of the economy which operate in accordance ‘to regulatory logics’ imposed by external financial institutions and respond to the disciplinary imperatives of these institutions (Santos, 2006: 50), resulting in relocation of regulatory accountability to international rather than domestic governance structures.

This reality is compounded, as we see below, by the internal fragmentation of state authority caused by the SAP reforms, notably the increasing reliance on external resources, financial and personnel, to carry out basic state functions. SAP policies to cut government expenditure (see below) has meant that many low-income countries are now dependent on aid to plug not only the fiscal gap in government but also the

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<sup>39</sup> In Bangladesh, for example, the SAPRI report found that where financial sector reform was a core element of the structural adjustment package of the Bank and the Fund, measures were instituted to denationalise and privatise the banking sector and undertake reforms such as floating interest rates, abolishing ‘directed lending to priority sectors’, and instituting a raft of regulatory measures aimed at improving loan recovery, taking legal action against defaulters and strengthening bank supervision. At the same time, agricultural policy reform was being pursued, including measures to increase private sector involvement in the distribution of agricultural inputs, and a corresponding reduction in subsidies for such input, and to liberalise food grain exports and imports, and state-owned industrial enterprises, namely the jute sector, was denationalised and privatised (SAPRI, 2004: 73, 115 and 134).



human resources gap, leaving many countries dependent on aid to fund civil service personnel. Consequently, in many SAP countries, donor influence is significant in public administration, with expatriate personnel, usually funded or seconded from bilateral aid agencies, occupying and often heading, key ministerial positions in government departments<sup>40</sup>.

One of the implications of such dependence has been the integration of donor policies, or what Harrison terms ‘the international orthodoxy of reform’, in domestic governance (Harrison, 2001b: 670; see Chapter Five), thereby translating aid dependency into policy leverage<sup>41</sup>. Another important consequence has been the emergence of non-traditional actors in the policymaking processes in SAP countries, including non-state actors and donors, as key players in the process of state reconfiguration, legitimised at the international level through their links with the institutions of global governance (see sections 3.3.3 and 3.5.2).

Accordingly, it is not surprising that the reforms advocated by the constellation of actors responsible for the PRSP initiative have not been significantly challenged by the domestic constituencies it affects. Where the regulatory authority has been shifted to an external body and where domestic institutions are enmeshed in chains of resource dependency, the capacity for opposing a new disciplinary structure, initiated as it were within a discourse of political franchise, is geo-strategically and economically limited.

### 3.5.2. The Retreat of the State

The PRSP approach has taken root in a political and economic vacuum in states where the apparatuses of governance and the functions of government have been weakened by successive onslaughts of structural adjustment reforms and where this

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<sup>40</sup> Harrison notes, for example, that the Danish donor agency, DANIDA had 22 ‘advisors of one kind or another’ within Uganda in 1998 and that numerous expatriate ‘technical advisors’ held significant positions within the decision-making structures of the Ugandan and Tanzanian governments during the 1990s (Harrison, 2001b: 670 – 671).

<sup>41</sup> ‘Technical assistance’ therefore has often been used as an instrument of such leverage. A Ghanaian activist recounts, for example, the shock he had when he found out that a member of DFID had been placed in the Ghanaian delegation at the World Trade Organisation (WTO) ministerial meeting in Cancun, Mexico in 2003 as a condition for DFID funding the travel expenses of two Ghanaian civil servants on the delegation. This meant that an official from the UK government would be privy to sensitive information and strategising of the Ghanaian government prior to multilateral trade negotiations (conversation, 2004).



vacuum has been partially filled by private entities and agencies, most of them linked operationally to organisations external to the countries in which they operate. It follows then that the restructuring of state apparatuses under the PRSP framework reflects the interests and strategic locations of the parties which have gained ascendancy in political and policy circles resulting from the regulatory driving seat vacated by the state under structural adjustment.

Reforms under SAPs were premised on the rationale that state intervention in the markets stagnated economic growth and created inefficiencies and distortions in the production and delivery of goods and services, and that the potential for development lay in the retreat of the state from economic activity through deregulation, privatisation and liberalisation of economic sectors and the removal of government support for domestic productive sectors. Meanwhile, the fiscal austerity of financial stabilisation programmes, with its ceilings on public expenditure and curbs on domestic monetary supply<sup>42</sup>, and the non-negotiable debt service conditions led to a reduction in the resources that can be generated and spent by the government<sup>43</sup>.

The imposition of such policies on developing countries has led to a steady erosion of the function of government in these countries. Removing the state from economic activity and curtailing government regulation of domestic economic sectors have served to circumscribe the role of government, leaving little left for governments – including those democratically elected to serve the interests of the electorate – to do except to enforce policies set for them by external parties and create an enabling environment in which foreign capital is free to operate. The SAPRIN report concluded that many of the negative social, economic and ecological impacts of SAPs were directly correlated with the declining role of the state in national policymaking, particularly in the undermining of the state's productive, redistributive and regulatory roles (SAPRIN, 2004: 222 – 223).

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<sup>42</sup> This included caps on budget deficits and freezes or reductions in government expenditure levels, curbs on monetary supply in the domestic economy, including limits on domestic resource mobilisation through taxes, and the devaluation of national currencies (Rowden, 2004: 11; SAPRIN, 2004: 176)

<sup>43</sup> For a detailed critique of the IMF's low-inflation targets and their impact on social sector spending, see Rowden, 2004.



This sentiment is echoed by Ghanaian economist and veteran activist Charles Abugre who contends that the neoliberal policies of structural adjustment programmes have precipitated what he calls ‘a new crisis of the state’ in countries affected by these policies, particularly those in sub-Saharan Africa, whereby the functions of government have been gradually eroded by successful adjustment programmes to the extent that there is no effective state left. He argues: ‘As a result of the policies of structural adjustment, you have a situation in Africa now where there are good, active *governments* but hardly any space for *governance*’ (Abugre, 2005b).

This undermining of state capacity in countries under structural adjustment is worsened by the policies of decentralisation and accompanying reform of the public services sectors that have been pursued by the Bank and the Fund in recent years through SAPs and other lending instruments, such as Community-Driven Development projects and Output-Based Aid<sup>44</sup>. The bypassing of central government under these circumstances further erodes the fiscal autonomy of the state and weakens administration of national government as a whole. The undermining of national budgetary and other administrative processes through policies of decentralisation not only results in inconsistent spending allocations and uneven coverage of public services and other state functions but also weakens political accountability and creates opportunities for interventions by other parties into the political affairs of the state.

The replacement of government with private entities, such as NGOs and corporations, weakens the compact between the state and its citizens and creates the opportunity for the proliferating private, profit and non-profit sector to capture key policymaking spaces<sup>45</sup>. Many non-governmental, non-corporate entities working in the delivery of basic services in low-income countries are branches of large, northern-based INGOs who have, on the basis of the scale of their operations, demanded a larger voice in the policymaking processes, both in the local

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<sup>44</sup> This development sees the locus of decision-making and financing for development projects, particularly for infrastructure development and service delivery, being transferred from national governments to the private sector with resources being transferred directly from aid agencies and financial institutions to sub-national governments and local communities and private entities. At the same time, sub-national governments were supposed to develop fiscal self-sufficiency and national governments are to refrain from transferring central government resources to such devolved entities or to ‘bail out’ insolvent or indebted sub-national governments (Alexander, 2003).

<sup>45</sup> Harrison, for example, highlights that in the mid-1990s, NGOs contributed 64 percent of the running costs of health services in Uganda (Harrison, 2001b: 668).



communities and national governments, and at the locus of decision-making in the north.

The influential role played by the NGO lobby in the formulation of the PRSP initiative, as highlighted in section 3.3, is significantly due to this increasingly prominent role they played in the development sector in developing countries in the period preceding the PRSP inception, notably through their increased presence at the grassroots as substitute providers of goods and services that governments were unable, due to constraints of SAPs discussed above, to provide.

International development NGOs in particular, such as Oxfam, World Vision, Save the Children and ActionAid, which have traditionally focused on discrete and disparate project work in developing countries soon recognised the importance of shifting policy perspectives to engender greater changes and have increasingly used their leverage to push for policy and operational reform at higher policymaking levels. As observed by Gould and Ojanen:

A novel feature of the PRS is the extent to which a certain category of private, non-state actors have succeeded in legitimizing demands for inclusion in the direct exercise of decision-making power (Gould and Ojanen, 2003:49).

### **3.6. Conclusion**

PRSPs emerged in the fallout from structural adjustment programmes. In many ways, PRSPs can be viewed as mechanisms for the containment of the political and economic pressures that were building up as a result of the negative impact of SAPs in the 1980s and early 1990s and a response to the backlash against the neoliberal resurgence and western unilateralism that characterised international development policy and international law regulating access to development financing in the 1980s. These pressures were leading to a ‘structural dilemma’ of economic stagnation and negative impacts on social welfare in large tracts of the developing world and the



potential geo-strategic consequences that would follow in the event that such pressures were not addressed and managed.

The temporal convergence between the institutional agendas of the Bretton Woods institutions and the geo-strategic need on the part of the northern countries – the ‘rule-makers’<sup>46</sup> of the international economy and underwriters of concessional finance – to quell disquiet in the international economic order resulted in widespread support within the development financing community of the PRSP and its attendant financing instruments. At the same time, the opportunities for operationalising the disciplinary framework of the PRSP project has also been facilitated by the state reorganisation that took place under structural adjustment.

This chapter has demonstrated that while the PRSP approach shifted the conceptual approach of the multilateral development financing community, the conceptual changes that were brought about in response to the operational and political pressures faced by the dominant actors in the process, namely the institutional players – the World Bank and the IMF, and the G 7 countries – and developed in collaboration with a cadre of transnational NGO advocates<sup>47</sup>. These NGO actors have secured a space within the international development policymaking arena through their role in linking the epistemic coalition to the larger political platform, giving a voice to the discourses that need to be articulated. However, whether in doing so, this particular group of advocates have excluded necessary voices in their desire to privilege their own is a question that will be considered in later chapters.

This chapter has further shown how the dominant actors within the development financing community have had the ability to absorb the narratives and counter-narratives and reshaped the conceptual framework of their operations to maintain their institutional and geo-political hegemony within the international economic and legal order. Organisational theorist Miller-Adams who studied the World Bank’s shifting agendas in the 1990s observes that ‘one of the primary strategies of an organization is to ‘buffer’ its technical core from disturbances in the environment’ and considers the appropriation of outside agendas and the cooptation of outside

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<sup>46</sup> As opposed to the ‘rule-takers’, states who do not have the power to underwrite the norms of the international political economy and the legal rules which bind them (see Higgott, 2000: 142).

<sup>47</sup> The role of these INGOs will be considered in detail in Chapter Six.



elements as one of these strategies (Miller-Adams, 1999: 17; 74). She argues that: 'By incorporating alien and sometimes hostile elements into their decision-making structure, organizations are able to defuse external opposition to their activities' (Miller-Adams, 1999: 74).

In this regard, the conceptual changes wrought by the PRSP framework in relation to the operational and regulatory framework of international development financing may be viewed as a means of organisational survival, a necessary systemic change to ensure the maintenance of the status quo. Consequently, as other observers have suggested, this incorporation 'reflects a conscious political containment strategy' (Pincus and Winters, 2000: 1) by an institution famous for its periodic invention (the World Bank) and an institution forced to incorporate the political demands of its major shareholders in the face of external pressures (the IMF).

This in turn was driven by the impetus to control potentially insurgent nation states in the south in the face of dissonance within the international political economy and in the face of the diminished capacity of existing disciplinary instruments, such as structural adjustment programmes, to contain an incipient revolt. At the same time, the PRSP framework tackles the danger of 'primordialism' that accompany these countries' insertion into the system – the potentially disruptive force of an inclusion into the international economic order of countries whose domestic regulatory apparatuses lack the maturity and sophistication to perform the disciplinary and redistributive functions of a state that is imperative to govern and mitigate the effects of an integrated market economy.

The conceptual and operational emphasis of 'country ownership', 'partnership', 'participation' and 'poverty reduction' of the PRSP framework serves a dual purpose in providing the incentive for southern states to remain in the international system and instituting the requisite discipline to regulate this continued participation by providing the framework for states to diffuse internal opposition and alleviate the social and economic dislocations of economic globalization.

However, far from reflecting a break with the relationships of power and control that underpinned the structural adjustment programmes, the PRSP framework represents



instead continuity with the dynamics of difference that characterised the conceptual and operational policies under structural adjustment. The need to reconstruct the state through the imposition of a participatory process of policymaking that engages the government in discussion with the citizenry and the reassertion of state autonomy through the representational practice of ‘ownership’ of development policy can only be evidence of how state authority, state autonomy and state activity have been curtailed by the policies of structural adjustment and the practice of control exerted by the international financial institutions in pursuit of these policies.

Locating the genesis of the PRSP framework within this crisis of legitimacy in the international economic and political order enables us to critically consider how the project that discursively represents a progressive agenda for change – in the rhetoric of ‘poverty reduction’, ‘participation’ and ‘partnership’ – is conversely retrogressive in its disciplinary force. It enables us to situate the framework within its wider objectives of enforcing multilateral discipline on terms of engagement established by hegemonic state and non-state actors in the postcolonial world economy and how such a framework revises the rules of international economic law.

This evolution in the mechanisms of discipline in development financing is illustrated more starkly when examining the shift in the modalities of regulation under structural adjustment to the new disciplinary framework of the PRSPs, notably through the PRSP approach’s impact on one of the most significant regulatory impacts of structural adjustment – the emergence of policy conditionality as a regulatory instrument and its development as a mechanism of economic governance. The following chapter considers how the disciplinary force of the PRSP initiative is translated through a corresponding revision of the modalities of conditionality for development financing.



## Chapter Four

### ‘Ownership’ as Conditionality: PRSPs and the Evolution of Conditional Financing

*‘The chief function of the disciplinary power is to ‘train’, rather than to select and to levy; or no doubt, to train in order to levy and select all the more ... The success of disciplinary power derives no doubt from the use of simple instruments: hierarchical observation, normalizing judgment, and their combination in a procedure that is specific to it – the examination.’*

— Michel Foucault, *Discipline and Punish* (in Rabinow (ed), 1991) —

‘Country ownership’ is a key pillar of the Poverty Reduction Strategy Paper framework. This prioritisation of ‘country-owned’ strategies in the negotiations for development financing – including engendering a broad-based participatory policymaking process – is considered a hallmark of the PRSP approach, distinguishing it from previous modalities of financing and signifying part of a wider conceptual shift in development policy and practice.

In this respect, the principle of ‘ownership’ is regarded as the opposite of the doctrine of ‘conditionality’ — as a conceptually and operationally divergent mechanism for regulating relationships between the disbursers of development financing, notably the World Bank and the IMF, and their client states. ‘Ownership’ is perceived of as a departure from the practice of ‘conditionality’ associated with structural adjustment financing, in which the behaviour of states – with particular reference to national economic policymaking and development planning – is governed by the financing terms set by the financiers.

Conventional critiques of the PRSP approach, including reviews by Bank and Fund evaluation offices, have therefore often centred on considerations of the tension between the conceptual objectives of the PRSP framework – the engendering of ownership of national policies – with the restraining instrument of conditionality. These conflicts, along with evidence demonstrating the clear disjuncture between the



policies articulated in PRSP documents and the financing instruments that these documents inform, lead to the conclusion that the PRSP framework — inserted as it is into the dynamics of an unequal relationship between parties to the initiative — does not reflect a genuine shift in the *modus operandi* of the financing institutions and the international aid regime.

This chapter contends that the PRSP framework *does* represent a marked shift in the mechanisms of aid regulation, but conversely, it does so in terms of the impact it has had in entrenching conditionality as a mechanism for regulation. In examining this shift, I argue that the principle of ‘ownership’ must be situated within the continuum of the conditionality doctrine rather than be perceived of as a break in the evolution of this regulatory instrument. Locating the concept of ‘ownership’ within the evolutionary history of conditionality enables us to examine the significance of the PRSP approach within the constitution of global governance and international law through an analysis of its impact on one of the most important regulatory mechanisms of the postcolonial era.

This chapter contends that the principle of ‘ownership’ as articulated under the PRSP framework and the accompanying ‘new architecture of aid’ must not be conflated with the principle of policy autonomy which is clearly conceptually divergent from the doctrine of conditionality. Rather, ‘ownership’ should be viewed as an extension and refinement of the doctrine of conditionality which has, over the decades since the inception of the Bretton Woods institutions, evolved to alter not only the relationships between the Bank and Fund and their borrowing members, but also to reshape these members’ engagement in the wider global economy. The progressive entrenchment of conditionality as a regulatory instrument thus facilitated the emergence of the BWIs as the powerful institutions of postcolonial economic governance alluded to in Chapter Two.

The emergence of the principle of ‘ownership’ within the framework of the PRSPs and the new modalities of development financing therefore reflects the refinement of a specific instrument of disciplinary control over postcolonial economies that has evolved in tandem with the economic and geo-strategic imperatives in the international order. I argue here that the fundamental *objectives* of conditionality as it



has developed have not changed with the introduction of the PRSP approach. Instead, the *modalities*<sup>1</sup> of conditionality have substantially altered, representing a deeper and more intrusive form of disciplinary control that has produced new mechanisms for controlling and restructuring the state apparatuses in the third world.

#### 4.1. Deconstructing Conditionality

‘Conditionality’ represents the regulatory aspect of the relationship between parties involved in international sovereign financing, most notably between the World Bank and the IMF and their client states. While the doctrine of conditionality shares similar characteristics with other contractual instruments, the nature and practical application of conditionality is largely peculiar to the nature of the relationship it regulates and to the type of financing that is being regulated. The disciplinary force of conditionality extends beyond the privity of regular contractual relationships, derived not exclusively (and often not primarily) from standard contractual sanctions but from the wider economic and geo-political impact of non-compliance.

##### 4.1.1. Conditionality versus Conditions for Financing

Like other contractual financing obligations, the principle of conditionality contains a fiduciary component requiring the performance of due diligence on the part of the financing institutions to minimise the risk of a debt default or a departure from agreed financing objectives. However, the scope and scale of this exercise under the doctrine of conditionality is far greater and much more intrusive than undertaken in conventional contractual relationships.

This is reflective not only of the disproportionate gap in bargaining power involved between the donor/lender and the client/borrower but also of the disciplinary objective of development financing as a whole, that is, to compel the client state to undertake domestic reforms in pursuit of objectives – social, economic or political – of the financier state or financing institution. The World Bank itself acknowledges conditionality’s disciplinary force, admitting that conditionality ‘is involved whenever

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<sup>1</sup> These are the tools or instruments of conditionality, each of which ‘provide a specific way of linking IMF [and World Bank] financing to policy implementation’ (IMF, 2002a: para 35).



the donor has the right to halt the flow of resources if the recipient country does not meet certain conditions' (World Bank, 2005q: 2).

'Conditionality' must be distinguished from 'conditions of financing' in the context of development financing agreements. 'Conditionality' refers to conditions which regulate the aspect of the economic programme or specific institutional or structural reforms that is being financed by the financing agency or institution, either at the national or sectoral level. Such programme or policy conditionalities are not specified in the legal agreements for financing but are, instead, incorporated by reference in such contracts (see discussion below; also Tan, 2006c: 14, Box 2). These may include prior actions and tranche release conditions for the Bank and performance criteria and programme reviews for the Fund (see Box 1).

In contrast, 'conditions for financing' comprise of the terms of the legal agreement between the financing entity and the client state, including financial conditions pertaining to the repayment period, loan charges, interest rate, procedures for loan withdrawals and policies on cancellation and dispute settlement provisions<sup>2</sup> (Tan, 2006c: 18; Agarwal, 2000: 1 – 9). In policy-based loans, this will also include a covenant referring to the 'programme' of policy reform or stabilisation that is being financed and an undertaking by the client state that it shall implement such a programme in exchange for financing<sup>3</sup> (Tan, 2006c: 14, Box 2).

Failure to comply with such policy or programme conditionality will not necessarily mean a breach of a legal covenant but may be considered evidence of such a breach if the financing institution deems it fundamental to the agreement (see for example, Shihata, 2000a: 14 – 21). From a legal perspective therefore, a borrower does not usually breach a legal obligation should it fail to comply with policy conditionalities. Instead, the penalty would be the non-disbursement of funds under the loan (World Bank, 2005c: 1, para 1).

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<sup>2</sup> This does not apply to funds drawn from the IMF's 'general resources' as these are not considered 'loans' per se (see section 5.2.1 below).

<sup>3</sup> For example, the Ugandan PRSC Agreement, dated 5 July 2001, provides in Article III, Section 3 that 'the Borrower undertakes to implement the Program with due diligence to ensure that actions and policies adopted under the Program are put into effect' with the program of actions attached in Annex 2 of the agreement (Republic of Uganda, Article III, Section 3.01(a)).



### Examples of Programme Conditionalities

The form and substance of conditionality varies from institution to institution but the following are example of what the World Bank and IMF consider core programme conditionalities. These conditionalities are incorporated by reference in the legal agreement (for all Bank loans) or financing arrangement (for IMF drawings). Non-compliance may result in a suspension of disbursements.

- **Prior Actions:** Policy actions or measures to be adopted by the client government before approval of a loan or financing arrangement by the Bank or Fund Executive Boards or, in the case of the IMF, before the granting of a waiver of a performance criteria. Prior actions are commonly used in programmatic lending where a series of single-tranche loans are disbursed in accordance to a medium-term expenditure framework. Poverty Reduction Strategy Credits (PRSCs) are examples of programmatic lending (see section 4.6 below).
- **Tranche Release Conditions:** Policy actions which must be implemented before disbursement of each tranche of a standard multi-tranche loan by the World Bank. The Bank Executive Board may grant a waiver of conditions subject to circumstances.
- **Performance Criteria:** The IMF's equivalent of a tranche release condition. An IMF programme may be suspended (or go 'off track') if performance criteria are not met. Compliance with performance criteria may be waived by the IMF Executive Board under certain circumstances.
- **Programme Reviews:** The IMF conducts regular reviews of adjustment programmes it finances to assess if the programme is on track, taking into account the member's observance of other conditionalities. Conditionalities may be modified or new policy actions imposed as an outcome of a programme review (see section 4.6 below).

In addition to the binding conditionalities above, the Bank and Fund also impose other conditions on their clients. These are not formally classified as 'conditionalities' as they may not be loan-specific and/or are not formally determinative of disbursements.

- **Triggers:** Triggers are what the Bank considers policy 'expectations' which inform the Bank's decision to lend. Implementation of Country Assistance Strategy (CAS) triggers inform the Bank's lending portfolio to a particular country while triggers in programmatic operations, along with *outcome conditions*, form the basis of the Bank's decision to proceed with the second loan in the series and can form the prior actions for the second loan.
- **Benchmarks:** Benchmark measures are 'milestones' or standards against which a country's performance under a programmatic operation is measured at the Bank. Like triggers, they are not tied to disbursements but can be used to inform future lending decisions and form prior actions for the next loan. **Structural benchmarks** are used in IMF programmes to assess country's compliance with policy actions in programme reviews, along with *indicative targets*.

*Source: IMF, 2002; World Bank, 2005f, Wood, 2005b.*

### Box 1: Example of Programme Conditionalities

#### 4.1.2. IMF Conditionality

IMF conditionality applies to all its financing arrangements. While the use of conditionality is not unique to Fund operations, the IMF may be regarded as the originator of conditionality as we know it today. This is ironic given that the link between the policies of a Fund member and access to its resources was rejected at its



founding conference at Bretton Woods in 1944 for fear of jeopardising members' access to financial resources<sup>4</sup>. In spite of its initial rejection, the process of ratcheting up conditionality started soon after the conclusion of negotiations at the behest of the US government (Akyüz, 2004: 19; Woods, 2006: 25). The principle of conditionality was adopted by the IMF's Executive Board on 13 February 1952 which, while reiterating that resources should not be denied to members in 'temporary' financial difficulties, stated for the first time that in disbursing the resources, 'the Fund should pay attention to a member's *general creditworthiness*, particularly *its record with the Fund*' (IMF, 1952, emphasis added)<sup>5</sup>.

In their consideration of this aspect of conditionality, Mosley et al conceive of conditionality as 'a side condition designed to ensure the execution of a *contract*', the contract being that of a lending agreement between the financing party and the financée (Mosley et al, 1991: 66). The authors contend that unlike conventional financing contracts, the international financial institution involved in lending to sovereign states does not have much in a way of guarantee in the event of debt default because there is no practice of collateral lending in international finance. Conditionality therefore serves as 'a substitute for collateral' by 'increasing the likelihood of loan repayment' through policy reform and monitoring of compliance with such reforms, thereby 'giving the lender an early warning of potential repayment difficulties' (ibid).

The 1952 provisions were extended and codified in the Fund's constitution by the **First Amendment to the Articles of Agreement in 1969**<sup>6</sup>. Notably, **Article V** was amended to *constitutionally mandate* the use of conditionality in Fund financing. It now reads:

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<sup>4</sup> US negotiators at the conference had advocated for the Fund to be invested with wide discretion to impose conditions on the use of Fund resources but UK negotiators, led by economist John Maynard Keynes, argued for full automaticity in Fund financing along the lines of a rule-based international credit union. The fear was that a highly discretionary regime 'would give the United States too much control over the use of the Fund's resources' and hence, impeded access to funds by other countries (Woods, 2006: 25).

<sup>5</sup> This consideration should include: 'the member's records of prudence in drawing, its willingness to offer voluntary repayment when its situation permitted, and its promptness in fulfilling the obligation to transmit monetary reserves data and in discharging repurchase obligations' (IMF, 1952).

<sup>6</sup> The revised **Article I** of the Articles of Agreement now states that the purposes of the IMF include giving 'confidence to members by making general resources of the Fund temporarily available to them under *adequate safeguards*, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity' (IMF Articles of Agreement, Article I, Section (v), emphasis added).



### Section 3. Conditions governing use of the Fund's general resources

(a) The Fund shall adopt policies on the use of its general resources ... that will assist members to solve their balance of payments problems in a manner consistent with the provisions of this Agreement and that will establish *adequate safeguards* for the temporary use of the general resources of the Fund (IMF Articles of Agreement, Article V, Section 3(a), emphasis added).

The IMF membership has since interpreted this provision as one delegating authority to the institution to implement its own policies to ensure that funds are disbursed in accordance with their fiduciary objectives under the **Articles of Agreement**. The Fund has subsequently implemented this through the issuance of guidelines on the modalities and practice of conditionality in general, such as the **Guidelines on Conditionality** and the conditions established under the special disbursement instruments, such as the **Poverty Reduction and Growth Facility (PRGF) Trust Instrument** (IMF, 2001a: Box 2).

The IMF's revised **Guidelines on Conditionality 2002** reaffirmed that the purpose of conditionality is to ensure that Fund resources provided to members needing financial assistance is utilised 'in a manner that is consistent with the Fund's Articles and that establishes *adequate safeguards* for the temporary use of the Fund's resources' (IMF, 2002b: para 1, emphasis added). As such, a member's application for Fund assistance 'will be *approved only if* the Fund is satisfied that the *member's program is consistent with the Fund's provisions and policies* and that it will be carried out, and in particular that the *member is sufficiently committed to implement the programme*' (IMF, 2002b: para 5, emphasis added).

The exercise of conditionality is therefore governed by the provisos contained in these documents and in Executive Board decisions on financing arrangements for individual countries rather than by the constitutional provisions of the Fund's **Articles of Agreement**. Over the years, this discretionary authority has been strengthened, in tandem with the increasing power asymmetries at the Fund (see



Chapter Two, section 2.2.2), to the extent that constitutional oversight is limited, if not non-existent, in the practice of conditionality, contrary to the initial objectives of conditionality.

### 4.1.3. World Bank Conditionality

For the World Bank, conditionality is synonymous with policy-based lending as it is through this form of financing that conditionality was first introduced at the institution (see World Bank, 2005f: 2, para 5). The advent of structural adjustment lending changed the landscape of development financing by disbursing credit for policy reform ('adjustment') in the borrowing states as opposed to lending to fund specific development projects (see section 4.2.2. below; also World Bank, 2005f: para 5).

Approval of financing in the form of structural adjustment loans – now known as development policy loans – hinged on two preconditions: 1) the country was anticipating or experiencing balance of payments problems, necessitating 'rapidly disbursing' external financing; and 2) the country's government was agreeable to a programme of policy reform or 'adjustment' in return for financing (Shihata, 2000a: 377; World Bank, 2005f: 1, paras 1 – 2). Conditionality was brought into play to monitor country compliance with the latter programme of reform.

Mosley et al distinguish World Bank conditionality from the IMF's rationale for conditionality on this basis. The authors argue that unlike the IMF's basis for administering conditionality – serving as a collateral substitute – the purpose of conditionality in the Bank policy-based lending is not to increase the likelihood of loan repayment but rather as a means of administering reforms to remove 'policy-induced obstacles' to wider developmental objectives, notably economic growth (Mosley et al, 1991: 66 — 67). Although this objective has been revised in the switchover from adjustment lending to development policy lending to encompass goals such 'poverty reduction', the core purpose of policy-based loans remains the same, that is, to 'support a program of policy and institutional actions' (World Bank, 2004e: para 2).



This is reflected in the Bank's operational policy on policy-based loans today. The new **Operational Policy on Development Lending (OP 8.60)** restated the provisions in the substituted **Operational Directive on Adjustment Lending (OD 8.60)** which enables the Bank to specify 'which policy and institutional actions by the country are critical for the implementation and expected results of the program supported by the development policy loan' (World Bank, 2005e: para 15). While reiterating that there is 'no formal definition of 'conditionality' in the institution's legal framework or operational policy or procedures, the Bank's legal department has adopted the three requirements stipulated in **OP 8.60** as 'essential conditions' for loan disbursements that are 'appropriately reflected in the legal agreement for these operations' (World Bank, 2005f: 4, para 9).

The **OP 8.60**, which governs all Bank interactions with client countries on the issue, states that disbursements of policy-based loans are contingent upon: 1) the maintenance of an adequate macroeconomic policy framework<sup>7</sup>; 2) implementation of the overall program in a manner satisfactory to the Bank; and 3) compliance with critical policy and institutional actions (World Bank, 2005e: para 13; World Bank, 2005f: 3, para 9). In this manner, conditionality serves as 'triggers' for financial disbursements from the Bank, the non-compliance of which will halt such transfers.

#### 4.1.4. Policy Regulation

The combination of the policy reform content of conditionality and the link between such policy prescriptions has lead Kalderimis to conclude that the practice of conditionality is a form of 'regulation by appropriation' (Kalderimis, 2004: 105) whereby regulatory norms are inserted into a jurisdiction – in this case, within a country subject to conditionality – outside conventional arenas of norm-creation. Accordingly, Braithwaite and Drahos view 'conditionality' as 'an enabling principle' – an operationalising mechanism through which 'states which are subject to it have to accept and institutionalize other principles ... in a range of regulatory domains'<sup>8</sup> (Braithwaite and Drahos, 2000: 525).

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<sup>7</sup> The satisfaction of this criteria is usually demonstrated by a country's satisfactory implementation of an IMF programme, such as a PRGF (World Bank, 2005e: para 13; World Bank, 2005f: 3, para 9).

<sup>8</sup> For example, conditionalities may trigger states' adoption of principles of deregulation and liberalisation in regulatory domains such as trade or labour treaties (Braithwaite and Drahos, 2000: 525).



Conditionality is therefore primarily a means of regulating the behaviour of the party in receipt of financing through the terms of credit disbursement, including the securing of compliance with certain performance criteria, and/or a programme of measures prior to or after the disbursement of funds from the financing party (Buirra, 2003: 3; Kalderimis, 2004: 103). Some of these criteria and policies may be relevant to the technical exercise of due diligence on the part of the financing institutions or agencies, but, as this and following chapters demonstrate, most of the requirements set in these arrangements go beyond standard financial obligations to include changes in government policy and institutional reform.

The penalty for non-adherence to these terms of financing is the withdrawal of financing and/or ineligibility for further financing, as well as the attendant consequences of this withdrawal of support, including the effect this has on the borrower's credit rating in the international capital markets and/or other bilateral and multilateral development financiers resulting from the signalling role of the IMF and World Bank (see Chapter Two; also Babb and Buirra, 2004: 14). Conditionality therefore acts as a mechanism for policy leverage – 'a tool by which a country is made to adopt specific policies or to undertake certain reforms that it would not have undertaken, in exchange for support' (Buirra, 2003: 3; see also Wood, 2004: 11; Morrissey, 2004: 1).

It is this wide regulatory impact – the impact of conditions of lending outside the subject of the loans – which not only differentiates the doctrine of conditionality from conventional contractual principles but which also represents the source of contention with conditionality. For Braithwaite and Drahos, as 'global regulatory norms [tend to] follow self-regulatory practice', the instrument of conditionality may therefore be viewed as activating the globalization of regulatory norms through promoting the operation of such norms or principles in the countries under its jurisdiction (Braithwaite and Drahos, 2000: 491, 525). Accordingly, conditionality functions as an instrument of economic coercion deployed by the Bank and the Fund, on behalf of its powerful members, to pursue the globalization of economic



regulation by tying financial disbursement to compliance with prescribed regulatory business norms (ibid: 525 – 535)<sup>9</sup>.

The intensification of this regulatory role and the BWIs' progressive encroachment into areas outside their original mandate through the use of conditionality are central to contemporary critiques of conditionality. Over the years, conditionality has evolved into an important means of facilitating the roles of the Bank and Fund as intermediaries between third world states and the international arena, emerging not only as a default mechanism for regulating the relationship between the BWIs and their borrowers, but also as an instrument of economic governance.

#### 4.2. Conditionality as a Default Regulatory Instrument

The emergence of conditionality as a default mechanism for regulating the relationship between the BWIs and their clients stems largely from the Bank and Fund's reluctance to employ full or, in the case of the IMF, *any*, contractual force in their policy-based financing arrangements with members. While the rationale for this reluctance and its operational effect differs between the two institutions, the outcome has been the progressive intensification of conditionality as a mode of regulation and a corresponding expansion of the regulatory scope of conditionality.

The consequence of these developments has been the construction of a highly discretionary regime of financing, relying on the supervision of client states by an army of trained and expert staff with correspondingly few fixed rules of guidance (Woods, 2006: 25 – 26) and fewer constitutional limitations on the decision-making powers conferred on Bank and Fund bureaucrats. For Woods, this discretion accorded to the Bank and the Fund not only gave the US, as the major shareholder, a

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<sup>9</sup> As discussed in Chapter One, Braithwaite and Drahos examine the phenomenon of global business regulation through the interplay between the principles contested in this process of globalization, the actors involved in this contest, and the mechanisms used by various actors to universally embed pursued principles (see Chapter One, section 1.3; also Braithwaite and Drahos, 2000: 15 – 33). The ability of hegemonic actors, notably powerful state actors, to weave webs of rewards and coercion is critical to the globalization of particular regulatory norms. Development financing or 'foreign aid' is a significant and powerful instrument of reward *and* coercion, with it functioning both as a means of 'raising the expected value of compliance' with prescribed regulatory reforms ('reward') and as a means of reducing the expected value of non-compliance' ('coercion') (see Braithwaite and Drahos, 2000: 550 – 559).



measure of influence over the financing policies of the institution, ‘it also cast a large role’ for the technocrats at the institutions in their advisory role to the Executive Boards in determining how and what conditions are imposed on borrowing countries (Woods, 2006: 27) without the necessary checks and balances on such discretion.

#### 4.2.1. Evolution of IMF Conditionality: From Automaticity to Conditional Financing

The use of conditionality as a mechanism for regulating the relationship between the IMF and its borrowing member states intensified largely as a result of the IMF’s traditional refusal to classify Fund arrangements – notably funding from the General Resources Account (GRA)<sup>10</sup> – as conventional contracts, in deference to its founders’ original design for an international credit union and in recognition of the source of such financing and the Fund’s constitutional obligation under **Article 1(v)** to provide counter-cyclical financing to members facing financial difficulties (IMF, 2001b: 8, 19 – 21; see also discussion in section 4.1.2).

Funds in the GRA are drawn from a repository of members’ currencies lodged with the Fund through quota subscriptions or via standby credit arrangements with members’ central banks<sup>11</sup> and as such, drawing upon Fund resources by member countries to meet balance of payments deficits can therefore be construed as akin to asserting a *right* as an IMF member to draw upon funds to which it contributed under the terms of the IMF’s constitutional charter. The ‘language of credit’ is therefore absent in the construction of IMF agreements as a result of the founding ethos of the institution to treat as a right, this automaticity of financing under the Articles of Agreement (Akyüz, 2004: 13).

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<sup>10</sup> The GRA is the principal account through which the IMF transacts with its membership. It is made up of ‘a pool of currencies and reserve assets built up from members’ fully paid capital subscriptions in the form of quotas’ (IMF, 2001b: 19; see also Figure 3). Members ‘borrow’ from the GRA under a complicated ‘purchase-repurchase’ mechanism which sees members ‘purchasing’ the reserve assets from the IMF with its own currency and repaying the ‘loan’ by ‘repurchasing’ its own currency from the IMF with the reserve assets subject to a rate of interest (IMF, 2001b: 21). Resources in the GRA are supplemented by borrowings by the IMF from official lenders under both the General Arrangements to Borrow (GAB) and New Arrangements to Borrow (NAB) with a group of 11 industrialised and 25 industrialised and emerging market economies respectively (ibid: 72 – 73; see also Woods, 2006: 30 - 32).

<sup>11</sup> See GAB and NAB, ibid.



The revised **Guidelines on Conditionality 2002** thus reaffirmed the decision made in the original **Guidelines on the Use of the IMF's General Resources and Stand-By Arrangements 1979**, stating that:

A Fund arrangement is a *decision of the Executive Board* by which a member is assured that it will be able to make purchases or receive disbursements from the Fund in accordance with the terms of the decision during a specified period and up to a specified amount. Fund arrangements are not international agreements and therefore language having contractual connotation will be *avoided* in arrangements and in program documents (IMF, 2002b: para 9, emphasis added).

Accordingly, a member's use of Fund's resources should be governed by the provisions of its constitution so as to represent its obligations to the membership of states that the institution represents, rather than by contractual terms entered into between itself and the institution as a bureaucracy. However, as suggested by former IMF general counsel, Joseph Gold, it is this difficulty with defining breaches and administering penalties for breaches of the Fund's **Articles of Agreement** that has led to the creation of facilities such as the Stand-By Arrangements<sup>12</sup> and the resulting mechanism of conditionality to regulate the behaviour of members and meet the institution's fiduciary obligations under the charter without recourse to contractual terminology (Gold, 1996: 343 – 355).

Although the IMF's **Articles of Agreement** enables the IMF to limit or suspend members' access to its general resources under **Article V, Section 5** (for using funds 'in a manner contrary to the purposes of the Fund'), **Article VI, Section 1** (for using funds to meet a large or sustained outflow of capital) or under **Article XXVI, Section 2(a)** (for failure to fulfil any obligations' in the charter), there is ambiguity as to the interpretations of these provisions. Here, the difficulty in prescribing uniform criteria for establishing what measures are adequate to constitute a fulfilment of a

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<sup>12</sup> Stand-By Arrangements are used by members wishing to draw beyond their reserve tranche (equivalent to 25 percent of their quota) or, in other words, drawing in the upper credit tranches (members can draw up to 100 percent of their quota). These are arrangements in which the IMF assures the member of its ability to draw beyond its reserve tranche subject to the terms of the Executive Board decision to extend this line of credit (IMF, 2001b: 41). The terms of the Executive Board decision are what constitutes the policy conditionalities of each particular credit.



member's obligations under the respective provisions – such as what constitutes appropriate use under **Article V, Section 5** – has led to the reluctance on the part of Fund members to consider failure to comply with financing conditions as a breach of a member's constitutional obligations (Gold, 1996: 345).

Regulation of a member's economic policies vis-à-vis its obligation to the Fund and its constitution therefore turned to a less legalistic regime of conditionality as a mechanism was needed to act as fiduciary instrument. This instrument had to ensure that resources from the Fund are utilised in accordance with its mandate but without the penalty of a constitutional violation should this obligation not be fulfilled. SBAs were introduced so that a programme of economic adjustment could be designed prior to disbursement of resources and that disbursement was made contingent upon the fulfilment of the conditions of the program design.

Countries who wish to borrow from the Fund beyond their reserve tranche<sup>13</sup> would have to submit a Letter of Intent (LOI) and/or a Memorandum of Economic and Financial Policy (MEFP) stipulating policy measures the country authorities will undertake in return for financial assistance (IMF, 2002b: para 10; see Figure 3)<sup>14</sup>. This programme of economic adjustment constitutes the basis for considering the country's eligibility to draw from the Fund, implemented through an Executive Board decision constituting the financing arrangement, with conditionality serving as the means of enforcing compliance with the aforementioned policy reforms.

Consequently, the practice of conditionality has gradually eroded the automaticity of Fund financing over time. Commentators have suggested that the extensive use of conditionality policies as a regulatory mechanism has curtailed any real sense of *entitlement* of an IMF member country to draw beyond its reserve tranche, with the focus shifting progressively towards the *content* of conditionality policies rather than

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<sup>13</sup> See *ibid.*

<sup>14</sup> These documents are supposedly 'prepared by the country authorities, with the cooperation and assistance of the Fund staff' (IMF, 2002b: para 10) but, as discussed in earlier chapters, it is the IMF that determines the major portion of the content of the policies contained in these documents. In fact, the IMF admits that country authorities 'generally do not write the first draft of the LOI' although they may participate in designing the programme or contribute towards the redrafting of the document (IMF, 2005c: para 79). However, the Fund does not view this as 'a source of significant concern' as this did not mean there was no policy dialogue between the IMF and the borrowing country — 'it is clear that the task of document production is less important than the central work of program design' (*ibid.*).



on the *role* of conditionality (Kalderimis, 2004: 115; Lowenfeld, 2002: 513 – 514; see also Akyuz, 2004: 19 - 21). As Kalderimis notes, ‘most of the debate now centres on the meaning of ‘adequate safeguards’ in Article 1(v)/ Article V (3)(a)’, reserving the right for the IMF to require conditions for use of its credit and to determine what those conditions should be (Kalderimis, 20004: 115).

### ***Trust Funds and Concessional Financing***

The evolution from automatic to conditional financing at the IMF has been reinforced by the introduction of concessional financing via trust funds in the late 1970s (see section 4.3.1 below). The **Second Amendment of the Articles of Agreement in 1979** conferred upon the IMF the power to grant concessional loans to low-income countries under **Article V, Section 2 (b)** which provides that: ‘If requested, the Fund may decide to perform financial and technical services, including the administration of resources contributed by members, that are consistent with the purposes of the Fund’<sup>15</sup> (IMF Articles of Agreement; see also Gold, 1996: 368 – 369)

A significant distinction between financing under the IMF’s General Resources Account and financing under the concessional lending trusts is the treatment of the legal status by the Fund of the financing agreement between the IMF and the borrowing member states under the two types of financing. Conversely from SBAs and other arrangements to borrow from the general resources, financing from the trust funds – such as from the PRGF Trust (formerly the ESAF Trust) or from the Exogenous Shocks Facility (ESF) – are clearly defined as ‘loans’<sup>16</sup>.

The contractual language in these financing instruments has, once again, roots in the nature and source of such financing. Unlike financing from the general resources, financing from the PRGF or the ESF involves drawing on funds that have not been contributed by the borrowers themselves but rather are ‘loans’ from other sources,

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<sup>15</sup> This confirmed the legality of the IMF’s Trust Fund established in 1976 for the same purpose but originally under an implied power (see Gold, *ibid*). The Trust Fund was replaced by the Structural Adjustment Facility (SAF) in 1986 and then by the ESAF in 1989, the precursor to today’s PRGF.

<sup>16</sup> **Section 1(1) of the Instrument to Establish the PRGF Trust** states that: ‘The Trust shall assist in fulfilling the purposes of the Fund by providing *loans* on concessional terms ... to low-income developing members that qualify for assistance’ (IMF, 1999b, emphasis added).



the interest rate on which are subsidised by the PRGF or PRGF-ESF Trusts<sup>17</sup>. The language of constitutional obligation and cooperative purpose that characterise the SBAs need not apply to PRGF financing<sup>18</sup>. Funds from the PRGF are clearly earmarked for countries who meet the eligibility criteria for assistance from better-off members, disbursement of which is clearly contingent upon compliance with Fund policy conditionalities.

As trustee, the IMF is also under a fiduciary duty to ensure that the terms and conditions of the trust instrument are complied with but the Fund is generally accorded wide powers of discretion to determine the terms of eligibility and conditions for financial assistance to eligible members. For example, **Section II (1)(b) and (bb) of the Instrument to Establish the PRGF Trust** provide that assistance should be provided to a qualifying member upon approval by the Fund of a three-year macroeconomic and structural adjustment programme with disbursements contingent upon reviews of the country's performance under the programme, including compliance with key structural reform policies (IMF, 1999b: section I-II).

However, the instrument is silent on the content of the structural adjustment programme to be undertaken and on the criteria for determining compliance with the conditions for policy reform in the borrowing member state. Under the **PRGF Trust Instrument**, it is left to the Trustee — the IMF — to determine the phasing of loan disbursements and the conditions attached to such disbursements 'in the context of a review of the program with the member' (IMF, 1999b: section II, para 1 (bb)). Once again, this leaves the IMF with broad discretionary authority to

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<sup>17</sup> The PRGF Trust borrows from a number of sources to lend to PRGF-eligible countries and repays the loans with market rate interest to the lenders. The difference between the rate of interest paid to lenders and the concessional interest rate of 0.5 percent paid to the Trust by PRGF borrowers is subsidised by contributions from bilateral donors and from earnings from the IMF (IMF, 1999b: section IV). The PRGF-ESF Trust operate on the same basis (IMF, 2006e).

<sup>18</sup> Nonetheless, Gold is of the opinion that regardless of its classification, nothing in the trust instruments for concessional financing suggest that policies prescribed within a member's programme supported by Fund financing has contractual force 'so that no inference could be drawn that a departure from them was a breach of [a contractual] obligation' (Gold, 1996: 369). This view appears to be supported by the recent board decision on the **Guidelines on Conditionality 2002** (para 9, reproduced in section above). While reaffirming that no Fund arrangements can be considered as having contractual force, the statement does not refer specifically to general resources and can therefore be assumed to encompass all forms of IMF financing, including concessional lending under the PRGF.



determine the content of loan conditions and when and if those conditions are met by borrowers.

As discussed earlier, there is reluctance on the part of the Fund to declare members ineligible under **Article V, Section 5** for failure to comply with the conditions of their loans. Similarly here, conditionality offers a less punitive mechanism for disciplining errant borrowers which still enables the Fund to link policy compliance with the disbursement of resources.

Consequently, it may be argued that the difference between financing from the GRA and from specially-administered accounts, such as those under the PRGF and PRGF-HIPC Trusts, do not substantially alter the nature of IMF conditionality with respect to individual facilities. Conditionality remains the primary mechanism by which the relationship between the Fund and its members is regulated, the preference for such ‘soft law’ stemming from a reluctance to both confer on or hold members accountable to obligations under formal IMF law, that is, those originating from its Articles of Agreement or from its formal trust instruments.

#### **4.2.2. From Projects to Policy Reform: Conditionality and the Bank’s New Role**

The doctrine of conditionality under policy-based lending has shifted the Bank’s fiduciary role from a purely technical focus – adherence to the technical obligations of traditional development financing (project documentation) – to that of an increasingly political role of monitoring policy reform as a means of contractual compliance. As discussed above, conditionality under World Bank structural adjustment was primarily focused on the achieving of influence over the levers of government policy, viewed as an end in itself as opposed to a means to an end to prevent debt default as is the purpose of Fund conditionality.

This distinction stems in part from the difference in legal construction of the Bank’s lending versus the Fund’s. Financing instruments of the World Bank are clearly regarded as loans and give rise to contractual obligations (World Bank, 2001d: para 8 – 9; interview: Zerabruk and Braka, 2004). Bank loan agreements are classified as



international treaties between the borrowing member state and the World Bank and are registered as such with the Secretary-General of the United Nations in pursuant of **Article 102 of the United Nations Charter**.

Therefore, unlike the Fund whereby the relationship between the organisation and its members are defined by their constitutional obligations under the founding treaty, the Bank operates very much like a financial institution in which the principal legal instrument that regulates the relationship between itself and a borrower is that of a contractual legal agreement for financing. This includes agreements for policy-based loans even though the Bank admits that such operations sit uneasily with the Bank's traditional contractual framework because there is no specific 'project' for the borrower to 'carry out' in exchange for financing (World Bank, 2005f: 11).

However, the Bank has traditionally adopted a broad interpretation of the term 'project', to encompass 'development programs' as a whole<sup>19</sup> (Shihata, 2000a: 177). Former Bank general counsel Ibrahim Shihata notes that 'the practice of the Bank has consistently upheld a broad definition of the term 'project' which covered 'programs' where specific goods and/or services were allocated for well-defined purposes' (Shihata, 2000a: 178<sup>20</sup>). This programme of economic policy and institutional reform therefore constitutes the *object* of the agreement between the Bank and the borrowing country. It would follow on that obligations of the parties involved would still be governed by the terms and conditions of a standard Bank agreement<sup>21</sup>.

### ***Circumventing Constitutional Limitations***

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<sup>19</sup> Some observers, such as Degnbol-Martinussen and Engberg-Pedersen contend that in any case, the institutional framework for policy-based financing, including balance of payments support, structural adjustment and budget support, remain organised along the lines of a project which they define as 'an externally formulated intervention in the local development process' (Degnbol-Martinussen and Engberg-Pedersen, 2003: 188). This is because most policy-based programmes have 'a clear time perspective and a series of well-defined activities financed by a donor in agreement with a partner in the developing country' enabling the donor to support 'directly only those activities that are in accordance with the goals of its development and aid policy' (ibid)

<sup>20</sup> Reproducing the 'Memorandum of the General Counsel to the Bank Senior Management', 1 May 1984, circulated to Bank Executive Directors on 21 December 1984 (Shihata, 2000a: 173).

<sup>21</sup> Although the terms and conditions are slightly different in event of a breach (see the following section).



The classification of a policy-based loan as constituting a ‘project’ for all legal intents and purposes, also enables the Bank to resolve one of the most pressing constitutional questions that has arisen since the introduction of such lending – that is, whether such loans constitute a violation of the Bank’s constitutional charter which stipulate that the Bank should be primarily involved in ‘project’ lending.

**Article III, Section 4 (vii) of the International Bank of Reconstruction and Development (IBRD)’s Articles of Agreement** state: ‘Loans made or guaranteed by the Bank, shall, except in *special circumstances*, be for the *specific projects* of reconstruction and development’ (IBRD Articles of Agreement, emphasis added). A corresponding provision in the **Articles of Agreement of the International Development Association (IDA)** state: ‘Financing provided by the Association shall be for purposes which in the opinion of the Association are of high developmental priority in the light of the needs of the area or areas concerned and, except in *special circumstances*, shall be for *specific projects*’ (IDA Articles of Agreement, Article V, Section 1(b), emphasis added).

The Bank has traditionally relied upon the ‘special circumstances’ exception<sup>22</sup> in the Bank charters to justify their disbursement of policy-based loans. Although the definition of and criteria for accessing what constitutes a ‘special circumstance’ was left to be ‘determined on a case by case basis’, Shihata has contended that these circumstances must be assessed in accordance with the Bank’s constitutionally mandated purposes under **Article 1 of the IBRD** (and, by extension, **IDA Articles of Agreement**)<sup>23</sup> – ‘If a Bank loan therefore does not directly finance a specific productive purpose, it must aim at serving other Bank purposes’ (Shihata, 2000a: 379).

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<sup>22</sup> The exception has been ‘liberally construed’ early on by an authoritative interpretation issued by the IBRD’s Executive Directors on 20 September 1946 at the request of the US (Shihata, 2000b: 83; Shihata 2000c: 233).

<sup>23</sup> For the IBRD, this would include ‘the facilitation of investment of capital for productive purposes, the promotion of private foreign investment, and the promotion of the ‘long-range balanced growth of international trade and the maintenance of equilibrium in balances of payments by encouraging international investment for the development of the productive resources of members’ (Shihata, 2000a: 379; IBRD Articles of Agreement, Article I) while, for the IDA, these purposes would include the promotion of economic development, increasing productivity and the raising of living standards within the less-developed members of the Association and the provision of concessional financing (IDA Articles of Agreement, Article I). The Bank’s practice has been to classify policy-based loans — ‘which do not indicate the specific uses to which their proceeds are to be put’ — as fulfilling this requirement (World Bank, 2002b: para 5).



As a result of Shihata's authoritative legal opinions on this issue, the World Bank has been circumspect about the volume of its policy-based lending in contrast with its investment or project loans. The old **Operational Directive on Adjust Lending Policy (OD 8.60)** set a guideline ceiling that the share of adjustment lending should not normally exceed 25 percent of the total IBRD and IDA commitments over three years (World Bank, 2002b: para 17). However, with the exception increasingly becoming the norm over the years — the combined share of such lending from the IBRD and IDA has exceeded the one-third threshold since 1998, reaching 53 percent in 1999 and maintaining this level today (ibid) — the Bank has progressively disregarded this legal constraint and reinterpreted the constitutional provision to suit the evolving circumstances.

The new **Operational Policy on Development Policy Lending (OP 8.60)**, which replaced the **OD 8.60** in August 2004, dispenses with the quota on such lending, providing instead that the volume or share of development policy lending for a borrower be established on a case-by-case basis, determined in the context of the country's Country Assistance Strategy (see below) and that each policy-based operation must be approved by the Executive Directors as meeting the 'special circumstances' justification under the **Articles of Agreement** (World Bank, 2004e: para 3, 4 & 8; see also World Bank, 2002b: para 17).

Consequently, conditionality became increasingly important as a means to justify policy-based loans under this constitutional exception by linking the conditions of the reform programme with the aforementioned constitutional objectives of the World Bank and meeting Shihata's 'productive purposes' criteria. The Bank's legal department notes that conditionalities perform a corresponding function in policy-based lending as the 'specific legal covenants' found in investment/project lending which 'require the borrower to carry out a project ... with due diligence and efficiency' (World Bank, 2005f: para 31). It states that: 'Conditionality serves the role of a *useful navigational aid* to keep the borrower's development program *on course* to ensure its productive outcomes and objectives are achieved' (World Bank, 2005f: para 31, emphasis added).



In contrast to an agreement for investment/project lending whereby the borrower is under a 'legal obligation to carry out a specific project', the World Bank does not regard the borrowing country's 'commitment to execute its program' as contractually enforceable for two reasons: (1) it could impinge upon the sovereign prerogative to determine policy and institutional actions to insist on compliance; and (2) 'treating a borrower's failure to implement a policy action as a breach of a legal obligation owed to the Bank could create significant financial repercussions for the country', including loss of other donor support and the borrower's standing in international financial markets<sup>24</sup> (World Bank, 2005f: paras 38 – 39).

Consequently, I argue here that the emergence of conditionality as a regulatory instrument in Bank policy-based lending – in spite of these loans' differing legal status to Fund financing – was also driven primarily by a reluctance to impose full contractual force on policy conditions in light of both constitutional ambiguity regarding the mandate of the Bank to finance such programmes *and* the political ramifications of subjecting such financing to the rigour of conventional contractual enforcement. Bank counsels, such as Shihata, have accordingly advised Bank staff that while there should be explicit and precise documentation of disbursement conditions in loan agreements, such agreements have to be structured '*to avoid covenanted legal obligations*' (Shihata, 2000a: 382 – 383).

Accordingly, policy-based lending arrangements at the World Bank have adopted a similar regulatory structure to that of the Fund, placing policy conditionalities within separate programme documents established prior to the financing agreement – here that Letter of Development Policy (LDP) and/or a Medium-Term Expenditure Framework (MTEF) – detailing a programme of actions, objectives and policies and incorporated by reference into the loan agreements (World Bank, 2001d: para 16). Financing is made contingent upon the borrower's implementation of the programme 'in a manner satisfactory to the Bank' (World Bank, 2004e: para 13; see also Mauritania, 1987, Preamble: para (A); Republic of Uganda, 2001, Preamble: para

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<sup>24</sup> This has, however, does not detract from the fact that the disciplinary impact of conditionality is as severe as that of a covenanted legal obligation as failure to implement policy reforms could lead to a suspension of financial disbursements from the Bretton Woods institutions and, in the case of the IMF, a corresponding declaration that a country's programme is 'off track'. The repercussions of such penalties are similar, if not, equivalent to the effect a breach of a legal obligation would have on financial flows to affected countries as many donors condition aid on satisfactory execution of a Fund and/or a Bank programme of adjustment (see discussion in Chapter Two).



(B)), thereby reinforcing the discretionary power of the Bank in stipulating conditions for financing.

### 4.3. Conditionality as a Mechanism for Economic Governance

The progressive entrenchment of conditionality as a default instrument for regulating the relationship between the BWIs and their client states has contributed significantly to the development of conditionality as a mechanism for economic governance. Chapter Two demonstrated that the disciplinary power of the Bank and the Fund is derived not only from their role as financiers but also from their constitution as economic governance institutions and the legitimacy they derive from the ‘multilateral’ nature of their constituencies.

The increasingly discretionary nature of conditionality, coupled with the asymmetrical decision-making structure of the World Bank and the IMF, has led to its emergence as a mechanism through which the major shareholders of the Bank and Fund have progressively embedded policy reforms in developing member states. Accordingly, conditionalities imposed by the institutions on client states now represent more than fiduciary instruments. Instead, the doctrine of conditionality has developed as a key mechanism for organising, harmonising and enforcing regulatory norms across different jurisdictions in the developing world.

#### 4.3.1. Fund Conditionality Enshrined

The watershed in the evolution of IMF conditionality occurred in the late 1970s, at the time of the **Second Amendment to the Articles of Agreement** which cemented the legal and political developments occurring at the Fund (and by extension, the wider international financial arena) since the collapse of the par value system in 1971. Two major changes within the IMF during that period cemented the IMF’s shift away from its original mandate and altered the nature of conditionality for good.

##### a) Collapse of the Bretton Woods System



Firstly, the **Second Amendment** shifted the IMF's role away from ensuring stability through a fixed exchange rate system towards focusing on the soundness of domestic economic and financial policy as important factors in maintaining such stability. The amended **Article IV, Section 2(b)** now enabled IMF member states to choose their own exchange rate arrangements as opposed to adherence to the par value<sup>25</sup> under the original system. At the same time, **Article IV, Section 1** obligated members to undertake domestic economic and financial policies that would not produce disruptions in the global economy (IMF Articles of Agreement).

International financial regulation was thus no longer influenced by an understanding of the need for rules-based, multilateral cooperation as the basis of international financial stability but would be based rather on creating the appropriate domestic framework within countries to prevent international financial crisis (Khor, 2001: 4 – 5; Pahuja, 2000: 778 – 779). Threats to the international financial system were perceived as stemming from errant domestic policies undertaken by countries rather than from inherent systemic problems with the governance of the global economy or from the destructive policies of other member states. Financing for countries facing balance-of-payments problems then became increasingly conditional upon their willingness to undertake 'appropriate' domestic policies to redress the economic instability.

At the same time, the changing clientele of the IMF borrowers — from states which provided the bulk of usable currency through their subscriptions to states which relied upon the pool of *other* states' usable currencies as a source of finance (Lowenfeld, 2002: 546) — changed the discourse of Fund financing from one of entitlement to draw to one of conditional financing, compounded by the fact that the former category of members were industrialised countries and the latter made up of developing states.

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<sup>25</sup> Under the par value system, IMF member states must adopt a par value for its currency, expressed in terms of gold or of that of the US dollar at a fixed rate and all states were required by the IMF to maintain that value under Article IV, Section 3, including 'by governmental intervention in the market if necessary' (Lowenfeld, 2002: 524). The amended **Articles of Agreement** now include a declaration under **Article IV, Section 4** that the Fund may revert to an exchange system of 'stable but adjustable par values' on a vote of 85 percent of the majority (IMF Articles of Agreement).



The doctrine of conditionality soon became a ‘largely north-south debate’ (ibid: 546). Conditionality, working as ‘an enforcement mechanism with selective effect’ thus enhanced the asymmetrical nature of the north and south ‘as subjects of IMF law’ (Pahuja, 2000: 780), cementing the demarcated roles of the *rule-makers* and the *rule-takers* within the IMF’s membership.

## b) Foray into Concessional Financing

This asymmetry is further reinforced by the second major development in the role of the IMF in the late 1970s: the Fund’s foray into development financing through its concessional lending window – currently the PRGF. The shift to development financing not only changed the nature of Fund financing and cemented the use of conditionality, it also altered the role of the Fund from that of an organisation for multilateral financial discipline focused on short-term, counter-cyclical lending to that of a development agency engaged in long-term economic rehabilitation. In doing so, the mandate of the Fund and, corresponding, the remit of conditionality, was expanded to encompass broader structural economic reforms in client countries<sup>26</sup>. These conditions are, in turn, driven by the regulatory priorities established by the major donors to the PRGF trusts as part of its establishment or periodic replenishment processes (see discussion in Chapter Two, section 2.2.2).

Gold contends that the terminology is a result of these concessional loans departing from two basic principles that underpinned the IMF’s **Articles of Agreement**: (1) the total resources of the IMF should not be reduced by its transactions with members; and, more importantly for our purposes, (2) *the member need not lose self-respect when soliciting assistance by the Fund* (Gold, 1996: 367 – 368, emphasis added). According to Gold, the abandonment by the IMF of ‘these niceties of law and diplomacy’ not only reflected the economic realities of the relationship between the IMF and borrowing countries but also helped develop the concept of conditionality as a modality of regulating this relationship (ibid).

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<sup>26</sup> Some commentators, such as former UNCTAD senior economist, Yilmaz Akyüz, have argued that there is and has never been a sound rationale for this move into development financing as not only are these areas better covered by other agencies, such as multilateral and regional development banks, including the World Bank, but also that ‘it is not clear that the Fund has the necessary competence and experience in such complex issues’ of structural and institutional reform (Akyüz, 2005: 18 – 19).



Thus, the nature of conditionality and the basis of conditionality shifted from one that was premised on cooperation and respect for national sovereignty to one that was premised on control and discretionary governance. When one set of members are subject to IMF surveillance and policy purview resulting from resource dependency while another set of members (with more than 60 percent share of the voting power) are not, the flexibility associated with conditionality as a regulatory mechanism acquires a radically different form — increasing the number of legitimate interventions (conditions) into a borrowing member state under a correspondingly selective criteria without a comparative safeguard mechanism for adjudicating disputes. Conditionality, due to its flexibility and discretionary character, therefore began to serve as an increasingly effectual instrument in fulfilling the IMF's expanded disciplinary function over third world economies.

#### **4.3.2. Governance through Resource Dependency**

Unlike the IMF, the World Bank was not established as a regulatory body. It was not endowed with a governance mandate such as that established under the Fund's **Articles of Agreement** with regard to multilateral financial discipline. The primary function of the Bank was to provide resources for the reconstruction and development of developing countries or, in the case of IDA countries, to facilitate poverty reduction and generate economic growth. However, since the introduction of policy-based loans, the combination of financing and policy reform has led to a progressive embedding of a governance function in which regulatory norms across jurisdictions are harmonised through the Bank's credit process.

The Bank itself has acknowledged that conditionality can serve as a means of purchasing policy reform in client states by compensating the government 'for the expected costs of reform and the implementation of the policy', including social and political costs of economic reforms (World Bank, 2005c: 3, paras 9 - 11). The institution has also viewed the role of conditionality as a means of restraining government action in the face of opposition to regulatory reforms and incentivising and supporting government adherence to such reforms by strengthening its



bargaining position vis-à-vis what the Bank views as ‘special interest groups’<sup>27</sup> (ibid: 15 – 16, paras 52 – 53).

The Bank’s expanding regulatory role has been facilitated by the fact that its criteria for financing as well as the content of its financing conditionality have been progressively established outside individual loan negotiation processes. Instead, many of these conditions have been pre-determined through the Bank’s increasingly political process of portfolio allocation that is contingent upon the interests of its major shareholders. This has led to increasing politicisation of Bank financing since such financing, unlike the original practice of the Fund, is not automatic nor based exclusively on a needs assessment of the country but on whether the countries meet Bank conditions for financial assistance and demonstrate willingness to execute the policy reforms associated with such assistance.

#### a) **Country Assistance Strategies**

Firstly, the allocation of funds to borrowing member states is based on the Bank’s assessment of the country under the Country Assistance Strategy (CAS), a document prepared by the Bank staff, in dialogue with country governments. The CAS must a) describe the World Bank Group’s assistance strategy for the country ‘based on an assessment of priorities in the country’; and b) indicate ‘the level and composition of assistance to be provided based on the strategy and the country’s portfolio performance’ (World Bank, 1995, para 1).

In other words, the volume and composition of financial (and other) assistance extended by the Bank to its clients is determined by what the Bank considers appropriate for the country given its evaluation of *inter alia*, the country’s economic situation, governance, environmental/natural resource management, and poverty and

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<sup>27</sup> The Bank views opposition to neoliberal policy reforms as stemming from entrenched political interests with ‘special interest groups’ often having ‘an interest in the maintenance of distorting policies and an incentive to oppose reforms aimed at removing them , including reducing or removing tariffs, privatization of state-owned enterprises or land redistribution’ (World Bank, 2005c: 15, para 52). Such groups have, in their opinion, ‘the ability to take actions that are costly to the government, such as strikes, or simply have the power to veto the reform’ and conditionality is therefore necessary to ‘counterbalance the presence of such groups’ (ibid: ii, para 6).



social aspects. As of July 2002, CASs of countries with a completed PRSP must be based on the PRSP but the CAS remains a non-negotiated document<sup>28</sup>.

The Bank's Operation Manual provides that CAS statements must be presented to the Board alongside application for a lending operation and that the operation must be rationalised within the priorities of the country's CAS and in light of the country's compliance with established 'country performance triggers' for different lending scenarios<sup>29</sup> (World Bank, 1995: para 3 & 16). These CAS 'triggers' are usually drawn from a country's compliance with their previous or existing loan conditions so that successful completion of policy conditionalities under different financing programmes, such as under a PRSC or other DPL, enables a country to move into a more favourable lending portfolio while unsatisfactory performance under previous programmes will see a country downgraded<sup>30</sup> (see Wood, 2005b: 7).

## b) IDA Allocation Criteria

Secondly, for low-income countries, financing is also determined by the IDA allocation criteria which includes allocation based on the country's policy and institutional performance and IDA replenishment conditions. IDA's resources are allocated to member countries through a combination of: a) basic allocations<sup>31</sup>; b) performance-based allocations (PBA); and c) IDA replenishment conditions. The complexity of these criteria highlights, in some ways, how the Bank as an institution is trying to manage conditionality as a mechanism for regulatory change pursued by

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<sup>28</sup> The Bank, however, maintains that differences in a country's own plans and the Bank's strategy 'are highlighted in the CAS document' (World Bank, 1995, para 1). See further discussion of the disjuncture between PRSP policy and practice in Chapter Six, section 6.4.2.

<sup>29</sup> A 'lending scenario' is essentially a category for lending with countries receiving a more favourable portfolio the higher the grade, such as moving from 'base case' to 'high case' lending.

<sup>30</sup> Wood's study of the Bank's PRSCs found that, for example, Nicaragua moved into a high-case lending scenario after 'significant progress' in privatising its public power and telecommunications companies under its first PRSC while Benin fell into the low-case lending scenario after, *inter alia*, its 'unsatisfactory progress' with the privatisation of its national water and cotton companies which were prior actions linked to its second and third PRSCs (Wood, 2005b: 7).

<sup>31</sup> Each IDA member is allocated a basic US\$4 million resource envelope with special considerations being given to 'blend' countries who may receive less than their quota due their ability to raise financing elsewhere; and to post-conflict countries and countries facing the aftermath of natural disasters who may require more (IDA, 2003, para 4 - 5). 'Blend' countries are countries which have sufficient creditworthiness to draw on international capital markets but are also considered having sufficiently low per capita incomes to qualify for IDA assistance, for example Indonesia, Pakistan and Bolivia. See:

<http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,contentMDK:21205370~menuPK:3414210~pagePK:51236175~piPK:437394~theSitePK:73154,00.html> (1 March 2006).



its major shareholders, developing complex techniques to administer and justify politically-motivated reforms.

The PBA is centred on the Bank's Country Policy and Institutional Assessment (CPIA) – which 'assesses a country's present policy and institutional framework for fostering poverty reduction, sustainable growth and the effective use of development assistance' (see section 4.6.2) – and guided by the Bank's Annual Report on Portfolio Performance (ARPP) which is 'used to determine a score for each country's implementation performance' (IDA, 2003, paras 2 – 3). A complex scorecard is then determined through the assessments of the CPIA (making up 80 percent) and the ARPP (20 percent) and 'a weighted average rating' is calculated based on these ratings and is then multiplied by the IDA's 'governance factor' – a score 'derived from the country's average rating for seven governance criteria that are part of the PBA system' (IDA, 2003, para 3).

In this respect, the political dimensions of Bank conditionality cannot be overstated, particularly in relation to its increasingly disproportionate emphasis on governance as criteria for determining individual country portfolios of financing. Not only has the focus on a country's policy and institutional performance in allocating IDA funds been a result of the emphasis placed on in the IDA replenishment process – donors in the last replenishment round, the IDA 14, highlighted that the 'key aspect' of IDA's financial support to poor countries must be 'the strong and transparent link to country performance on economic policies, governance and poverty reduction efforts' (World Bank, 2005g) – the operational procedure for determining IDA allocation has also been criticised for its subjectivity and lack of transparency.

According to Bank staff themselves, the IDA Country Performance (ICP) rating, derived from the formula above, results in governance factors contributing to two-thirds of the weight of such country ratings<sup>32</sup> (World Bank, 2004g: para 14). An external expert panel evaluating the CPIA and related IDA allocation criteria in 2004 criticised the procedure as 'highly nontransparent' given that 'the very large weight given to the governance factor is not obvious from the complex formula' (ibid: para 15). The panel had found the emphasis on governance 'excessive' and questioned the

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<sup>32</sup> As compared to factors such as population which only carries half as much weight and poverty indices which make up less than one sixteenth of the allocations (see Van Waeyenberge, 2006: 8).



basis of the weighting, particularly that of the CPIA, which it felt did ‘not find empirical support in available literature’ (ibid: para 16).

#### 4.4. A New Jurisprudence

Examination of the development of the doctrine of conditionality within the World Bank and the IMF above has demonstrated that the logic that underpinned the inception of conditionality as a mechanism for regulating the relationship between subjects of international development finance — the flexibility, deference for the notion of sovereign equality and sovereign autonomy, and the discourse of right to development and international development and economic cooperation — have been subverted over the years to take on a conversely regressive role between the parties to the financing, reflective of the developments in the international political economy and the corresponding necessity to respond to the geo-strategic governance imperatives of the major shareholders of the Bank and Fund.

The development of conditionality as an instrument for regulating the relationship between the BWIs and their borrowing member states and its consequent emergence as a mechanism for economic governance has, consequently, had significant implications on third world states’ engagement in the global economy.

##### a) Discretionary Control

Firstly, the progressive entrenchment of conditionality as a quasi-legal mechanism in World Bank and IMF financial transactions in lieu of formal legal arrangements has accorded the Bank and the Fund significant autonomy and wide discretionary powers vis-à-vis the nature and substance of their financial and policy interactions with their borrowing member states. This has shifted the domain of regulation from what legal scholars term ‘hard’ to ‘soft’ law or, in other words, from a regime of fixed, binding juridical norms to one operating on a network of non-binding regulatory principles and standards<sup>33</sup>.

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<sup>33</sup> As Joseph Gold observes, ‘soft law has been and is now more than ever an extraordinarily widespread and important element in the *corpus juris* of the IMF’, describing the characteristic of ‘soft law’ as an expression of ‘preference for, or of abstention from, specified behavior by members. The



In this regard, the disciplinary characteristic of conditionality has not been derived from an express constitutional power of the institutions concerned but, rather, from the evolution of Bank and Fund practice. Conditionality has enabled regulation to be conducted, not through formal means of norm-construction, but through precedents set by the behaviour and conduct of the parties, resulting in a form of customary law. Under regulation through the mechanism of conditionality, the legal relationship of the parties to the financing is based on the outcomes of individual processes of negotiation and bartering rather than on fixed contractual or other legal principles derived from a higher source of law.

This characteristic of conditionality has led commentators, Mosley et al (on the Bank) and, more recently, Sgard (on the Fund) to conceive of the process of conditionality as a negotiating game between the institutions and the borrowing member in which the ‘two parties have (at least partly) opposed interests which they pursue by taking note of each other’s likely behaviour, and in which the outcome depends on the strategies pursued by each party’ (Mosley et al, 1991: 67 – 68), thereby shaping ‘a framework within which the actors interact, where successive moves take place and where, hopefully, credibility will accumulate’ (Sgard, 2004: 17)<sup>34</sup>.

Accordingly, the regulatory framework which governs the actors’ behaviour in this process is derived from an accumulation of seemingly bureaucratic steps on the part of the Fund with ‘considerable rule-making activity’ being invested by the institution in ‘framing the sequential interaction with countries under [its] programme’, such as prior actions, tranche release reviews, negotiations for waivers on performance criteria, and a host of programme evaluations (Sgard, 2004: 17). A similar process operates within the Bank in which conflict between the Bank’s interests and the borrower’s are resolved not through predetermined rules but by ‘the outcome of strategy and external circumstance’ (Mosley et al, 1991: 69).

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behavior, whether it be action, or forbearance, can fall within the regulatory or the financial jurisdiction of the IMF’ (Gold, 1996: 302 – 303).

<sup>34</sup> While Sgard’s analysis is based on his research into the IMF’s role in sovereign debt restructuring, it can nonetheless be applied analogously to the Fund’s practice of conditionality in general.



Consequently, Sgard regards the conferment of wide discretionary powers on the institutions as a necessary component of the bargaining process that characterises the practice of conditionality (Sgard, 2004: 17). As a result, the use of conditionality has increasingly consolidated more discretionary power in the hands of the institutions and the non-borrowing member states. Given the governance structure of the Bank and the Fund, this shift has had an adverse impact on the policy autonomy and negotiating strength of less powerful member states and, as we will see in the following chapter, on the internal constitution of the borrowing states.

Mosley et al's analysis of the bargaining process of conditionality concluded that power relations between the institutions and the borrowing states play a substantial role in determining the outcome of negotiations and the rules of engagement between the parties vis-à-vis financing: 'the less the donor needs the recipient — either as an outlet or as political ally — the more the recipient needs the donor [and] the less room for manoeuvre the recipient has in those negotiations' (Mosley et al, 1991: 74).

## **b) Mission Creep**

This leads us to the second conclusion that may be drawn from the historical reading of conditionality, namely that the remit of conditionality has extended beyond purely fiduciary objectives. The focus of conditionality has progressively moved towards restructuring the institutional framework of the country through policy reform as an end in itself rather than as a means to an end, that is, fiscal stability (for the IMF) and economic growth (for the World Bank). Conditionality has no longer become solely about maintaining debtor discipline in order to protect the 'revolving character' of Fund and Bank resources<sup>35</sup> or to meet fiduciary obligations under their institutional mandates. In fact, conversely, conditionality has enabled the BWIs to circumvent constitutional limitations on their roles as international financial institutions.

This shift in the focus of conditionality reforms is both a result of, and a contribution to, the intensification of conditionality as regulatory instrument. The highly discretionary nature of conditionality has enabled it to be exercised as policy leverage

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<sup>35</sup> That is, stipulating that resources made available to a member will be repaid to be reused by other members (see Buira, 2003: 3 and IMF, 2001b: 144 for further elucidation on this point).



while at the same time contributed to the increasing use of the instrument for such purposes. Conditionality is a convenient mode of regulating the relationship between the financing agency and the borrowing country as it is flexible and does not give rise to binding legal obligations. The lack of precise criteria for establishing non-compliance not amounting to a breach of a contractual obligation accords the financing agency — the World Bank and the IMF — not only the power to adjudicate disputes but also to determine when non-compliance constitutes a breach.

Consequently, as Mosley et al argue, ‘it is the power-relationship between donor and recipient, rather than the severity of the economic ‘disease’ from which a country is suffering, which principally determines the nature of the prescription offered as part of a conditionality package’ (Mosley et al, 1991: 90). Former director of the G24 Secretariat in Washington DC Ariel Buira<sup>36</sup> is particularly critical of the proliferation of conditionalities in Bank and Fund financing that has led to this concentration of power in the hands of the institutions.

According to Buira, ‘conditionality has increased to the point of becoming dysfunctional’ because the governments can no longer keep track of the number of conditionalities associated with their various financing agreements and consequently, may only be able to comply with a percentage of them (interview: Buira, 2004). He argues that:

... this gives enormous power to the staff and the managing director [of the Fund] to exercise discretion [and] gives rise to political interference because whether you should get a waiver or not will depend a lot on your external political support [from members of the Executive Board] (interview: Buira, 2004).

The significant powers of discretion accorded to the BWIs under the practice of conditionality have enabled them to extract a wide range of policy commitments

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<sup>36</sup> Buira retired from the directorship of the G24 secretariat in 2006 and served, among others, as an Executive Director of the IMF in the 1980s. The ‘Intergovernmental Group of 24 on International Monetary Affairs and Development’ (G24) was established in 1971 to consolidate the position of developing countries on monetary and development finance issues and consists of countries from Africa, Asia and Latin America and the Caribbean. See: <http://www.g24.org/aboutg24.htm> (1 March 2006).



from borrowing states with conditionality enabling a more intrusive reforms without the corresponding sanction of a challenge by members of breaching the constitutional norms governing the institutions nor subjecting the institutions to wider international norms. As Gold notes, whatever consequences a breach of IMF's 'soft law' may entail, they fall short of such constitutional penalties such as the 'ineligibility to use the general resources of the IMF, suspension of the right to use SDRs, suspension of voting rights, or compulsory withdrawal from the organization' (Gold, 1996: 302).

### c) **Absence of External Oversight**

International legal commentators, such as Gold, Lowenfeld, Qureshi and Shihata, have suggested that the reluctance to use the norms of international law as their primary tool lie in the institutions' resistance to countries having recourse to external justiciability. External justiciability would impose corresponding obligations on the part of the Bank and the Fund and limit the extent to which the dominant, non-borrowing member states can exert control within these institutions<sup>37</sup>.

The doctrine of conditionality therefore operates within this framework of self-adjudication in which the Executive Boards of the Bank and the Fund operate as both the rule-maker and enforcer. The practice of conditionality allows the Executive Directors to set preconditions for access to development financing, determine which conditions should apply to countries and establish if a condition has been met or breached and which penalties should be meted out to the non-compliant member state. Correspondingly, this has enabled conditionality to be utilised as a mechanism for wider economic regulation of states subject to its jurisdiction.

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<sup>37</sup> The World Bank and the IMF, particularly the IMF, have always been opposed to outside interference in their decision-making and administrative processes and have repeatedly opposed recourse to external adjudication on disputes. The Bank and the Fund have always reserved for themselves the right to interpret their own constitutions and by-laws. While both institutions have respective agreements with the United Nations giving them the authority to seek an advisory opinion from the International Court of Justice (ICJ) on matters of interpretation and on legal issues arising from their operations, this procedure has never been used in the history of the two organisations (see Qureshi, 1999: 123; Shihata, 2000c: 222). Shihata observes: '[the] IFIs have never sought interpretation of their own charters from a court of law [unlike the principal and subsidiary organs of the UN] ... Decisions on interpretation in the IFIs are also not subject to appeal before the ICJ or an arbitral tribunal' (Shihata, 2000c: 222).



In this manner, conditionality operates very much like transnational merchant law in which the juridical authority for the reconfiguration of political, economic and socio-cultural life reside in a complex web of merchant custom and privately agreed codes of conduct (see Cutler, 2003). The Bank and Fund's use of 'soft law' over 'hard law' as a means of regulating their relations with borrowing member states is driven by the same objectives as the transnational merchant's use of the 'soft, porous discretionary standards and procedures' (Cutler, 2003: 23) to both regulate commercial, 'private' relations in international trade, investment and finance, as well as to govern the activities of the transnational merchant.

In this respect, the flexibility, reduced transaction costs and lack of justiciability of non-binding codes and custom is both politically and economically expedient, notably to the stronger party in an asymmetrical bargaining relationship. As Cutler observes: 'Weaker states on the periphery of the global political economy tend to favour hard law because it provides a certain transparency, predictability, and locking-in commitments that become more difficult for stronger states to renege on' (ibid). On the other hand, parties with greater negotiating strength prefer 'soft law' which is 'easier to breach with impunity' and offers more opportunities for "creative lawyering' and the shaping of legal regulation' (ibid).

#### **4.5. Carrots not Sticks: 'Ownership' as Conditionality**

The progressive entrenchment of conditionality as a means of regulating the behaviour of borrowing member states by the World Bank and the IMF (over other means of regulation) and the corresponding intensification of conditionality's substantive focus on reconfiguring the internal dimensions of the borrowing state, as an outcome of its increased governance function, has had a significant impact on the content and application of conditionality in practice, including, and notably so, on the development of 'ownership' as a principle governing the use of conditionality.

As discussed in Chapter Three, the impetus for the shift in the conceptual framework of development financing came from a number of internal and external sources, including the need to respond to both an internal and an external crisis of legitimacy



in the international economic order.. The imperative to reshape the principles which underlie the use of conditionality was critical to resolving the increasing failure of conditionality to provide the disciplinary framework for neoliberal globalization. Specifically, the need to rehabilitate the credibility of conditionality was viewed as essential to institutionalising the policy content of conditionality and improving its regulatory efficacy.

Former World Bank staffer Daniel Morrow, who was one of the architects of the PRSP framework, believes that the conditionality regime prior to the PRSP approach failed in bringing about desired policy reforms because ‘too often aid-recipient governments did not fully implement or did not sustain the policies and institutional reforms to which they had committed themselves’ (Morrow, 2005: 2). He argues that as many of these reforms are ‘politically and institutionally complex’, these reforms would not be implemented ‘without sufficient ownership’ of the policies by country authorities (interview: Morrow, 2005). However, Morrow, like many others, does not question the fundamental premise of the economic and institutional reforms that are to be undertaken nor the power relationship that is involved in the donor-government relationship.

Morrow’s views are reflective of the outlook of many at the BWIs on the issue of conditionality, who view the debate as not one of politics or policy content of conditionality, but rather of the efficacy of conditionality as an instrument of regulation<sup>38</sup>. In spite of the number of fundamental shifts in the conceptual framework of their operations, the institutional culture of the Bank and Fund continues to be steeped in a decontextualised faith in the veracity of their economic policy prescriptions. For the Bank and the Fund therefore, the question is less about the legitimacy of conditionality as a mode of regulation, nor about the appropriateness of the policy reforms to be implemented through conditionalities, but more about improving the enforcement and implementation of such reforms.

For Morrissey, this constitutes ‘policy dialogue’ (which serves as an integral element of the principle of ownership) which he perceives of as the opposite of conditionality

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<sup>38</sup> This observation is gleaned from the interviews with current and former Bank and Fund staff members as well as from attendance at the institutional dialogues and meetings over the research period.



as a means of delivering ‘policy transfer’ (Morrissey, 2004: section 1). He believes that such dialogue ‘where donors engage with recipients to aim to *convince them that particular policies should be adopted*’ redresses the coercive limits of conditionality as a mechanism for regulating the behaviour of client countries – ‘whereas conditionality has an element of coercion, policy dialogue is firmly rooted in *persuasion*’ (Morrissey, 2004: section 1, emphasis added). Such an approach corresponds with the ‘game theory’ analysis of conditionality.

If the practice of conditionality is conceived of as a game of negotiation, the outcome of which establishes the rules of engagement between the parties, then the principle of ownership may be regarded as a continuum of conditionality, as part of the rule-making process with the balance of power tipped towards the World Bank and the IMF. The modalities of conditionality may therefore be construed of as rule-making instruments that have evolved to serve the interests of the institutions by maximising their relatively stronger bargaining position. This is effected through a gradual repositioning of policy conditions as voluntary reforms undertaken by the borrowing member state in recognition of the viability of such reforms in achieving objectives such as economic growth or poverty reduction which, in turn, are rewarded by the disbursement of concessional financing or grant aid by the Bank, Fund and other donors to assist in the reform processes. The conferment of such policy ‘autonomy’ creates a tautology which shifts the burden of enforcement onto the borrowing party.

With the advent of ‘country ownership’ as a principle governing the use of conditionality, the focus of conditionality has shifted from its previous fiduciary objective of safeguarding the use of multilateral funds to one of policing policy compliance and gatekeeping access to funds, ensuring that only countries most willing to undertake reforms (or most desperate for financing) are rewarded. This policy of ‘country selectivity’ in determining countries’ access to resources is a hallmark of the PRSP framework and the ‘new architecture of aid’ (see Chapter Five, section 5.4).

The rhetoric of ‘ownership’ therefore serves as a powerful discursive restraining instrument on borrowing countries’ behaviour. These new modalities of



conditionality further removes any rights to recourse to formal Bank and Fund law in terms of regulation as the policy reform that is initiated bears no indication, formally, of it being a condition of financing. ‘Ownership’ removes the fiduciary duty of the Bank and the Fund to ensure that the funds are disbursed to the satisfaction of the constitutional mandate. Instead, the burden for compliance and the risk of financing is placed squarely on the shoulders of the borrowing state.

As UNCTAD Special Coordinator for Africa Kamran Kousari observes:

The main danger [with the PRSP approach] is that few countries will say ‘our own poverty reduction programmes are being imposed on us’ (*sic*). This [is about] getting people to police themselves and if there is slippage in policy implementation, then it is not because the design and the conceptualisation of the programme that is wrong because [the institutions] will say that the design and the conceptualisation is done by [the client countries] ... [They will say] ‘you selected the programme, we only have an advisory function. We take no responsibility for the failure of the programme’. This is very clever, extremely clever (interview: Kousari, 2005).

It is not surprising then that the World Bank’s issue note for its recent review on conditionality stated that ‘the practice of conditionality has evolved from the idea that governments must meet a set of conditions to receive Bank financing to an approach in which the Bank supports policy reform in client countries’ (World Bank, 2005q: para 17). This evolution, viewed by Morrow as a response to the ‘ownership critique’ of conditionality, also in his opinion, represents a form of ‘consensual conditionality’ in which financing is linked ‘only to conditions that have sufficiently broad support within the recipient country’, or, at the very least, a collaborative design of the reform programme undertaken by the borrowing government in exchange for financing (Morrow, 2005: 2, 5 – 8).

From the Bank’s perspective therefore, the shaping of conditionality in this manner is aimed at ensuring greater success in policy implementation through the removal of the element of formal coercion that characterised previous modalities of



conditionality. Harrison terms this development as ‘post-conditionality’<sup>39</sup>, a regime by which the disciplinary force is no longer enforced directly through disciplinary instruments but rather through a mechanism of self-imposed discipline on the part of borrowing country authorities (Harrison, 2001b: 660).

Country authorities are implicated in a regime of monetarism, fiscal austerity, liberalisation, marketisation and privatisation in accordance with the principles of the IFIs without subjecting them to a contest of negotiations in the regulatory arena. These principles may be regarded as having ‘made a transition from *doctrine* (openly colonizing the state terrain through the IFIs) to *ideology* (far less contested, integrated into everyday language of policy-making)’ (Harrison, 2001b: 659).

This new configuration of politics brought about by the principle of ‘ownership’ in conditionality has not extinguished the politics of adjustment nor the power relations inherent in conditions of donor dependency, but has rather resulted in a situation where external intervention is exercised not through coercive financing terms but ‘through closer involvement in state institutions and the employment of incentive finance’ (Harrison, 2001b: 660). The process of negotiation – ‘partnership’ — that characterises the relationship between donor and borrowing government under the PRSP framework creates the conditions under which the central elements of the Washington Consensus is imbued into the psyche of the country authorities, or at least, the policymaking elite within borrowing countries.

#### 4.6. From Coercion to Consent: Conditionality on the Move

The conceptual shift in the doctrine of conditionality represents both a continuity with pre-existing practice — the use of Letters of Intent and Letters of Development Policy to signal country acquiescence to policies that were shaped by the Bank and Fund bureaucracy under political persuasion from their principal members — as well as a departure from these modalities. The concept of ‘ownership’ and its attendant modalities, particularly under the rubric of the PRSP significantly alters the practice

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<sup>39</sup> I disagree with Harrison’s use of the term ‘post-conditionality’ as I believe current developments demonstrate a continuity with rather than a departure from the fundamental exercise of conditionality. However, the terminology does not detract from Harrison’s analysis of the current state of conditionality in practice.



of conditionality by reconstructing the modes of governance through conditionality. Although coerciveness remains a substantial component of this new regime of conditionality, the mechanics of it depends less on the threat of sanction than on the incentive of reward for good behaviour.

Operationally, this means a gradual shift towards new modalities of conditionality practice, notably, the gradual movement from *ex-ante* conditionalities – commitments based on forecasted performance – to *ex-post* conditionalities – commitments based on actual results rather than forecasts, and the increased application of non-binding conditionalities, such as benchmarks and triggers, and the principle of ‘country selectivity’ underpinning their use. It also means a shift, at least for the Bank, towards ‘programmatic’ lending operations – financial support based on a series of individual, interlocking lending programmes – as opposed to the conventional multi-tranche, stand-alone loan. Taken together, these reforms represent a major overhaul in the modalities of conditionality, reflecting the wider reform of the disciplinary framework of development financing brought about by the PRSP framework and its attendant instruments of aid delivery.

#### 4.6.1. From Tranching to Front-Loading

Traditionally, conditionalities have been linked to loan disbursements with borrowing countries having to meet specific conditions prior to the release of each tranche of the loan from the Bank or the Fund. The process of ‘tranching’ itself represents a fundamental element of the practice of conditionality in which each loan is sliced into segments with the release of each tranche dependent upon compliance with pre-established policy reform conditions<sup>40</sup>.

The most commonly used instrument in this regard is that of *performance criteria* (at the Fund) or *tranche release conditions* (at the Bank). Introduced in the 1950s, the IMF’s performance criteria ‘specifies either a quantitative target to be met or a policy action to be implemented by an agreed date (or in some cases, continuously over a specified period) for the country to be able to continue to draw on the IMF’s financing’ (IMF,

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<sup>40</sup> Mosley et al note that the practice of ‘tranching’ had increased since the inception of policy-based lending at the Bank with loans being sliced into ‘smaller and smaller elements’ as a means of ensuring greater Bank leverage over borrowing countries (Mosley et al, 1991: 45).



2002a: para 35). Similarly, for the Bank, each segment of a multi-tranche disbursement will not be released until the agreed policy reform has been executed (World Bank, 2005b: 2, para 4; 2004e: para 18). If these performance criteria or tranche release conditions are not met, a country would have to obtain a waiver on those conditions from the institutions before the disbursements can proceed. There is, once again, a substantial element of discretion given to the Executive Boards as it is up to the Executive Directors of the institutions to determine whether a waiver can be granted or not.

IMF programmes may also be subject to *programme reviews*, the completion of which triggers disbursements. According to the Fund, the objective of programme reviews is ‘to set performance criteria for the future life of the program as well as to assess performance in particular policy areas’ undertaken through an assessment of a borrower’s compliance with the policies established by the programme of economic reform in the LOI (IMF, 2002a: para 35). Programme reviews are therefore more extensive than performance criteria – fulfilment of all performance criteria does not necessarily mean a country has continued access to Fund financing where the terms of the financing include a programme review – as it demands detailed progress assessments of policy compliance and future policy directions<sup>41</sup>. Under the PRGF for example, the conditions to be attached to the second and third years of the three-year PRGF arrangement will be established by the IMF Executive Board ‘in the context of a review of the program with the member describing progress made under the program, and of the policies it will follow during the subsequent year of the arrangement’<sup>42</sup> (IMF, 1999b: section II, para 1 (bb)).

Programme reviews exemplify the opaque nature of the current practice of conditionality as new conditions could be imposed *after* the signing of the financing agreement, meaning that the terms and conditions for financing could change during the course of the financing programme, and old conditions waived or made defunct.

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<sup>41</sup> A similar review takes place at the Bank in the context of its policy-based loans but unlike Fund financing, review conditions (see discussion immediately following) are not regarded as critical to tranche disbursements.

<sup>42</sup> Disbursements from the PRGF are semi-annual, requiring the compliance with semi-annual performance criteria and ‘appropriate monitoring of key financial variables in the form of quarterly quantitative benchmarks and structural benchmarks for important structural reforms’ (IMF, 1999b: section II, para 1 (bb)). Financing under the PRGF is also stricter than lending under SBAs with waivers mandated for all missed performance criteria, in particular structural performance criteria, before disbursements contingent upon those criteria are made (IMF, 2002a: Box 4).



While this maintains an element of flexibility to enable the terms and conditions to shift with prevailing economic circumstances, critics have contended that programme reviews render the process of conditionality untransparent and unaccountable to the legislatures of the borrowing countries as the conditions are not disclosed at the point of agreement. Veteran IFI watcher Nancy Alexander is particularly concerned that with the increasing transparency of LOIs through the increasing publication of the documents, ‘much of the meat of the LOIs have migrated to the IMF reviews, which are not in the public domain’ (Alexander, 2001: para 1).

The problem of transparency is likely to be compounded by the increasing use of *ex-post* conditionalities in Bank and Fund financing, especially financing under the PRSP framework. Most notable is the use of *prior actions*, defined as a set of measures to be undertaken by the borrowing country in agreement with the Bank or Fund staff (usually on direction of Management after consultation with the Executive Board) and the country authorities prior to the Executive Boards’ consideration of a financing arrangement, programme review or the granting of a waiver (IMF, 2002b: para 11(a); IMF 2002a: para 35; IMF 2001a: para 31). An IMF study of its own programmes between 1992 – 1999 revealed that the number of prior actions per programme rose tenfold from an average of less 0.5 in 1987 – 90 to more than five in 1997 – 99 (IMF, 2002b: para 55) and this is likely to increase with the advent of the PRSP framework and attendant financing mechanisms.

While the Bank and the Fund insist that such prior actions may not necessarily affect approval of financing arrangements or tranche disbursements or waivers (see IMF 2002a: para 35), prior actions are increasingly used as both a *signalling* device and a tool of *selectivity* for determining access to financing from the Bank and the Fund. The former role involves establishing ‘strong, difficult-to-reverse reforms’ (IMF, 2002a: 28) at the inception of a programme to ensure that the policies for reform have a higher chance of being implemented while the latter role demonstrates the country authorities’ commitment to the reforms favoured by the Bank and the Fund.

Prior actions are compulsory for single-tranche operations from the World Bank, most importantly for access to Poverty Reduction Strategy Credits. PRSCs are examples of the Bank’s programmatic lending, an approach that has been used



increasingly over the past few years, involving a series of single-tranche operations sequentially presented to the Bank's Executive Board with a medium-term framework specified at the outset (World Bank, 2005q: para 19). The share of single-tranche financing operations at the World Bank has risen from 21 percent of total Bank lending in the years 1990 – 94 to 51 percent in the years 2000 – 04 (World Bank, 2005b: paras 13 – 14).

Approval of each PRSC will be based upon compliance with the policies set out in the country's Medium-Term Expenditure Framework (MTEF) which specifies 'completed prior actions, monitorable progress indicators, and expected prior action (triggers) for subsequent operations' (World Bank, 2005q: para 19). Prior actions for PRSPs ought to be drawn from the country's PRSP and enshrined in the core objectives of the PRSP approach, namely rooted firmly in poverty reduction (World Bank, 2005q: para 19), but, as will be discussed in the following chapter, this is often not the case.

The growth in programmatic lending has also driven the increase in the use of 'benchmark' conditionalities, with each programmatic loan containing on average of 31 benchmarks than in non-programmatic loans in financial year 2004 – 2005 (World Bank, 2005b: para 22). The Bank defines benchmarks as 'progress markers' or milestones demonstrating the borrower's implementation of a policy reforms supported by the loan (ibid: para 3) and while they are not considered binding for the purpose of individual loan disbursement, they are used to monitor the country's overall compliance with the programme of reform outlined in the MTEF (see Wood, 2005b: 7).

Prior actions are incorporated into the PRSC loan agreement as an appendix to the agreement and referred to in the preamble. For example, the preamble to the PRSC agreement between Uganda and the IDA states that financing is provided on the basis that 'the Borrower has carried out the measures and taken the actions described in schedule 2 to this Agreement to the satisfaction of the Association' with the attached schedule referring to actions contained within the country's LDP and MTEF (Republic of Uganda, 2001). A similar procedure occurs at the Fund where 'prior actions are incorporated into and expressly identified in arrangements' (IMF,



2002a: para 60). However, this process means these conditions are only formally brought to the attention of the Executive Boards once the conditions have been complied with and the financing arrangement is submitted to Boards for consideration.

Prior actions therefore do not need explicit Board review and approval unlike conventional conditionalities which are considered when the borrower's LOI or LDP is reviewed by the Executive Boards. The discussions on prior actions are undertaken largely between the IMF or Bank staff and the borrowing country authorities and agreed upon without the need for Board approval. The IMF's **Guidelines on Conditionality 2002** reaffirmed the original provisions of the superseded 1979 Guidelines which stipulated that where a programme includes prior actions, 'the Managing Director will keep Executive Directors informed in an appropriate manner of the progress of the discussions with the member' (IMF, 2002b: para 11 (a)). In practice, this is conducted informally through 'country matters sessions' of the Board and informal briefings (ibid). Proponents of prior actions contend that requiring Board approval for prior actions undermines the Bank and Fund staff's ability to negotiate with country authorities and procure advantage over 'less-reform minded interest groups' (ibid), thereby enabling the IMF to gain an upper hand in negotiations without the requisite checks and balances that exist in a Board review.

#### 4.6.2. Increasing Institutional Leverage

Critics have argued that the front-loading of conditionality discussed above significantly increased 'the leverage of Management and staff *vis-à-vis* the governments of developing countries' (Babb and Buira, 2004: 14). The Bank, for example, states that under the PRSC approach, '[t]raditional conditionality has been replaced by a *performance* framework that reflects *an understanding between the Bank and the government* on the priorities of the country's reform programs and the financing required' with the Bank requiring 'tangible evidence of progress in achieving the objectives of the medium-term program' before each PRSC operation is approved (World Bank, 2005e: para 11, emphasis added).



This implies a high degree of negotiation between the Bank staff and country authorities prior to the entry into force of a financing agreement regarding the institutional and policy actions to be undertaken in exchange for disbursements. In particular, there is extensive focus on the country's public financial management and expenditure systems with all PRSCs being 'underpinned by ex-ante fiduciary assessment[s]' of these systems in order to identify what the Bank perceives to be 'deficiencies', 'fiduciary risk' and 'steps needed to secure acceptable fiduciary arrangements' (ibid: para 72). Countries are expected to secure changes, including legal or regulatory reforms<sup>43</sup> or institutional reforms<sup>44</sup> before disbursements are made, blurring the line between 'actual conditionality and 'negotiated policy actions'.

Even IMF staff have admitted that the use of prior actions obscures the actual number of conditionalities that may be present in a financing arrangement. According to Mark Plant, assistant director of the IMF's Policy Development and Review Department, in spite of evidence that IMF and World Bank conditionality appear to have been reduced and the content of conditionality lightened following the IMF review of conditionality and the revised guidelines and by efforts by the Bank and Fund to 'streamline' conditionality, the true picture is difficult to measure because of the numerous ways in which conditionality may be manifested, especially with regards to the use of prior actions (interview: Plant, 2004). Referring particularly to programmatic lending at the Bank, Plant observes:

[this practice] gets away from [the process of] turning the loan off or refusing a loan, or refusing continuation of a loan, but what it does, in some sense, is delay the loan coming about through prior actions ... I am not saying that it's a conspiracy – but conditionality gets hidden over there (*sic*) (interview: Plant, 2004).

The opaque nature of prior actions is accentuated by the politicisation of decision-making at these institutions. While the Executive Boards does not consider prior actions before the application for financing comes before them for approval, the US Executive Director may receive advance notice of such actions and, as a result, may

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<sup>43</sup> For example, 'the enactment of laws on fiscal responsibility, financial administration, procurement and internal audit' (World Bank, 2005e: para 72).

<sup>44</sup> Such as 'legislative oversight functions and new budget classifications' (ibid).



influence the sort of prior actions that borrowing countries have to adhere to. By custom for example, the US Executive Director to the IMF is consulted before any lending arrangement is considered by the Executive Board (Woods, 2001: 87 in Babb and Buira, 2004: 13). Examples of prior actions indicate a strong bias towards a particular economic ideology. Mongolia's arrangement under the PRGF in 1997 contained 19 prior actions, including conditions to 'speed up the privatisation process, setting hard budget constraints and acting swiftly on bank restructuring' (IMF, 2002a: Box 5).

At the World Bank, *ex-post* conditionalities are compounded by the extensive use of CAS triggers and the CPIA index (see section 4.3.2) to determine access to financing. There has been extensive criticism of the Bank's use of the CPIA with concerns over the capacity of Bank staff to assess inherently subjective areas of a country's domestic policy and institutional framework and ascribe a numerical rating to each criterion for the purposes of allocating funds under the CPIA. Some Executive Directors have even condemned the CPIA as 'being a one-size-fits-all instrument imposed on governments in a top-down manner replete with subjective judgments about their performance' (Alexander, 2004).

The CPIA scores countries on an extensive range of institutional and policy actions, basing them on 'actual policies not on promises or intentions' (World Bank, 2004k: para 11). The 16 actions assessed are then grouped into four clusters — economic management, structural policies, policies for social inclusion/equity and public sector management and institutions — with each cluster forming a 25 percent weighting in the overall rating (ibid: Box 1 and para 15). The scores, determined from consideration of 'a variety of indicators, observations and judgments' including 'country knowledge originat[ing] from the Bank, analytic work or policy dialogue, or work done by parameters, and relevant publicly available indicators' (ibid: para 11) have been criticised by some as a 'composite of subjective judgments' of Bank staff on these issues (Alexander, 2004) while others have expressed concern over the lack of empirical evidence and analytic work supporting the ratings given in each cluster (World Bank, 2005g: para 11).



While these requirements do not constitute fiduciary conditions per se, these prerequisites provide a greater incentive for countries in need of external financing to implement the policies set by the BWIs as access to financing is blocked unless the required reforms are complied with. Contrast this with conventional conditionality in which financing is agreed upon subject to the compliance of certain conditions, non-compliance of which may or may not result in the suspension of disbursements, depending on the outcome of a waiver application. Once again, this concentrates more power at the hands of the institutional staff and management. According to Alexander:

Donors and creditors dominate the policy-making of low-income countries more than ever before. The CPIA represents a policy straightjacket. No matter what a country's own development strategy (or Poverty Reduction Strategy Paper) says, a country is likely to adhere to CPIA-derived policy prescriptions if it expects to retain external support. Governments are in a double bind if citizens and elected officials choose a path other than that specified by CPIA-derived priorities. Because of instruments like the CPIA, country 'ownership' of the development process can be a mirage (Alexander, 2004: section III)<sup>45</sup>.

Moreover, the repositioning of traditional conditionality under the rubric of 'country ownership' performs a significant restraining function at the level of the Executive Board. A former senior economist who has had substantial experience in the negotiations at the Bank and Fund contends that the PRSP and related financing instruments which are underpinned by the principle of 'country ownership' have the political effect of silencing opposition from borrowing country members to harsh financing conditions when reviewing financing arrangements in deference to the principle of south-south solidarity. He argues that unlike previous arrangements where it was clear that the IMF or the World Bank have imposed the conditions on borrowing countries, Executive Directors representing developing countries find it difficult to reject or be critical of new arrangements which purport to be drafted by

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<sup>45</sup> Reiterated in interview with Alexander, 2004. Alexander, who headed various Washington DC-based NGOs such as the Globalization Challenge Initiative and the Citizens Network on Essential Services (CNES), was one of the first activists who highlighted the potential pitfalls of the CPIA when the Bank proposed its implementation.



country authorities themselves under the rubric of ‘country ownership’ although the conditions which may be substantively detrimental to the borrowing countries (interview, 2003).

#### 4.7. Conclusion

The doctrine of conditionality is an integral component of development financing and nowhere more so than at the Bretton Woods institutions at which it was born, extensively applied and evolved. Conditionality is a mechanism which governs not only the terms of financial support accorded to borrowing member states at the World Bank and the IMF, it also governs the relationship between the parties involved in such financing, that is, between the borrowing members and the institution, and between the borrowing members and the non-borrowing members.

The evolution of the doctrine of conditionality demonstrates that the role and nature of conditionality have departed from the original objectives of conditionality – that is, to create a regulatory instrument that was responsive to the economic and socio-political circumstances of countries which borrowed from the Bank and the Fund and respectful of the sovereignty of nations that formed the membership of the two institutions. Instead, the flexibility which characterises the practice of conditionality has accorded the Bank and Fund a wide regulatory berth vis-à-vis their borrowing members. The substantial discretionary powers delegated to the institutions have shifted the terrain of regulation from ‘hard’ to ‘soft’ law making adjudication of disputes difficult, if not impossible. The historical evolution of conditionality as a regulatory instrument situates ownership within the continuum of conditionality.

The evolution of conditionality, in particular, the movement from *ex-ante* to *ex-post* conditionalities as exemplified by the PRSP approach, may therefore be framed as the beginnings of a transition from Foucault’s disciplinary society to a society of control vis-à-vis the governance of borrowing member countries in relation to the World Bank and the IMF. Foucault’s conception of power in society charts a historical, epochal passage from a modality of power that is disciplinary in its function to train and normalise behaviour and whose success is derived from ‘the use



of simple instruments: hierarchical observation, normalizing judgment, and ... the examination' to a form of power in which power is immanent within the society itself and is reproduced through networks outside the traditional institutions of discipline (Foucault, 1991: 261 – 261).

The historical exposition of conditionality enables us to chart the passage from disciplinary power of conditionality in which borrowing member states submitted to a regime of rules, customs and habits in the form of performance criteria, program reviews and waiver requests, to a regulatory framework in which such power adopts an more indeterminate and heteromorphous form by constituting itself within the body politic of the borrowing country authorities and creating the voluntary will or desire to reform through compliance with prior actions and pre-financing triggers. This power, notes Best and Kellner, 'operates not through physical force or representation by law, but through the hegemony of norms, political technologies, and the shaping of the body and soul' (Best and Kellner, 1991: 49).

Traditional modalities of conditionality regulated the behaviour of borrowing countries through a system of normalisation ('discipline') — compliance with an established set of economic truisms (the Washington Consensus) and the adoption of institutional and policy reforms in pursuit of the framework laid down by the World Bank and the IMF — and through the 'penalty of the norm' (Foucault, 1991: 196) — the 'nonobservance' of the prescribed economic rationale of the Washington Consensus leading to a dénouement of the community of nation states and therefore access to multilateral funds. In contrast, the new modalities of conditionality intensify the 'normalising apparatuses of disciplinarity' (Hardt and Negri, 2000: 23) through ensuring that borrowing countries accept the disciplinary framework of adjustment lending and the economic rationale that underpins them, but are yet regulated through their own *desire* to adopt the reform measures and internalise them under the rubric of 'country ownership'.

In this manner, the regulatory power exerted by the financing institutions through the modalities of conditionality becomes not repressive but productive, imbued with a biological power to reproduce the mechanisms of control. In the same manner that Foucault conceives of the 'indispensable element' of *bio-power* in the development of



capitalism in Europe through the ‘controlled insertion of bodies into the machinery of production and the adjustment of the phenomena of population to economic processes’ (Foucault, 1991: 263), the sustenance of the Washington Consensus doctrine of reform as a global project depends on the appropriation of consent and the reproduction of life in the mirror of the Consensus framework through the concept of ‘country ownership’.

Conditionality in its new manifestations — and particularly, as operationalised through the PRSP framework — reflects the shifting characteristics of regulatory power in global economic governance. The modalities of conditionality have evolved to reflect the increasing importance of dialogic webs of regulation in international economic governance as opposed to mechanisms of reward and coercion (Braithwaite and Drahos, 2000: 556 – 558). Braithwaite and Drahos’ extensive survey of actors involved in the globalization of business regulation revealed that ‘[a]lmost all five hundred actors interviewed’ expressed ‘a strong preference for playing games of global regulation through dialogue than through rewards and sanctions’ as rewards and sanctions are costly in financial and diplomatic terms (ibid: 557 – 558).

According to Braithwaite and Drahos, these webs of dialogue deliver high rates of compliance with globalizing reforms because such dialogue:

- (1) defines issues as a problem; (2) enhances the contracting environment so that complex interdependency and issue linkage can motivate agreement and compliance; (3) constitutes normative commitments; (4) institutionalizes habits of compliance; and (5) institutionalizes informal praise and shame for defection from the regime’ (Braithwaite and Drahos, 2000: 556).

Similarly, this chapter has demonstrated that the practice of conditionality has evolved to assume a more dialogic characteristic as opposed to a disciplinary role in order to maximise the effectiveness of the reforms pursued by the World Bank and the IMF and the hegemonic actors within the Bank and Fund membership. While there remains a strong and substantial element of coercion in the practice of conditionality, the new modalities of conditionality enables the internalisation of



reform in means that were not possible under the coercive attribute of traditional conditionality.

In this case, new modalities of conditionality increase the uptake of reforms pursued by traditional conditionality as the rubric of ‘ownership’ enables country authorities to identify with the policy architecture of the Washington Consensus reforms and reiterate their commitment to it, notwithstanding the force of financing that underpins the pressure for compliance. This capture of the *biopolitics* of the borrowing state is further reinforced by the discursive function of the PRSP approach (discussed in the following chapters) which legitimises the nomenclature of partnership, ownership and participation.

The bio-political power exercised by the international financial institutions through borrowing member states is then reified through the structural changes that are adopted by the latter under the auspices of ‘ownership’ as conditionality. The legitimacy of the reforms that are undertaken under the new financing instruments/ adjustment operations linked to the PRSP process must be sustained not only through the capture of policy space within the borrowing member states and of the elite policymakers that negotiate on their behalf but also through a more systemic restructuring of the socio-political fabric of the countries subject to the reforms. The following two chapters examine how this concept of ‘ownership’ has been operationalised in order to re-engineer the political, economic and social institutions of borrowing member states under the PRSP framework.



## Chapter Five

### Reforming the Nation State: PRSPs and the Rehabilitating the Structurally Adjusted State

*‘... the state remains a vital point of concentration of capitalist power, even, or especially, in today’s global capitalism, and that the empire of capital depends upon a system of multiple states.’*

*- Ellen Meiksins Wood, 2003: 14 -*

The introduction of the Poverty Reduction Strategy Paper approach as a mechanism for governing the relationship between low-income countries and the international development community has resulted in significant changes to the domestic constitutions of these countries. A retreat from the first generation<sup>1</sup> adjustment reforms which sought to roll back the state, this new approach goes further than the second generation reforms by seeking to reconstitute fundamental elements of the state, resulting in the immediate (and almost uniform) reorganisation of political and bureaucratic processes across a large swath of countries in the third world.

The previous chapter demonstrated that the principle of ‘ownership’ as enshrined in the PRSP approach represents a continuation with the existing practice of ‘conditionality’ in which financing is exchanged for external resources. ‘Ownership’, as operationalised under the PRSP framework and the attendant instruments of the ‘new architecture of aid’, extends the disciplinary power of conventional conditionality through the capture of the body politic of the client state. The following two chapters demonstrate how this bio-political power exercised by the Bretton Woods institutions and by extension the wider donor community, over these countries is reinforced by the operational changes imposed upon, and absorbed by, client states under the PRSP approach.

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<sup>1</sup> The term ‘first-generation’ reforms are commonly used to refer to the policy reforms introduced in developing countries through SAPs, constituting the economic policy prescriptions of the Washington Consensus. ‘Second-generation’ reforms are used to refer to the institutional and policy reforms of the ‘good governance’ agenda (see discussion in section 5.1 below). The PRSP reforms are often now referred to as the ‘third-generation’ reforms.



Towards this end, it is argued that the reforms implemented by the PRSP framework serve two essential purposes vis-à-vis governance of these countries in the wider global economic arena: Firstly, the PRSP framework acts as a *disciplinary* mechanism by facilitating extensive regulatory and institutional reforms in the recipient state required for entrenching the policy reforms imposed through substantive conditionalities. Secondly, the PRSP framework performs a *legitimising* function by reconfiguring the relations in domestic policy and political circles in order to mobilise disparate voices behind the objectives of the aforementioned substantive conditionalities.

Here, I argue that the current drive to rehabilitate the state apparatus in developing countries, through mechanisms such as the PRSP framework, stems not from the desire to transfer policy autonomy to governments in the south but from: (1) the need to co-opt recalcitrant states into submitting to the necessary regulatory and policy reforms for the conducive operation of transnational capital, *or*, in the case of ‘failed states’ or post-conflict states<sup>2</sup>, to restore basic institutional structures to pursue such reforms; and (2) to mitigate the dislocations associated with the pursuit of such reforms through the rehabilitation of the state’s regulatory and economic oversight function, and, to a lesser extent, its function as an overseer of citizenry welfare.

These objectives are achieved via a similarly two-tiered process under the PRSP framework. The first objective is achieved through the *capture of policy space* and the internalisation of the politics of reform by the recipient states under the rubric of ‘ownership’ and partnership’, the association of the policymakers and politicians that form the disciplinary aspect of the approach. The second objective is achieved through the *capture of political space*<sup>3</sup> by the donor community and of political and social capital via the PRSP consultative mechanism and focus on social sector expenditure

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<sup>2</sup> These countries are generally referred to, in Bank and Fund parlance, as ‘Low-Income Countries under Stress’ (LICUS). The Bank describes LICUSs as ‘fragile states characterized by a debilitating combination of weak governance, policies and institutions, indicated by ranking among the lowest (< 3.0) on the Country Policies and Institutional Performance Assessment (CPIA)’ (World Bank, 2005l). Thirty countries are classified as LICUS with ‘three out of four LICUS are affected by on-going armed conflicts’ (ibid).

<sup>3</sup> I use the term ‘policy space’ to denote the arena in which decision-making is conducted – through elected officials and the civil service which support them – and ‘political space’ to refer to the arena of public and parliamentary bargaining where access to and allocation of resources are contested. This, in no way, excludes the fact that there is often overlap between the two.



under the rubric of ‘participation’ and ‘poverty reduction’. The systemic imperatives of neoliberal imperialism therefore dictate the introduction of a mechanism of control — the PRSP process — and its attendant discourses of ‘ownership’, ‘partnership’, ‘participation’ and ‘poverty reduction’ as a means of legitimising and controlling the direction of policy reform and ‘development’ options within the states in receipt of development financing.

This chapter considers the mechanisms through which the state apparatus of PRSP countries are reconfigured so as to enable the capture of domestic policy space by the donor community and how these modalities of state reconfiguration serve the disciplinary and legitimising function ascribed to the PRSP framework outlined above. In particular, it considers the means through which the PRSP framework facilitates the reinscription of the state’s regulative capacity – through globalizing development planning and standardising bureaucratic governance in PRSP countries – and examines the manner in which such reforms have served as a disciplinary, as opposed to emancipatory, function in managing PRSP countries’ engagement with the international community.

This discussion will then be followed up in the next chapter which explores how the PRSP framework subsequently reconstitutes the relationship between this reconstructed state apparatus and its political constituents so as to further entrench and legitimise its underlying disciplinary objectives.

### **5.1. PRSPs and the Good Governance Agenda: Continuities and Discontinuities**

A dominant feature of the epistemology of globalization in the mid-and late-1990s was the hegemony of discourses on the role of the state. Notably prevalent were theories on the erosion of state autonomy and national sovereignty in the wake of the intensification of cross-border social, cultural, technological and economic relations (see for example, Strange, 1996).



This epistemic movement mirrored the prevailing conceptual framework that underlie the policies pursued by international financial community, notably the Washington Consensus approach to economic policy of the IFIs in the 1980s and the early 1990s, premised on the need to roll back the state and on the withdrawal of the state from economic activity (see Chapter Three). The subsequent – and current – retreat from the discourse of the withering state is correspondingly tied to the shift in this conceptual and operational framework.

Consequently, commentators, such as Jayasuriya and Wood, have sought to reconceptualise the role of the state in light of the shifting forms of governance at the global level, notably the resinscription of state regulation in the disciplinary framework of global governance. According to Jayasuriya the current drive to reengineer the state's institutional form and the reconstruct elements of its relationship with the exterior must be placed within the context of how 'economic order is produced and reproduced in the global economy', with the maintenance of such order in today's 'emergent global economy' contingent upon the reshaping of domestic regulatory regimes<sup>4</sup> (Jayasuriya, 2001b: 5 – 6). For Wood, this present reconstruction reflects the enduring disciplinary significance of the entity of the nation state in the sustenance of what she terms the 'empire of capital', manifested today in 'the new imperialism we call globalization' (Wood, 2005a: 10 – 14; 154 – 155).

The 'good governance' agenda, the predecessor to the PRSP approach, can be viewed as forming the operational backdrop to these conceptualisations. Acknowledging the failure of policies to liberalise and deregulate economic activity without corresponding state capacity to coordinate such reforms, this agenda sought to develop the institutional structures necessary to facilitate policy implementation. An important component of governance reforms was therefore the development of what Jayasuriya terms a 'new proceduralism' (Jayasuriya, 2001a: 120) – the enhancement of accountability and transparency in economic decision-making and adjudication – but at the same time, reducing or eliminating the state's productive and/or redistributive role in the economy<sup>5</sup>.

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<sup>4</sup> See Chapter One, section 1.3 for a discussion of Jayasuriya's epistemology of power.

<sup>5</sup> For example, Jayasuriya notes that one of the concerns of the 'good governance' agenda 'has been to ensure that the process of economic deregulation and privatization does not lead to the capturing of



Towards this end, the development of the rule of law under the aegis of judicial reform and the endorsement of public sector reforms, such as anti-corruption and transparency in procurement initiatives formed the bulk of these ‘second generation reforms’. As Tuozzo observes: ‘Governance policies therefore emphasised the role played by institutional change, politics, regulation and the rule of law principally as enabling elements for economic performance and economic development’ (Tuozzo, 2005: 7). Viewed from a postcolonial perspective, the ‘good governance’ agenda therefore provided the ‘moral and intellectual foundation’ for developing and reproducing in the Third World the institutions and policies of the western liberal state to enable the furtherance of economic globalization (Anghie, 2004: 249, 253).

### ***PRSPs and the New Governance Agenda***

In spite of similarities, the ‘good governance’ agenda is distinctly conceptually and operationally divergent from the policy and practice that underpin the PRSP approach. As Abrahamsen notes, the policies and practice of the ‘good governance’ project did little to reinvigorate the functions of the state that had been circumscribed by the free market reforms of the first generation structural reforms: ‘The ideal ‘good governance state’ is still a minimal state; it is just more efficient and competent in carrying out economic reforms’ (Abrahamsen, 2000: 42).

These reforms therefore entailed changes around the periphery of government functions and while they included some contentious political and judicial reform projects, were largely technical in nature, involving the restructuring of state-owned enterprises, the development and improvement of legal and judicial institutions to facilitate such restructuring, and so on. The reforms did not intrude into the core of policy decisions in the client countries, and *more importantly*, neither were they made preconditions for financing from the World Bank, the IMF or bilateral agencies. Instead, governance reforms were largely funded by project aid and were

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key markets by politically connected groups and individuals’ (Jayasuriya, 1999). This observation has been shared by other analysts of the Bank’s governance programmes. For Tuozzo, a major focus of the governance reforms has been the role of the state in ‘lowering transactions costs through the provision of information and predictable actions’ (Tuozzo, 2005: 8). Meanwhile Thuo Gathii notes that the imperative to release market forces from the clutches of regulatory controls’ imposed by the state has assigned ‘two major roles’ to ‘public law and policy’: ‘first, to protect private property against re-distributive interventionism and second, to enforce contracts’ (Thuo Gathii, 2000: 1000).



considerably delinked from the policy-based loans of the World Bank, and even more so, shielded from the stabilisation programmes of the IMF.

The PRSP initiative, on the other hand, adopts a more holistic, and consequently, more interventionist approach to the embedding of structural reforms. ‘Government effectiveness’ (World Bank, 2005o: para 7) is now considered a central plank of any World Bank operation, reflecting the Bank’s new conceptual approach aimed at: a) defining ‘the role of the state on the basis of its capacities’ and b) increasing such ‘capacity over time by strengthening public institutions’ in support of the Bank’s economic reform agenda (ibid: para 8). PRSP-related instruments, such as the PRSCs, therefore operationalise the Bank’s new approach towards governance reforms ‘emphasizing a cross-cutting approach rather than stand-alone, discrete actions, and shifting from supply-side reforms and technical advice to governments, toward broader efforts to enhance domestic ownership and demand for reforms’ (ibid: para 9).

In this manner, the PRSP approach reflects a shift into the realm of *policymaking* as opposed to policy *implementation* under the ‘good governance agenda’, regarding the capture of the policy space within client countries as equally important, if not more so, than establishing the mere institutional structures to support neoliberal economic reforms. The PRSP approach establishes a normative framework – subscription, for example, to the values of ‘poverty reduction’ and ‘participation’ – under which these economic reforms should be undertaken.

More importantly too, the PRSP approach provides the operational link to key financing instruments, not only in the requirement for the completion of a PRSP to access financing from the Bank, Fund and under the HIPC initiative, but also in allowing the implementation of governance measures, such as improved public expenditure managements systems, to constitute conditionalities for loans, such as the PRGF loans (IMF, 2000a: para 21). Jayasuriya notes the difference between these early governance programmes and the policies of this new architecture of aid. He observes that:



... [in] the former, governance connoted the effective implementation of policies of economic liberalisation while in the latter, there is greater emphasis on governance as an instrument to promote the *regulative capacities of the state* (Jayasuriya, 2001b: 2, emphasis added).

In linking governance and structural reform to the disbursement of external financing in an overarching policy at the IFI level, these reforms may therefore be standardised and the discipline of the Washington Consensus reforms internalised in a more uniformed fashion. This process of embedding the policies of structural adjustment through the rehabilitation of state apparatuses may therefore be located in what Jayasuriya describes as the move towards a convergence and internationalisation of domestic governance structures, replacing individual regulatory systems with a uniformed system of governance across the globe, thereby complementing rather than replacing the policies of the Washington Consensus (Jayasuriya, 2001b: 1- 6).

## **5.2. Disciplining the State: Reinventing the Regulative Capacity of the State**

As discussed in the previous chapter, the development of the concept of ‘country ownership’ and the modalities of engendering such ‘ownership’ under the PRSP framework constitute a significant part of the shift in the regulatory mechanisms of the World Bank and the IMF (and, to a lesser extent, the wider development financing community), representing a more bio-political form of control over the client countries. The rationalities of the adjustment reforms are absorbed by the client states, through this process of inclusion and incorporation, both at the transnational negotiation level and at the domestic institutional level. Reinstating the regulative capacity of the domestic state facilitates the transplantation of adjustment policies not merely through the institutional discipline of conditionality (the politico-juridical) but also through the reproduction of the normalising framework of adjustment rationalities by the client state within its domestic jurisdiction.



From the point of view of the BWIs (and other donor agencies), the embedding of economic reforms is unlikely to succeed without a parallel capture of the key policymaking space in client countries, and without the corresponding internalisation of reform strategies by the policymaking elite in these countries. For example, the World Bank concludes that the lessons distilled from the research on aid effectiveness in the 1990s highlight ‘the importance of a country’s ownership of its reform program’:

... donors can advise on and support, but cannot buy or induce, economic reforms. Thus, government willingness to reform – where possible, with broad popular support – is essential to successful programs’ (World Bank, 2005q: 6).

Field research for this thesis has also indicated that there is less of a shift in the outlook of Bank and Fund staff vis-à-vis the substantive content of the economic programmes under financing arrangements than there is on the procedural aspects of such financing. Both Bank and Fund staff, aside from a few exceptions, remain remarkably wedded to the Washington Consensus model of economic reforms at the same time as acknowledging that the success of the reforms requires not only more complex institutional reforms — more than the second generation/ governance reforms — but also much greater government commitment to implementing the reforms (interviews, various Bank and Fund staff, 2004-05)<sup>6</sup>.

As one Bank official contended, although ‘governments must take ownership of their economic policies ... the idea is not to get away from world consensus [on sound economic policy] but on how to implement in countries the institutions necessary to regulate policy reforms’ (interview, April 2005). This official, who declined to be named, argues that while governments, under the PRSP framework, should be placed in the driving seat in terms of policy formulation, there remains an imperative to

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<sup>6</sup> Also gleaned from observations of statements made at Bank and Fund public dialogues and meetings during the same period. For those inside the institutions who view the PRSP approach as a positive shift in transferring back some of the policy autonomy of client countries removed by decades of structural adjustment, the frustration arises from the conditions that have been attached to new modalities of financing such as those discussed here. These individuals contend that the PRSP framework has been circumscribed by the policies of the major shareholders — notably the G7 countries — who insist on more interventionist mechanism for regulating the new financing facilities.



ground developmental policies in the underlying economic ‘fundamentals’, notably the macroeconomic framework set by the IMF (ibid).

Similarly, senior Bank economist Jean-Jacques Dethier believes that ‘ownership’ is about facilitating a voluntary subscription to the policies of the Washington Consensus, evidenced by the ‘success’ of countries such as Vietnam, which adopted adjustment-like reforms without SAPs: ‘these adjustments are successful because there is a willingness in the country to reform – the social revolution facilitated by *good* policies’ and a willingness to regulate the policies of adjustment (interview: Dethier, 2005).

This ‘good policy’ / ‘bad policy’ dichotomy is a constant refrain among Bank and Fund staff. For the likes of Dethier and other Bank officials and consultants, such as Daniel Morrow and Linda van Gelder, and Fund officials such as Mark Plant or Elliot Harris<sup>7</sup>, the PRSP framework is clearly not a licence to adopt ‘bad policy’ or, in other words, policies contrary to the established economic truism of the Bretton Woods institutions (interviews: Dethier, 2005; Van Gelder, 2004; Morrow, 2005; Plant, 2004 & 2005; Harris, 2005). The challenge instead is to ensure policymakers in recipient countries internalise the logic of the social and economic policies advocated by the Bank and the Fund so as to ensure the conditionalities of adjustment and stabilisation programmes are complied with.

This challenge is accompanied by an acknowledgement that the complexity of institutional reforms necessary to implement the economic reforms under financing programmes require a substantial degree of domestic expertise and knowledge which ‘cannot be well designed primarily by an external agency [b]ecause good design requires intimate knowledge of the local setting and institutions and because implementation requires some degree of consent from the many stakeholders’ (Morrow, 2005: 4; also interview: Morrow, 2005). Such domestic ‘ownership’ is also perceived to reduce the ‘transaction costs’ for implementing reforms and reflects the view, as observed by Piron and Evans, ‘that ‘ownership’ is instrumentally important to the efficient use of aid’ (Piron with Evans, 2004: 4).

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<sup>7</sup> These officials are, or were at the point of interviews, significantly involved with the implementation of the PRSP framework at their respective institutions. See end of the Bibliography for a list of interviewees and positions held at time of interview.



The conceptual shift of the PRSP framework may therefore be viewed as recognition of the importance of the role of the nation state as a nodule for capital accumulation and neoliberal globalization, whether in pursuit of such policies as an end or as a means of achieving socio-economic development and/or 'poverty reduction'. This is due not only to the state's inherent ability to translate transnational regulation into domestic norms – for example adjustment conditionalities and international trade obligations into local law – and maintaining domestic governance mechanisms to ensure the implementation of such norms – through liberalisation and privatisation measures – but also to its power to enrol nationalist ideologies to legitimise the logic of these reforms. The modern nation state, even the most fractured state, continues to exercise sole sovereign authority over its political, territorial and economic jurisdiction and commands the domestic legitimacy in support of such authority, however circumscribed this authority and legitimacy may be.

The maintenance of discipline within a state, incorporated as the state may be into the international political economy, remains dependant on the internal state apparatuses and the political and policymaking elite who administer the institutions of the state. Consequently, the bio-political power that is exercised by the international financial institutions and the hegemon states in the international political order needs to be translated into the local setting, through what Poulantzas (relying on Foucault) calls the instruments of 'physical constraint' – the prison, the army, the police, the judiciary – and through the 'manipulation and the consumption of bodies', an order which moulds the domestic citizenry and inserts them into 'the various institutions and apparatuses' of the state (Poulantzas, 2000: 29). The state is necessary in order to install 'a uniform *national* language' and eliminate all other languages, not only for 'the creation of a national economy and market, but still more for the exercise of the State's political role' in this market economy (Poulantzas, 2000: 58).

For Poulantzas, the characteristic of a capitalist state is its role in atomising or individualising components of the market economy: 'the atomization of the body-politic into what are called 'individuals' – that is, juridical-political persons, who are the subjects of certain freedoms' (ibid: 63). Such diffusion of elements require the



existence of both a ‘centralized, bureaucratized State’ to install and organise this atomization as well as ‘a representative State’ to lay claim to national sovereignty and ‘popular will’ to hold together this fracturing of the ‘people-nation’ (ibid: 63; 65).

In this manner, while the reforms of the adjustment and governance period served to instil the form of liberal politics and liberal legality in the recipient countries through privatisation and liberalisation of the domestic economy and the installation of institutions to police this individualisation, these reforms failed to instil (and in the first instance, dismantled) the organisational structure of the state to effectively manage the discipline of the neoliberal market reforms. As Fitzpatrick notes, in relation to structural adjustment conditionalities, ‘these conditions, for all their seemingly anti-statist character, still call for a strong national state to enact and enforce them’ (Fitzpatrick, 2001: 214).

Therefore, it can be argued that the new conceptual framework of development financing is predicated upon the need to rehabilitate the regulative (and to a certain extent, prescriptive) function of the state, to reinvigorate both the functions of the ‘national representative State’<sup>8</sup> (Poulantzas, 2000: 63) as well as the ‘hierarchical and bureaucratic centralism’ (ibid) of the state subject to adjustment policies. At the same time, the framework does not and can not ascribe to the state the autonomy that is associated with full-fledged articulation of national sovereignty at the risk of fracturing the existing international political economy’s dependency on this unequal relationship.

Instead, this rehabilitation is mediated through the new precepts of ‘ownership’ and ‘partnership’ under the rubric of the PRSP initiative, providing the disciplinary framework to: a) create a facilitative domestic political *as well as* bureaucratic environment for the embedding of substantive fiscal and structural reforms a’la Washington Consensus and b) replicate this environment universally across all countries subject to the reform. At the same time, the PRSP process legitimises the reforms through a capture of political consensus (and therefore resistance) in the consultative/participatory mechanisms (see Chapter Six).

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<sup>8</sup> The role of the state in this respect is discussed further in Chapter Six.



In this manner, the PRSP approach serves to address a challenge that is posed by the reinstatement of the state as the locus of current globalization trends, that is, how these states can and should be managed internally. Describing the ‘political form of globalization’ as not one of ‘a global state but a global system of multiple local states structured in a complex relation of domination and subordination’, Woods contends that the ‘administrative and coercive functions’ of nation states remain important local facilitators of global capital, providing ‘regularity, predictability and legal order’ critical to capital’s operations in each locality (Wood, 2005a: 141). She argues:

... because the new imperialism depends more than ever on a system of multiple states to maintain global order, *it matters more than ever what local forces govern them and how* (ibid: 155, emphasis added).

The PRSP approach is an attempt to facilitate this ‘what’ – policymakers, politicians, civil society members who share in the underlying ideology of the reforms and – ‘how’ – commitment to what Gould describes as ‘a multi-tethered program of state reform’ (Gould, 2005a % b: 2) in return for financing. These reforms, as Gould demonstrates through his compendium of empirical studies<sup>9</sup>, ‘both *reorganize* and *rationalize* the social relations of aid management’ (Gould, 2005b: 143) and, in the process, setting a precedent for future modalities of delivering aid but also for the governance of the international political economy.

### 5.3. Modalities of State Reconfiguration

The process of restructuring the state apparatuses under the PRSP approach takes place on two fronts: (1) through the imposition of a standardised mechanism for policy discussion and formulation — the Poverty Reduction Strategy process— and a universal blueprint for developing national development plans — the PRSP document; and (2) through efforts to centre key policymaking processes around the PRSP and to standardise bureaucratic practice along the principles established by the PRSP approach and the attendant norms of the ‘new architecture of aid’.

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<sup>9</sup> Gould’s edited collection *The New Conditionality: Poverty Reduction Strategies, Aid and Domestic Politics* compiles empirical studies of PRS processes in Tanzania, Vietnam and Honduras (Gould, 2005a).



The reconstituted regulative capacity of the state is subsequently strengthened through basing access to financing instruments on the assessment of countries' commitments to reform processes, for example, through the JSAN process and other *ex-post* conditionality and new modalities of financing, such as budget support and programmatic lending (see section 5.4 below).

### 5.3.1. Globalized Development Modelling

The PRSP is, in effect, a universal blueprint for the development of a particular form of national economic planning. According to senior World Bank economist Pablo Guerrero, the Comprehensive Development Framework and the PRSP were both born out of a recognition by key Bank staff of the contribution of investment 'in developing a long-term strategy' towards a 'successful development experience' and the systemic failure of ad-hoc, uncoordinated development financing, particularly in low-income countries (interview: Guerrero, 2004)<sup>10</sup>. Much of this has been a response to the fragmented nature of financial planning in PRSP-eligible countries and the duplicity of administration relating to development financing, a perennial symptom of aid dependency.

Consequently, the PRSP approach involves, in many cases, a radical overhaul in the business of government in PRSP countries. Not only do PRSP country governments have to establish new mechanisms of domestic dialogue and consultation to fulfil the procedural requirements of the PRSP initiative, national planning strategies and priorities must also now be reframed in the language of the new PRSP discourse. As such, the PRSP 'aims to be far more than a forum about the exchange about priorities', representing, instead, the domestic manifestation of a 'globally prescribed' set of economic and social reform policies (Craig and Porter, 2003: 60).

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<sup>10</sup>In developing the strategic content of the CDF/PRSP, Guerrero's team, the Operational Policy and Country Services (OPCS), at the Bank represents the reformers within the institution whose interests in developing more progressive policies at the institution corresponded with the technocrats who viewed reform as necessary to address the shortcomings of aid ineffectiveness. The responses from members of this team, as evidenced in interviews as well as listserv postings on electronic consultative for demonstrate an acknowledgment of the failure of previous Bank policies vis-à-vis development and poverty reduction and an admittance of the general failure of conventional structural adjustment policies. However, although there is recognition of the disjuncture between the strategic objectives of this team and the operational departments of the Bank, there remains either a reluctance to admit, or a failure to question the fundamental shortcomings of the Washington Consensus model, particularly with regard to the macroeconomic strategies advanced by the BWIs, and on issues of privatisation of state-owned enterprises (SOEs).



### a) Unified Policy Process

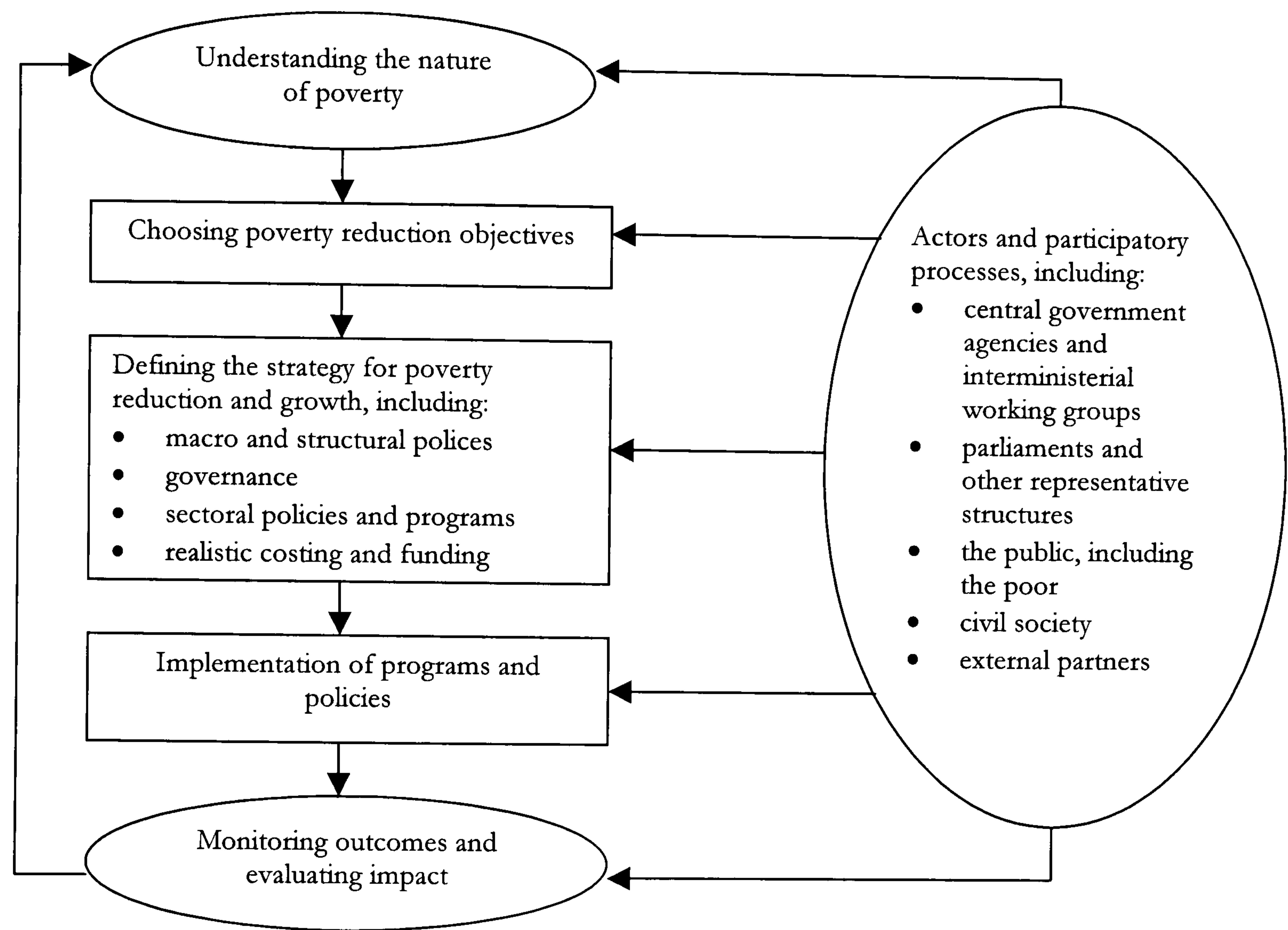
Most notably, the PRSP framework requires the establishment of a ‘participatory process’ through which the PRSP document will be formulated ‘to design and to build ownership for the strategy’ (World Bank and IMF, 2005b: Annex 1, para A1). This should include, *inter alia*, participation by all segments of the government (central ministries, regional departments, parliaments and subnational governments); other ‘stakeholders’ (civil society groups, groups representing minority communities, the epistemic community, the private sector, trade unions, etc); and bilateral and multilateral donors (*ibid*). It must also make provisions for consultations with representatives of ‘the poor’ (*ibid*). The objective of the PRSP approach is thus to secure a political consensus around a set of national expenditure priorities and the economic policies to achieve those priorities.

Figure 5.1 reproduces a chart from the World Bank’s *PRSP Sourcebook* showing how the institution expects a PRS to unfold at country level. The chart indicates that although the Bank (and the Fund) claim that the PRS process is not prescriptive, these institutions have a fairly comprehensive template for what constitutes an appropriate policymaking and policy coordination process and consultative mechanism for policy dialogue. The tension between the objective of engendering ‘country ownership’ of strategies for poverty reduction and economic development *and* the need to do so under a strict timeline and prescribed conditions – a key point noted by both the Bank’s and Fund’s internal evaluations of the PRSP (IMF, 2004e; World Bank, 2004k) – is clearly highlighted through this process. Not only is the overriding framework for policy dialogue predetermined, these ‘home-grown’ strategies must also fit into a series of prescribed bureaucratic action plans with specified results.

A notable effort in the task of fostering ‘country ownership’ in PRS processes — aside from the external consultative process discussed below — is the integration of ‘line ministries’ into the PRSP process, broadening up the scope for policy formulation for development financing priorities to include ministries other than the finance or economic planning ministries. As the BWIs note: ‘Line ministries are key to successful implementation and need to be involved in PRS formulation to help



identify development objectives and prepare sectoral plans to achieve them’ (World Bank and IMF, 2004: para 28).



**Figure 4: How A PRS Can Unfold at the Country Level**  
(Reproduced from Klugman, 2002: 5)

While this can be interpreted as a positive recognition of the role played by the cross-section of government departments in the process of social and economic development, it can also be seen as a means of co-opting policymakers who may not subscribe to the reforms required as conditionalities under financing agreements as they were previously negotiated by the finance ministry and the BWIs. By ensuring that civil servants and politicians in peripheral departments are integrated into the planning processes, the BWIs will be able to ensure that they continue ‘to be active by further developing implementation action plans in their respective areas of responsibility’ (World Bank and IMF, 2004: para 28).



This measure is less about counteracting the hegemony of finance ministries in client states – which arose from adjustment-era financing relationships as these ministries assumed the role as conduits for external financing and fiscal discipline (see Harrison, 2001b: 664 – 665) – than about ensuring that compliance with the substantive policies of post-adjustment financing. As Harrison notes, in his study of what he terms as the ‘post-conditionality regime’<sup>11</sup> in Uganda and Tanzania, finance ministries and public service ministries have gained ascendancy in the post-SAP era, the former as ‘powerful producers of neo-liberal orthodoxy’ and the latter as ‘executors of administrative reform programmes’, as a result of the ongoing efforts by external donors to internalise neoliberalism and to administer public sector reforms in pursuit of this orthodoxy (Harrison, 2001b: 668). The PRSP framework extends this process by broadening political ownership of adjustment reforms, ensuring that a broad range of ministries are involved not just in the execution of policy but in the formulation as well.

The scope for policy formulation under the PRSP framework is, however, severely straitjacketed in line with the reformist orthodoxies which characterise this ‘new architecture of aid’ (see Chapter Three, section 3.2). While the stated objectives of the PRSP initiative are that of country ownership and while the BWIs have repeatedly reiterated the need to tailor country strategies to country conditions — particularly in the past two years as the lessons from the initial round of evaluations are distilled — the PRSP process and substance remain formulaic and prescriptive.

All PRSPs are expected to address key issues and follow a set template for presentation of these issues (see Figure 5.1). In preparing an assessment of a country’s PRSP in the Joint Staff Advisory Note, Bank and Fund staffs are therefore guided by a country’s coverage of the following ‘five basic elements’:

- (1) Assessment of poverty in the country and its key determinants;
- (2) Setting targets for poverty reduction
- (3) Prioritising public actions for poverty reduction;

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<sup>11</sup> See Chapter Four, section 4.5.



- (4) Establishing monitoring of poverty trends and monitoring the impact of government policies on poverty reduction;
- (5) Description of the participatory process (Klugman, 2002: 4; World Bank and IMF, 2005: Annex 1).

The uniformity of these policy interventions is then further maintained through pivoting disbursements on the PRSP through donor-coordinated financing mechanisms, such as the Multi-Donor Budget Support (MDBS) programme in Ghana and the Tanzanian Partnership Framework for Budget Support, so that different donor programmes are consolidated around the countries' PRSPs and PRSP annual progress reports (APRs) (see for example, Government of Ghana, 2005; Thompson, 2004; also section 5.5 below)<sup>12</sup>.

#### **b) Universal Targets and Indicators**

In spite of rhetoric to the contrary, the strategic priorities of the PRSP must fit into the parameters established by the World Bank and the IMF. Under the PRSP approach, priorities for public expenditure and government action in relation to most social and economic policies have largely been predetermined. As will also be discussed in section 5.5 below, these parameters are fairly narrow and do not allow for much deviation from the standard Washington Consensus economic model, particularly in relation to structural and macroeconomic policy.

The overarching framework for government action in PRSP countries is that of engendering 'pro-poor growth' through four priority areas identified by the Bank and the Fund, as identified by the *PRSP Sourcebook*<sup>13</sup> – 'macroeconomic and structural policies'; 'improvements in governance'; 'appropriate sectoral policies and programs' and 'realistic costing and appropriate levels of funding for major programs' (Klugman, 2002: 4, Box 1).

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<sup>12</sup> The Ghanaian MDBS, for example, is a Memorandum of Understanding between the Ghanaian government and nine financiers, including the World Bank, the UK DFID, the European Union (EU) and the African Development Bank (ADB), to establish a common framework for the assessment, development and disbursement of grant, credit and loan agreements in support of the Ghanaian Poverty Reduction Strategy Paper (Government of Ghana, 2005; Thompson, 2004).

<sup>13</sup> The *PRSP Sourcebook* notes that '[e]very PRSP would be expected to provide an adequate overall treatment of each of these four areas [although [w]hat is covered within each area will ... differ across countries' (Klugman, 2002, 4).



A review of leaked minutes from Executive Board discussions on various country PRSPs indicates substantial support at the Board level of Washington Consensus-style policies, such as privatisation, liberalisation, decentralisation and the marketisation of the agricultural sector, notably the removal of subsidies for agricultural inputs and the privatisation of state-owned marketing boards, policies which were supported through old-style adjustment lending, as well as ‘macroeconomic stability’ based on deflationary fiscal policies in efforts to reduce poverty under the PRSPs (IDA Memoranda, various).

Bank Board members are particularly supportive and encouraging of the privatisation of state-owned enterprises, including essential services, as a means of freeing resources for poverty reduction. Minutes from the Board discussion on the Ghanaian PRSP noted praise from the Board for the Ghanaian government’s acknowledgment of the ‘negative impact of State-Owned Enterprises (SOEs) in crowding out private sector investment and undermining budget stability’ and reveal strong support for the ‘divestiture of these SOEs in order to help decrease the size of the state and free up resources for investment/poverty reduction’ (IDA Memorandum, 28 May 2003: para 41).

Meanwhile, an Executive Director, when considering the Tanzanian PRSP, for example, ‘complemented the government’s courageous reforms to create an enabling environment for private sector activities, including privatization of 80 percent of parastatals, and the divestment or liquidation of many state-owned enterprises in the manufacturing sector, with the focus now shifting to power and water utilities along with key transport services’ (IDA Memorandum, 1 July 2003: para 15).

A study by UNCTAD of the PRSP approach in Africa in 2002 has thus criticised the policy framework which underpins PRSP formulation, questioning the PRSP approach’s continued endorsement of ‘the very stabilization policies and structural reforms that have barely succeeded in bringing about growth and reducing poverty’ and the lack of concern for these policies on poverty (UNCTAD, 2002a: 59).



Hence, the report concluded that ‘there is no fundamental departure’ from the policies espoused under the old structural adjustment programmes underpinned by the ‘Washington Consensus’ approach to economic reforms designed to ‘get prices right’ (ibid: 6 – 7). Instead, the policies of this ‘post-Washington Consensus’ involves an additional focus on country institutions – ‘getting institutions right’ (ibid) – with a focus on strengthening domestic institutional frameworks to support the macroeconomic and structural reforms of the previous generation of adjustment<sup>14</sup>.

The establishment of a uniform blueprint for national development strategies within these parameters thus responds less to a need to develop appropriate indigenous policies than to a need to facilitate an effective universal mechanism through which financing may be channelled and economic policy prescriptions effectively internalised. External financiers, notably the Bank and the Fund are therefore, inadvertently or not, engaged here at a much deeper structural level than ever before in these countries, directly engaging with the process of managing and directing state policies on a wide range of domestic policy issues and unifying these processes through a common framework.

### 5.3.2. Standardising Domestic Governance

Donor influence in client countries’ under the PRSP framework is extended further through measures to standardise policymaking processes in PRSP countries, in particular through efforts toward aligning the PRSP process and substantive content with existing government policymaking processes and policy documents as part of a wider objective to centralise all policymaking around the PRSP and PRSP-related documents. At the heart of this exercise is the drive to streamline the local executive and establish the institutions necessary for the successful implementation of prescribed policy reforms, strengthening the capacity of the state to deliver these reforms and for financiers to maintain oversight of such policy execution.

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<sup>14</sup> Further, the report notes that while ‘the new approach recognizes that these policies may have unfavourable consequences for the poor’, the PRSP guidelines pay little heed to the need for ‘social impact analysis’ of such policies, even if only to enable steps to be taken to mitigate such negative effects (ibid). Furthermore, the report notes that even in the design of ‘anti-poverty policies’ in two key areas of education and health, the reforms advocated place ‘undue emphasis ... on market mechanisms’, such as user fees (ibid), policies characteristic of structural reform policies under SAPs.



Paradoxically, the World Bank and the IMF have viewed such ‘mainstreaming’ as indicators of ‘country ownership’ and their 2004 joint progress report on PRSP implementation underscored the importance of PRSP integration ‘into domestic processes such as elections, the budget and prior strategies’ as indicators of ‘country commitment’ to the PRSP process, and consequently, to the substantive content of the economic reforms to be undertaken under this initiative<sup>15</sup> (World Bank, 2004k: 12).

#### a) Linking Fiscal Support Systems

The Bank, Fund and bilateral donors, such as the UK’s DFID, claim that without adequate links to the operational aspects of public expenditure management (PEM), the PRSP document itself lacks operational relevance and this undermines efforts to allocate resources in accordance with the expenditure priorities established through the participatory consultative process. Furthermore, the objectives of the PRSP cannot be achieved if there are unrealistic fiscal projections of resources not tied to the discipline of a working macroeconomic framework.

The Medium-Term Expenditure Framework is the primary vehicle which the World Bank and the IMF expects countries to link their PRSP policies to. The idea of an MTEF has been strongly mooted by the World Bank in the mid-and-late 1990s, particularly in low-income countries, particularly as an instrument of public expenditure management<sup>16</sup>. MTEFs are required for all PRSP countries seeking Poverty Reduction Strategy Credits from the World Bank and may inform the macroeconomic framework required for IMF PRGF loans. They are also considered part of the country assessment under the HIPC initiative and under the new MDRI.

Linking public policies and budgets over a medium-term period of three to four years, the MTEF provides the fiscal and budgetary discipline that the Bank and Fund

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<sup>15</sup> The report notes that: ‘For sustainable impact, the PRS process needs to be aligned with country-specific decision-making processes and institutions. While many PRSs have been built around existing domestic planning documents, the linkages between them are not always clear, leading to confusion and undermining ownership ...’ (World Bank and IMF, 2004: para 25 – 26).

<sup>16</sup> A World Bank working paper in 2002 noted that the World Bank has been actively engaged in the adoption and implementation of MTEFs in developing countries, particularly in the Africa region which accounts for over half of the MTEFs implemented in the developing world (Le Houerou and Taliercio, 2002: 1). The authors commented that: ‘In fact, the MTEF has become a standard item in the Bank’s PEM) toolkit. More and more, MTEFs are considered the *sine qua non* of good PEM’ (ibid).



believe client countries require in order to achieve the objectives of ‘pro-poor growth’ (World Bank, 1998: 32, in Le Houerou and Taliercio, 2002: 2). Aimed at ‘integrating the top-down resource envelope with the bottom-up sector programs’, the MTEF attempts to align resource allocations – determined by fiscal targets, revenue estimates and expenditures – with sector programmes – underpinned by cost estimates of development projects (ibid: 2-3).

Countries are encouraged to dialogue with external financing agencies in formulating an MTEF in order to align expenditure priorities with potential revenue from grants, loans or debt relief. As such, Craig and Porter view the MTEF as ‘the national budgetary complement to the PRSPs, together providing one, comprehensive device binding together global arrangements, national intersectoral budgeting and highly localized investments that were never possible through the ‘national development plan’ and ‘national account’ type devices popular in the immediate post-colonial period’ (Craig and Porter, 2003: 61). Thus, it can be argued that while the PRSP represents the means by which the World Bank, the IMF and other financing agencies can control client governments’ strategic priorities, the MTEF provides the framework in which these strategies are operationalised and through which they intersect with global financial developments.

While harmonisation of domestic policymaking and national development planning is in principle, a progressive step forward, the linking of PRSP-type priorities and strategies to other economic and social development planning instruments may have the impact of subverting all other national priorities to those championed under the approach. This may be viewed as a means of disciplining countries’ fiscal and budgetary options by reorienting domestic expenditure priorities and policy choice towards those which fit into the institutions’ prevailing economic ideology.

The Bank and the Fund, in their evaluation of PRSPs, expect countries to address the structural and sectoral policies that support the economic reforms outlined in the document and the institutional constraints on the achievement of those objectives, including, *inter alia*, the ‘prioritization and sequencing of reforms’, ‘private sector and financial sector development’ and ‘key social sector policies and programs’ as well as ‘policies for social inclusion and equity’ (World Bank and IMF, 2005: para D). These



institutional components have gained importance in the years since the PRSP inception. For example, the changes in the PRS architecture which were endorsed by the Executive Board in September 2004 have reiterated that, among others, ‘the PRS initiative needs to emphasize improvements in *analysis, policies, institutions, and processes* that underpin a PRSP rather than emphasizing production of papers’<sup>17</sup> (ibid: para 2, emphasis added).

This ‘mainstreaming’ exercise has, therefore, as much, if not more, to do with the need for donors to improve domestic financial resource management as it has to do with linking poverty reduction strategies with financial aid. Aligning government processes with the principles of PRSP enables the opening up of government action to public (and hence, donor) scrutiny and encourages the participation of stakeholders, including financing agencies, in the monitoring of government policy vis-à-vis public expenditure allocations. As the IMF noted in its PRGF operational guidelines, ‘a primary focus [of the PRSP initiative] will be on improving the management of public resources, achieving greater transparency, more active public scrutiny, and generally *increasing government accountability in fiscal management*’ (IMF, 1999a: para 14, emphasis added).

## **b) Establishing Institutions for Public Accountability**

As a consequence of the drive for accountability, one of the main initiatives of the PRS approach has been opening up of public accounts to external inspection, including from auditors from the financing agencies and reforming PEM systems in client countries. As Gould observes, under the PRSP initiative, the ‘core of the reform agenda comprises a radical renovation of the mechanics of public financial management’ (Gould, 2005a: 2). Linking the PRSP process to the MTEF process is one means of strengthening such oversight, and enables external financing agencies

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<sup>17</sup> These institutional reforms should include ‘improvements in governance and public sector management’, such as ‘measures to address systemic problems in budget formulation and execution, financial management and procurement systems, and monitoring of public spending’, ‘steps to ... improve transparency and ensure accountability of public institutions and services vis-à-vis the needs and priorities of the poor’ and ‘efforts to address critical problems inhibiting civil service performance and any issues of corruption in the public service’ (World Bank and IMF, 2005: Annex 1, para D.7).



to determine the size and shape of the overall resource envelope of a PRSP country and the type of policies such resources should be spent on<sup>18</sup>.

Another World Bank recommendation for increasing PEM surveillance is through Bank-facilitated Public Expenditure Reviews (PERs)<sup>19</sup>. The PER is an extensive review of a country's expenditure framework carried out by World Bank consultants, including analysis of the procedural and substantive aspects of a country's PEM system. A PER may include a detailed analysis of a country's fiscal framework, including the constraints that may impede 'effective use of public resources', institutional reforms necessary to expedite budget allocations and measures to improve such allocations<sup>20</sup> (World Bank, 2005d: 1 -2). In many cases, the adoption of an MTEF have been a result of a PER (Le Houerou and Taliercio, 2002:1).

The PER is only one of many technical assistance projects that have accompanied the PRSP initiative in PRSP countries, albeit an increasingly fundamental one. Some of these projects aim to complement the PRSP approach by assisting countries to develop the capacity for formulating PRSP projects but many are primarily self-serving as they aim to inform donor interventions in PRSP countries and have, consequently, increased donor presence in policy formulation. For example, PRSCs are usually underpinned by the Bank's traditional economic and sector work (ESW) assessing, *inter alia*, 'public financial management systems and key social, structural and sectoral policies', utilising the PER and other economic assessments, such as the Country Financial Accountability Assessment (CFAA) and the Country Procurement Assessment (CFAA) as well as the Poverty and Social Impact Assessment (PSIA) (World Bank, 2005e: para 6).

These assessments and reviews provide the background to determining what money is allocated to a PRSC recipient country and how much. According to the Bank, 'the

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<sup>18</sup> It is interesting to note that while in most industrialised countries and many mature developing economies, such independent accountability mechanisms exist within the legislative and judicial apparatuses, usually overseen by domestic apex court but the form of PEM/PFM prescribed by the Bank and Fund usually involves accountability to external institutions, notably the BWIs themselves or other external donor agencies and ratings agencies.

<sup>19</sup> For example, the Bank's 2004 PRSP evaluation suggested that PERs 'are useful inputs into aligning PRSPs with budgets, particularly if they are carried out on a rolling basis' (World Bank, 2004k: 30).

<sup>20</sup> More often than not, these reviews follow an austere fiscal framework that challenges the size of the civil service and state-owned enterprises and a deflationary fiscal policy that places constraints on budgetary expenditures.



PRSP provides the overall framework and policy direction for Bank assistance, the ESW informs the policy dialogue that guides the design of the PRSC and helps policy makers formulate a clear agenda to achieve the country's development objectives' (ibid).

As the standardising of bureaucratic procedures under the PRSP approach becomes extensively commonplace, capacity building projects to 'assist' client countries meet these technocratic requirements are set to increase. For example, the World Bank jointly with the UN and other bilateral donors administer the multi-donor PRSP Trust Fund (PRSTF)<sup>21</sup> which supports all in-country PRSP formulation or implementation efforts, including technical assistance for institutionalising participatory processes, improving PEM systems and poverty diagnostics as well as establishing monitoring and evaluation systems for PRSPs (World Bank, 2004h).

Aside from grant aid, technical assistance may also form a part of a client country's actual PRSP and such capacity building projects may be costed as part of the country's application for concessional financing from the Bank, Fund or bilateral donors. Paradoxically, countries may end up having to repay financiers for the technical assistance projects undertaken as part of their application for financing or to meet *ex-post* conditions, such as CPIA criteria (see Chapter Four, section 4.6.2) for such financing.

Bank and Fund staff have admitted that much of these governance reforms and the ensuing technical assistance have been implemented at the insistence of the major shareholders at the institutions in return for approval of extending limited autonomy to client countries under the CDF/PRSP framework. A senior Bank staff member reveals that much of the stringent and interventionist reforms have been imposed upon countries at the behest of the G7 shareholders at the Bank in response to new approaches to financing to ensure that such flexibility was only facilitated within strict parameters (interview, 2004). It is therefore significant that PRSCs focus extensively on public sector reforms with '[m]ore than 45 percent of all PRSC

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<sup>21</sup> The Trust Fund was established in 2001 and is currently supported by contributions from Japan, the Netherlands and Switzerland allocated over a four-year period (October 2001 – December 2005) but is expected to last for a further four years, Decisions for disbursements are undertaken in-country by Steering Committee comprising representatives from the government, the Bank, the UN and bilateral donors (World Bank, 2004i).



binding measures entail public sector reforms, of which upward of 64 percent specifically address weaknesses in public financial management' (World Bank, 2005e: para 66).

This justification is replicated in other donor organisations, such as the European Commission which expects public financial management (PFM) indicators to serve as an important criteria for the disbursements for financing under the Poverty Reduction Budget Support programme of the EC (European Commission, 2005: paras 22 & 30). For some client governments, the standards are often too onerous to comply with given the lack of institutional capacity and resources available to meet these conditions but instead of dispensing with the requirements, donors have instead chosen to assist countries fulfil these criteria through technical assistance<sup>22</sup>.

#### 5.4. Assessing Country Ownership and the Principle of Country Selectivity

The capture of states' policymaking space under the PRSP framework is strengthened by the operational link between the principle of 'ownership' and the policy of conditionality. The PRSP approach allows donors to respond to country initiatives and provide financing only *if* and *when* countries develop strategies that are acceptable to or correspond with the aid policies of the donor community. A corollary of the establishment of the 'ownership' principle has, therefore, been the development of the concept of 'country selectivity' as a basis for financing allocations.

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<sup>22</sup> For example, the UK government provided technical assistance to HIPC countries under the HIPC Capacity Building Project for countries which did not qualify for debt relief for failing to meet the good governance criteria of the initiative (UK Parliament, 2003: para 26). This focus on technical assistance for compliance with PEM/PFM requirements has had the effect of increasing the share of technical assistance/capacity building in aid budgets. For example, the UK DFID's allocation for technical cooperation made up 19 percent of its total bilateral aid budget for 2005 – 06, the third largest share of the budget after grants and other aid in kind; and poverty reduction (27 percent) and budget support financing (21 percent) (DFID, 2006). Technical assistance also constitutes the third largest share of OECD aid after debt relief and humanitarian aid in 2005, taking into account that 2005 was an exceptional year for development financing given the inclusion of the Iraqi and Nigerian debt cancellation deals and aid in the aftermath of the tsunami disaster in south-east and south Asia (see OECD DAC, 2005).



As discussed in Chapter Four, shifts in the modalities of conditionality at the BWIs have resulted in the increase in the use of *ex-post* conditionality – conditions which countries will have to fulfil before financing is approved (assessments based on actual results/action not forecasts) – in contrast to *ex-ante* conditions – which countries fulfil upon signing the financing agreement (assessments based on forecasts rather than actual results). The practice of ‘country selectivity’ may be situated within this new framework of conditionality.

Although this practice does not link policy reform in client countries directly with a specific instrument of financing, it does inform financing decisions at a very political level. The exercise of ‘selectivity’ bases a country’s access to development financing on the country’s policy and institutional environment and rewards countries for ‘good behaviour’ (the adoption of policies agreeable to the financing institutions), using certain indicators of country performance to measure countries’ current and future potential for reform.

#### 5.4.1. Rewarding ‘Good’ Behaviour

The rationale for ‘country selectivity’, born out of the aforementioned debate on ‘aid effectiveness’<sup>23</sup>, is that a country’s track record of policy performance should be one of ‘the most robust predictors of whether reforms will be implemented’ (Koeberle, 2004: 16). Consequently, a government’s commitment to future reforms is judged by its voluntary implementation of policies and institutional reforms which the financing institutions, notably the Bank and the Fund, consider appropriate for the objectives of development and economic stability.

The Bank’s view is that country ownership may be bolstered by foregoing conditionalities ‘involving promises of future actions and instead allocate policy-based loans on the basis of a country’s track record’ (World Bank, 2005q: para 11; see also Koeberle, 2004: 17). For a client government then, the challenge of ‘country selectivity’ ‘is no longer reaching agreement with the Bank on a set of reform measures’ but instead, is one of ‘building sufficient support for reforms’ already implemented by the country (Morrow, 2004: 6).

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<sup>23</sup> See Chapter Three, section 3.3, for a detailed discussion.



The PRSP framework enhances this policy of selectivity by providing a universal template upon which the practice of country selectivity may be exercised. The standardised framework across all PRSP countries facilitates more efficient resource allocation on the part of the financing agencies as it enables financing institutions to determine with greater ease which countries and projects they would support. As the PRSP represents a country's national development plan from which the donors can pick and choose the projects and areas which they would like to support, the impetus is on the country to design a strategy which maximises the financing that is to be received, adhering to the normative framework set by the financing institutions<sup>24</sup>.

As discussed in Chapter Four, most PRSP countries, as IDA borrowers, are already subject to some form of 'selectivity' practice<sup>25</sup>. The Bank itself acknowledges that IDA's performance rating is to ensure 'that good performers get a higher share of IDA's available resources' (IDA, 2003). It is therefore no surprise that the Bank's internal evaluation of the PRSP initiative found that IDA lending has increased for PRSP countries, relative to non-PRSP countries<sup>26</sup> and that '[a]nnual lending volumes have been less volatile to the PRSP countries than to the non-PRSP countries' (World Bank, 2004k: 38).

The modalities of financing under the PRSP initiative reflect this new approach of rewarding 'good performers', in particular, the Bank's PRSCs. The World Bank has indicated that PRSC financing 'should remain a selective approach that is reserved for good performers with a proven track record of program implementation' (World Bank, 2005e: para 41). Accordingly, it is no surprise that PRSC countries tend to rate quite highly in their CPIA ratings with almost all countries for which PRSCs have been approved to date falling into the top three quintiles for the CPIA ratings (ibid: para 20).

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<sup>24</sup> The close relationship between a country's PRSP and its MTEF enhances the operational link between the principle of 'selectivity' and the design of the PRSP. The overarching objective of this exercise is to eventually encourage all countries to develop an MTEF linked to a PRSP which will be used as a guide to external development financiers. As such, for the development agencies which determine the size of the resource envelope of each country depending on the country allocations, the policies contained in the MTEF (and hence, the PRSP) may influence the resources allocated.

<sup>25</sup> As IDA borrowers, their access to financing from the IDA is subject to the IDA performance-based allocation (PBA) (see Chapter Four, section 4.6).

<sup>26</sup> Based on aggregate IDA lending for 35 countries with PRSPs at the end of 2003, compared to four-year periods before and after the PRSP initiative was launched (World Bank, 2004k: 38 and figure 4.1).



As the Bank's own survey notes:

... all but four of the PRSP countries in the top two CPIA quintiles are either currently implementing PRSCs or have a new PRSC in the pipeline. By comparison, only five of the 21 countries in the lowest three CPIA quintiles are or will be implementing PRSCs (ibid).

As such, PRSC programmes have tended to reflect the priorities of the 'selectivity' assessments, specifically the inordinate emphasis on governance. Out of 16 CPIA criteria, five are concerned with aspects of domestic governance<sup>27</sup> (IDA, 2003; Wood, 2005c: 12), areas prioritised under the PRSP framework. According to Wood's study, this means that up to 66 percent of the overall country performance rating for IDA financing is based on countries meeting these governance criteria (Wood, 2005c: 12). The study found that a total of 427 public sector governance conditions (prior actions and benchmarks)<sup>28</sup> were imposed on client governments out of 20 PRSC programmes examined, equivalent to 38 percent of total conditionality in these PRSCs (ibid).

The majority of PRSCs therefore focus substantially on domestic institutional development and social sector expenditure. The Bank's own statistics indicate that 80 percent of programmes supported by PRSCs 'are overwhelmingly focused on social sector and public sector management themes' in the years 2001 to 2003 as compared to similar policy-based lending in 1998 to 2001 in which the same sectors only made up 45 percent of the lending (World Bank, undated 1: para 3). Out of these programmes, the Bank statistics indicate that more than 45 percent of all PRSC conditionalities 'entail public sector reforms, of which upward of 64 percent specifically address weaknesses in public financial management' (World Bank, 2005e: para 66).

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<sup>27</sup> Of which three are focused on assessing a country's quality of public administration, efficiency of resource mobilisation and the quality of its budgetary and financial management (IDA, 2003; Wood, 2005: 12)

<sup>28</sup> See Chapter Four for detailed elucidation of the difference between 'prior actions' and 'benchmarks'.



Additionally, while the share of PRSCs as a percentage of IDA policy-based lending has increased (from two out of 23 in 2002 to 10 out of 23 in 2004), the overall share of policy-based lending vis-à-vis IDA lending has remained almost the same (ibid). If the PRSC is indeed a ‘reward’ for ‘good performers’, this may indicate that weaker ‘performers’ stand to lose under this new framework of ‘country selectivity’ as more financing is geared towards PRSC-eligible countries.

This concern has been voiced by the UK’s House of Commons Select Committee on International Development when considering DFID’s similar policy of ‘targeting ‘high poverty/good policy’ countries’ in their disbursement of financing in the context of the department’s Departmental Report of 2002.. According to the Select Committee:

... we are broadly convinced of the logic of this policy, particularly the emphasis on targeting the poorest countries. However, in many cases, the poorest countries are those affected by conflict, crisis or lack of good governance. This begs the question: What is on offer for the poor performers ?’ (UK Parliament, 2003: para 25)<sup>29</sup>.

‘Selectivity’ and institutional reform are also gaining increasing prominence in the switchover from project and programme financing towards budget support financing (see sections 5.3.1 above and 5.5 below). Here, external financing is channelled directly into the client countries’ budget and, subject to a negative list of prohibited expenditures, is not ring-fenced around a particular project or set of expenditures but which is usually contingent upon the adoption of key policy actions established at the outset<sup>30</sup>.

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<sup>29</sup> The UK government’s response to the parliamentarians was an acknowledgment of the concerns and an indication that ‘is is seeking to influence and engage with poor performers’ through, among other things, ‘supporting large and effective NGOs and connecting them to government [thereby leading] to useful input into Government policy’ (UK Parliament, 2003: para 27). Capacity building projects and technical assistance schemes (as discussed above) are therefore, once again, viewed as means to which countries can be aided into meeting donor criteria for financing.

<sup>30</sup> For example, funds under the PRBS in Tanzania is disbursed based, *inter alia*, on PRSC commitments and the ‘assessment of performance against the public financial management and service delivery indicators agreed for the European Commission’s ‘variable tranches’ (Lawson, Booth, Msuya, Wangwe and Williamson, 2005: 3).



The effect of seemingly untied external resources injected into cash-strapped economies reverberate beyond fiscal policies and goes into the heart of political consensus. Countries have a political impetus for institutionalising the policy environment expected of them by external financiers under the ‘country selectivity’ approach as the resources are administered directly into the annual budget. As the Bank notes in its PRSC stocktaking exercise: ‘The PRSC is equivalent to a vote of confidence, with the Bank *trusting* countries with proven track records to allocate untied resources consistent with PRSP priorities’<sup>31</sup> (World Bank, 2005e: para 17, emphasis added).

This is a relatively new phenomenon that is confined not only to Bank and Fund financing. As Harrison observes in Uganda and Tanzania:

Individual donors select aspects of country programmes which fit with their particular development ethos ... The country strategies are clearly produced by African officials with an eye to the international orthodoxies within which donors work ... it is certainly the case that a country strategy which effectively taps into international orthodoxies of development and governance stands a much better chance of being funded by donors (Harrison, 2001b: 669).

Once again, the aim of these programmes has been largely to standardise state institutions and regulatory policies across a large cross-section of countries introduced through a governance model set by the financiers. The assessment via ‘country selectivity’ enables these donors to assess compliance with such policies and methodologies and thus appears to be a means of disciplining countries through the reward of financing rather than administering aid based on needs.

As Harrison has noted, donors ‘do not just impose conditionalities’ but donor-funded technical assistance also introduces ‘new methodologies’ of fashioning

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<sup>31</sup> Paradoxically, one of the indicators of countries’ ‘commitment to reform’ is the undertaking of Bank policy-based loans to support such institutional reforms in the three years leading up to the PRSC programme (World Bank, 2005a: para 19). This not only raises questions as to the objectivity of the Bank’s ‘selectivity’ exercise, notably as to whether this may be a case of the Bank feathering its own nest vis-à-vis increasing its lending portfolio, but also reveal a great deal as to the motivations behind the Bank’s exercise of ‘country selectivity’.



country processes (Harrison, 2001b: 671). Financing tied to public administrative reform thus ‘ensures that state cadres have the capacity to taken on innovations in policy techniques’ with donors responding favourably with financing if countries adopt programmes aligning with donor objectives (Harrison, 2001b: 668 – 669).

#### 5.4.2. The New JSAN Guidelines and Bio-political Control

The amendments to the PRSP evaluation mechanism, the Joint Staff Assessment, now known as the Joint Staff Advisory Note and introduced in 2005, encourage this ‘carrot not sticks’ approach to structural and institutional reform in PRSP countries. Where previously, suitability of a PRSP to serve as a ‘sound basis for concessional assistance’ and/or debt relief was based on an assessment of the strategy by Bank and Fund staff (World Bank and IMF, undated: para 2) and subsequently endorsed by the Executive Boards of the Bank and the Fund as such, the new JSAN guidelines dispenses with this requirement.

The removal of the endorsement mechanism of the PRSP framework addresses one of the core criticisms directed at the PRSP framework, namely the tension between the requirement for institutional approval of a country-developed strategy and ‘country ownership’ (World Bank and IMF, 2004: para 101). As such, in order to ‘reduce the perception of Washington ‘signing off’ on PRSPs (ibid), the concluding paragraph of a JSAN no longer includes the following statement:

The staffs of the World Bank and the IMF consider that this PRSP provides a sound basis for Bank and Fund concessional assistance. The staffs recommend that the respective Executive Directors if the World Bank and the IMF reach the same conclusion<sup>32</sup> (World Bank and IMF, undated: para 2, footnote 1).

However, the move away from a direct endorsement of PRSPs may be viewed as having less to do with recognition of the need to confer actual rather than rhetorical policy autonomy on PRSP countries than with a need to better manage the outcomes of desired reforms. The Bank and Fund, for example, in designing the new

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<sup>32</sup> For countries under the HIPC initiative, the paragraph also states that the PRSP provides a ‘sound basis for debt relief’ (World Bank and IMF, undated, para 2, footnote 1).



assessment guidelines, recognise that the finality of the former JSA's concluding paragraph may , and has, led to 'assessments that are not always as candid and as nuanced as desired' (World Bank and IMF, 2004: para 102).

In other words, cognisant of the political and operational implications of a PRSP endorsement or, more importantly, a failure to endorse, Bank and Fund staff may have felt constrained in their criticism of country policy in the PRSP, and this shortcoming of the JSA approach may have prevented the assessment mechanism of the PRSP from serving more disciplinary role vis-à-vis countries.

Consequently, the new guidelines have been designed so as to shift, once again, the regulatory mechanism from one of coercion to one of voluntary compliance. The dispensation of the aforementioned concluding paragraph has correspondingly been replaced by a specific encouragement for Bank and Fund staff 'to provide *focused, frank and constructive* feedback to countries on their PRS' (World Bank and IMF, 2005b: para 4, emphasis added). Specifically, Bank and Fund staff are to note in particular, areas where:

- a. there are significant inconsistencies between the PRS and its policy framework and the content of Bank and Fund programs that reflect existing analytic work, and/or
  - b. further analysis is needed in order for the PRS to provide a framework for Bank and Fund assistance
- (IMF, 2005a: para 4).

Therefore, although a country's access to financing from the Bank and Fund (and accordingly, other financiers) is no longer dependant on a satisfactory assessment of its PRSP, compliance with the policy and institutional requirements of the Bretton Woods institutions have, paradoxically, become more onerous. Access to financing is now dependant on whether the PRSP countries have sought to redress the weakness in country systems identified in the JSAN. The operational link between the PRSP and concessional financing now takes place at the level of the individual financing facilities, such as in the Bank's Country Assistance Strategy or the PRGF which 'should explicitly discuss the alignment with the country's PRS, and how a country is



*addressing any serious concerns that were noted in the JSAN* (World Bank and IMF, 2005b: para 6, emphasis added).

Accordingly, conditions for financing now include countries instituting measures to overcome what the Bank and Fund staff view as deficiencies in their poverty reduction plans or development strategies. The IMF, for instance, will only approve a new PRGF arrangement or complete a review of an existing programme ‘if weaknesses in the poverty reduction strategy that are critical to Fund support have been addressed’ with the Fund staff assessing such resolutions on the basis of the country’s Letter of Intent and/or Memorandum of Economic and Financial Policy (IMF, 2005a: para 11).

The **PRGF Trust Instrument** has been amended to insert a new **subparagraph (g)** into **Section II on Eligibility and Conditions for Assistance** under the Trust which provides that the PRGF trustee, the IMF, ‘shall not approve a new arrangement or complete a review’ unless any weaknesses in the member’s I-PRSP, PRSP or APR ‘such as those identified in the Joint Advisory Note’ and which ‘are critical to Fund support’ have been addressed’ (IMF, 2004b). As discussed at various junctures of this thesis, what constitutes ‘weaknesses’ in policy programmes in Bank and Fund terms remains questionable and subjective at the least.

The JSAN approach therefore consolidates the move towards the ‘country selectivity’ approach of development financing as financiers can now be more explicit about what they expect from countries in return for financing. In order to remove the disjuncture between the policies articulated in the PRSP and the financing documents, which belie the actual nature of the PRSP framework vis-à-vis its rhetorical objective of ‘country ownership’, the JSAN now enables the IFIs to close this gap by ensuring that: a) significant inconsistencies between the PRGF programme and the country’s PRSP are redressed by the country authorities *before* financing or further financing is disbursed; and b) where there is a lack of alignment between the PRSP and the LOI or MEFP, it is for the LOI or MEFP to ‘explain how the authorities intend to modify policy coordination procedures to ensure alignment with future PRS documents’ (IMF, 2005a: paras 15 – 16).



This ensures that country authorities comply with the policy proposals set out in their PRSP documents and operationalise the reforms as opposed to producing a PRSP for the sake of receiving financing. It also ensures that the articulation of policies contrary to Bank and Fund received wisdom are viewed as fundamental strategy ‘weaknesses’ rather than an assertion of sovereign autonomy notionally conferred by the PRSP framework.

In the case of the PRGF, the Fund would expect countries to maintain the austerity of a conventional stabilisation programme in their development strategies and where there is a failure to follow the conventional Fund prescriptions, recourse to the PRSP as a ‘country document’ is not sufficient for accessing further Fund financing. Instead, the resolution of the ‘weakness’ in policy identified by the JSAN can and will be inserted as a condition of PRGF lending as Fund conditionality can now ‘be used to remedy weaknesses in the [poverty reduction] strategy as it is implemented in PRGF-supported programmes (for example, an *unrealistic macroeconomic or fiscal framework*) where correction of the weakness is critical to achievement of program objectives’ (IMF, 2005a: para 16, emphasis added).

Although JSAN guidelines state that the ‘JSAN should avoid normative language in assessing the PRS as a whole and in particular avoid language that suggests the PRS document meets or falls short of overall standards’ (World Bank and IMF, 2005b: para 5), the more ‘candid’ nature of assessments in the JSAN enables Bank and Fund staff to openly dismiss or commend countries’ policy and institutional environment as a basis for access to concessional financing.

Consequently, there will be more pressure on countries to pre-empt a negative assessment by adopting policies acceptable to the Bank and the Fund. For example, Bank and Fund staff in the JSAN of the Malawian PRSP Annual Progress Report (APR)<sup>33</sup> commend the new Malawian government for its ‘candid assessment of past policy slippages included in the APR’ and its efforts at reigning in what the staff term as ‘fiscal indiscipline’ of its ‘expansionary fiscal policies’ through an adoption of

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<sup>33</sup> APRs are mandatory requirements for all PRSP countries and further disbursements from the PRGF or PRSCs are contingent upon a country’s completion of an APR.



‘sustainable macroeconomic policies’ supported by an IMF ‘Staff Monitored Program’<sup>34</sup> (IMF, 2005b: paras 4 - 5).

By ensuring that countries operationalise the policies set in their PRSPs, the Bank and Fund have addressed the two most pressing criticisms against the PRSP framework. Firstly, that the operational documents of concessional financing, such as the LOI/MEFP or the LDP do not reflect the contents of the PRSP and therefore are not ‘country owned’ and, secondly, that where such policies are articulated so as to receive financing, these policies are subsequently not implemented by the client countries as financing has already been granted based on the PRSP document. The new JSAN guidelines thus consolidate the increasing shift towards country selectivity as a means of regulating access to financing. By ensuring the assessments are more critical, and that assessments have a direct bearing on the financial resources received by the client state, financiers can ensure that states voluntarily adopt reforms before applying for financing on that basis.

### **5.5. Donor Interventions and the Politics of Partnerships**

Reforms under the PRSP framework significantly increase donor influence and presence in a country, facilitating increasing and deeper policy dialogue between donors and country governments. It legitimises the presence of donors in countries by encouraging the practice of ‘partnership’ — the intimate collaboration between country governments and bilateral and multilateral development agencies in the design of financing programmes, budgets and prioritisation of resource allocation through innovative mechanisms of development financing and new rules governing access to such financing. Conversely, therefore, the PRSP framework increases exposure of country policy processes to external input while, at the same time, doing very little to redress the imbalances of power characterising this new ‘partnership’.

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<sup>34</sup> The question of what constitutes appropriate fiscal discipline in relation to a country’s macroeconomic framework is a subject of controversy. Many Fund watchers contend that the Fund’s programme for fiscal reform does not allow room for fiscal manoeuvre, including the build-up of domestic debt, contrary to the economic prescriptions undertaken by countries such as the US and the UK. In this case, Malawi is rapped for incurring a seven percent budget deficit (IMF, 2005b: para 5) but the UK and US economies routinely run budget deficits of up to three percent of GDP with most of it fuelled by domestic consumer debt, an approach which it not favoured by the IMF in relation to developing countries (see Rowden, 2004).



Whereas previously, bilateral donors may only confine their interventions to discussion on ring-fenced development projects, the shift to more strategic mechanisms for resource allocation – via the PRSP and PRSP-related financing instruments – enable these donors to play a much bigger role in the shaping of country policies. By imposing a uniform strategic development template for all PRSP countries and by standardising corresponding public policy and policy processes, the PRSP initiative has enabled donors to permeate into what Abugre terms ‘the heart and lungs of public policymaking in a country’ (Abugre, 2005a).

### 5.5.1. Micro-Management and Diverted Emphasis

External policy and institutional interventions in PRSP countries facilitated by the PRSP framework are supported by the shift towards budget support as a financing mechanism – such as the MDBS in Ghana (linked to the Ghanaian PRSP) and the Poverty Reduction Budget Support in Tanzania (linked to the Tanzanian PRSP) – in which policy influence is exchanged in return for a more budgetary autonomy.

Outwardly, budget support is viewed as promoting ‘ownership’ of development policies, ‘as a vote of confidence in the government’s program, as outlined in the PRSP, because external resources are given directly to recipients to support their own programs’ (World Bank, 2004k: 38) but in practice, the resources are rarely untied from an expectation of donor input into policy content. As a World Vision study observed: ‘in terms of political influence, donors prefer direct budget support, because relatively little money can buy significant access to political decision-making’ (World Vision, 2005: 47).

A UK DFID-commissioned evaluation of the budget support approach in 2003 found that where donors are willing to lend support to a country’s development agenda via disbursements to the budget, consultation and influence in government policy is expected, particularly where the agenda ‘cannot be fully specified’ (DFID and Oxford Policy Management, 2003: 79 -80). In other words, ‘in supporting the budget, donors are lending their loyalty to the government’s policy programme [and] in exchange for loyalty, donors are granted a formal ‘voice’ in policy dialogue, debate



and influence' (DFID, 2003: Box 5f). This 'voice', according to researchers, Lawson et al (2003), becomes important as 'loyalty' – to the extent that both parties meet the ends of their bargain – 'is influenced by the extent to which members are able to actually influence the agenda' (Lawson, Booth, Harding, Hoole and Naschold, 2005: 78). Therefore, the greater the influence donors have on policy and institutional reform, the greater financial commitment they are likely to make to the client state.

The PRSP framework provides an instrument for operationalising a normative agenda of donors, ironically therefore delimiting the policy space of countries by conferring a set of established values and strategic priorities which governments have to aspire to and which they have to adopt and implement to secure external financing. While some of these reforms may be desirable — such as focusing on social welfare programmes — this effort redefines the obligations of states vis-à-vis their citizens, reducing accountability and responding instead to the strategic priorities of the donors. As acknowledged by the aforementioned Select Committee on International Development in 2003: 'Countries preparing PRSs will inevitably be influenced by what they think donors, including IFIs want' (UK Parliament, 2003: para 44).

The first generation of PRSPs are an example of such a response with almost all of them focused on social sector expenditure in areas of health and education with little variation in the development of overall economic strategies of the countries. The top 10 priority areas of PRSPs as surveyed by the Bank's evaluation in 2004, indicates that PRSPs were focused 'largely on leveraging public expenditures to reduce poverty and have not uniformly delineated non-expenditure-related policies or actions for enhancing growth or explored their impact on poverty reduction' (World Bank, 2004k: 15). Furthermore, it was found that '[w]ithin the domain of public expenditure, allocations to expanding service delivery in the social sectors (education, health, and social protection) dominate over investments in economic or productive sectors' (ibid). These were considered areas which were prioritised by donors, indicating the leverage that such an approach has over domestic policymaking, in spite of rhetoric to the contrary.



Senior World Bank economist Linda van Gelder, who plays a central role in the operationalisation of the PRSP framework<sup>35</sup>, admits that the Bank is unlikely to finance programmes which did not fit within the general parameters of Bank financial support, even if the policies did emerge from the participatory process of the PRSP approach: ‘Basically if there is a fundamental difference in view – if the PRSP was saying we want to do this and the Bank is not comfortable with it – it would be an area that we choose not to lend in’<sup>36</sup> (interview: van Gelder, 2004). At the same time, van Gelder stressed the subsequent policy discussions which follow on from such decisions aiming at providing policymakers ‘with the analysis as to why we actually think that what they are proposing to do doesn’t make sense from a development perspective’ with a view towards renegotiating aspects of the country proposal (ibid).

Van Gelder’s account of this form of ‘policy dialogue’ is indicative of the leverage the Bank and Fund have over policy choices in developing countries and why critics remain highly sceptical of the ‘ownership’ element of the PRSP approach. The close link between the choice of policy prescriptions and financial resources along with the Bank’s influential intellectual input through such ‘policy dialogue’ undermines the PRSP’s ‘country-driven’ policymaking process. As van Gelder explains:

... the focus has really been on where we would be having policy dialogue with the governments in order to try to provide additional analysis or information that may make a case for where we think the policy direction needs to shift (ibid).

Both the Bank and Fund’s evaluation office<sup>37</sup> assessments and the Bank’s own stocktaking of the PRSC framework have furnished further examples where the

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<sup>35</sup> At the time of interview, Van Gelder was senior economist with the Bank’s Poverty Reduction Group which is responsible for managing, among others, the PRSP process and related operations for both the IBRD and the IDA.

<sup>36</sup> This includes, for example, restructuring of public utilities which involve ‘massive subsidies’ for which a proposal for financing an expansion of a power network under such plans would meet with rejection by the Bank (interview: van Gelder, 2004).

<sup>37</sup> The Bank’s Independent Evaluation Group (formerly the Operations Evaluation Department) and the Fund’s Independent Evaluation Office. Both offices are ‘independent’ only in the sense that the staff report directly to the Executive Boards of the World Bank and the IMF and are therefore outside the institution’s bureaucratic hierarchy. However, although these offices have, on occasion, furnished critical reports of the Bank and Fund activities, their role is primarily to assess the efficacy of Bank and Fund operations rather than to critique the policy directions of the institutions. Furthermore, all



involvement of donors in the process have undermined rather than enhanced country autonomy over policymaking. The IMF and the World Bank, in a 2005 review of PRS processes, admits that '[w]hile the PRS approach was intended to put countries squarely in control of policy formulation, the link to the HIPC Initiative, combined with longstanding relationships between low-income countries and the Bank and the Fund based on conditionality, often emphasized *external* accountabilities rather than domestic ones' (IMF and World Bank, 2005: para 21, emphasis added).

This review highlights this 'drive for the 'wrong' results', contending that the focus on results-oriented development strategies in PRSPs can lead to countries 'cherry-picking' policies 'where it is easier to show results (either because data are available, causality is easier to map, or because policy, institutional or capacity constraints are not as pronounced)' (ibid: para 102). The review also found that often policy interventions are designed to meet objectives on which international attention is focused, such as in the aforementioned social sectors as opposed to investment in productive sectors such as economic infrastructure and this is driven by donors' needs to justify expenditure to their domestic constituencies and to pressure groups (ibid; see section 5.4.1 above).

Consequently, it is no surprise that the 2004 OED and IEO evaluations of the PRSP approach found that 'donor inputs in Nicaragua were perceived as overstepping the line between *support* and *imposition*, pushing the government toward a social sector emphasis in the PRSP', reflecting 'pressures from donors that could not be easily resisted' (World Bank, 2004k: 18; World Bank and IMF, 2005a: 65). The Nicaraguan case study found that some stakeholders in the PRSP process perceived that 'the strong donor backing of the PRSP was a manifestation that the strategy reflects a 'Washington Consensus' on how poverty reduction is best achieved' (World Bank and IMF, 2005a: 65). The Bank itself admits that negotiations under the PRSC framework are so intensive as to lead 'several governments and some donors [to] view these measures as excessively intrusive, negotiated more in line with traditional conditionality, and not reflective of government views on the pace, timing or priorities of the reform program' (World Bank, 2005e: para 49).

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reports will have been cleared by the Executive Boards prior to publication and the staff of both institutions will have had a chance to input into the final reports.



However, as Harrison notes, these country selectivity exercises do have their flipside for the donors. Due to heavy investment of political and financial capital in states the donors and IFIs have chosen as ‘exemplars’<sup>38</sup> and the corresponding high costs of perceived programme failure, donors, especially the BWIs, are often reluctant to insist on strict programme compliance, often ignoring or overlooking slippages in the implementation of aforementioned reforms<sup>39</sup> (Harrison, 2001b: 672 – 673). In these countries therefore, some form of ‘mutual (but still unequal) dependence’ does exist between the state and the donors with donors willing to overlook indiscretion (including instances of corruption) where such acknowledgment would disrupt the carefully constructed ‘image of partnership, progress and claims of showcase status’ (ibid: 673).

### 5.5.2. Discipline of the Bottom Line

One of the defining characteristics of the PRSP approach as it has developed over the years since its inception is the framework’s emphasis on developing domestic accountability for monitoring the effectiveness of concessional financing based on the standards established by the approach. The securing of domestic political consensus to facilitate this is discussed in detail in the following chapter but it is important to note here that the logic behind this approach towards domestic accountability follows the similar reasoning which underpins the shift towards ‘country selectivity’. It is to ensure that client governments undertake prescribed reforms on a public platform – that is, through the establishment of concrete goals and targets and institutional mechanisms to support implementation of such objectives – to maximise compliance with such objectives.

Accordingly, the PRSP framework does not guarantee disbursements of financing by donors in the absence of the policy environment in which the donors envisage expenditure. As discussed above, the allocation of resources is contingent upon a

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<sup>38</sup> In the context of the ‘new architecture of aid’, Uganda and Tanzania have emerged as poster children for the successes of the new strategies, especially that of the PRSP approach.

<sup>39</sup> In many respects, this is not different to the practice under the first generation reforms in which the BWIs would often overlook countries’ failures to implement certain reforms under the Washington Consensus economic model if and when the countries involved are politically or geo-strategically important.



plethora of other processes, of which the PRS process is only one. The aforementioned UK Select Committee on International Development had observed that while donors, notably DFID, have maintained that budget support ‘is not a method of buying policy reform’ in the sense of traditional conditionality, ‘there seems to be nothing to stop donors withdrawing DBS if their conditions are not met’ as had occurred with Malawi and Kenya (UK Parliament, 2003: para 31).

In Malawi, disbursements from the IMF, IDA and a group of bilateral donors providing budget support under the PRSP-linked Common Approach to Budget Support framework<sup>40</sup> were discontinued in 2001 after the Malawian government failed to meet conditions of its PRGF programme due to what the IMF terms ‘fiscal indiscipline’, leading to a significant reduction in government revenues to fund the Malawian Poverty Reduction Strategy (MPRS)<sup>41</sup> (IMF, 2005b: para 3; Krakowski, 2004: 1, 6, 9; see discussion below).

These developments illustrate the continued vulnerability of PRSP countries to the behaviour of donors and regulatory reform favoured by these financiers and belies the rhetoric of the PRSP approach as a country-owned process. Moreover, while the PRSP remains the document upon which negotiations for financing are notionally based, there is very little alignment between the priorities articulated in a country’s PRSP and the policies that underpin financing mechanisms, such as the PRGF or financing from integrated budget support mechanisms.

Importantly, it is the IMF programme which largely determines allocations from donors as it is the country’s programme under the PRGF, or recently the Policy Support Instrument (PSI), which determines its macroeconomic framework, a debate

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<sup>40</sup> These were the European Commission, the UK, Sweden and Norway (Krakowski, 2004: 9).

<sup>41</sup> PRSC credits and budget support under the CABS framework were suspended to the Malawian government in November and December 2001 when it failed to implement the structural and macroeconomic reforms of its PRGF programme entered into in December 2000 (Government of Malawi, 2003: para 1; Krakowski, 2004: 6; 9). As a result, the financial situation of Malawi deteriorated drastically between 2001 to 2003 as the government built up a high level of internal debt with high interest rates and this affected Malawi’s progress towards reaching Completion Point under the HIPC initiative (Government of Malawi, 2003: para 1; Krawkoski, 2004: 6). Although Malawi completed its first successful review of the PRGF programme in 2003, indicating that its macroeconomic framework was back on track, and donors resumed budget support on this basis, this was subject to a strict IMF staff-monitored programme of fiscal adjustment (Government of Malawi, 2003; IMF, 2003a; IMF, 2005b: para 3 – 5).



on which is largely closed for negotiations<sup>42</sup>. Although PRGF conditions were theoretically supposed to be drawn from countries' PRSPs, country experience over the past five years has not borne this out. The World Bank and IMF progress reviews of the PRSP process in 2002 highlighted the 'disconnect between the macroeconomic frameworks emerging from countries' PRSPs and those used for the national budget process and reflected in the PRGF-supported Program' (IMF, 2003c: para 8).

The IMF and the World Bank attribute this largely to the lack of 'operational detail of programs and policies in the PRSP itself' (World Bank and IMF, 2004: para 94) rather than the political dynamics which underlie these processes. According to Fund official Elliot Harris<sup>43</sup>, this operational relevance is key to donor support of any 'country owned' strategy. He contends that:

... if PRSPs were clear about targeted objectives and [these objectives] were clearly country-owned, then donors will be more inclined to align their disbursement triggers to the PRSP. In many cases, the PRSPs do not provide clear objectives or detailed benchmarks' upon which a working macroeconomic framework and, consequently, fiscal and monetary conditions, can be drawn (interview: Harris, 2005).

Consequently, the Fund has argued that dialogue between the institution and country authorities on alternative macroeconomic policy options 'has been limited' due to 'data and capacity constraints in many low-income countries', thereby resulting in the macroeconomic framework presented in PRSPs often being based on estimates and analysis by the authorities and Fund staff' (IMF, 2003c: para 20).

At the same time, it has always been the IMF's contention that 'greater emphasis on ownership was not meant to imply the acceptance of *any* homegrown policy package' (IMF, 2004e: para 107) but was instead aimed at creating 'greater scope for country-

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<sup>42</sup> See Chapter Six for a detailed discussion on the disjuncture between the principle of participation and the reality of the IMF policy role.

<sup>43</sup> At time of interview, Harris was serving as advisor at the Fund's Policy Development and Review (PDR) department, specialising in the PRS process.



driven alternatives and the investigation of alternative strategies by *expanding the policy space acceptable to BWIs* (ibid, emphasis added).

It is unsurprising therefore that the 2004 IMF Independent Evaluation Office (IEO) evaluation of the PRSP and PRGF frameworks found that, in practice, there is only a limited opening of policy space in macroeconomic areas under the PRGF and that the Fund generally did not look to the PRSP process as ‘a significant avenue for exploring macroeconomic policy alternatives’ (IMF, 2004e: para 11). Where there has been some room to manoeuvre in this restrictive macroeconomic space, the Fund is quick to insist that ‘home-grown options’ formulated ‘without the IMF staff pushing for a particular approach’, usually only take place in countries which the IMF considers as having ‘a strong implementation record and macroeconomic stability’ (IMF, 2004e: para 11).

Therefore, for the IMF, at least, the purpose of engagement with country authorities under the PRSP framework is less about facilitating policy options on macroeconomic scenarios in the PRSP and other national development plans but rather to bring PRSP policy discussions within the macroeconomic frameworks advocated by the IMF. The alignment between countries’ PRSP and the macroeconomic framework of a PRGF/PSI programme is viewed not from the perspective of harmonising Fund programmes with domestic policy options but rather as an alignment of domestic strategies with those advocated by the IMF. This objective is further highlighted in the remedial element of the new JSAN where it is expected that the ‘weaknesses’ in economic programme design articulated in country PRSPs are to be addressed through policy reforms in PRGF programmes (IMF, 2005a: para 16; see section 5.4.2 above).

The importance of the IMF as a gatekeeper to other sources of development financing means that, for many developing countries, ceding to the IMF’s policy prescriptions is *sine qua non*<sup>44</sup>. The IMF’s signalling role has expanded with debt relief initiatives and current shifts to programmatic and budget support lending. An ‘on-track’ PRGF or PSI programme is usually either an explicit pre-condition of

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<sup>44</sup> As the Fund acknowledges: ‘most donors require evidence of a satisfactory macroeconomic situation to continue their support, particularly budget assistance, and look to the IMF to provide this assessment’ (World Bank and IMF, 2004: para 97). See discussion in Chapter Two, section 2.3.2.



financing (for example, for IDA credits or debt relief under the HIPC and Multilateral Debt Relief Initiative) or as evidence satisfying the requirement for a sound macroeconomic framework (for example, for many bilateral budget support mechanisms)<sup>45</sup>.

Recent experiences have demonstrated the vulnerability of client countries under this framework in which a harmonised mechanism for delivering financing to countries have been contingent upon successful compliance with a PRGF programme and, to a lesser extent, the general policy prescriptions of the BWIs. The Malawian experiences above, for example, serves as a critical lesson to all PRSP countries on the financial imperatives of maintaining an ‘on-track’ IMF programme and illustrate the increasingly tight constraints that countries operate within under such an integrated approach as the PRSP framework.

The PRSP framework formalises dialogue between client countries and financiers while, at the same time, abolishing formal mechanisms of legitimate dissent to conditions of financing imposed through an unequal bargaining process. Abrahamsen points to the ‘power of partnerships as a form of inclusion’ in the politics of aid negotiations, as ‘political interventions’ aimed at producing ‘modern, self-disciplined citizens and states by enlisting them as responsible agents in their own development’ (Abrahamsen, 2004: 1464). Abrahamsen conceives of such ‘partnerships’ as a ‘form of advanced liberal power’ which work not through ‘domination and imposition’ but through ‘incorporation and inclusion’ (ibid). These ‘partnerships’, she contends:

... derive their power through simultaneously excluding *and* incorporating, in a manner that shapes the behaviour and interests of states and state actors ... Failure to meet the agreed criteria for inclusion in the partnerships (sound social and economic policies) can be cast as the ill-discipline of particular countries (ibid).

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<sup>45</sup> Positive review of a country’s PRGF implementation will, for example, be sufficient to ‘indicate an appropriate macroeconomic position’ and IMF Executive Board decisions ‘will provide sufficient information for donors to take decisions’ (DFID, 2005: 3). The importance of the IMF’s signalling role is also demonstrated in the recent willingness of non-HIPCs – namely Nigeria – and post-PRGF countries – such as Cape Verde, Ghana, Tanzania and Uganda – to agree to the adoption of a PSI.



Hence, the increased use of the process of ‘selectivity’ as a means of regulating countries’ access to financing means that extensive regulatory and institutional reforms – some which the aforementioned World Vision study has characterised as bordering on ‘remote micro-management of the country’ and violating country’s laws (World Vision, 2005: 49) – can be instituted as a result of informal leverage through policy dialogue between client countries and financing agencies without grounding or justification in contractual terms of an explicit financing agreement in which onerous and unconstitutional obligations could, at the very least, be challenged by both the sovereign state and by its citizens.

By masking policy leverage under the rubric of ‘partnership’, the PRSP framework attempts to conceal the power dynamics which underlie the aid relationship rather than redressing its inherent democratic deficits which the PRSP framework claims to redress. Instead, the politics of partnerships and the ‘technologies of agency’ it employs subverts the concept of development financing ‘as a principle of international solidarity’ and instead, defers the onus onto the client state to *deserve* such assistance, placing these countries in the driver’s seat in managing their own ‘underdevelopment wisely’ (Abrahamsen, 2004: 1460).

## 5.6. Conclusion

The PRSP initiative is only the latest in a lineage of interventions by the World Bank and IMF into the social, economic and political fabric of its client countries but it is, by far, the most intrusive and most extensive in terms of scope and content, and most ambitious in terms of what it aims to achieve. The reorganisation of political and policy space in PRSP countries starts from the assumption that there is an appropriate mode of *government* and an accompanying framework for appropriate *governance* in all countries who are reliant upon external financing, not only from the BWIs but, also, from other multilateral and bilateral donors and from debt relief initiatives. This assumption is correspondingly derived from a conviction, justified or otherwise, by the architects of the PRSP initiative that the, ‘universal’, ‘non-contestable’ notions of transparency, accountability and legitimacy must accompany the disbursements of such financing to these countries.



Consequently, it follows that the PRSP country, the recipient of concessional financing and debt relief, must demonstrate its desire to be disciplined by a set of rules constituting the values which represent the universal normative framework for all state resource extraction, allocation and administration. The overarching prescription of growth and poverty reduction, to be achieved through means outlined in the *PRSP Sourcebook* and in the conditionalities of resource exchange between the financing institutions and the clients states, must therefore be accompanied by the institutional structures which monitor and evaluate the measures undertaken and which, most importantly, generate the necessary consensus without which the legitimacy of the project is undermined.

All this is mediated through the aegis of the state –a notion yet undefined but which can be collectively ascertained from the multifaceted literature emanating from the BWIs, as one which consists of both the bureaucratic apparatus of state power (the civil servants, the diplomats, the executive minions) and the political circuit (the executive leaders and to a notional extent, the legislative and judicial members) – which again is deemed worthy through its submission to the discipline exerted by the financing institutions ('country selectivity').

This chapter has demonstrated that the bio-political power exerted over client states in the shift in the modalities of conditionality regulating developing countries' access to financial resources discussed in the previous chapter has been reified through fundamental reorganisation of state apparatuses under the operational framework of the PRSP approach. This mode of regulation maintains disciplinary control over client states via their continuing subjection to what Foucault terms as the 'disciplinary penalty' – the punishment of 'nonobservance, that which does not measure up to the rule, that departs from it' (Foucault, 1991: 194) – through the marginalisation of states which do not institute the PRS participatory requirements, which fail to meet PRGF programme requirements, which depart from 'sound' economic practice and 'good' institutional performance of a functioning regulative state. At the same time, this new mode of power supervises the internalisation of the rules and 'normalizing judgment' of the discipline (the substantive conditionalities, the rationalities of



structural adjustment) through a ‘series of interventions and *regulatory controls*’ (Foucault, 1991: 262 – 263) of the supervised entity – the client state.

Where the reorganisation of the state apparatuses through the globalization of development modelling – the setting of uniform ‘development’ targets, the establishment of a universal policymaking process – and the homogenising of local bureaucracy – serves to establish conformity with the norms of global neoliberalism and legal order it establishes by excluding those who do not play by the rules, the contingency of the reforms under the ‘selectivity’ process begins the process of assimilating recalcitrance by incorporating the state to the conditions of its own subjection.

By binding the state to the underlying logic of adjustment reforms under the rubric of ‘ownership’ and ‘partnership’, the IMF, the World Bank and other hegemonic state actors with the power of financing enrol in the ‘technologies of self’ – subjectivising the individual state vis-à-vis the conditions of its dependence on external resources for state functions and bringing them to bind their own collective consciousness and identities to that of the external power (see Agamben, 1995: 5; Foucault, 1991: 262 – 263).

This is exposed in the linearity of the ‘partnership’ process in which financiers are given a seat at the policymaking table of client states but never vice-versa. As the World Vision report notes: ‘whereas donors get involved in influencing government PRS priorities, developing country governments do not have opportunities to directly influence donor preparation of their country assistance programmes or assistance plans’ (World Vision, 2005: 47). Harrison observes that it is this ‘idea of an equality of participation between the IFIs and indebted states’ contained within this rubric that allows the Bank (and equally the Fund and other donor agencies) ‘to involve itself in a state’s politics without appearing to be intervening, interfering, or imposing’ (Harrison, 2001a: 542).

Discipline is then exerted by subjecting such ‘ownership’ and ‘partnership’ mechanisms to the omniscient policies of macroeconomic and structural adjustment



as negotiated between the state and the BWIs. As the UNCTAD report summarises succinctly:

The emphasis on ownership and participation appears to aim at granting considerable autonomy to countries in the design of safety nets and targeted anti-poverty spending programmes. However, the freedom of action of recipient governments in the determination of the nature and content of macroeconomic stabilization and structural strategies continues to be severely constrained by conditionalities attached to multilateral lending and debt relief (UNCTAD, 2002a: 58).

At the heart of the PRSP reforms is therefore the validation of the clientelist relationship of between the north and the south and the logic of dependence and universalisation which underpin these relationships. For Badie, this relationship of dependence necessitates the constitutional and juridical imitation of the patron state by the client state (see Chapter Two) for continued access by the dependent client state to external resource mobilisation (Badie, 2000: 14 -15, 28). The internalisation of the western political order in what Badie terms as peripheral states is therefore driven by the need to prove, at least on the part of the political elite ('the princes of the south'), their affinity with and adherence to the norms and standards of the patron state in return for resources from the exterior.

At the same time, this relationship of dependence is reinforced by the logic of universalisation which stakes a universalist claim of western rationality and the construction of the 'western' state. 'Developmentalism' – a conceptualisation of not only 'how the universal was realized within non-Western societies' (ibid: 51) – requires the progression from authoritarianism to a Weberian rational state with the construction of a representative 'civil society' holding the state in check (see following chapter) and also with the requisite institutional apparatuses in place to manage this process of accountability. As Anghie argues, in relation to the 'good governance' reforms, these extensive tentacular institutional transformations 'are directed at reproducing in the Third World a set of principles and institutions which



are seen as having been perfected in the West, and which the non-European world must adopt if it is to make progress and achieve stability' (Anghie, 2004: 249).

This chapter has demonstrated the shift in the modalities of control over developing countries exerted at the level of the global governance institutions, namely the World Bank and the IMF, and bilaterally, through donor financing aligned with the PRSP framework. The operational reforms of the PRSP framework therefore are evidence of a larger shift in the modalities of power at the very high levels of inter-state governance. This power is premised on the restoration of 'agency' to the actors in the process and the contract that such 'agency' is not 'abused' by the persons to whom it is conferred. As Abrahamsen notes, 'partnerships' under these new governance arrangements, such as the PRSP framework, 'work not primarily as direct domination and imposition, but through promises of incorporation and inclusion' so that '[f]ailure to meet the agreed criteria for inclusion in partnerships (sound social and economic policies) can be cast as the ill-discipline of particular countries (Abrahamsen, 2004: 1464).

Further legitimacy for the project of post-adjustment reforms ('pro-poor growth') is correspondingly justified through the nexus between the transnational policy elite – the INGOs and expatriate policy advocates from the epistemic community for example – and the local constituencies of the BWIs and its major shareholders. The G8 countries can and will draw upon the PRSP policy of engagement and stakeholder participation as a means to justify continued foreign policy expenditure in low-income countries. Further discipline is also provided through this practice in securing political consensus and domestic accountability by subjecting state action under the restructuring process to oversight by its own citizens and a globalized network of 'policy watchdogs'. The following chapter elaborates upon this second mechanism of state reconfiguration and subjectivisation to achieve the *capture of political space* where this first-tier of reforms has achieved a *capture of policy space*.



## Chapter Six

### Redesigning the Political Project: Discipline and Legitimation through Participatory Policymaking

*By defining the reduction of poverty as the over-riding framework for all public policy and expenditure, and by seeking to extend the policy consensus to include ‘civil society’, the current wave of post-developmentalism reveals itself as neo-liberalism reconstituted in a populist mode ... The ‘consultative conditionality’ that has been one of the criteria for Bretton Woods assessment of any PRS is thus a hallmark of the merging trend toward populist neoliberalism.’*

*– Jeremy Gould and Julia Ojanen, 2003: 31 – 32 –*

The participatory process is the cornerstone of the Poverty Reduction Strategy Paper framework and represents the single most extensive intervention of the Bretton Woods institutions – and the wider development financing community as a whole – in client countries to date. The requirement that PRSP countries involve a wide range of stakeholders in the discussion of policy proposals put forward in their PRSPs has led to, in varying degrees, the reconfiguration of the political landscape in PRSP countries as state political apparatuses – legislatures, constitutions, regional and local governments – and political relationships – between the executive and the legislature, between state and civil society – are reorganised to conform with and respond to the conceptual and operational dictates of the ‘new architecture of aid’.

Central to the reorganisation of socio-political structures under these new ‘participatory’ modalities of consensus and decision-making are efforts to embed specific discourses about the nature of government and governmentality and the role of the state in resource allocation and socio-economic regulation. In particular, the participatory process places emphasis on the links between the furtherance of a liberal political order – exemplified by the promotion of a state/civil society dichotomy, an institutionalised relationship between the two and the decoupling of the political order from the economy – and the achievement of international development targets, including PRSP indicators (see Chapter Five).



This is accompanied by the establishment of appropriate political instruments through which public consultation on government policy, including economic and social policies promulgated and supervised by external financiers, are discussed. It creates a focal point for the convergence of resistance to the financing conditionalities, establishing strict parameters in which such contentious policy discussions may be confined.

This chapter follows on from Chapter Five which outlined how the bio-political power exercised by the international development community over client countries is reinforced by the operational interventions of the PRSP framework. Specifically where the preceding chapter examined how discipline is maintained through the *capture of policy space* – the internalisation of policy and institutional reform by the policymakers of PRSP states, this chapter seeks to examine how these reforms are legitimated through the *capture of political space* – the mobilisation of domestic political consensus in support of such reforms.

Thus, this chapter examines the external<sup>1</sup> participatory process under the PRSP framework, considering how these socio-political changes have been operationalised in order to reconstitute political and social relations in PRSP countries, locating the participatory process within the overarching effort to rehabilitate the state apparatus under the PRSP framework. I consider how the PRSP framework has reshaped the internal political dynamic and state-civil society relations within the PRSP framework, establishing a mechanism which secures both political consensus and political disciplining of the PRSP state by non-state actors.

Here, it is argued that the participatory process is aimed at securing political consensus around a set of policy reforms and development strategies which have been largely predetermined by external financiers through the capture of the state's policy space under the rubric of 'ownership' and 'partnership', and to establish formalised channels through which resistance to such policies and grievances about policy implementation may be confined and diffused. At the same time, the participatory process serves to discipline the state by establishing an oversight

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<sup>1</sup> As opposed to 'internal' participatory process involving members and segments of the executive which has been discussed in Chapter Five (see Section 5.31).



mechanism that incorporates domestic stakeholders into the policy and policy monitoring process.

Equally important in this analysis is a consideration of how the PRSP framework validates the structural powers at work in the global governance arena and how the discourse of ‘participation’ itself creates a problematic through which the substantive conditionalities of structural adjustment may continue to apply in the post-structural adjustment era. At the heart of the PRSP reforms therefore is the questionable characterisation of PRSP countries as sites of intervention for political reform and the assumption that existing political mechanisms in these countries are inadequate to address the wider challenge of engendering development and poverty reduction established by the PRSP framework.

## 6.1. The Liberal Political Project as an Antidote to State Autonomy

The capture of the policymaking apparatus of sovereign states under the PRSP framework, through the reinscription of state regulative capacity via the politics of partnership and ownership discussed in Chapter Five, is reinforced and magnified by the capture of political space through the institution of the participatory process of the PRSP approach. Where the *politics of partnership and ownership* reorganise means in which the state encounters its external constituents – the financiers and global governance institutions – the *politics of participation* reorganises the means in which the state’s domestic constituents encounter the state.

### 6.1.1. Responding to the ‘Democratic Deficit’

In many respects, the efforts at restructuring the internal political dynamics of SAP/PRSP countries and their relationship to the external financing community, responds to the geo-strategic pressures, discussed in Chapter Three, on the existing international economic order. In particular, the participatory Poverty Reduction Strategy process responds to the question of ‘voice’ and ‘representation’ in the regulatory frameworks of economic globalization with the domestic consultative process specifically responding to the clamour for inclusion, notably by certain



transnational actors (see section 6.3.2) in the process of decision-making and norm creation.

These ‘pressures for new forms of democratization of the accountability of formal regulatory rule-making’ at the national and international level has resulted from the exclusion of traditional modes of political franchise in the regulation of ‘post-industrial, globalized capitalism’ (Picciotto, 2000: 163), notably at the institutions of global economic governance. Where the resistance to the economic policies and norms of global trade and finance targeted what Cameron and Palan term as ‘a ‘democratic deficit’ between nationally based systems of political representation and transnationally organized structures of political authority’ (Cameron and Palan, 2004: 139) – the World Bank, the IMF, the WTO – addressing this political marginalisation becomes pertinent to the suppression of resistance where revision of the status quo is unfeasible or unimaginable.

Picciotto speaks of a process of remodelling the “public’ sphere of politics’ in the evolving nature of the state in the current globalized economy, of transforming the ways in which domestic political structures respond to the “private’ sphere of economic activity’ under neoliberal globalization (Picciotto, 2000: 158; 161 – 163). The fragmentation of the public sphere – the redefinition of the role of the state from one of provider to regulator<sup>2</sup> – and ‘the emergence of new patterns of governance’<sup>3</sup> therefore necessitates a ‘rethinking of accountability or legitimacy’ (ibid: 163).

Viewed from this perspective, it can be argued that the PRS process reflects the organisational, if not geo-political, response of the Bretton Woods institutions and northern state financiers towards facilitating avenues through which such forms of accountability and legitimacy may be realised to a limited degree. The participatory

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<sup>2</sup> By ‘provider’ I mean the role of the state as an economic agent in its own right, as the primary driver of economic processes and the provider of goods and services, both in a redistributive sense (public goods and services) and facilitative sense (capital goods, technology and general goods and services). By ‘regulator’ I mean the role of the state as the supervisor of economic activity of other economic agents in the private sector – individuals or corporations – acting through the market, whether via direct supervision of the market economy or via the mitigation of market failures. While most states today play both roles, the overarching logic of neoliberal globalization has been a sustained erosion of the role of the state in the former and a circumscribed role for the state in the latter.

<sup>3</sup> For Picciotto, this includes ‘market-facilitative regulation’ guided by technocratic norms of efficiency, resulting in interventions targeted at corrections of market failures rather than redistributive purposes (Picciotto, 2000: 158; 161 – 163).



process is thus an attempt to redress the democratic deficits of pre-existing external *as well as* internal processes of development financing, but established on terms set by the official financiers rather than developed through an endogenous process of political barter between the affected constituencies.

In this version of enabling political franchise, it is the state that is problematised, as it is the case in relation to its regulative capacity under the discourse of aid effectiveness (see Chapter Five, section 5.2). The conjoined notions of ‘poverty reduction’ and ‘participation’ in the context of a national development programme posit the issue of social and economic exclusion as one primarily resultant from the lack of: 1) access to *domestic* structures of political representation and decision-making<sup>4</sup> through which local constituents may seek to articulate their interests in a contest over economic resources and socio-political recognition; and 2) processes and institutions of *domestic* governance which enable political accountability and fiscal transparency to ensure the result of the aforementioned contest and recognition are respected.

While there may be access to international structures of economic governance via a circuitous route of state mediation, the overt supposition of the PRSP framework as articulated through its discourses and practice is that the nation state bears the primary responsibility for addressing the social and economic needs of its citizenry in ‘partnership’ with external financiers.

Hence, struggles over resource allocation and modes of economic governance affecting local individuals and communities should be directed at the state apparatus through a reorganisation of political representative structures mediated by international institutions and external financiers, such as the World Bank and the IMF. Correspondingly, the participatory process is organised so as to further circumscribe the limited policy autonomy ascribed to states under the PRSP framework by subjecting the nation state and government apparatus to scrutiny by its citizens.

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<sup>4</sup> As opposed to the lack of access to supranational structures of decision-making.



The reconstruction of the state in PRSP countries through the participatory process, therefore aids the rehabilitation of the regulative capacity of the state at the same time as it constrains the state by subjecting it to an internal process of accountability and external scrutiny. This reconfiguration of the political space in PRSP countries legitimises the *process* of the PRSP framework, through the restructuring of social relations between state and non-state actors and external financiers, as well as conferring credibility on the substantive content of the resultant social and economic policies, even as it fails to reform the existing policy and practice of development financing.

### 6.1.2. Liberal Legality and Neocolonial Representations

This reorganisation under the PRSP framework is premised upon the logic of what some scholars have termed ‘liberal populism’ (Harrison, 2001a) or ‘populist neoliberalism’ (Gould, 2005a & b; Gould and Ojanen, 2003) where legitimacy for the project of neoliberal globalization is secured through a process of engendering broad-based political support for the requisite economic reforms. For Harrison, this approach is ‘liberal because of its fundamental faith in the free market’ and ‘populist’ because while it neglects issues of ‘class and exploitation’, the ideology claims to be working for the general interest of that of ‘the ordinary citizen’ (Harrison, 2001a: 537). ‘Liberal populism’ thus, according to Harrison, ‘constitutes an attempt to provide a political language to work with neoliberalism’s approach to the economy’ (ibid).

At the same time, the operationalising of constructs of domestic ‘citizenship’ and the confined activism of ‘civil society’ provide the antidote to the state rehabilitated within the parameters of the PRSP framework. In concert with the discipline exerted over PRSP states through the reconfiguration of governance discussed in the previous chapter, the positing of the state as the primary site for realising the gains of concessional financing and the participatory process as a means to influence such outcomes obscures the substance of such financing and channels political resistance to substantive financing conditionalities towards a monitorable technical process supervised by the BWIs. The *a priori* assumption that the policy interventions of debt relief and concessional lending operations work towards alleviating social and



economic dislocations caused not by the policies themselves but by state inefficiencies and limited accountability over resource allocation creates a logic that predicates alleviation of such dislocations on a reform of state political structures.

This premise is not novel to the PRSP approach. Conceptually, as noted in previous chapters, the World Bank has shifted steadily in this direction since the early 1990s with the emergence of the ‘good governance’ agenda which was concerned primarily with the creation and sustenance of liberal legalism. Here, the brokering by judicial and administrative structures of entitlements to resources – cultural or material – of citizens and corporate entities within a state was based on the premise of individual entitlements to the market economy. The ‘good governance’ agenda, as characterised by Sano, was ‘the child of a modified liberal agenda which made concessions to the fact that efficient resource utilisation also depended on modes of governance and public involvement’ in resource allocation and management (Sano, 2002: 123).

The narratives and the operational consequences which followed from the adoption of this agenda (and subsequently that of the PRSP framework) – for example, administrative and legal reform projects, civil service capacity building and technical assistance – are often premised on paternalistic if not pejorative suppositions of the nature of the state in aid-dependant countries. This reflects the continuing application of the ‘dynamic of difference’ characterising postcolonial international relations (see Chapter Two) in which the ‘aid recipient’ state is juxtaposed in binary opposition to the state apparatuses in the ‘donor’ countries and consequently, in need of reconstruction.

Specifically, such representations routinely delegitimise the non-western state, often characterising its political organisation as an extension of social networks, riddled with patrimony and nepotism and lacking in the formalised bureaucracy which serve as the cornerstone of western public administration<sup>5</sup>. The construction of third world

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<sup>5</sup> Scholars, such as Halvorsen and Michelsen, for example, conceive of an effective, operational state on the basis of the professionalisation of its civil service – ‘the precondition for the public administration of the *European kind* giving autonomy to objective knowledge and solutions’ – and its abstraction from but social contract with, civil society (Halvorsen and Michelsen, 2002: 154, emphasis added). Consequently, the failure of ‘governance’ in the African state (the subject of their analysis) is ascribed to the lack of civil service subscription to this ‘normative foundation’ – constraining the exercise of state power by its agents through a universal ‘trust’ in the ‘values’ of the state as an



states as sites for the manifestation and reproduction of communal leadership and not on a programme of political franchise have thus validated not only the ad-hoc reforms of ‘good governance’ era but also form the backdrop to constructing interventions in the successor PRSP state.

In the remedial approach taken by champions of institutional governance reforms – of rehabilitating the ‘misappropriating, inefficient and patrimonial State’ (Sano, 2002: 123) through a reproduction of the western political order – is the inherent belief that the socio-political structures of the state in countries targeted for such reforms must be purged of such parochialism and patrimony in order for it to meet the socio-political and material needs of its constituents. Therefore, in the absence of an endogenous ‘civil society’ of the Anglo-European tradition which developed political representation from domestic taxation, the PRSP framework attempts to substitute this by enforcing institutional ‘participation’ in policy formulation if not in political voice.

For activists Chavez Malaluan and Guttal, the PRSP framework has enabled ‘the manipulation of civil society’ by the external financiers with the preference for institutionalised, transnational policy advocacy- dominated consultations reflecting the fact that ‘vernacular civil society formations do not fit comfortably into the conceptualisations of state, market and society’ held by the BWIs and other financing institutions (Chavez Malaluan and Guttal, 2003: 10; 2002: 7; see section 6.3.2). The parochialism of this process is reinforced by the fact that external donors view themselves as valid intermediaries between civil society and national governments, engendering what they perceive as an absence of political franchise in the aid-dependent state.

Consequently, by representing the crisis of development as a problem of a deficient state and by drawing a causal link between poverty and domestic political representation, the intrusive structural and institutional interventions of the PRSP approach are justified whilst validating the structural disequilibrium in international economic relations. Inasmuch as the PRSP framework provides the operational

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institution – and instead, its affiliation to enduring kinship ties and the resource transfers such networks entail (ibid: 154 – 155).



apparatus to influence the strategic direction of the political elite under universalised prescriptions for development planning, the framework also provides the umbrella through which the political consensus for these strategic decisions are consolidated and legitimised. The nation state and its political apparatus are therefore reorganised under the PRSP framework to serve a purpose that both imposes discipline on the PRSP state as well as legitimises the forms of discipline imposed through both the discourse and practice of the participatory process.

## **6.2. Participation, Politics and Policy Accountability**

The Bank and the Fund expect ‘participation’ to take place in most stages of the PRSP process – from early analytical work and poverty diagnosis to PRSP policy formulation to monitoring PRSP implementation (see for example, World Bank, 2001c: 7). The World Bank defines ‘participation’ as ‘the process through which stakeholders (those affected by the outcome of reform or capable of affecting reform) influence or share control over setting priorities, making policy, allocating resources, and ensuring access to public goods and services’ (World Bank, 2004, in IMF and World Bank, 2005: para 54, fn 63).

In the seven years since the inception of the PRSP project, the focus of the participatory process has broadened from that of participation in policy formulation to encompass, increasingly, participation in monitoring implementation of policies. The IMF and World Bank 2005 review of the PRSP approach, tellingly entitled ‘Balancing Accountabilities and Scaling Up Results’ reiterates that the ‘PRS approach is intended to serve as a platform for balanced and mutual accountability’, requiring not only ‘specific operational plans to support PRS implementation and donor alignment’ but also ‘that aid be provided in support of the priorities set out in the PRSP in ways that reinforce, rather than detract from, domestic accountability’ (ibid: 13).

For the Bank and the Fund, the participatory process is pivotal in efforts to operationalise this ‘mutual accountability framework’ under which states would be made accountable to their domestic constituents as well as to external financiers for developing a coherent and relevant economic programme to address and account for



public expenditure met by external financing (ibid: 11 – 13). ‘Participation’, according to the Bank and Fund, ‘can be a key factor to enable stronger accountability mechanisms’ (ibid: para 54) through the engagement of stakeholders in the framing of ‘clear development goals and targets’ as well as to ‘monitor implementation in order to facilitate adjustments in policies and programs’ (ibid: para 25).

In this manner, the PRSP framework extracts targeted public commitments from PRSP governments on public expenditure and economic development plans within PRSP-set parameters and utilises the participatory mechanism to hold governments accountable to such commitments. Instead of subjecting the state to the discipline of conventional, external mechanisms of monitoring policy compliance<sup>6</sup>, the PRSP framework transfers such monitoring to domestic constituents instead.

This includes not only the PRSP country policymakers themselves, as discussed above and in Chapter Five, but also interest groups and communities under the auspices of the PRS participatory process (see following section). The PRS process thus affords the operational framework through which financier countries may enrol the support of communities in implementing the substantive socio-economic reforms of financing operations.

Accordingly, the Bank views participation as a process that ‘brings elements of legitimacy, accountability, and continuity to national development strategies’ (World Bank, 2005h: para 51) with the engagement of non-state actors crucial because:

Strategy is *legitimized* as stakeholders’ inputs and assessments are accounted for ... Sustained stakeholder participation and dialogue help to *ensure continuity* of strategy even in the face of political change (ibid, emphasis added).

In considering the participatory process in the JSAN, Bank and Fund staff are advised to look at the involvement of the following in the formulation of the country’s PRSP: a) government entities — central ministries, parliaments, and sub-national governments; b) other stakeholders including civil society groups, women’s

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<sup>6</sup> For example, via traditional modes of conditionality enforcement (see Chapter Four).



organisations, representatives of ethnic minorities, research institutes and academia, private sector, trade unions and regional representatives; c) bilateral and multilateral ‘external development partners’ ; and d) representatives of ‘the poor’ (World Bank and IMF, 2005: Annex 1, para A). Staff must also describe the ‘[e]xtent to which the participatory process has been well integrated with existing processes of the government for policy and decision making’ and whether the PRSP is ‘related to any other current government documents that set forth national or sectoral development plans and/or budgets’ (ibid).

Bank and Fund staff have been instructed by the Executive Boards not to evaluate the participatory process in their assessment of a country’s PRSP (ibid) and have stressed that PRSP processes should ‘not undermine existing institutions and processes for decision-making’ (IDA, 2001b: 5). The Bank and Fund, at least rhetorically, have maintained that the participatory process should reflect ‘the different experiences and political systems of countries producing PRSPs’ (IMF and World Bank, 1999: para 20) and have reiterated that donors ‘need to be aware of (and not bypass) participatory and representative processes and institutions that already exist’ (IMF and World Bank, 2005: 14).

### *The Participation Myth*

In reality, the PRSP framework has been criticised for imposing an ethnocentric model of policymaking— promulgating a form of Weberian consensual politics reminiscent of the institutionalised Anglo-American democratic tradition<sup>7</sup> – and which favours a core of elite transnational policy advocates whose familiarity with the language of ‘international development’ have enabled them to permeate into domestic decision-making structures with greater ease and more influence than local representatives and civil society groups.

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<sup>7</sup> Havolrsen and Michelsen (2002) conceive of the Anglo-American model of public administration as a ‘weak State and low trust’ system of political barter which is shaped by constant ‘antagonism’ between the state – represented by a small cadre of specialised civil servants – and civil society ‘competing for influence over the public sphere’ (151). Here, civil society, conceived both as citizens bearing ‘certain rights’ and as ‘representatives of the economy’, is argued to ‘have been shaped as collective actors in opposition to the State’ (ibid). The authors further argue that it is this model, as opposed to the European ‘strong State and high trust’ model in which ‘the State and collective actors developed in a more co-ordinated manner, fostering greater ‘trust between the citizenry and its public administration’, that is replicated in the ‘good governance’ reforms (ibid: 152 – 153).



Furthermore, the PRS process is heavily state-directed, lending credence to the argument that ‘participation’ in the PRS process has less to do with fostering genuine broad-based debates on resource mobilisation and allocation than about technocratising an inherently messy process of political barter to secure domestic political consensus around the framework of globalized development planning, discussed in Chapter Five, and to universalise this practice in all PRSP countries.

This reflects the conceptual legacy of the PRSP framework, discussed above, underpinned by the embedded neocolonial representations of PRSP states as ‘underdeveloped’ and the political institutions of these states as unresponsive and non-facilitative of the essential characteristics of a liberal western order in need of reform. Paradoxically therefore, the project of participatory policymaking within the PRSP framework serves to reinforce rather than revise underlying structures of power, both in the domestic sphere and in interactions with external actors. Most vulnerable in this equation are the marginalised communities who the PRSP project sweepingly terms ‘the poor’, citizens of states for whom the policies of structural adjustment are felt mostly acutely and often most violently, but against whom the process excludes (see section 6.3.2 below).

The PRS process can reproduce the hierarchies of power inherent not only within the dynamic of the financing relationship between the state and its external financiers but also between the state and its internal financiers and citizens. A study of the PRS processes in Malawi and Zambia concluded that the ‘embedded’ concept of ‘national ownership’ in such processes ‘may act to conserve the retrogressive institutions that produced poverty in the first place’, including the ‘retention of clientalist politics’ which limit the access of communities to structures of policymaking and accountability (Bwalya, Rakner, Svåsand, Tostensen and Tsoka, 2004: 4 – 5).

More importantly, scholars, such as Cooke, Kothari and Mohan, have challenged the precept of ‘participatory development’ and its operational manifestations<sup>8</sup> as embedded in politics of Eurocentricism and postcolonial representations of the south and in danger of reproducing the very disempowering discourses and

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<sup>8</sup> Of which the PRSP is one of many manifestations, which include ‘participatory action research’, gender mainstreaming, participatory poverty assessments (PPAs), etc.



structures it purports to challenge (see Cooke and Kothari, 2002; Kothari, 2002; Mohan, 2002).

Kothari, for one, argues that participatory mechanisms ‘can encourage a reassertion of power by dominant groups and individuals’, leading to ‘the reification of social norms through self-surveillance and consensus-building’ (Kothari, 2002: 142). Accordingly, the power that is embedded and disbursed in the social field – the Foucauldian biopower – is reproduced in the very act of conferring ‘participation’, resulting in what Cohen (1985) terms as programmes of ‘inclusionary social control’ which make it difficult for people to discern and challenge power structures (Kothari, 2002: 143). By using the ‘promise of development assistance’ to bring previously excluded communities into the design of research and policymaking, Kothari contends that ‘participatory development’ not only ‘reduces the spaces for conflict’ but disempowers those who have ‘the greatest reason to challenge the prevailing hierarchies and inequalities’ through the ‘inducement of conformity’, manipulation and the representation of knowledge (ibid).

The Bank and Fund acknowledge that competition for external resources may skew the participatory process and undermine efforts for domestic accountability as line ministries and civil society organisations ‘have incentives to align their interests to donors in a bid for financial resources and to focus on donor reporting requirements’ (IMF and World Bank, 2005: para 100). Thus, the framing of needs and interests by those in the ‘driving seat’ of the PRSP process – ministries or transnational policy advocates familiar with the language of evidentiary policymaking (see below) – may not necessarily reflect those of the general populace. More critically, where communities are subject to the plethora of data-mining processes, such as the Poverty and Social Impact Assessments (PSIA) to support policies of the PRS process, the unequal power relations between the researchers and policymakers and the subjects inevitably reorient the outcomes of such processes.

### **6.3. Reconfiguring the Political Landscape: PRS Processes in Operation**



The institution of the PRS process in recipient countries has led to a reconfiguration of forces, alliances and institutional dynamics within the political structures of these states. The disciplinary and legitimation function of the PRSP framework is evidenced by the impact of the PRSP framework on the socio-political constitution of PRSP countries. While it is not within the scope of this thesis to consider in detail the reforms brought about by the PRSP framework in individual PRSP countries, examination of empirical studies on PRSP participatory processes<sup>9</sup>, including those from the BWIs, reveal general trends in support of the aforementioned arguments. The following sections consider three critical impacts of the PRSP framework, discerned from these studies, on the constitution of the state in PRSP countries.

### 6.3.1. The Imported State<sup>10</sup>

In an effort to create a universalised framework for development policymaking (see Chapter Five), the PRSP framework also attempts to reorganise systems of political franchise in PRSP countries, positing a new form of politics in these countries, notwithstanding the Bank and Fund's constitutional prohibition against such political interference<sup>11</sup>. Although the Bank (and Fund) suggest that countries' PRSPs 'build on and provide consistency with other current governments processes' and build upon existing sectoral and national strategies (Klugman, 2002: 6), countries have, more often than not, started entirely from scratch, mainly out of pressure to conform with 'best practice' guidelines on participation as laid down in the *PRSP Sourcebook* and elsewhere.

The OED evaluation found that, on the whole, 'participatory activities for the PRSP were weakly linked to established domestic participatory processes, where they

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<sup>9</sup> These studies have been drawn from a variety of sources, including from the World Bank and IMF's staff and internal evaluation departments (IMF, 2004e; World Bank, 2004; World Bank, 2005h, 2005i, 2005j, 2005k; World Bank and IMF, 2005a) research institutes (Gould, 2005; McGee with Norton, 2000; Moleanars and Renard, 2002) and NGO studies (ActionAid, 2004; World Vision, 2005).

<sup>10</sup> Title taken from Badie's treatise *The Imported State: The Westernization of the Political Order*. I allude to Badie's conceptual premise at various stages of this thesis (see Chapters Two and Seven).

<sup>11</sup> **Article IV, Section 10 of the IBRD Articles of Agreement** and **Article V, Section 6 of the IDA Articles of Agreement** provide that the 'Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in the decisions by the political character of the member or members concerned'. However, the interpretation of this prohibition remain subject to contest and interventions, such as the implementation of 'governance' conditions, have been justified by successive Bank General-Counsels, including the justification that political interventions may be necessary in order to achieve the Bank's overarching mandate of development and economic growth (see Dañino, 2006; Shihata, 200a: 220 – 244).



existed' (World Bank, 2004k: 13). The result has been that even in countries with a pre-existing consultative mechanism, the national planning document resulting from these domestic processes would still need to be adjusted to meet the standards set by the Bank and the Fund.

Empirical studies of participatory processes in PRSP countries have demonstrated an uncanny similarity in the shape and content of the participatory processes undertaken in these countries and in many cases, the PRS has replaced domestic strategic planning mechanisms where they existed prior to the PRSP framework. Some Tanzanian civil society groups, for example, questioned the need to develop a process separate from the national planning processes, such as the National Poverty Eradication Strategy formulated in 1997, at a time when the country was already developing a Tanzania Assistance Strategy with donors (Gould and Ojanen, 2005: 26).

Meanwhile, in post-conflict Cambodia, the government was in the process of formulating the second round of its legally mandated Socio-Economic Development Program (SEDP II)<sup>12</sup> in 2000 when it had to shift gears and complete a PRSP as well to access financing from the Bank and Fund (Royal Government of Cambodia, 2003: 8; World Bank and IMF, 2005a: 18). The decision to launch two parallel planning processes arose largely because Bank and Fund staff were keen on ensuring the 'preparation of strategy *document* comparable in quality to first-round PRSPs from other countries' and because the staff did not believe the SEDP would 'provide a credible alternative to the PRS process and could not be retrofitted within the required time frame' (World Bank and IMF, 2005a: 22).

Even in Uganda, the poster child of the PRSP project, and whose Poverty Eradication Action Plan (PEAP), developed through a wide-ranging consultative process, set the example upon which the PRSP project was modelled, had to repackage their national strategy to suit the framework set by the Bretton Woods institutions. Barbara Kalima, former coordinator of the African Forum for Debt and Development (Afrodad), contended that such massaging of 'the PEAP to conform

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<sup>12</sup> This was supported by the Asian Development Bank (ADB) (World Bank and IMF, 2005a: 18).



to the PRSP framework' compromises the very ownership the Bank and Fund purport to initiate under the framework:

What was wrong with the PEAP ? If it had all the social components to it, if it had different ways of generating wealth domestically or externally, if it had all those components, why didn't the Bank and Fund fund the PEAP ? Why did they have to reinvent the wheel ? (interview, Kalima, 2004).

As a result of cases such as these, the OED and the IMF's IEO, in the aforementioned evaluation on the PRSP initiative, found that such preoccupation with formal PRSP requirements 'has often been at the expense of adaptation of the PRS process to country circumstances', reflected in the misplaced 'emphasis on producing documents rather than improving underlying policy processes' (World Bank and IMF, 2005a: 5).

### *Prescriptive Participation*

Yet, even in countries where there have been efforts to structure a participatory policymaking process for sustenance outside the PRSP document, these processes remain formulaic and prescriptive. The Bank and the Fund themselves have admitted that the frequent cases of PRSPs produced in processes 'parallel to existing planning processes' has led to a disconnect between the PRS cycle 'from domestic political cycles' and compromised 'domestic accountability' (IMF and World Bank, 2005: para 99).

There appears, as did in the case of Cambodia, concerted efforts on the part of Bank and Fund staff as well as country authorities to initiate participatory processes that conform to the prevailing institutional vision of such processes. Country authorities are encouraged to draft and adhere to 'Participation Action Plans' (PAPs) which set out a framework for designing, formulating, organising and implementing participatory policymaking a'la PRSP (World Bank, 2005h: 18 -26). PAPs are to focus on '[d]eveloping institutional arrangements for coordinating the PRSP process' in



countries, identifying not only the stakeholders who will be engaged as part of the process but also the coordinating framework for such arrangements (ibid: 24).

These arrangements have commonly taken the shape of a highly government-directed process involving the establishment of a centrally-directed focal point for dialogue – usually in the shape of a steering committee, task force or inter-ministerial working group – chaired by a central minister or, in some cases, the prime minister or president. Consultations generally take place within the framework organised by this central coordinating mechanism and, more often than not, take the form of consultative workshops held with invited participants from civil society groups and/or other ‘stakeholders’ such as trade union representatives, private sector associations, and so on. Consultations may also take place at regional, district and local level and may or may not be open to the public. Draft PRSPs, written in some cases by external consultants<sup>13</sup>, are circulated for discussion at these consultations but, as we shall consider later, are not necessarily revised to take into account the input of participants.

For example, in Zambia, the Ministry of Finance played a central role in the design and coordination of the PRS process and, ultimately, the PRSP document. The ministry was charged with the responsibility of coordinating the PRSP, deciding on thematic groups and selecting participants for the consultative process and developing the terms of reference (TORs) for engagement (Bwalya et al, 2004: 19). It also acted as the national secretariat for the process, drafting the initial document and preparing the final plan (ibid). The PRS process in Malawi was also dominated by the finance ministry, with the Minister of Finance playing a dominant role in steering the process under the aegis of a Ministerial Committee consisting of representatives from six ministries although the chair was held by the Minister of Agriculture and the National Steering Committee of the process helmed by the treasury secretary (ibid: 9).

This state-directed pattern is repeated across PRSP countries. In Tanzania, the government established the Inter-Ministerial Technical Committee in October 1999 to chair the PRSP process which was coordinated by the Vice President’s Office

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<sup>13</sup> Such as the Albanian PRSP which was written by local consultants in light of the government’s limited capacity (see World Bank and IMF, 2005a: 11).



(United Republic of Tanzania, 2000: Annex 1, para (i)) This committee was supported by a Technical Committee, comprising officials from various ministries and coordinated by the Ministry of Finance, charged with the task of drafting the Interim-PRSP (I-PRSP) and the PRSP, as well as coordinating the PRS process, including organising zonal and national workshops and convening consultative meetings with donors and parliamentarians (ibid).

In Ghana, the process was coordinated by the National Development Planning Commission (NDPC), a central government agency, which was appointed by president to establish a task force for this purpose (World Bank, 2005k: para 120). This task force comprised mainly of consultants from academia, local think tanks or ‘highly skilled Ghanaians living abroad, who left once the GPRS<sup>14</sup> was approved’ (ibid). The NDPC was responsible for organising the workshops and forums for collecting views on the GPRS from government ministries, civil servants, unions, civil society and private sector representatives among others although it was left to the Ministry of Finance to table the draft GPRS to parliament (ibid: Box 6). Pakistan’s PRS process was similarly piloted by a National Steering Committee headed by the Federal Secretary of Finance and coordinated by a PRSP Secretariat based at the Ministry of Finance (Government of Pakistan, 2003: 8).

In Vietnam, responsibility for coordinating the process was given to the Ministry of Planning and Investment which established an Inter-Ministerial Working Unit to organise discussions and consultations for PRSP formulation (Socialist Republic of Vietnam, 2003: 101 – 102). However, much of the participatory process in the Vietnam case was handled by the World Bank and international NGOs (INGOs) and financed largely by these organisations (World Bank and IMF, 2005a: 93).

This external financial support of the process is replicated in most PRSP countries as the majority of PRSP countries lack not only the administrative capacity but, crucially, the financial resources to undertake such an ambitious project. Pakistan’s PRS communication strategy – aimed essentially at disseminating information on the process – was, as another example, developed in collaboration with the UK’s DFID (Government of Pakistan, 2003: 9).

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<sup>14</sup> Ghanaian Poverty Reduction Strategy.



Meanwhile, in Malawi, the national coordinator of the PRS process within the National Steering Committee (NSC) was a Malawian national on secondment from the World Bank office in Lilongwe although the secondment took place prior to the PRS process and the PRSP drafting team included an IMF consultant (Bwalya et al, 2004: 9). While these examples may not be necessarily representative of all PRS processes, they do highlight uncanny similarities in the operationalisation of the PRSP framework across a diverse spectrum of PRSP countries.

### *Enforced Democracy*

The universalised construction of this process of participatory policymaking further undermines the PRSP project's rhetorical underpinnings of pluralism even as its architects – the Bank, the Fund and the handful of transnational policy actors (see Chapter Three) – propound its processual heterogeneity and policy autonomy. All 64 PRSP countries have had to introduce some form of participatory process under the PRSP framework, many of which have had to amend existing legislation to enable such procedural reforms to take place.

While there are exhortations of structuring 'alternative institutional arrangements' (read: non-centrally-directed)<sup>15</sup> for participation (World Bank, 2001c: 24), the overarching objective (whether intended or consequential) has been to institutionalise and standardise political engagement across the board in PRSP countries. As a result, the consultative process is structured around a stylised bureaucracy of checklists, action plans, diagnostic tools, and 'workshopping' (Shivji, in Gould and Ojanen, 2005: 28), creating what a World Vision report<sup>16</sup> terms 'a technocratic parallel

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<sup>15</sup> The two 'alternative' scenarios suggested by the World Bank in its chapter on participation in the *PRSP Sourcebook* remain premised on a centralised coordinating mechanism. The first is a centrally-directed government process of regional dialogue involving, for instance, the coordination by the Ministry of Local Governments of participatory processes structured regionally or centred upon district-level consultations which are fed back to the central government. The second alternative arrangement propounded is where the government sub-contracts the participatory process to a coalition of NGOs and engages with the coalition as a focal point for consultative dialogue. This creates its own problems of representation as discussed further in the following section (World Bank, 2001c: 24).

<sup>16</sup> This report was compiled by a group of consultants in conjunction with World Vision organisations in Zambia and Bolivia and based on a combination of desk-based literature review and fieldwork on the PRS processes in Zambia and Bolivia (World Vision, 2005: 5).



government' to service the procedural requirements of donors (World Vision, 2005: 33).

Consequently, the PRSP framework has created consultative mechanisms in countries where such participatory policymaking has never been a tradition and, in many cases, such processes were created in haste in response to external financing needs. For example, in Bolivia, the government scrambled together the National Dialogue 2000 in late 1999 to kick start the consultative process that would result in the *Estrategia Boliviana de Reducción de la Pobreza* (EBRP), the first Bolivian PRSP, in order to meet deadlines for debt relief under the HIPC II initiative. (World Bank, 2005k: 7 – 8). As Bolivia is highly dependent on official development financing<sup>17</sup>, external donors were heavily involved in the preparation of the EBRP and continued to use existing working groups to provide analysis of the EBRP as well as drafting the EBRP (World Bank, 2005k: 23). However, the law enabling public participation in the EBRP formulation, the National Dialogue Law was only debated and passed by the Bolivian Congress in July 2001, a year after the National Dialogue ended (World Bank, 2005k: 22).

According to Moleneers and Renard (2002) – whose study of the PRSP process in Bolivia highlights the disjuncture between the rhetoric of broad-based ownership and the operational realities of disenfranchisement among poorer communities – the problem lies with the attempt to transpose a participatory process that is 'based on Western experiences, where participation and the growth of civil society has been (more or less) an endogenous process that evolved over centuries', leaving third world states to cope with immediate and 'considerable external pressure' to 'increase the role, weight and influence' of civil society (Moleneers and Renard, 2002: 4).

Consequently, in recent years, bilateral and multilateral financiers have focused substantially on developing and strengthening civil society work and participatory mechanisms in client countries. The proliferation of organisations which 'are donor-bred and fed' has consequently meant that in many PRSP countries 'the strength of

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<sup>17</sup> Such financing accounted for 34.2 percent of central government expenditure in 2001 and constituted almost 60 percent of total public investment in 2002 with bilateral assistance representing the largest share, amounting to 76 percent in 2002. The World Bank and the Inter-American Bank (IDB) represent the largest multilateral financiers (World Bank, 2005k: 22 – 23).



organized civil society may be to some extent artificial' and unrelated to the lives of the people they represent (ibid: 28). In a political climate where the externally-driven (and externally-funded) 'civil society participation' is subsequently mandated by the national government, it is unsurprising that the outcome of this 'new partnership', as observed by Gould and Ojanen, is a 'state-society relationship' that is commensurate with the model desired by the external policy community rather than local constituents (Gould and Ojanen, 2005: 46 – 47).

In Malawi, for instance, the Malawi Economic Justice Network (MEJN) was formed in early 2001 as an umbrella organisation of 28 member organisations, drawing upon the international links of its initiator, the Catholic Commission for Justice and Peace (CCJP) which played a key role in Jubilee 2000 debt campaign, to emerge as a 'singularly active player in the PRSP process, largely with funding from Oxfam' (Bwalya et al, 2004: 12). Although this organisation and input from civil society into policymaking was a welcome change from the previously executive-dominated process, there have been concerns about the representativeness of these organisations, many of whom are not membership-based (ibid).

Furthermore, the Bwalya study found that many civil society organisations (CSOs) in Malawi, as elsewhere in aid-dependant countries, 'have been started by enterprising individuals with a laudable purpose and connections to funding sources, though often without a grassroots foundation' (ibid). This trend has been accelerated by the PRS process by virtue of governments' need to include some vestige of civil society within the participatory mechanism.

The state apparatus is thus reconstructed to formalise mechanisms which, paradoxically, do not engender accountability as 'a national process connecting citizens and the state' but rather create 'a technocratic control mechanism' (World Vision, 2005: 33) through which governments generate the political consensus necessary to legitimise substantive policies, not only for themselves, but for the credibility of external financiers to whom they are primarily accountable in the current international political economy. Consequently, in accounting to donors, the state is required to undergo a globalized process of engagement with stakeholders so



that the process is framed in a language understandable and quantifiable by the assessors of the process to qualify for disbursement of funds.

### 6.3.2. The Politics of Technocratic Governance and the Role of Transnational Advocates

As demonstrated in the preceding discussion, the participatory process in the majority of PRSP countries is highly state-directed, largely out of the executive expediency to complete the documentation necessary to access debt relief and funds from the PRGF, but also as a consequence of positive reinforcement by the Bank and Fund of the role of the executive in economic decision-making<sup>18</sup>. This state-directed process has had ramifications for the efficacy of the participatory process for those who view it as the forum for political engagement.

Firstly, the link between the completion of a PRSP (and hence, the PRS process) and financing disbursements necessitates, as discussed in the preceding sections, the confinement of the parameters of engagement in terms of procedure (the limited scope for stakeholder involvement in the process) and substance (the scope of policy discussion).

Secondly, and equally importantly, a natural progression of the above limitations, has resulted in the crafting of a state-directed framework that is both *depolitised* – in a sense that it is divorced from the political bargaining process that characterises conventional resource mobilisation and allocation mechanisms – as well as *exclusive and divisive* – in a sense that the space for policy engagement and influence privileges a set of actors whose familiarity with the technocracy of aid and aid relationships enables them to maximise the consultative opportunities that have opened up to the exclusion of other stakeholders.

#### a) Transnational Civil Society as Default Policymakers

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<sup>18</sup> The Bank, for example, has reiterated, on several occasions, that a ‘key element of PRS ownership is *a solid leadership role* guiding the PRS content’ supported by some sort of institutionalised stakeholder participation (World Bank, 2005h: 16 -17, emphasis added).



A common feature of participatory processes in PRSPs has been the engagement by the executive arm of the PRSP government of a select core of NGO participants in the institutional framework of the PRS, leading to what Gould and Ojanen have termed a ‘crowding out’ of national policy space for other actors (Gould and Ojanen, 2005: 34). The ‘consultative imperatives of the PRS’ (Gould and Ojanen, 2005: 51) have compelled governments to enter into selective ‘partnerships’ with civil society groups, notably a core of transnational policy advocates who correspondingly draw legitimacy from their own ‘partnerships’ with grassroots or local groups working primarily in basic service delivery.

This engagement under the PRSP framework has taken the form of either a contracting out of the participatory aspect of the PRS process to NGOs or a coalition of NGOs or the entry into a contract of policy participation with a select core of NGOs, usually organisations based in the capitals and usually those with strong international links, if not as subsidiaries of international NGOs. These partnerships facilitate what Gould terms ‘a vision of fast-track democracy’ which legitimises the technocratic partnership between the financial institutions, the government and a ‘transnational corps of development professionals’ (Gould, 2005: 33).

Chavez Malaluan and Guttal, activists who both participated in as well as studied PRSP modalities in Lao PDR, Cambodia and Vietnam, noted that in PRSP countries as a whole, ‘[p]articipation has by and large been limited to inviting some prominent and well-resourced NGOs to offer their perspectives on pre-prepared documents’ (Chavez Malaluan and Guttal, 2003: 9). More often than not, the NGOs invited to the table are local ‘branches’ of large northern-based INGOs or ‘transnational private aid agencies’ (TPAAs) (Gould and Ojanen, 2005: 34) rather than smaller, local groups who are perceived not to possess the capacity to engage in such a process (Abugre, 2000; Chavez Malaluan and Guttal, 2003: 10).

A study by Eberlei<sup>19</sup> observed:

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<sup>19</sup> The study was commissioned on behalf of a coalition of German church groups (Eberlei, 2005).



What is conspicuous is the particularly active role that non-governmental organisations with strong international links ... play in several PRS processes. As a rule, they run their own offices in the capital, have well-trained full-time staff and at least some financial resources to participate in the PRS process ... Nearly everywhere, those organisations acting on behalf of the rural population are clearly underrepresented (Eberlei, 2005: 4).

In Vietnam, the three INGOs invited to participate in the Poverty Task Force (PTF) charged with preparing the participatory poverty assessment (PPA) entitled *Vietnam: Attacking Poverty* in preparation for the PRS process were Oxfam, Save the Children and ActionAid ‘because of their experience with participatory assessments and their grassroots contacts in some of the provinces’ in cooperation with the Swedish International Development Cooperation Agency (SIDA) who co-financed the project (Nørlund, Tran and Nguyen, 2005: 90). The privileging of INGOs continued throughout the PRS process with representatives of local NGOs invited to participate in the process ‘more as personalities than as organizations’ (ibid: 92 – 93).

This scenario is repeated across many PRSP countries, including Tanzania, Ghana, Cambodia, Pakistan and Honduras, where INGOs played a key role in, and sometimes, dominated, either PPAs or PRSP consultations<sup>20</sup> although in many cases, local offices of such INGOs were ‘indigenised’ (see Gould and Ojanen, 2005: 34-35 on Tanzania) to the extent that the staff were drawn from the local population<sup>21</sup>. In Tanzania, the Policy Forum for NGOs which was established to succeed the original Tanzania Debt and Development (TCDD)/PRSP coalition to lobby for greater consultative space within the PRS process contained ‘an expended presence of transnational private agencies’ (ibid).

The 2005 World Vision report recognises the difficulty in securing ‘direct participation’ of communities in the PRS process – ‘material problems prevent strong organisations from emerging at the local level’ – and acknowledges that this has left

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<sup>20</sup> See empirical studies in Gould (2005).

<sup>21</sup> This does not mean however that such staff, many of them made up of an elite core of western-trained ‘development specialists (often with higher degrees in ‘development studies’ and related areas from a western university) necessarily reflect the interests of the general populace.



‘the poor reliant on civil society groups to represent them’ in policy discussions, even though many CSOs are ill-equipped to do so ‘either because of the nature of their relationship to people as clients or beneficiaries (rather than citizens)<sup>22</sup>, or their lack of expertise within policy arenas’ (World Vision, 2005: 30).

NGOs invited to the PRSP discussions have often been, in the words of World Vision policy and advocacy director Alan Whaites, ‘not surprisingly ... the same old, same old – the big NGOs, the international NGOs who turn up to all the meetings’ (interview: Whaites, 2004). Whaites, although himself representing a large INGO with local offices in most PRSP countries, acknowledges and is critical of the complicity of INGOs in this process of validation by their absence of dissent:

NGOs themselves were not terribly good at looking around the room and [asking] who isn’t here ... NGOs in a sense colluded in some countries with a very poor selection process for participation (interview: Whaites, 2004).

For the most part, the absence of local stakeholder participation in the processes has been attributed to the lack of ‘capacity’ on the part of such participants, but Chavez Malaluan and Guttal argue that this is usually translated as meaning ‘the absence of NGOs who are already familiar with, or can be taught the formal vocabulary of modern development<sup>23</sup>’ (Chavez Malaluan and Guttal, 2003: 10). This is compounded by the fact that the *lingua franca* of the PRSP process is English and participation by local groups is limited by the production of most documentation in a non-native language.

In Cambodia, Lao and Vietnam, drafts of the I-PRSPs and PRSPs were not translated into local languages until the final stages, excluding much local input into the policy formulation (Chavez Malaluan and Guttal, 2003: 10; Chavez Malaluan and Guttal, 2002:5; World Bank and IMF, 2005a: 19). In Bolivia, the World Vision report found that the ‘political and technical groups maintain a colonial mentality that marginalises their efforts to represent poor groups’ (World Vision, 2005: 31), with

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<sup>22</sup> This is because in many aid-dependent countries, as highlighted in Chapter Three, the legacy of structural adjustment has meant that CSOs have taken over the role of the state as providers for essential public services, such as health, education and sanitation.

<sup>23</sup> For example, the use of vocabulary such as participation, planning, poverty reduction, sustainability, stakeholder analysis, good governance, etc (Chavez Malaluan and Guttal, 2003: 10).



effective participation compounded by the fact that representatives from poor communities invited to consultations ‘had to present their proposals in Spanish instead of using their native language’ (ibid: 30).

Even if language was not an issue, the specificity of terminology employed by the PRSP framework as in other aid and financing documentation, prevents constructive engagement by groups unfamiliar with this. Chavez Malaluan and Guttal found that in Lao PDR, Cambodia and Vietnam:

Local populations in the three countries are not generally familiar with the technical language that dominates policy documents and have to grapple with concepts not found in their cultures. The challenge here is not simply using precise words, but contextualising alien concepts. This makes it extremely difficult for local people, including many government officials to confidently read and respond to translated policy documents (Chavez Malaluan and Guttal, 2002: 5).

With country authorities desperate to complete a PRSP that will secure them the necessary external financing, it is not difficult to see how governments find the idea of contracting of experienced policy advocates, schooled in the developments *peak* in the policy formulation, both expedient and alluring. At the same time, the clamour for consultative space has continued to marginalise some groups while it has empowered others. The PRS process therefore compounds an existing problem confronting southern NGOs in which INGOs are overwhelming the space for endogenous politics and civil society representation<sup>24</sup>.

The PRS process thus reinforces rather than redresses the power dynamics inherent in international aid relationships and reemphasises the dependency of the south on the north. Local groups are not only being excluded from the process by their own

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<sup>24</sup> For example, the Overseas Development Institute (ODI) ‘Southern Voices’ project recorded concerns from southern civil society groups regarding the growing influence of INGOs at the local level in the current aid architecture. Specifically, it was noted that INGOs may be ‘competing unfairly with local CSOs for financial and other programming resources’ and consequently ‘undermining the growth and effectiveness of an independent and autonomous indigenous civil society sector’ (Rocha Menocal and Rogersen, 2006: 20).



governments because of the aforementioned lack of ‘capacity’, they are conversely being engaged by northern-based transnational organisations to serve as ‘local partners’ in the PRS process and other processes of aid dialogue<sup>25</sup>.

This form of ‘partnership’ also serves to lend legitimacy to the INGOs’ advocacy and lobbying campaigns, both in the domestic political structures and in the INGOs’ home ground with funders and other aid agencies<sup>26</sup> (interview: various, 2004-2005; see also Gould and Ojanen, 2005: 42 - 43). The instrumentalism of this process reveals how the unequal ‘partnerships’ between third world governments and external financiers are subsequently reproduced in relationships between civil society organisations in the north and communities in the south.

## **b) Fracturing of Resistance**

The technocratic partnerships between the state, financing institutions and transnational policy advocates are indications of the increasing influence of the BWIs and other donors in the domestic political sphere of client countries and the divisive impact the PRS process is having on the politics of resistance in PRSP countries and elsewhere. Insofar as the participatory process creates a mechanism for the entry of certain groups into the policymaking space and excludes – whether by intention or by default – other groups, the PRSP framework determines the form and content of the domestic policymaking process. In doing so, it captures a significant part of the political space in PRSP countries, thereby fracturing the potential for critique and resistance to dominant modes of engagement and policymaking.

The Bank and Fund’s rationale for the existence of ‘neglected stakeholders’ is that they do not fit into the temporal, geographical and methodological frames of conventional policymaking (IMF and World Bank, 2005: para 70). The 2005 review of the process therefore attributes the problem of marginalisation to the fact that

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<sup>25</sup> For example, as mentioned earlier, the establishment of the MEJN and its participation in the Malawian PRS process was funded primarily by Oxfam International (see section 6.3.1. above).

<sup>26</sup> Although a couple of the larger transnational groups – ActionAid USA and World Vision for example (see Rowden and Ocaya-Irama, 2004 and World Vision, 2005) – have been self-reflexive in questioning their involvement and their organisational impact on the PRSP framework – other groups have been less inclined to critique their activities of the World Bank and IMF and/or unwilling to vocalise criticism against the PRSP project for fear of losing funding (interviews: Alexander, 2004; Kessler, 2004; see following section).



‘direct engagement of poor people’ is more time-consuming than ‘existing planning cycles allow’, that ‘empowerment of the most vulnerable members of society is fundamentally difficult’ and that the ‘powerlessness’ of these groups and their lack of access to networks, assets and political representation leads to a failure to vocalise concerns about the ‘policies and actions which will affect them’ (ibid: para 73).

Preferring to view the participatory process itself as problematic rather than symptomatic of such marginalisation, the institutions’ recommendation is to widen the use of such participatory methods in policy formulation through, for example, recommending the ‘use of participatory poverty assessments for raising the visibility of poor people’s views’ (ibid).

However, as highlighted in section 6.2 above, the engagement of marginalised communities in such exercises may serve to reinforce the source of domination and disempowerment by filtering knowledge about their needs through conventional analytical frames rather than using such data to challenge existing structures and policies. Analysts of participatory approaches have argued, the underlying power dynamics of participatory development processes – either participatory policymaking or participatory research – more often than not, shape the outcomes of such processes.

Similarly, in the PRSP framework, the needs of ‘the poor’ and ‘local communities’ who have a stake in the formulation of national and international policies affecting their lives and livelihoods are filtered through the PRS process and resistance to policies are diffused through first, exclusion of critical voices, and second, negotiation of resistant voices. Often times, the canvassed perspectives of the ‘poor’ are mediated through the agenda ‘within which their ‘voices’ are solicited and analysed’, an exercise in validation and authentication with which the respondents have ‘little or no influence’ (Brock et al, 2001: 24). In this case, the usefulness of the participatory process is determined by either its value in framing policies which toe the line of structural adjustment or in legitimating the status quo.

This is evidenced in a Bank Board discussion on the Malawian PRSP during which an Executive Director questioned the participation of civil society groups,



commenting that ‘in his experience, participation by civil society usually led to gridlock and poor economic policies’ and that ‘the involvement of civil society in the economic policy dialogue did not guarantee that this would lead to *sound* policies, including liberalization in areas such as the tobacco sector’ (IDA Memorandum, 20 September 2002: para 33 & 35). The Executive Director further questioned ‘whether civil society and NGOs would support further adjustment operations or become a deterrence to them’ to which Bank staff replied that dialogue with NGOs were important and that ‘the NGOs needed to be at the table because they also served as a conduit for communicating information about government objectives to their constituencies’ (ibid: para 36). Civil society actors are therefore treated, not so much as equal partners in the development process, but as means of securing legitimacy of predetermined policies.

This has been compounded by the proliferation of ‘technical assistance’ and ‘capacity building’ projects that have accompanied the inception of the PRSP framework funded by the World Bank and bilateral donors for participation in PRS processes, such as the Poverty Reduction Strategy Trust Fund which disburses grants in support of ‘any activity that is a country priority for strengthening the formulation or implementation of poverty reduction strategies’<sup>27</sup> (World Bank, 2004h). The availability of financing from such sources for engagement with the PRS process has encouraged the participation of civil society groups in the PRS process and incentivised the legitimisation of the framework by such groups.

While not denying there may be genuine reasons for such support, Kalima is suspicious of the motives underlying the Bank’s financing of CSOs in client countries: ‘I think it’s basically for their own interest, to make sure there is a group of civil society that is able to counter the other voices [of opposition]’ (interview: Kalima, 2004). This is exacerbated by the non-PRS-related funding of CSO activity

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<sup>27</sup> The PRSTF is based at the World Bank and supported by contributions from Japan, the Netherlands and Switzerland, for example, and provides grants ‘to support activities in all IDA-eligible countries ... which are at some stage of preparing or implementing a PRSP’ (World Bank, 2004h). Grants may be disbursed to any ‘stakeholder’ of the PRS process – government agencies, parliamentarians, CSOs, education and research institutions and private sector bodies – and activities may include establishing or institutionalising the participatory process, improving poverty diagnostics, public expenditure and prioritization of public actions, undertaking Poverty and Social Impact (PSIA) analyses, and establishing monitoring and evaluation systems for the PRSP (ibid).



by the Bank<sup>28</sup> which has made beholden some groups to the Bank. Kalima is concerned that such financial incentives may act to censor dissent, especially among grassroots organisations:

I think, in a way, they are buying our power base. Because the moment you go and talk against the policies that the Bank and Fund are employing, they won't listen to you ... And they are funding civil society groups that are very, very progressive ... which makes it very difficult for them to speak against [the Bank] (interview: Kalima, 2004).

Doug Hellinger, who coordinated the Washington DC end of the Structural Adjustment Participatory Review Network (SAPRI)<sup>29</sup>, is concerned that the Bank is increasingly vindicated by the encouragement of NGOs' participation and that NGOs have not learnt from the lessons of the SAPRI experience in which the World Bank distanced itself from the findings of the research when the results were proving to be negative of the Bank's policies: 'SAPRI showed that the Bank is not genuine in its dealings with NGOs. Maybe NGOs should stop asking the Bank to open up the space for discussion and expand the Bank's remit' (conversation: Hellinger, 2004).

This amnesia, compounded by the selective participatory process favouring transnational policy advocates, has created schisms within civil society groups, at the national and international levels. Where previously, a division had existed between service provider NGOs<sup>30</sup> and NGO policy advocates, now divisions are entrenched between policy advocates who engage with participatory approaches and those who do not. There have been schisms, even within the INGOs themselves, with regard to participation in the process. Some INGOs, such as ActionAid International, which have a decentralised governance structure, have allowed their subsidiaries to decide,

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<sup>28</sup> Such as those disbursed under the Bank's Development Grants Facility which supports CSO activities directly in different areas through various financing mechanisms. Examples include the Small Grants Program which supports 'civic engagement activities by local CSOs which disbursed US\$2.5 million in 2002 (an average of US\$4,000 per grant), the Consultative Group to Assist the Poorest (CGAP) supporting micro-finance initiatives which disbursed US\$7 million in 2002, and the Information for Development (InfoDev) which supports 'civil society knowledge management, information technology, and internet initiatives around the world' which disbursed US\$3.3 million in 2002 (World Bank, 2005n).

<sup>29</sup> See Chapter Three, section 3.3.3, for details on the SAPRI project.

<sup>30</sup> See Chapter Three, section 5.5 for a fuller elucidation of the role of service delivery NGOs versus policy groups vis-à-vis their participation in local policymaking.



based on local knowledge whether to engage or disengage from the PRS process whereas others have maintained a strict line of engagement<sup>31</sup> (conversations: ActionAid staff member, 2005 & staff member, 2006).

The conflict which arises from implementation of the participatory process has served, in many respects, to divert attention from the substantive aspects of the economic programmes associated with the PRSP framework, such as the PRGF. More resources are spent on the politics of bargaining and negotiation among CSOs on the procedural framework of participation than on critically examining the policy prescriptions accompanying the adjustment programmes the PRSPs support, often leading to the fragmentation of traditional opposition to such policies.

### **6.3.3. The Marginalisation of Indigenous Politics**

One of the most critical effects of the technocratising of strategic economic planning characteristic of the PRSP framework has been the increasing marginalisation of representative politics in PRSP countries. Almost all studies of PRS processes in a range of PRSP countries found that the participatory process has sidelined electoral political structures in these countries in favour of the technocratic partnerships discussed in the previous section<sup>32</sup>.

The civil society bias inherent in the discourse and practice of the PRS process, compounded by the conservative political climate and historical relationships between the executive and external financiers, in many PRSP countries have resulted in this bypassing of domestic legislatures in the participatory process. For many countries dependent upon external financing, the close relationship between the government, notably the finance ministries and central banks, and external financing institutions, such as the World Bank and the IMF, is historically constituted. Finance ministers liaise very closely with Bank and Fund officials in negotiations for loans and other development financing and often, have traditionally acted with a great deal

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<sup>31</sup> For example, ActionAid Pakistan has disengaged from the process (conversation: ActionAid staff member, 2006).

<sup>32</sup> The aforementioned World Vision report highlighted what it felt to be a 'recurring theme' of its country studies which is 'the sidelining of representative democratic institutions, particularly parliamentarians' in the PRS processes (World Vision, 2005: 31). Meanwhile, the OED and IEO had also earlier found in their PRSP evaluations that '[t]he involvement of parliaments has been a particularly weak aspect of the process in case study countries' (World Bank, 2004k: 11).



of discretion and a lack of accountability – both on the part of the government as well as on the part of the institutions (interviews: various, 2004-2005).

### *Rubber-Stamping Legislatures*

The constitutional realities of many PRSP countries mirror those characteristics observed by Gould and Ojanen in Tanzania in which ‘formal representative democracy is weak’ as a result of the ‘non-political aid relationship’ between the executive arm and the financing institutions and the ‘de facto one-party rule’ (Gould and Ojanen, 2005: 54). Eberlei and Hann, for example, note that in the 28 sub-Saharan African (SSA) countries documented in their study on parliaments and the PRSP process, only in two countries – Ethiopia and Lesotho – is the primacy of parliaments over other organs of state constitutionally established while the ‘overwhelming majority’ of countries had presidential systems in which the president plays a dominant role in policy formulation (Eberlei and Hann, 2003: 14).

This legacy has been difficult to shift, even with the inception of a formalised participatory framework such as the PRSP<sup>33</sup>. Moreover, it could be argued that the PRSP framework has conversely restricted the already limited role of parliaments by encouraging the formation of technocratic partnerships between the state, ‘civil society’ and external donors. Studies of participatory processes have revealed that most legislatures in PRSP countries do not enter into the process until the latter stages of the PRSP formulation and are often merely rubber-stamping what has been drafted by the executive and refined in the consultative process with non-parliamentary stakeholders.

There is no formal requirement under the PRSP framework for PRSPs or PRSP-related documents to be approved by national legislatures, even though the document is aimed at serving as a strategic policy document through which all other budgetary decisions will be made. Most policy decisions remain undertaken by executive government ministries and monitoring is conducted by ‘technocratic

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<sup>33</sup> For example, Bwalya et al’s study of the Malawian and Zambian PRS processes attributed the weak involvement of parliaments in the PRSP framework to the historical subordination of national legislatures to the executive branches of government in these countries (Bwalya et al, 2004: 14 – 15; 21 – 23; 26 – 27).



secretariats, usually at the behest of donors' with very little input from or oversight by parliaments (World Vision, 2005: 33).

The Eberlei and Hann research concluded that in most of the SSA PRSP countries studied, parliamentary participation has not involved institutional participation by legislature but has been largely 'restricted to participation by individual members of parliaments in consultation sessions' (Eberlei and Hann, 2003: 9). Even this form of participation by parliamentarians has been limited. In Malawi, it was estimated that only about a third of MPs took part in district consultations, the primary vehicle for parliamentary involvement in the country, in spite of the fact that there were upcoming parliamentary elections (Bwalya et al, 2004: 14). The lack of parliamentarian presence in local constituencies during this key period suggests the disjuncture between the PRS process and local representative politics and between the PRSP and domestic contests over resource allocation.

A World Bank study of PRSPs and Transitional Results Matrices (TRMs)<sup>34</sup> found that there was only significant parliamentary involvement in the PRSP process in over a quarter of 59 countries surveyed (World Bank, 2005h: iii). Only in Uganda and Ghana were there active parliamentary scrutiny<sup>35</sup> of the PRSP and other development plans whereas in another 16 countries, parliaments approved a PRSP or a long-term development plan or both (ibid: 21).

In 10 of these 16 countries – Burkina Faso, Djibouti, Guinea, Honduras, Lao PDR, Madagascar, Mauritania, Mozambique, Tajikistan and Timor-Leste – parliaments were constitutionally mandated 'to approve national development plans, or in the case of many francophone countries, any laws which lay out economic and social objectives' (ibid). In eight of the 59 countries surveyed – Burundi, Cape Verde, Ethiopia, Liberia, Mongolia, Republic of Congo, Vietnam, and Yemen – national

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<sup>34</sup> TRMs are integrated planning tools which may act as precursor to PRSPs in low-income countries under stress (LICUS) (World Bank, 2005h: iii). TRMs have been launched in five LICUSs – the Central African Republic, Haiti, Liberia, Sudan and Timor-Leste (World Bank, 2005h: iii). Haiti completed its Interim-PRSP last year and qualified for the HIPC initiative. It is currently undergoing a PRSP process.

<sup>35</sup> The Bank considers that there is such substantial parliamentary involvement where parliaments play a role in the formulation, implementation and revision of the PRSP and other development plans, such as the formation of a special parliamentary committee on poverty reduction in Ghana and the participation of the Ugandan parliament in PRS implementation and revision through the preparation of the annual budget and other economic planning (World Bank, 2005h: 21).



legislatures are ‘constitutionally required to approve or make recommendations on socioeconomic development plans, but parliament has not yet approved the PRS or the TRM’ (ibid: 22). In most other countries, parliaments are not constitutionally required to approve the PRSP, even if some are mandated to approve other development plans, for example in Bolivia<sup>36</sup>.

However, even where there has been parliamentary participation in the PRS process, parliaments played a limited role in the drafting and revision of the policy content of PRSPs due to limited capacity and the short legislative time-frame allocated for discussion of the PRSP and PRSP-related documents.

In Ghana, parliamentarians entered into the GPRS process in July 2001, a year after the process was officially launched and although parliament had formed a special committee in the GPRS and workshops were held to discuss it, the report presented by the committee on the draft PRSP ‘did not bring about any substantial change in the GPRS’ as ‘[m]any parliamentarians had been unable to understand some of the technicalities and did not have the resources to elaborate an in-depth assessment’ (World Bank, 2005k: 60). In Tanzania, parliamentary engagement in the PRSP process was limited to parliamentarians’ participation in a PRSP seminar in June 2000, the National Assembly perusing a draft of the document in July 2000 and parliamentarians’ participation in a consultative workshop on the first PRSP progress report in 2001 (Gould and Ojanen, 2005: 55; World Bank, 2005i: 269).

### ***Bank and Fund Involvement***

The World Bank and the IMF are becoming increasingly aware of the importance of parliamentarians in national development planning, such as the PRSP, particularly in securing the consensus and legitimacy necessary for successful implementation of policy reforms under financing instruments. Bringing parliamentarians into the planning framework of the PRSP also facilitates greater legitimacy for policy reform

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<sup>36</sup>The Congress has had a limited impact on the EBRP formulation process and even though parliamentarians had participated in discussions, ‘their contribution was largely symbolic in that they did not make specific policy proposals’ (World Bank, 2005k: para 68). Although the Congress is constitutionally mandated to examine the *Plan General de Desarrollo Económico y Social* (PGDES), Bolivia’s indigenous development plan and approve the national budget, it is not required to approve the EBRP and has not done so, nor is there parliamentary oversight of the EBRP and implementation of other development planning documents (ibid).



required as a condition for financing under PRSP-related instruments, such as the PRGF and the PRSCs, even though the policy matrices which accompany these instruments may, and often do, depart from the policies contained in the PRSPs (see section 6.4 below).

The bio-political power that is exercised by the BWIs over the state apparatus in these countries through the executive arm of government (see Chapter Five) is thus extended to the legislative arena. The link between the PRSP and budgetary processes is considered crucial as most PRSP countries require parliamentary approval of budgets. By encouraging parliamentary involvement in the drafting of the policies contained in a strategic document such as the PRSP or the MTEF, the Bank and Fund hope to inject revenue realism into the process of political bargaining over resource mobilisation and public expenditure.

In other words, the Bank and Fund hope that by enabling parliamentarians to participate in the formulation of national strategic plans, these electoral representatives may acquiesce to the trade-offs of policy reform contained in the financing instruments which purport to provide the funds necessary for delivering the aforementioned development strategies. As the Bank contends:

In countries where external loans must be approved by parliament, ensuring that external financial assistance supports country development objectives would facilitate parliamentary approval (World Bank, 2005h: 21).

Both the Bank and Fund have now established parliamentary units to facilitate dialogue between the Bank and the Fund and parliamentarians in client countries, reflecting the increasing importance the Bank and Fund ascribe to parliaments, but also as reflecting the pressure that has been placed on the institutions by civil society advocates vis-à-vis the need for parliamentary scrutiny of Bank and Fund activities<sup>37</sup>.

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<sup>37</sup> See for example the International Parliamentarians Petition (IPP), a network established by a group of NGOs including the Bretton Woods Project, Christian Aid, Jubilee Debt Campaign and Action Aid, to petition for greater parliamentary oversight of Bank and Fund activities in client countries (see IPP website: <http://www.ippinfo.org/index.htm>) (1 March 2007).



Although the Bank itself has been involved in work with parliamentarians over the years<sup>38</sup>, it has increased its activities in this area as a result of the PRSP initiative. The World Bank Institute now organises a 'Parliamentary Strengthening Program' to build capacity among client country parliamentarians and to develop the institutional capacity of parliaments as a whole, including enabling the capacity of parliaments to oversee allocation and use of public funds and to assist parliamentarians in representing constituency interests (World Bank, 2005m).

Once again, the objectives of such capacity building projects are questionable. The financial support for parliamentary technical assistance both increases the leverage of the BWIs vis-à-vis the governance of client countries while creating another mechanism of accountability to donors/financiers. In some ways, the capacity building programmes are little more than an exercise in securing consensus around a set of economic policies favoured by the Bank and Fund and to improve fiscal and financial oversight of domestic expenditure.

The World Bank's Development Communications unit cites, for example, a study by Campbell-White and Bhatia (1998) listing 'the lack of consensus as one of the top five constraints on privatization in Africa' to highlight the importance of strategic communication in successful implementation of privatisation reforms in client countries (Cabernero-Verzosa and Mitchell, 2002: 1). Another Bank handbook, *Public Communication Programs for Privatization Project: A Toolkit for World Bank Task Team Leaders and Clients*, advises Bank staff in borrowing countries to overcome parliamentary opposition to privatisation by working with the executive to secure parliamentary sympathy with the reforms:

To achieve timely passage of legislation on privatization, it is necessary that the government identify a key group of legislative supporters for individual transactions and that *they be nurtured* in a systematic and consistent manner. Consensus building and

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<sup>38</sup> Such as the establishment of the Parliamentary Network on the World Bank (PNoWB) which is now an independent NGO (see PNoWB website: <http://www.pnowb.org> and the parliamentarians section on the Bank website: <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/PARTNERS/EXTPARLIAMENARIANS/0,,contentMDK:20221390~menuPK:478528~pagePK:64165880~piPK:64165858~theSitePK:464534,00.html>) (1 March 2007)



communication mechanisms have to be put in place early on, so that key members of the legislature are fully briefed on upcoming proposals through institutional channels, are aware of the benefits of passage and the costs of inaction, and *develop a stake* in the success of privatization (World Bank, 2002c: 35, emphasis added).

Bank and Fund staff often view the lack of parliamentary capacity as stemming from limited access to information and/or the incompatibility of information received to enable parliamentarians to arrive at consensus for supporting Bank/Fund-prescribed policies, including those involving the contentious Washington Consensus-style reforms (interviews: Harris, 2005; Plant, 2004 & 2005). It is a well-known fact that in most countries, Bank and Fund country office staff often liaise with local civil servants and the executive in building legislative consensus around an IMF or Bank policy reform to be implemented (interviews: Plant, 2004 and various NGOs representatives, 2004-05; Afrodad, 2004c: 20).

In addition to the securing of political consensus – the legitimising of Washington Consensus-style structural and macroeconomic reforms – parliaments are also deemed a necessary institutional framework for domestic and external accountability of donor resources inasmuch as the transnational civil society is. By imbuing in parliamentarians a watchdog sensibility in political climates where executive power has been traditionally unchecked, the institutions hope to promote parliamentary activism by supporting members of parliament in holding the government accountable for revenue expenditure.

In this manner, parliamentarians become as much accountable to the donors as the executive is in terms of national development planning and implementation of economic plans. At the same time, parliamentary power is kept in check through retaining the status quo of exclusivity in the negotiations for financing between the executive and the financing institutions. In other words, as we shall see below, while parliaments are encouraged to hold governments accountable for the implementation of loan policies, the actual policies are still determined by the executive in partnership with the IFIs and other donors.



#### 6.4. The Globalization of Political Consensus

The reorganisation of domestic institutional and political structures under the PRSP framework is couched in the terminology of ‘country ownership’, ‘participation’ and ‘poverty reduction’ but its operational realities belie its rhetoric for two reasons.

Firstly, both participatory formulation and civic and parliamentary oversight of the PRSP process is moot in the context of wider national development strategies and structural reform as the PRSP serves only as a strategic policy document with no operational teeth. The participatory PRS process does little to redress the problem of accountability and transparency in domestic policymaking, particularly vis-à-vis aid and external financing relationships between the PRSP country authorities and external donors/financiers as the substantive conditionalities of financing instruments are not openly debated or discussed.

Secondly, there is a clear disjuncture between the proposals contained in the PRSP document – as a national planning document – and the policy prescriptions of these financing instruments, such as the LDPs for the Bank and the LOIs for the Fund. This dissonance is exacerbated by the fact that the PRSP is essentially a proposal for public expenditure and that domestic ownership of such expenditure plans are limited by a macroeconomic and structural framework imposed by the Bretton Woods institutions.

##### 6.4.1. PRSPs and the Lack of Operational Relevance

In spite of the emphasis on participation and country ownership in the PRSP process, it is clear therefore that such participation occurs only within the parameters established and approved by the BWIs. While there is increasing civic and political participation in domestic policy formulation and decision-making in countries, albeit circumscribed, under the PRSP framework, much of the participation is limited to formulation of *national* planning documents, namely the PRSP and, in a few cases, other domestic planning instruments such as the budget and the MTEF. The negotiations for external policy documents, such as the LDPs or LOIs and the policy matrices which accompany them, remain closed to public and parliamentary consultation.



Studies indicate that while the PRS process has opened up some scope for political participation in PRSP countries, it is only limited to the formulation of a non-binding, non-operational documents such as the PRSP or under the participatory poverty assessments. The financing conditionalities which bind the government and which ultimately, when implemented through national policies, affect the livelihoods of citizens in PRSP countries, are subject neither to public nor parliamentary debate and discussion.

A 2002 report on the Ugandan PRSP process revealed Ugandan NGOs' concern that while all eyes were focused in the PEAP/PRSP and HIPC II processes, no-one was 'scrutinizing any of the nearly [US]\$1 billion in other World Bank loans to the Government of Uganda approved since the PEAP process began in 1997' (Nyamugasira and Rowden, 2002: 16). The report contends, attaching an annex of World Bank loans to Uganda from 1998 – 2001, that between 1998 – 2000, the World Bank approved or planned 21 different policy-based or project loans worth over US\$1,085,000,000, of which only US\$150 million constituted the PRSC (ibid). These negotiations were not designated for public consultations and remained 'agreements signed between the Government of Uganda and the World Bank outside of public view' (ibid).

While the Bank and the Fund have increasingly liberalised their information disclosure policies in recent years, much of the information required by parliamentarians, civil society actors and other stakeholders in the PRSP process to participate meaningfully in discussions and to contribute to national development planning are not disclosed, or if disclosed, are released 'when decisions are *fait accompli*, not in draft form or prior to government agreement or World Bank or IMF Executive Board approval where such information would be useful for public debate' (Rowden and Ocaya-Irama, 2004: 11).

Although draft I-PRSPs and PRSPs may be circulated to stakeholders prior to submission to the Bank and Fund, government-prepared country policy intention documents, such as LDPs, LOIs and Memoranda of Economic and Financial Policy (MEFP), are usually only made available to the public with the *consent* of the borrowing state *after* the related loan or credit has been approved by the Bank or Fund Executive Boards (World Bank, 2002d: para 22; IMF, undated).



Country documents – documents prepared by the Bank and Fund staff in relation to support in a particular country – are usually only available after they have been finalised by the institutions and approved by the Boards. The Bank does not release CASs for IDA countries until they have been discussed by the Executive Directors and finalised<sup>39</sup>, neither do they release Programme Documents<sup>40</sup> for adjustment operations until they have been approved by the Executive Board and, in the case of non-PRSC lending, after consent has been given by the borrowing state (World Bank, 2002d: paras 20 – 21).

A joint report by Afrodad and Christian Aid in 2004 concluded that, outside the PRS process, there is very little scope within the formal loan cycle of the Bank or the Fund for the active participation of parliament or civil society in the content of development financing agreements between the state and the IFIs (Afrodad and Christian Aid, 2004: 2, 24). In two of the five countries surveyed – Mozambique and Tanzania – there is no provision, constitutionally or otherwise, for parliamentary approval of a loan agreement or for enactment of the conditions thereof (ibid: Table 5 and Figure 5). The other three countries – Malawi, Uganda and Zambia – have requirements that parliamentary approval is necessary to authorise and ratify loan agreements made between the executive and the financing institution but the legislatures generally do not have much control over the details of the loans or the extent to which the countries are exposed to external debt.

In Zambia, for example, although the **Loans and Guarantees (Authorisation) Act, Cap 366 of the Laws of Zambia** provides that ceilings on loan borrowings must be authorised by the Zambian National Assembly in a statutory instrument, the Act gives the Minister of Finance substantial power to borrow within and outside the country and ‘external loans are not subjected to the scrutiny of Parliament before they are obtained nor is the Auditor General supplied with all the loan documentation’ (Afrodad, 2004e: 13). Moreover, the minister is authorised under section 26 of the Act to vary the ceiling on borrowing to raise an urgent loan or guarantee when the National Assembly is not in session if it is in the public interest and with the approval of the president (ibid).

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<sup>39</sup> CASs for non-IDA and non-blend countries are made available only ‘at the request of the country concerned’ after Board discussion and finalisation (World Bank, 2002d: para 8).

<sup>40</sup> Documents setting out a description of the programme, ‘the Bank’s appraisal and assessment of the feasibility of, and justification for, the program’ (World Bank, 2002d: para 19).



In Malawi, although an Act of Parliament is required to authorise external loans and ratify loan agreements, the study found that, to date, ‘there have been no cases where Parliament has not passed a Loan Authorisation Bill’, partly as a result of the heavily partisan nature of the legislature and the lack of parliamentary independence from executive influence (Afrodad, 2004a: 16, 22). Similarly, while the Ugandan Constitution of 1995 decrees that all loans and guarantees must be authorised by an Act of Parliament, parliament can delegate authority to the government to enter into an agreement for the giving or acquisition of a loan or grant in the public interest under section 5 of the Constitution (Afrodad, 2004d: 15). In none of the countries surveyed are non-parliamentary stakeholders, such as civil society groups, able to participate in discussions for loan agreements, with the executive or in parliamentary standing committees although there may be limited access to individual parliamentarians.

Moreover, as discussed in Chapters Four and Five, the principle of ‘country selectivity’ which is increasingly guiding the World Bank’s disbursement of financing to client countries requires countries to institute institutional and structural reforms *outside* the framework of a formal financing agreement between the state and the Bretton Woods institutions. Conformity with such requirements – notably prior actions and other *ex-post* conditionality – entails governments to undertake both minor and significant institutional and policy reforms agreed upon between the country authorities and the World Bank and/or IMF staff. These reforms, unless they involve parliamentary approval for legislative changes, are not subject to debate or discussion outside executive circles.

Furthermore, the problem of loan scrutiny may yet be exacerbated by the requirements of the mandatory Joint Staff Advisory Notes of PRSPs. As discussed in Chapters Five and Six, the JSAN dispenses with the need for a ‘Washington sign-off’ of a country’s PRSP in order for the country to qualify for concessional financing from the institutions and shifts the onus onto the country to ensure that any structural and macroeconomic weaknesses identified in the JSAN are redressed in the country authorities’ LDP, LOI or MEFP (see Chapter Five, section 5.4).

This and the fact that financing conditionality may be used to remedy such identified ‘weaknesses’ in the PRSP moves the venue for policy discussion of substantive



economic policies back in the realm of the loan document. This precludes any potential for significant domestic input into the policies that will ultimately bind the countries and affect citizen and business livelihoods as policies discussed and agreed upon the public documentation process of the PRSP framework remains subject to substantive revision in the loan policy documents.

#### **6.4.2. Dissonance between Policies, Practice and Programmes**

As a result of these operational realities, it is not surprising that, while theoretically, policies in the PRSCs and the PRGF, are supposed to be drawn from the countries' PRSPs, there is a disjuncture between the PRSPs and the policy matrices of the LDPs and LOIs. In particular, while the PRSP framework encourages external input into policies for revenue expenditure (read: social sector spending), the PRSP framework appears to have curtailed country autonomy over macroeconomic policy and foreclosed public discussion on this issue.

Various studies, including the OED/IEG and IEO evaluations, have indicated that there is very little scope for discussion on macroeconomic policy issues in PRSPs and almost none in PRGF policy matrices. The IEO report found that PRS processes in the eight countries surveyed<sup>41</sup> rarely addressed macroeconomic concerns with the exception of public expenditure composition and concluded that 'outside the narrow official circle', the PRS process 'has had limited impact in generating meaningful discussions' of alternative macroeconomic and macro-relevant policy options (IMF, 2004e: 50, para 27).

Moreover, there is little use of impact assessments, such as the World Bank's Poverty and Social Impact Assessments, in the formulation of macroeconomic and structural policies under PRSPs although the PRSP initiative was designed to incorporate the use of such tools to assist countries and national stakeholders in weighing the trade-offs of various policy options and to present alternative macroeconomic policies to that of the Washington Consensus (Rowden and Ocaya-Irama, 2004: 36; see also UNCTAD, 2002a: 59).

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<sup>41</sup> Tanzania, Mauritania, Mozambique, Guinea, Vietnam, Tajikistan, Ethiopia and Cambodia (IMF, 2004e: 51, Box 2-4).



There also appears to be little fiscal flexibility in the design of both the macroeconomic framework of PRSPs as well as in the PRGFs by country authorities and almost no alignment between the macroeconomic content of PRGF programmes with PRSPs, even though ‘PRGF-supported programs are supposed to be embedded in the overall strategy for growth and poverty reduction’ (IMF, 2004e: 72, para 2). While the IEO attributes this to the fact that many of the existing PRGFs studied preceded the PRSPs<sup>42</sup>, it concedes that this practice has continued with newly negotiated PRGFs in which ‘slightly more than half were finalized *before* the PRSP’ (ibid: para 3). This not only raised ‘doubts about the claim that the program design is guided by the PRSP’ but also, as the case studies suggested, ‘that the reverse influence is more common’, with key elements of the PRSPs’ macroeconomic framework drawn from PRGF negotiations (ibid).

The impact of adherence to the strict macroeconomic policy package of the PRGF has had the result of constraining the very autonomy over budgetary expenditure the PRSP framework was supposed to confer on PRSP countries and their citizenry. The IMF’s traditional insistence on countries’ adherence to low-inflation targets and low budget deficits has lead to strict caps on the countries’ public expenditure (for example, through ceilings in its MTEF), thereby limiting the government’s capacity to spend on areas of health, education and other public services<sup>43</sup> (Rowden, 2004: 13). This has constrained the ability of national stakeholders to formulate policy, even if the policy space is one confined to budgetary allocations, as expenditure, even ‘pro-poor’ expenditure has to be developed within the expenditure ceilings set by the IMF. Parliaments in many PRSP countries cannot increase the expenditure ceilings beyond those outlined in the countries’ MTEFs.

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<sup>42</sup> This was a common feature in the first generation of PRGFs whereby the Fund continued to lend to countries eligible under the former Enhanced Structural Adjustment Facility (ESAF) without enforcing the new procedural requirement of having completed a PRSP or I-PRSP to ensure that countries did not have financing disrupted in the changeover (interview: Plant, 2004).

<sup>43</sup> ActionAid USA’s report *Blocking Progress: How the Fight Against HIV/AIDS is Being Undermined by the World Bank and the International Monetary Fund* contends that this strict adherence to the IMF’s low-inflation targets and public expenditure ceilings can result in countries not accepting aid that is earmarked for public services even when the resources have been pledged to them (Rowden, 2004). The IMF’s rationale for such budget austerity is based on the idea that the ‘rapid inflow of foreign exchange associated with the increase in aid receipts can drive up the value of the recipient country’s currency’, increasing the price of its exports and undermining its competitiveness on the global market, an occurrence known as the ‘Dutch disease’ (Ooms and Schrecker, 2005, p 1821; also Rowden, 2004, p 7).



Furthermore, as these and other studies have also revealed, there is little to distinguish between the policies enshrined in the PRSPs and PRSP-drawn financing instruments – PRSCs and the PRGF – and the policies of the old structural adjustment loans. The UNCTAD study has questioned the ultimate feasibility of the PRSP project in achieving its rhetorical objectives of poverty reduction when country authorities remain disciplined by the conditionalities of multilateral lending and debt relief. It concluded that for the most part, the newly acquired autonomy of countries to design their own economic strategies has been ‘circumscribed by the same considerations that dominated the structural adjustment programmes over the past two decades’ (UNCTAD, 2002a: 6; 19).

Additionally, the report expressed concern that domestic public expenditure patterns are being reshaped by PRSP-mandated priorities and that the new focus on social sector spending at the expense of capital investment may paradoxically hinder rather than help domestic growth and poverty reduction strategies (ibid: 25 – 26). Rather than establish a genuinely country-owned economic strategy therefore, the PRSP framework has merely served to weave in social safety nets to offset the dislocations accompanying conventional stabilisation and adjustment reforms (see ibid: 4).

The conclusion of the IEO evaluation report summarises the views held by many Bank and Fund staff and some Executive Directors when it argues:

The aim [of the PRSP approach] was to create greater scope for country-driven alternatives and investigation of alternative strategies by expanding the policy space *acceptable to BWIs*, especially on issues where the evidence on links from policies to growth and poverty reduction is not well-established or is likely to depend on circumstances in a particular country (IMF, 2004e: 107, para 6).

The process of participation therefore appears to both legitimise the substantive policies of the post-Washington Consensus at the same time as it disciplines country authorities. The process subjects governments to external scrutiny, ensuring that the resources are managed in a manner consistent with the objectives of the BWIs by prioritising social sector expenditure while prohibiting discussion on



macroeconomics. This creates a public space for participation and subjects the state to additional scrutiny by its own domestic constituencies and at the same time making sure that the domestic constituency, as remapped by the BWIs, police their own resource allocations.

## 6.5. Conclusion

The participatory process of the PRSP framework has significantly redrawn the political landscape in many Bank and Fund client states and this reorganisation of domestic political institutions under the PRSP framework has fundamentally altered the manner in which the state is made accountable, not necessarily however to its own citizens. Specifically, the process has subjected the state to greater external scrutiny, not just of its economic policies but of its practice of governance itself, and hence, increases its exposure to greater external remedial action, notably to the interventions of external donors seeking to mediate the development of domestic political franchise.

The conceptual underpinnings of ‘participation’ under the PRSP process is therefore the assumption, as that of the good governance reforms, of a dichotomy between state and civil society and the binary opposites of what each represents vis-à-vis governance and development in developing countries. At the same time, this self-assumed, self-validating ‘mediating role’ of external donors between ‘civil society and national governments’ weakens the influence of endogenous groups in national policy formulation and national accountability processes in favour of such external oversight (Chavez Malaluan and Guttal, 2003: 10).

Consequently, the PRSP framework exerts disciplinary power over country authorities by subjecting them to a paradoxical relationship of oversight and partnership with non-state actors, notably transnational civil society organisations, who translate the language of the post-Washington Consensus in both directions. The state is scrutinised yet legitimised in this exercise of consultation.



Legitimacy in this form of participation is derived in two ways. Firstly, at the local/national level, consensus has been massaged to lend credence to the substantive policies ‘populist neoliberalism’ (Gould and Ojanen, 2005) – by appropriating the space for representative democracy and replacing it with consultative-partnership politics. Secondly, at the metropole level of the donor/financier agencies, the practice of participation and the discourse which accompanies it provides a feedback loop to justify aid expenditure and legitimises the role of the World Bank and the IMF to the electoral constituencies who have a stake in the foreign policy budgets of the financier countries.

Further legitimacy for the project of post-adjustment reforms is correspondingly secured through the nexus between the transnational policy elite – the INGOs and expatriate policy advocates from the epistemic community for example – and the local constituencies of the BWIs and its major shareholders. The G8 countries can and will draw upon the PRSP policy of engagement and stakeholder participation as a means to justify continued foreign policy expenditure in low-income countries. Further discipline is then exerted by subjecting such ‘ownership’ and ‘partnership’ mechanisms to the omniscient policies of macroeconomic and structural adjustment as negotiated between the state and the BWIs.

This reorganisation of domestic political space has been critical given the geo-strategic imperatives underpinning the introduction of the PRSP approach. As highlighted in Chapter Three, the merging strategic interests of the bloc of developing states and transnational social movements, led by a cadre of highly specialised NGO technocrats, in the late 1990s had created a powerful wave of resistance to the systemic inequities of the international economic architecture.

The PRSP framework can therefore be viewed as a means of incentivising the continued participation of southern states, notably those indebted, structurally adjusted states, in the global economic order and of managing their integration into the international system. At the same time, the project fractures the resistance to such integration through reorganising the means through which the state encounters and engages with its domestic constituents and transnational actors within its territory and influence.



In this manner, the PRSP framework resonates with not only the ‘civilizing mission’ of the pre-colonial and colonial period, but also with the technologies of colonial management which sustained this mission. For Pahuja, the colonial continuity within international economic governance today is manifested in the quelling of what Guha (1998) terms as ‘the prose of counter insurgency’ through which popular protests to SAPs are delegitimised through the exclusion of ‘the masses, or the subaltern in crucial issues of governance’ (Pahuja, 2004: 171 – 172). The ‘potential for disruption’ is therefore contained in a similar vein to the suppression, in anti-colonial struggles, of voices other than those of ‘the indigenous elite who had largely adopted the epistemology of the coloniser’ (Pahuja, 2004: 172, relying on Guha, 1998).

Taking Pahuja’s analysis a step further, I argue that the PRSP framework goes further by attempts to appropriate this ‘prose of counter insurgency’ for its own ends rather than dispelling it. By formalising institutions – the PRS process – through which dissent from the policies of government may be represented and where protest may be legitimised, the PRSP framework turns resistance on its head. ‘Participation’ in governance structures thus becomes a form of resolving the social and economic dislocations of neoliberal economic globalization so that dissent from the economic policies of SAP financing operations is confined and diffused.

Confinement of emancipatory politics within the territorial boundaries of a nation state, and within it, the geographical boundaries of the district and the villages, not only problematises the state – the inefficient, predatory state (see Santos, 2006: 43) – but also creates a cartography of impoverishment which localises poverty to create a disempowering counter-discourse. Reducing economic marginalisation and social inequity to the lowest territorial denominator not only distorts the magnitude of the problem, it also minimises the potential for social dislocation and political change.

Cameron and Palan, critics of New Labour’s urban regeneration policies in the UK, have contended that ‘by suggesting that the local scale is the most salient and, in practice, the only scale at which social exclusion ought to be tackled, the possibilities for intervention in poverty are similarly restricted’ (Cameron and Palan, 2004: 142 – 143). Similarly, the localisation of poverty in the PRSP process envisages the



localisation of anti-poverty politics and policies, disregarding the impacts of external economic pressures.

At the same time, the process legitimises these policy interventions inasmuch as they legitimise the institutional presence of the BWIs and bilateral donors in the country. This not only confines the disruption of resistance to the current international economic order, but also the notion of politics and political franchise within the territorial bounds of the nation state, thus fracturing the global resistance to hegemonic global practices and policies of neoliberal globalization. Whether the global powers have been successful in quelling this resistance remains to be seen, in particular, the question remains if such technocratic solutions are sufficient to suppress the percolating ‘globalization from below’ in the next round of global economic crises, an issue I will consider briefly in the following chapter.

This chapter and the previous chapter has demonstrated the shift in the modalities of control over developing countries exerted at the level of the global governance institutions, namely the World Bank and the IMF, and bilaterally, through donor financing aligned with the PRSP framework. The operational reforms of the PRSP framework therefore are evidence of a larger shift in the modalities of power at the very high levels of inter-state governance. This power is premised on the restoration of ‘agency’ to the actors in the process and the contract that such ‘agency’ is not ‘abused’ by the persons to whom it is conferred. These shifts have significant implications on the construction of global polity and will be explored as we tie the discussions together in the following concluding chapter.



## Chapter Seven: Consolidation and Conclusion

*‘... the tragedy for the Third World is that the mechanisms used by international law to achieve decolonization also were the mechanisms that created neocolonialism and that, furthermore, the legal structures , ideologies and jurisprudential techniques for furthering neocolonialism largely were in place before Third-World states actually attained independence’*

*- Anthony Anghie, 2002: 627 -*

The Poverty Reduction Strategy Paper framework currently forms the basis for policy dialogue and aid negotiations for 64 developing countries. While originally intended as a multi-stakeholder harmonisation instrument for external financiers with broad-based participation, the initiative has remained primarily driven by the Bretton Woods institutions, their staff and major shareholders. The PRSP framework has not only altered the nature of these countries’ relationship with development financiers, but also the terms of their engagement with external economic forces.

The impact of the PRSP framework on international economic relations and, consequently, on the constitution of global economic governance has been significant. A historical reading of the PRSP framework; its situation within a continuum of political events and policy narratives in the period immediately preceding its inception; and its contextualisation within the legacy of postcolonial economic relations enables us to ascribe the framework with wider economic and geo-political significance beyond its immediacy as an instrument for aid disbursement.

This thesis has demonstrated how the PRSP framework has changed the regulatory landscape of international development financing and how these changes have reconfigured the internal and external political dynamics of countries subject to its interventions. It has also analysed how the reorganisation of domestic drivers of countries’ policymaking processes and institutions under the PRSP project have



served to mediate these countries' encounter with the international financial and trade system and the international law underwriting such engagement.

In this concluding chapter, I seek to consolidate the findings of the preceding chapters in the context of the PRSP framework's disciplinary impact on the third world states it regulates. Accordingly, I seek here to locate the PRSP project within wider shifts in the configuration of global power and examine what these changes mean in the wider context of global economic governance. In particular, I examine how the reforms of the PRSP framework may have served to foreclose the possibilities for a radical revision of asymmetries of current rules and institutions of international economic law but yet, how an understanding of the forms of power which underlie this circumscription may, paradoxically, serve as opportunities for negating this foreclosure.

### 7.1. A New Global Compact

At the outset, this research posed two related questions: (1) does the PRSP approach to development financing constitute a departure from the existing modalities and regulatory norms of international development financing? and (2) if the PRSP approach does constitute a departure from existing modalities and norms, what are the implications of this shift on the constitution of global economic governance and international law ?

This thesis surmises that the PRSP approach constitutes *both a departure from* and a *restatement of* existing modalities of financing and existing legal and political framework of international development financing. This is measured against the conceptual framework of the 'new architecture of aid' on which the PRSP initiative is based as well as the policies and programmes through which this conceptual framework is operationalised, that is through a) the PRSP process itself; b) the policy instruments the PRSP underpins, such as the Country Assistance Strategy and Medium Term Expenditure Framework; and c) the financing instruments the PRSP informs, such as Poverty Reduction Strategy Credits and the Poverty Reduction and Growth Facility.



An examination of these processes and instruments demonstrates that in spite of rhetoric to the contrary, the new framework for regulating aid flows has not redressed the democratic deficit of previous modalities of development financing. Instead, where there has been a change in the *process* of accessing official development financing, there has been little traction on reforming the *substance* of development financing, notably the attached economic policy conditions, and these shifts in the procedural aspects of financing have correspondingly *reinforced* rather than *revised* the nature of substantive negotiations between client states and their external financiers (see Chapters Four, Five and Six).

At the same time, the changes to the framework of aid relations and the operational policies of official development financing have impacted on the constitution of global economic governance, specifically third world engagement in the processes and outcomes of international economic relations. This is demonstrated through an analysis of the PRSP framework's impact on the modalities of regulating state access to development financing, notably through its effect on the instrument of conditionality (see Chapter Four) and the impact of internal interventions of the PRS process on states' relationships with their external financiers (see Chapters Five and Six).

Accordingly, this thesis has shown that while there are significant processual shifts in the modalities of the 'new architecture of aid', the substance of this new framework for disbursing financial assistance to low-income countries remains driven by both the bureaucratic imperatives of the Bank and the Fund and, more importantly, the geo-political and economic agenda of their major shareholders. The centrality of the BWIs to the mobilisation of external resources for postcolonial states, especially since the collapse of the Bretton Woods system in the 1970s and the debt crisis of the 1980s, has served to establish them as key institutions for managing the third world's relations with the exterior (see Chapter Two), and consequently, as pivotal institutions for managing the crisis of legitimacy in the late 1990s which precipitated the PRSP framework (see Chapter Three).



The PRSP framework, as a subset of the wider post-Washington Consensus policymaking agenda, may be viewed as a means of the quelling potentially insurgent nation states in the south in the face of the global loss of faith in the neoliberal global economy and reinscribing the discipline that its predecessor framework, structural adjustment, was failing to establish in the face of mounting dissonance in the international political economy at the time (see Chapter Three). Encapsulating the post-Washington Consensus' core of 'anti politics' by substituting 'the politics of procedure for the politics of bargaining' (Jayasuriya, 2001b: 1), PRSPs therefore represent a conceptual departure from structural adjustment programmes in three critical areas: the constituents of domestic policymaking, external political barter and the regulation of access to capital (see Chapter Three).

This is facilitated through a reorganisation of a) the modalities of regulating states' access to international development finance and b) the extensive reforms wrought by the PRSP framework on the internal constitution of the recipient states, with the reorganisation of such structures predicated upon the imperative to enforce compliance with a set of policy and regulatory prescriptions that sustain rather than subvert the status quo of economic globalization and geo-political landscape of the postcolonial period (see Chapters Four, Five and Six). The process of universalising national economic planning – setting uniform 'development' targets and common prioritisation of public policy – and globalizing bureaucratic and political structures – establishing a template for public participatory policymaking and intra-governmental policy dialogue – creates a framework which punishes non-conformity with pre-established norms (see Chapters Five and Six). States which fail to play by the rules are excluded, not by coercion but through evaluation of their willingness to be subjected to these 'universal' values and objectives of state-society organisation (ibid).

This thesis has thus attempted to demonstrate that the conceptual and operational premise of the PRSP framework responds not only to a geo-strategic urgency to reassert the hegemony of the northern states who underwrite the rules of multilateral engagement in the face of resistance, but also an imperative to secure legitimacy for the reformulated rules of engagement (see Chapters Two and Three). The modalities of the regulatory discipline ascribed through the PRSP framework therefore establish new modalities of control, representing the shifting manifestations of power in the



new international political economy. Specifically, this thesis has shown how the PRSP framework exemplifies the transition from what Foucault terms a ‘disciplinary society’ to that of a ‘society of control’ (see Chapters Four and Five; section 7.4 below).

The response of the aforementioned crisis of legitimacy is therefore not one predicated upon the revision of international economic law and the purging of its asymmetries, but one that revises state engagement with international law and the political economy which sustains it. Correspondingly, the response of the PRSP framework to the social and economic marginalisation of states and communities resultant from neoliberal globalization underwritten by the rules of international trade and finance is not one of international redistributive justice nor one of reparational justice but one of bilateral and financial mediation *on the terms established by the hegemon states*. The pivoting of all discourse of social and economic exclusion on the issue of ‘aid’ and the merit of countries to receive ‘aid’ subverts the real and persistent causes of such marginalisation in the global economy.

In light of the analyses of the conceptual and operational framework of the PRSP, it is possible to conclude that the PRSP framework impacts upon the constitution of international law and governance by establishing a new regulatory framework that restructures fundamental relationships between actors, states and institutions in the area of development financing policy and practice. The constituents of this new regulatory mechanism are reflective of the emerging manifestations of global disciplinary power, representing both a continuation and an exacerbation of the asymmetrical sovereignty characterising postcolonial international law and international relations and the imperial nature of the ‘development project’ which has so far sustained the logic of these asymmetrical relationships between the ‘core’ and peripheral states of the global economy.

## 7.2. A New Regulatory Project

One of the explicit objectives of the PRSP framework is to provide ‘a vehicle for better aid coordination’, envisioning ‘that the PRSP will be the primary instrument by



which a country articulates a strategy around which external development partners could align their own programs of support' (IDA, 2002: 11 – 12). In other words, the PRSP approach seeks to harmonise the fragmented regulatory webs involved in the negotiation, evaluation and disbursement of official development financing.

This globalization of aid relations follows on from the rapid globalization of regulation in areas of trade and commercial finance which has taken place in the world economy over the past three decades. The PRSP framework and its attendant processes of aid harmonisation and donor coordination therefore exemplifies, inasmuch as it intensifies, the globalization of policymaking and regulatory norm setting characterising international law and governance today.

#### a) **A Global Administrative Space**

This new regulatory framework deviates from pre-existing structures of global governance in two fundamental respects. Firstly, it reconfigures the internal dynamics of relationships between the states subject to regulation and the exterior, and by doing so, introduces (and universalises) new structural norms into economic regulation through development financing. The agenda for norm-brokerage in this new configuration depends less on the establishment of coercive rules and principles for engagement and more on the discretionary application of 'voluntary' accession to the discipline. This is demonstrated, for example, in the movement away from norms to processes in the global economic regulation, such as the shift away from the use of *ex-ante* conditionalities in development financing agreements to a reliance on *ex-post* conditionalities (see Chapter Four), and in the shift towards using incentives as instruments for disciplinary control (see Chapters Four and Five).

Here, the terms of access to development financing and the rules by which states in receipt of it are governed have therefore evolved to incorporate not just the adoption of substantive conditions – that is, the economic (and to a limited extent, governance) policy reforms of the accompanying adjustment or stabilisation programme – but also the implementation of processual conditions – such as the institution of consultative decision-making mechanisms – as a criteria for accessing financial resources. The construction of the relationship between the parties to the



financing assumes a more globalized form, undertaken under the tutelage and management of the BWIs and facilitated by the expansion in their discretionary powers (see Chapter Four).

Correspondingly, the effect of a globalized system of policymaking, universalised across a diverse range of third world states, is the systematic insertion of domestic state structures into the larger global regulatory order, ceding not only significant internal rulemaking and norm-brokerage to the ‘international community’ – represented here by the administrative capacity of the BWIs – but also the related implementation and adjudication functions as well.

The internationalisation of these institutions under the PRSP framework is therefore contributing to the emergence of what some scholars term a ‘global administrative space’ – the increasing inseparability between global and national regulatory space in which substantive and procedural norms established the global level, supplemented by webs of unifying national regulation and global coordination are ‘penetrating deeply into domestic regulatory programs and decisions’ (Kingsbury, Krisch and Stewart, 2005: 25 – 26). In this emerging form of transnational regulation, much of the specifics and implementation of norms is determined by ‘transnational administrative bodies’, including organisations such as the World Bank and the IMF, which ‘perform administrative functions but are not directly subject to control by national governments or domestic legal systems’ (ibid:16).

The cessation of national control over crucial aspects of norm creation, enforcement and adjudication, including the dispensation with domestic ratification of externally negotiated rules, is a hallmark of this global administrative plane (ibid: 25 – 26; Krisch and Kingsbury, 2006: 3 – 4). According to Kingsbury et al:

The rise of regulatory programs at the global level and their infusion into domestic counterparts means that the decisions of domestic administrators are increasingly constrained by substantive and procedural norms established at the global level; the formal need for domestic implementation thus no longer provides for meaningful



independence of the domestic from the international realm  
(Kingsbury et al, 2005: 26).

However, the increasing enmeshment of local and global regulatory structures have differing impacts on the third world than on the industrialised states which control the international institutions forming part of this global administrative space. As Chimni has argued, the significance of this regulatory network of international institutions for third world states today is that, together, this network, 'has been established or repositioned, at the initiative of the first world and together, they constitute a *nascent global state* whose function is to realize the interests of transnational capital and powerful states in the international system to the disadvantage of third world states and peoples', resulting in an 'evolving global state formation' which is '*imperial* in character' (Chimni, 2004: 1- 2). The PRSP framework may thus be regarded as part of this emerging 'global state', regulated through the new technologies of power discussed in section 7.4 below.

## b) Discursive Discipline

The second characteristic of the new regulatory framework established by the PRSP framework is the significant restructuring of the discourse of development and there is evidence of a mutually reinforcing relationship between the structural regulatory force of the PRSP framework and its discursive power. The concepts that are problematised by the PRSP project, namely *poverty reduction*, *participation* and *national ownership*, are constituted as new areas of regulation through dynamics of power and influence that underlie the formulation of this initiative.

Thus, in addition to approaching the PRSP framework from an analysis of an institutional process, the initiative may be viewed as a textual foundation of knowledge production with the discourse of the PRSP process and its associated regulatory instruments ascribed with meanings and representations that support the constellations of power which inhabit the process. Here, Foucault's theory of discourse politics – the creation and enforcement of norms through the construction of specific discursive relationships (see Chapter One, section 1.3) – assists us in understanding how the formation of the rules of knowledge about particular objects



reproduce the relationships of power under which they emerged and under whose authority these objects were characterised and classified (Foucault, 1972: 40 – 47; also 1991: 336 – 337).

In this respect, the implications of the PRSP project extend beyond the policy and institutional incorporation of resistance to encompass a much wider range of cause and effect to include the production and dissemination of discourses on ‘development’ and constructions of ‘poverty’. The language of the PRSP framework has important resonance in movements for social and economic justice but equally, and somewhat conversely, it also shapes the debate about the nature of international economic relations and represents the narratives that have gained currency in the context of these relationships due to the hegemony of the actors who underwrite their emergence.

This ancillary process of knowledge production has, once again, created a universal framework through which knowledge about heterogeneous cultures, and socio-political and economic organisation has been collected, filtered and disseminated, establishing a frame of reference which disciplines through marginalisation and exclusion of those which fall outside these received identities.

The implications of this on the wider global regulatory structures and networks are significant. Specifically, conceptualising ‘poverty reduction’ as a priority policy intervention and ‘ownership’ as a political project forecloses negotiations for the reform of the rules of international trade and finance that facilitate the exploitative relationships underlying the impoverishment and human dislocations in PRSP countries.

The emphasis on developing and fulfilling priorities established in conformity with the parameters set by the PRSP framework – and within the qualified notions of ‘poverty reduction’, ‘participation’ and ‘ownership’ – thus shifts the debate away from the international arena and places the burden of meeting the challenge of social and economic developmental objectives on national governments. It is the nation state – the structurally adjusted, indebted, aid dependant state – that now bears the primary responsibility for ensuring that the communally-ascribed MDGs are met



through a further programme of structural adjustment (now renamed ‘development policy’ operations), foreclosing debate on issues of international economic justice, redistribution and communal responsibility for the provision and protection of public goods (see following section).

Once again, the logic which sustains these interventions is that of the ‘dynamic of difference’ discussed in Chapter Two. Prevailing discursive representations of third world states, particularly of low-income, highly indebted countries, as incapacitated states requiring assistance from the ‘international’ community to enable growth and development maintains the legitimacy of the BWIs in determining for these states, the appropriate terms of their engagement with the international community. The states’ acquiescence to such interventions reflects the asymmetrical sovereignty which characterises postcolonial international law (see Chapter Two, section 2.1).

In this manner, where the operational dimensions of this new regulatory project acts as the ‘mechanism of restraint’ under Stephen Gill’s conceptualisation of a ‘new constitutionalism’, the disciplinary power of the discourse associated with the PRSP project serves as a ‘mechanism of incorporation’ (Gill, 2000; see section 7.4 below). The production and dissemination of key concepts shape the debate about the nature of the international economic order and structure the terrain of knowledge on the modalities of state engagement with the international economy, impacting significantly, as we shall see in the following section, on third world state engagement with it and with international economic law.

### **7.3. Foreclosing International Reform**

One of the most important consequences of the new regulatory project forwarded by the PRSP framework has been its effect in foreclosing the possibilities for a radical revision of the rules and institutions of international economic law. The PRSP project does so by reframing fundamental tenets of international cooperation and global communal responsibility. In the PRSP discourse, the challenges of meeting developmental objectives and overcoming socio-economic exclusion in the globalized, interdependent era – both of nation states and communities within them



– reside in the reconstruction of the state apparatus and *not* in the stemming of the currents of neoliberal globalization through international mechanisms and resolution of structural iniquities at the global level.

This is achieved through: a) the discounting of the role of the ‘international’ in the resolution of social and economic exclusion within states, particularly developing states in the south subject to the torrents of globalized neoliberalism and b) rupturing communal struggles to the forces of international impoverishment calling for a revisiting and revising of the rules of the international economy through the incentive of individual engagement.

### 7.3.1. Problematising the State

The mode of engagement prescribed by the PRSP framework is one that transfers to the affected state *autonomy* over, but correspondingly, *responsibility* for state interaction with and commitment to the norms, legal or otherwise, of the international economy. The effects of the state’s wilful entry into the international market and the rules which govern it are correspondingly borne by the state with assistance from the ‘international’ community to mitigate the dislocations of adjustment. Correspondingly, redistributive justice under the PRSP framework takes place in the domestic sphere, not the international, if at all.

‘Poverty’ in PRSP countries is less rooted in the ‘international’ than in the ‘national’, caused primarily not from the lack of financial resources caused by the iniquities of current rules of global trade and finance but by a) states’ incapacity to generate or absorb financial resources due to inappropriate fiscal, monetary or structural economic policy choices; and b) states’ inability or disinclination to utilise resources generated in a productive and redistributive manner (see Chapter Five). The failure of structural adjustment policies in these countries, leading to social and economic dislocations, has more to do with ‘policy slippages’ and not ‘policy design’ (UNCTAD, 2002a: 5).

The state is thus problematised in the context of ‘poverty reduction’ and ‘development’ – the inability to reap the benefits of globalization or to effectively



utilise 'aid' allocated is attributed to the 'inefficient' and 'predatory' state and the incapacity of the state to organise domestic economic functions and enrol sufficient domestic political support to legitimise its strategic role in the economy. The function of the PRS process is thus to rehabilitate the state's prescriptive and regulative capacity to enable better organised strategic development planning and to institutionalise non-state (read: civil society) oversight capacity to enable greater state transparency and accountability for resources generated, accumulated and distributed (see Chapters Five and Six).

The nation state that is reconstituted under this framework is therefore one that is facilitative of the project of global neoliberalism and northern corporatism, rehabilitated through a series of institutional interventions of the PRSP framework. Such an assignment of responsibility, predicated upon the unquestioning acceptance of the status quo of economic globalization processes, obfuscates the role of the international community in securing economic justice for economically marginalised nation states and their impoverished constituencies.

Consequently, the focus of the PRSP framework has consistently centred upon the necessity of PRSP countries to develop a coherent programme of social sector expenditures to meet its international development targets without corresponding consideration of the underlying policy design of national economic strategies and the interaction between these strategies and the global economy (see Chapter Five). The onus is therefore on specific countries to prove their capacity to absorb the financing bequeathed to them by the northern states and demonstrate the institutional discipline necessary to utilise the resources (*ibid*).

### **7.3.2. The Nation State as a Site of Political Struggle and Redistribution**

It follows from the problematising of the state in economic development under the PRSP approach that the national sphere has also been constituted as the primary site for any contestation over the resource allocation and redistribution and the state correspondingly ascribed with the primary duty to discharge the social and economic challenges ascribed internationally, such as the Millennium Development Goals.



The institution of a mandatory participatory policymaking process under the PRSP framework, while enabling a degree of domestic political franchise by opening up hitherto inaccessible spaces for citizenry engagement in national decision-making processes, diverts collective struggle away from the international towards the national. Discontent resulting from the social and economic dislocations of structural adjustment and integration into an uneven international trade and finance playing field by individual countries is now refocused on the individual state and not the community of nations.

The emphasis in the PRSP framework of ‘priority public actions’ and the linking of state economic resources to clear, targeted and accountable public expenditure in social sectors may result in more transparent resource allocation but it also places the responsibility of providing public goods onto national governments. This diffuses dissent to the inequality of current global economic structures and the injustices of global policy decisions by refocusing the debate away from the resource constraints third world states face as a result of external pressures towards one centred on how states can best allocate limited resources to meet developmental challenges.

Furthermore, the access to political structures and limited possibilities for engagement in national strategic planning via participatory processes in individual countries have the effect of fracturing globalized resistance, either in the form of mass citizenry mobilisations or global civil society cooperation. The reconfiguration of the political space in PRSP countries legitimises the *process* of the PRSP framework, through the restructuring of social relations between state and non-state actors and external financiers, as well as conferring credibility on the substantive content of the resultant social and economic policies, even as it fails to reform the existing policy and practice of development financing.

Moreover, the emphasis on ‘poverty reduction’ as priority governmental action subverts the principle of ‘development’ encompassing calls for fairer rules in the international economic order to facilitate such growth (see following section). It does not address the asymmetries which prevent countries’ attainment of fuller economic and social objectives. For example, the redress of declining terms of trade for commodity-dependent states in the south as a result of continuing depreciation of



prices for primary commodities, the tariff escalation rules in multilateral trade law and the intransigence of northern policies on agricultural subsidies. Gore, for example, notes that '[t]he key missing link in the current international approach to poverty reduction is the absence of any kind of international commodity policy', a key international instrument for redressing the social and economic impoverishment of many low-income states and communities (Gore, 2003: 125).

### 7.3.3. Subverting the 'Right to Development'

The assignment of responsibility for addressing developmental challenges to individual nation states is not exclusive to the PRSP framework. It reflects the conceptual framework that has consistently guided official aid flows from northern to southern states in the postcolonial period which have sought to resist the incorporation of any language of redistribution or universal collective responsibility in the area of social and economic cooperation in bilateral and multilateral financing relationships.

The circumscription of the role of the international community, particularly that of the northern states and northern capital which represent the principal beneficiaries of the current international economic order, in any normative framework for international development has been a significant feature of all international negotiations in the area of trade, finance and development cooperation since the collapse of the third world movement for a New International Economic Order in the 1970s and 1980s and the gradual erosion of the UNCTAD mandate in the structural adjustment era<sup>1</sup>.

The refusal of western states to acknowledge collective responsibility for the condition of third world states and to accept complicity in their social and economic marginalisation from the international economic order was evidenced by the north-south split<sup>2</sup> in the voting patterns for the **UN Declaration on the Right to**

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<sup>1</sup> See discussion in Chapter Two, section 2.2 and Chapter Three, section 3.2.

<sup>2</sup> While eight developed countries voted for the declaration with eight others abstaining (out of a combined total of 146 votes in favour), this number was almost reversed in the subsequent resolution for a plan of action calling for a binding resolution of the debt burden, the elimination of protectionist trade policies in the north and the increase in official development financing with 11 developed countries voting against the resolution (ibid: 8 – 9).



**Development in 1986.** The Declaration, championed by the Group of 77 developing states stressed ‘the collective obligation of all states to create a just and equitable international environment for the realisation of the right to development’ and emphasised ‘a collective duty of all states to eliminate barriers, such as unfair trade rules and the debt burden’ (Nyamu-Musembi and Cornwall, 2002: 8).

The most heavily contested elements of the declaration involved questions on the nature of the right to development, specifically the assignment of rights and duties, and the balance between the national and international characteristics of these rights and duties. For southern governments, the ‘right to development’ is international in character and the responsibility for realising such a right ‘cannot remain at the national level’ as ‘globalisation, international trade, foreign domestic economic policies, foreign debt and intellectual property rights constrain national development efforts’ (Piron, 2002: 18 – 19). The ‘right to development’ therefore encompasses a revision of the rules of international trade and finance to enable greater participation and control of developing countries in the global economy, including but not exclusive to the establishment of international mechanisms to implement the principles of the 1986 Declaration (ibid). Specifically, the southern states have argued that this right ‘cannot be reduced to international development assistance, nor to national eradication programmes’ (ibid).

In contrast, contemporary interpretations of the ‘right to development’ by northern states are based on the ‘partnership’ model which underpins the PRSP framework – ‘one based on shared responsibilities and mutual commitments between developed and developing countries and international organisations’ (ibid: 5). In particular, northern governments do not recognise the provisions of the 1986 Declaration as forming part of customary human rights law nor forming a normative basis for their aid financing, external trade and foreign policies vis-à-vis developing states. Instead, these governments have generally interpreted the ‘right to development’ as a right of individuals against states, notably the right of citizens in developing countries against their own states, and not a right exercised by states against other states. While recognising the international dimension of the ‘right to development’, northern governments have argued that it is states which ‘have primary responsibility for the realising of the [right to development]’ (ibid: 18) and that such ‘assistance is based on



a moral – not legal – obligation to alleviate poverty’ (Nyamu-Musembi and Cornwall, 2002: 9; Piron, 2002)<sup>3</sup>.

Consequently, all subsequent international negotiations on social and economic cooperation have been couched along the lines of the new language of ‘partnership’ and ‘poverty reduction’ in contrast to the call for international cooperation and redistributive justice that underpinned third world calls for an NIEO. Just as the Millennium Declaration which gave birth to the MDGs focused on individual state responsibility to meet ‘internationally-agreed’ developmental objectives, the Monterrey Consensus adopted at the 2002 UN Financing for Development (FFD) Conference focused on the responsibility of the international community to mobilise and increase the effective use of national and international financial resources to achieve these objectives (Monterrey Consensus, 2002: para 3). The Monterrey Consensus declared that achieving such targets ‘demands a new *partnership* between developed and developing countries’ including the commitment to ‘sound policies, good governance at all levels and the rule of law’ (Monterrey Consensus, 2002: para 4).

The PRSP framework not only provides the operational mechanism for such a partnership but it also ensures that discussions for external resources and redressing social and economic exclusion of countries remain at the level of the state and at the level of individual financing arrangements with official creditors, whether on a bilateral or multilateral basis. By establishing the parameters for negotiation within a small cartel of donors and creditors, the discourse created by the PRSP approach limits the capacity for PRSP countries to form collective demands for equity at the international level. The core of the PRSP framework thus reflects an effort to ‘manage’ world poverty rather than to resolve it.

#### 7.4. Bio-Power and the New Technologies of Discipline

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<sup>3</sup> According to Nyamu-Musembi and Cornwall, the UK foreign office ‘specifically advised proponents of a rights-based approach within the UK’s Department for International Development to exclude any reference to the [1986] declaration’ (Nyamu-Musembi and Cornwall, 2004: 9).



At various junctures, this thesis has contended that the PRSP framework constitutes a new form of discipline of third world states in the current postcolonial period, representing both a continuation and an extension of old mechanisms of imperial and neo-imperial control. I have argued that this may be framed as the beginnings of a transition from Foucault's disciplinary society to a society of control vis-à-vis the governance of third world states (see Chapters One, Four, Five).

The construction of a new global regulatory framework for disciplining third world states under the aegis of the PRSP framework is evidence of the shifting modalities of power at the global level. The evolution of the disciplinary instrument of official development financing into its current state marks a wider reconfiguration of the aforementioned forms of global governance and the postcolonial juridical order which sustains it, signalling a refinement of the wider techniques of discipline and reflective of this shift (see Chapter Four; Gill, 2000: 14 – 15; Hardt and Negri, 2000: 22 – 24).

As discussed in Chapter One, the Foucauldian conception of power rests upon its plurality of forms and its immanence in the social field. For Foucault, power is not hierarchical, dispersing as it were from a central institutional structure, but is something which proliferates and reproduces at the micro or capillary levels of society, which is then assumed by institutional forces (Foucault, 1994: 339 – 345). Hence, the study of power should involve the study of 'power relations' rather than the institutional manifestations of such power (ibid: 343; see Chapter One). This thesis has studied the institutional manifestations of power but have located such power in wider frame of power relations – between the object of power – third world states – and the authorities of power – the first world and their institutions, namely the World Bank and the IMF.

Foucault classifies the technologies through which this power is exercised within these relationships into two forms: a) *disciplinary power* – the building blocs of the institutional exercise of power; and b) *bio-political power* – the regulation of the body (or body politic in the case of states) - a more sophisticated means 'around which the organisation of power over life was deployed' (Foucault, 1991: 261 – 262; see Chapters One and Four). For Hardt and Negri, the new paradigm of power in the



postmodern economy of today is bio-political in nature, ‘a situation in which what is directly at stake in power is the production and reproduction of life itself’ (Hardt and Negri, 2000: 22 – 25). The supervision of the body of the object of power ‘is imbued with the mechanics of life’, their supervision ‘effected through an entire series of interventions and *regulatory controls: a bio-politics of the population*’ (Foucault, 1991:m 262).

Therefore, while the PRSP framework continue to possess the elements of the disciplinary society – the structuring of policy processes, substantive economic engagement and socio-political organisation within certain parameters of thought and practice and ‘normal’ or ‘deviant’ behaviours therein sanctioned or prescribed by the BWIs and their major shareholding states – this new regulatory project also exercises this bio-political control over third world states. In this new schema of power, contends Hardt and Negri, the ‘mechanisms of command become ever more ‘democratic’, the ‘behaviors of social integration and exclusion proper to rule are thus increasingly interiorized within the subjects themselves’ (Hardt and Negri, 2000: 23). This, as we have seen, is demonstrated through the PRSP framework’s focus on ‘ownership’, ‘partnership’ and ‘participation’ (see discussion above).

The formation of the new imperialism, according to Hardt and Negri, is thus premised on the ‘establishment of a global society of control’ in servitude to capital and its need to realise a world market (Hardt and Negri, 2000: 332). Consequently, the essence of ‘imperial administration’ is therefore ‘to manage this process of integration and therefore to pacify, and control the separated and segmented social forces’ to short-circuit the possibilities for resistance (ibid). Again, we have seen, from our discussion above and in the preceding chapters, how the PRSP framework serves to fracture the resistance to the asymmetries of neoliberal globalization through the process of integration and fragmentation.

This analyses dovetails with Gill’s conception of a ‘new constitutionalism’ in world order. This ‘new constitutionalism’, featuring the politics of incorporation and co-optation, represents the ‘dominant political-juridical form’ of today’s global political economy, the counterpart to its ‘socio-economic form’ which Gill terms as ‘disciplinary neoliberalism’ – the organisation of society in accordance to the dictates of global capital (Gill, 2000: 3). Although Gill does not refer to Foucault’s work on



bio-power, his construction of the new global constitution, like Hardt and Negri's, is also premised upon the capillary effect of power in the current world order and the shift in modalities of discipline based on the exercise of such power (see *ibid*: 16 – 18).

According to Gill, 'the crucial strategic significance of new constitutionalism is how it seeks to provide political anchorage for the power of capital in the *long term*' through the use of political and legal measures to a) reconfigure the state apparatuses in favour of global capital; b) measures to construct and extend capital markets; and c) measures to deal 'with the dislocations and contradictions produced by disciplinary neoliberalism' (*ibid*: 3; 11 – 15).

The movement away from the first two mechanisms of regulatory control – applying legal and constitutional means of facilitating capital mobility and liberal capital markets – which Gill terms 'mechanisms of restraint' towards the third mechanism termed 'mechanism of incorporation' – aimed at facilitating 'legitimation as well as compensatory measures to prevent social atomisation' resulting from the effects of neoliberal globalization (*ibid*: 15 – 16) exemplifies the development of PRSP operational apparatus. Gill argues that while the punitive mechanisms of restraint or so-called 'locking-in' measures insulate against the potential of regulatory revisions wrought by neoliberal globalization, mechanisms of incorporation represent 'the consensual counterpart in that they seek to reduce the demands for other types of reform in the first place' (*ibid*: 18).

Consequently, the PRSP framework represents one, albeit an important part, of the many forms through which this bio-political power is exercised over third world states. Increasingly, in other areas of regulation – from bilateral and multilateral trade rules to the regulation of intellectual property rights to the adoption of financial codes and standards under agreements such as the Basel Code for Banking Supervision – the modalities of power are shifting from the coercive force of disciplines to the pervasive power of bio-politics. Instead of coercive or punitive regulation, third world states internalise the rationalisation and normalisation of a particular world view and economic engagement.



### *Resistance and ‘Globalization from Below’*

The philosophy of the aforementioned new bio-political power however, is inherently subversive, presenting us with opportunities to explore the possibilities for rebuilding the fractured resistance and the fragmented alliance which, in many ways, demonstrated its effectiveness by the very imperative to implement a framework such as that of the PRSPs. Foucault, for one, argued that while discourses and biological discipline are controlled by the institutional manifestations of power, they are not subservient to it and counter-discourses and bio-struggles have the potential to resist the normalised identities and create new forms of consciousness if unleashed (Foucault, 1994: 342 – 348; 1991: 262 – 267; 1972: 40 – 46; see also Best and Kellner, 1991: 57 – 58). This is because ‘[a]t the very heart of the power relationship, and constantly provoking it, are the recalcitrance of the will and the intransigence of freedom’ (Foucault, 1994: 342), creating the potential for resistance once the mechanisms of discipline are unravelled.

Similarly, for Santos, the conventional processes of globalization – the globalization of a hegemonic localisms (western capitalist business norms and western culture for instance) and the localised impact of this globalism – also bring with them an intensification of other relationships, notably the globalized organisation of subordinate actors in the global system (Santos, 2002: 178 – 180). This parallel process of what Santos and others have termed the ‘globalization from below’<sup>4</sup> (and manifested in the aforementioned dissonance in the international political economy in the 1990s) cannot be easily extinguished as such organisation, aimed at counteracting the ‘detrimental effects of hegemonic forms of globalization’ tend also to evolve ‘out of the new opportunities for transnational creativity and solidarity created by the intensification of global interactions’ (ibid: 180).

In uncovering the planes of conceptual rationalisation under which the principles and operational forms of the PRSP framework has emerged, it is therefore hoped that the process may unmask the dynamics of power which underpin this new regulatory

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<sup>4</sup> Santos also calls this ‘subaltern cosmopolitanism’ and argues that this exists because ‘prevalent forms of domination do not exclude the opportunity for subordinate nation-states, regions, classes or social groups and their allies to organize globally in defense of perceived common interests’ (Santos, 2002: 180).



force in order to shape a new resistance to the colonising force of this power. Importantly, unmasking the hegemonic unity of purpose – geo-strategic and economic – of the PRSP framework, may yet lead to a unifying of the disparate and fragmented opposition – segmented through processes such as the PRSP initiative – to redraw the landscape of global and local resistance to the excesses of neoliberal globalization and, with hope, the landscape of the asymmetrical global economy and postcolonial international law.

### 7.5. Concluding Remarks and Directions for Further Research

In this thesis, I have attempted to situate the emergence of a new regulatory framework for development financing – the PRSP framework – within the wider context of global governance and international law. Specifically, I have argued that this initiative has wider ramifications outside its immediate role as a mechanism for regulating state access to external financial resources and that located within a specific temporal and geo-political context, contributes towards foreclosing the possibilities of reforming an inherently asymmetrical system of law and governance.

Since the inception of this research, the PRSP framework has been extended to more low-income countries and has served as the centrepiece for new financing and non-financing initiatives, including the Multilateral Debt Relief Initiative implemented last year and the IMF-monitored Policy Support Instrument introduced in 2005. The PRSP framework or similar initiative is also expected to form the basis of the new United Nations financing model and it is expected that the Bretton Woods institutions will play a significant role in the reconfigured United Nations system which will see greater centralisation of the UN's sustainable development functions and funding<sup>5</sup> (United Nations, 2006).

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<sup>5</sup> This new system has been recommended by a high level panel of experts convened by the United Nations to examine ways of reforming the UN. The panel recommended the establishment of a 'One UN' at country and headquarters level, merging the existing ten UN agencies into one central programme and one central budget (United Nations, 2006: 2 – 3). At the national level, the 'One UN' system will consolidate all the UN's programme activities under a single umbrella, headed by a single resident coordinator and financed through a single budgetary framework (ibid). At the headquarters, this means the establishment of a UN Sustainable Development Board 'responsible for endorsing the One UN Country Programme, allocating funding and evaluating performance against objectives agreed with the programme country (ibid). While this is expected to streamline the currently fragmented nature of UN operations – under which different agencies operate individually and have



One of the key pillars of this new UN framework would be the application of a ‘results-based’ funding mechanism based on national country priorities. According to the proposed reforms:

Country-led development frameworks, such as poverty reduction strategies, are seen as the main vehicle to achieve internationally agreed development goals. They serve as a platform for aligning all partners’ contributions to national development priorities and provide an inclusive forum for policy dialogue (United Nations, 2006: 12).

The proposals also call on the UN to work closely with World Bank and the IMF ‘in supporting countries in their national development strategies, including Poverty Reduction Strategies and MDG Strategies’ and envisage closer cooperation between the BWIs and the UN to establish common frameworks for data collection and performance monitoring (ibid: 36). Given the extensive development of the PRSP as an operational framework for policy dialogue and instrument for regulating disbursement of development financing, it is likely that it will be adopted as the default mechanism for the UN system as well. There is therefore scope for further research into the new forms of operationalising the PRSPs and new PRSP-enabling instruments and their impact on their client states and the communities within them.

Furthermore, the insertion of the PRSP framework into the UN system also demonstrates, once again, the ‘forum shift’<sup>6</sup> in the regulatory regime pertaining not only to international development financing, but also in the governance of the global economy as whole. The movement of the regulatory agenda from the UN to the BWIs signifies, again, how international regulatory arenas have been adapted to suit the interests of dominant states in the global economy. This is also demonstrated by

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budgetary autonomy for different operations – there are some concerns that the proposed system will centralise too much authority, resulting in the more powerful state actors in the UN system to control the disbursement of financing (and attach relevant conditions to the funds) from a more centralised framework. This model emulates, in many ways, the World Bank model of financing. Eight countries – Albania, Cape Verde, Mozambique, Pakistan, Rwanda, Tanzania, Uruguay and Vietnam – are currently in the pilot phase of the country-level ‘One UN’ (United Nations, 2007).

<sup>6</sup> See Chapter One, section 1.3, for a description of Braithwaite and Drahos’ concept of ‘forum shifting’.



the evolution of the content of Bank and Fund programme conditionalities, both in terms of their modalities of discipline – from *ex-ante* to *ex-post* (discussed in Chapter Four, section 4.6 & section 7.1 above) – and in the content of the conditions from structural conditionalities to the prevalence of public governance conditions.

More research is necessary to consider the impact of such a ‘forum shift’ and the new modalities of power on the constitution both of global economic relations and international economic law, as well as third world engagement in them. Consideration of other institutional manifestations of these new forms of power, both under the emergence of the ‘global administrative space’ (and the attendant proposals for global administrative law) outlined above and at the national levels, such as through new mechanisms of conditionality, is necessary, if not imperative, in order to consider the wider implications and impact of this new disciplinary force and the emerging modalities of power which accompany it.

Additionally, there is a need to examine the localised impact of the PRSP framework, particularly from a legal anthropological perspective. As in the context of the ‘global’ which I have sought to address in the thesis, much of the research on the local manifestations of the PRSP framework have been in the realm of political economy or sociological disciplines. There remains a gap in scholarship examining the legal and constitutional impact and the manifestations of power relations through processual and substantive shifts in the framework of development financing at the national and local levels.

Finally, there is also scope to consider the impact of the PRSP framework and its attendant discourses on the shape and form of global and local resistance to the inequities of the current international trade and financial order. While it was beyond the scope of this thesis to consider in detail the effect of the project on resistance movements – whether locally or globally – or analyse the possibilities for the future of the political coalitions which contributed to the incipient crisis of faith and catalysed the creation of the PRSPs, this does not extinguish the necessity for research to further our understanding of the continuing significance of the initiative in regulating global and local economic and political forces and the future of organised (and disparate) resistance to the asymmetries of the global economic order.



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## Interviews\*

Yilmaz Akyuz, Senior Research Advisor, Third World Network and former Director,  
Division on Globalization and Development Strategies, UNCTAD, 25

February 2005, Accra

Nancy Alexander, Director, Citizens Network on Essential Services, 30 April 2004,  
Washington DC.

Soren Ambrose and Njoki Njehu, Co-Directors, 50 Years Is Enough, 5 May 2004,  
Washington DC.

Ariel Buira, Director, IMF Group of 24 Secretariat, 29 April 2004, Washington DC

Jean-Jaques Dethier, Lead Economist, Office of the Senior Vice-President and Chief  
Economist, World Bank, 18 April 2005, Washington DC.

Hector Elizadal, Assistant General Counsel, IMF, 28 April 2004, Washington DC.

Pablo Guerrerro, Advisor to the Vice-President, Operations Policy and Country  
Services, World Bank, 26 April 2004, Washington DC.

Elliot Harris, Advisor, Policy Development and Review Department, IMF, 22 April  
2005, Washington DC.

Barbara Kalima, Director/Coordinator, African Forum on Debt and Development  
(Afrodad), 24 April 2004, Washington DC.

Ravi Kanbur, 23 November 2004, University of Warwick, Coventry.

Steven Kayizzi Mugerwa, Senior Economist, Independent Evaluation Office, IMF, 7  
May 2004, Washington DC.

Kamran Kousari, Special Coordinator for Africa, Division on Globalization and  
Development Strategies, UNCTAD, 25 February 2005, Accra

Shonar Lala Research Analyst and Bill Battaile, Group Manager, Operations  
Evaluation Department (now the Independent Evaluation Group), World  
Bank, 4 May 2004.

Aziz Ali Mohamed, Advisor, G24 Secretariat, 10 May 2004, Washington DC.

Daniel Morrow, Consultant, World Bank, 14 April 2005, Washington DC.

Mark Plant, Assistant Director, Policy Development and Review Department, IMF, 4  
May 2004, Washington DC and April 2005, 2005.

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\* Designations of persons at time of interview.



Guido Schmitt-Taub, Policy Advisor, Millenium Project, UNDP, 8 April 2006, New York (telephone interview).

Linda van Gelder, Senior Economist, Poverty Reduction Group, World Bank, 28 April 2004, Washington DC.

Alan Whaites, Director, World Vision International, 15 April 2004, Milton Keynes

Abberra Zerabruk, Senior Counsel and Sheila Braka, Legal Counsel, World Bank, 27 April 2007, Washington DC.

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Tetteh Hormeku, Third World Network Africa, Accra

Rick Rowden, ActionAid USA, Washington DC

And the interviewees who declined to be named or quoted.



## Annex I: The PRSP Process

Poverty Reduction Strategy Papers (PRSPs) are the requirements for debt relief under the Enhanced Heavily Indebted Poor Countries Initiative (HIPC II) and for access to concessional financing from the World Bank and the International Monetary Fund (IMF).

PRSPs are applicable to all countries eligible for grants and loans from the International Development Association (IDA), the World Bank's concessional lending arm, and from the IMF's concessional lending facilities – the Poverty Reduction and Growth Facility (PRGF) and the Exogenous Shocks Facility (ESF). Conditions for access to funds are dependent on the relevant facilities (see Annex II and Figures 2 & 3) but the requirements of a PRSP remain the same in all cases.

The PRSP process involves two stages:

1. The **Interim PRSP (I-PRSP)** is a shorter version of a full PRSP, serving as a 'road map' for the preparation of a full PRSP. An I-PRSP should include a description of the country's current poverty situation and policies, a proposal for a three-year macroeconomic framework, and details of plans for drawing up a full PRSP, including plans for civil society involvement which is not a requirement at this stage. An I-PRSP for debt relief should indicate how the incremental resources are used for poverty reduction.

An I-PRSP is assessed by the Joint Staffs of the IMF and the World Bank – this is known as **Joint Staff Advisory Note (JSAN)** (formerly known as the Joint Staff Assessment – JSA) – prior to submission to the Executive Boards of the World Bank and IMF. The joint staffs will review the assessments and strategies outlined in the I-PRSP and conclude whether or not the I-PRSP provides a sound basis on which to proceed towards the development of a full PRSP, and for debt relief or concessional lending from the Bank and Fund.

The I-PRSP is then submitted to the Executive Boards for endorsement, accompanied by the JSAN. Approval of an I-PRSP by the Executive Boards of the Bank and Fund enables HIPC countries to receive interim debt relief (release of partial funds from the PRGF-HIPC Trust to enable partial repayment of debt). This is known as the 'Decision Point' under the HIPC II. Approval of an I-PRSP may also enable access to funds from IDA or the PRGF.

2. A full **PRSP** must be developed through a *participatory process* that involves civil society, including communities of the poor. A description of this process is compulsory in the final draft of the PRSP although there are no clear guidelines as to what this process must entail.

A PRSP must also include three other core elements: a) a country-wide **poverty diagnosis**, including assessments of existing poverty data and poverty impact determinants; b) **targets, and indicators and monitoring systems**, for achieving and evaluating poverty reduction strategies; and c) **priority public actions** for poverty reduction over a three-year period.



A completed PRSP is submitted to the World Bank and IMF for a JSAN and subsequently, for endorsement by the Executive Boards. The JSAN makes an overall assessment of the PRSP as to whether the strategy presented in the PRSP constitutes a sound basis for debt relief or concessional assistance from the Bank and Fund. Under the new guidelines, this assessment will not specifically recommend approval or rejection of the PRSP but will highlight deficiencies in the PRSP and recommendations for remedies. A description of the participatory process will be included in the report but the JSAN will not evaluate the process.

In preparing a JSAN, the Bank and Fund will take lead responsibility in accordance with their primary institutional competencies, such as the Fund's core expertise on macroeconomic policies and related structural reform and the Bank's competence over design of poverty reduction strategies, public expenditure, social issues and governance reforms. Overlapping areas, such as private sector activity, trade, tax and customs and budgetary and fiscal transparency issues are for joint assessments.

If approved by the Boards of the Bank and Fund, the PRSP forms the basis for negotiations for loans from IDA or under the PRGF or ESF. It may also form the basis of other bilateral and multilateral lending. For World Bank lending, the PRSP forms an integral part of the PRSP country's Country Assistance Strategy (CAS) which is the Bank's medium-term investment plan for borrower countries.

Successful implementation of the PRSP for a year enables a HIPC country to reach its 'Completion Point' for debt relief and the agreed amount of debt is cancelled under the initiative. PRSPs are subject to review and revision every three years. A PRSP is also a criterion for countries wishing to undergo voluntary IMF supervision of their economies by the IMF under the recently introduced Policy Support Instrument (PSI).

As of March 2007, 64 countries are embarked on some form of PRSP-related process, with 56 countries having completed a PRSP. Five of these countries – Burkina Faso, Ghana, Tanzania, Uganda and Nicaragua – have completed a second PRSP.

*Sources: Panos, 2002; Citizens Network on Essential Services, 2000; IDA, 2002; Lowenfeld, 2002; World Bank, 2007, World Bank and IMF, 2001, 2000 & 1999*



## Annex II: PRSP Enabling Instruments

Poverty Reduction Strategy Papers (PRSPs) are not ends in themselves but means to access a range of development financing instruments for low-income countries. Originally conceived as a requirement for debt relief under the Enhanced Heavily Indebted Poor Countries (HIPC) initiative, PRSPs have now replaced the Policy Framework Papers (PFPs) for access to concessional lending from the World Bank and IMF.

Here is a description of the main instruments linked to the PRSP framework:

### 1. Enhanced Heavily Indebted Poor Countries Initiative (HIPC II)

The Heavily Indebted Poor Countries Initiative was launched in 1996 as a means of assisting eligible low-income countries achieve reasonable debt sustainability levels. Administered by the World Bank and the IMF, the HIPC initiative was aimed at reducing the debt stock of heavily indebted countries to a sustainable level. The HIPC was enhanced in 1999 to enable quicker disbursement of debt relief and to widen eligibility of countries.

HIPC II is a two-track programme:

The **First Phase** involves indebted countries establishing a three-year of structural adjustment under the World Bank and IMF and entering into dialogue with bilateral and multilateral creditors, such as the Paris Club, for debt rescheduling. Countries wishing to receive debt relief under the HIPC II programme must prepare at least an I-PRSP by the 'Decision Point'.

At the **Decision Point**, the World Bank and IMF conduct a debt sustainability analysis of the country to decide on whether the country will be eligible for relief under the HIPC initiative. If a country's external debt ratio after traditional debt relief mechanisms is above 150 percent debt to exports (calculated at the net present value or NPV<sup>1</sup>), the country is eligible for debt relief. The amount of debt relief will be determined by the Bank and Fund and creditors will commit to providing sufficient assistance by 'Completion Point'. Interim debt relief will be granted by the Bank and Fund.

The **Second Phase** of HIPC II sees the country adopting the programmes agreed upon at the 'Decision Point' and linked to the I-PRSP/PRSP. If there was no PRSP at 'Decision Point', a PRSP must be completed and implemented at this stage.

At **Completion Point**, creditors will agree to reduce the debt stock burden of the indebted country at the levels agreed at 'Decision Point'. The World Bank and IMF expects bilateral and commercial creditors to reschedule due obligations with a 90 percent reduction in NPV. 'Completion Points' are 'floating' which means there is no

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<sup>1</sup> The net present value (NPV) calculates the debt stock of a country taking into account its degree of concessionality and is defined by the IMF as "the sum of all future debt-service obligations (interest and principal) on existing debt, discounted at the market interest rate". Therefore, if the interest rate on the loan is lower than market rate, the NPV of the debt stock is lower than the face value, with the grant element making up the difference (IMF, 2003b).



fixed timeline for the country to meet its requirements under the second phase. Countries which, in the assessment of the Bank and Fund, have satisfactorily adopted the reforms agreed upon and implemented core proposals of their PRSP for at least a year, will reach 'Completion Point'.

The multilateral component of the HIPC initiative is financed through bilateral contributions to the HIPC Trust (at the World Bank) and to the PRGF-HIPC Trust (at the IMF). The Bank and Fund also contribute to the trusts through the profits from the IBRD lending (for the World Bank) and gold sales (for the IMF).

As of March 2007, 40 countries are eligible for debt relief under HIPC II with 21 countries having reached 'Completion Point'. Nine countries have reached 'Decision Point' and 10 countries are being considered for the eligibility.

### ***HIPC II and the Multilateral Debt Relief Initiative (MDRI)***

The Multilateral Debt Initiative (MDRI) was introduced in September 2005 to provide 100 percent cancellation of eligible debt stock owed by eligible countries to four multilateral financial institutions – the International Development Association (IDA), the concessional lending arm of the World Bank, the International Monetary Fund (IMF), the African Development Fund (ADF) and the Inter-American Development Bank (IDB)<sup>2</sup> – and is separate from but linked operationally to the enhanced Heavily Indebted Poor Countries (HIPC) initiative.

Post-'Completion Point' HIPC countries will further qualify for multilateral debt relief under the MDRI from the four institutions – IDA, IMF, IDB and ADF – after reaching completion point if they can demonstrate they have complied with the following criteria: (1) if they demonstrate that their performance had not deteriorated substantially in the following areas: (a) macroeconomic performance; (b) implementation of a poverty reduction strategy (PRS) or similar framework; and (c) their public expenditure management (PEM); and (2) if they are current on their obligations to the financial institutions.

## **2. Poverty Reduction and Growth Facility (PRGF)**

The PRGF was established in 1999 to replace the Enhanced Structural Adjustment Facility (ESAF), the concessional lending arm of the International Monetary Fund (IMF), but is run almost along the same lines as the ESAF. The PRGF is administered by the IMF through the PRGF and PRGF-HIPC Trusts (which replaced the ESAF and ESAF-HIPC Trusts in 1999).

The PRGF provides loans to low-income countries that are members of the World Bank and the IMF. Eligibility is based on an assessment of the country's per capita income, drawing upon the cut-off point for eligibility for World Bank concessional lending (at present, below US\$875). As of April 2003, 77 countries are eligible for PRGF assistance.

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<sup>2</sup> The IDB is the latest multilateral institution to announce its participation in the MDRI. The institution issued a statement on 17 November 2006 announcing the decision to extend debt cancellation to five eligible Latin American countries – Bolivia, Guyana, Haiti, Honduras and Nicaragua – pending agreement on the modalities to be negotiated in January next year (IDB, 2006).



An eligible country may borrow up to a maximum of 140 percent of its IMF quota under a three-year arrangement (in exceptional cases, this may be increased to 185 percent of quota)<sup>3</sup>. Funds are disbursed upon the approval of a PRSP (and, in some cases, an I-PRSP) by the Executive Boards of the World Bank and IMF. The terms of the PRGF agreement may be drawn from the proposals contained in the PRSPs but this is not compulsory. Disbursements are often tranching (released in segments, usually of three) and are contingent upon the fulfilment of the conditions stipulated in the PRGF agreement.

PRGF loans are not project-specific and are intended to assist countries to overcome balance-of-payments and other macroeconomic problems. Loans under the PRGF carry an annual interest rate of 0.5 percent with repayments to be made twice a year, beginning five and a half years and ending 10 years after disbursement.

The PRGF Trust borrows from central banks, governments and official institutions at market-related interest rates to lend to eligible countries. The difference between the market rate of interest and the 0.5 percent rate paid by borrower countries is financed from contributions made to the Trust by bilateral donors and from the IMF's own resources, such as through the sale of gold by the Fund.

The PRGF Trust therefore operates separately from the general resources of the IMF. Resources for drawing by IMF member states under its regular facilities are made up of contributions by the members in accordance with their quota. Financing from the regular facilities of the Fund are also not classified as 'loans' but as a 'purchase/sale/repurchase transaction'<sup>4</sup> and carry a market-related interest rate.

### **3. Poverty Reduction Strategy Credits (PSRCs)**

Poverty Reduction Strategy Credits (PSRCs) are the new lending instruments of the International Development Association (IDA), the World Bank's concessional lending arm, and will form the core financial support of the PRSP. All IDA countries are eligible for PRSC loans.

A PRSC is essentially a series of loans that support a country's programme of medium-term development and implementation of its poverty reduction strategies. This type of operation is known as 'programmatic lending' or 'policy-based lending', as opposed to 'project lending' that is geared towards investment in a specific project, such as the construction of infrastructure for schools or roads.

Once a PRSP is approved, the PRSP document and the Joint Staff Advisory Note (JSAN) that accompanies it, forms the basis of the World Bank's Country Assistance Strategy (CAS) for the PRSP country involved. A CAS is the Bank's investment plan, tailored for each of its borrower countries, spelling out areas that need support and outlining programmes for each area. Based on the CAS, the Bank will draw up the appropriate PRSC programme for the country involved.

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<sup>3</sup> Member states of the IMF are allocated, upon entry into the organisation, a quota, designed roughly to reflect their economic status. The larger the quota, the greater the country's contributions to the Fund, and the greater its entitlement to draw on the resources of the Fund. Voting power in the IMF is also dependent on the size of a member's quota (Lowenfeld, 2002: 511).

<sup>4</sup> See Lowenfeld, 2002: 511 – 519 and Qureshi, 1999:182 – 186 for details on the regular facilities of the IMF which are out of the scope of this discussion.



A PRSC programme will usually involve a series of two or three individual PRSC operations to support the country's poverty reduction strategy (known as the Medium-Term Expenditure Framework or MTEF). Each individual PRSC disbursement will require, *inter alia*, the completion of a set of specific structural reforms agreed in negotiations (but not necessarily drawn from proposals in the PRSP). The World Bank expects that individual PRSCs will eventually be phased in line with the borrowing government's annual budget and policy cycle, thus enabling the instrument to serve as external budgetary support for the state.

PRSCs, like all IDA lending, are not subject to interest rates but carry a service charge of 0.75 percent of disbursed balances. Countries eligible for IDA loans (known as 'credits') must have a per capita income of less than US\$875 and lack the financial ability to borrow from the International Bank for Reconstruction and Development (IBRD) whose loans carry a market rate of interest. At present, 81 countries are eligible for IDA financing, including some 'blend' countries, such as India and Indonesia, which are also sufficiently creditworthy for some IBRD loans.

Repayments on IDA credits have maturities of 20, 35 or 40 years and repayments start within 10 years. Unlike the IBRD which raises its capital on the international financial markets, IDA funds come from contributions from industrialised countries<sup>5</sup>, from repayments of earlier credits, and from profits of the IBRD.

### ***Relationship between the PRGF and PRSC***

As the PRSP forms the basis of both PRGF loans and PRSCs, the Bank and Fund have been aiming to coordinate their policies on both instruments. Each PRSP and I-PRSP will be assessed jointly by the staffs of the Bank and Fund using the same set of guidelines under the JSA. Coordination and resolution of differences is provided through the Bank/Fund Joint Implementation Committee.

In addition, the Bank will regard the presence of an on-track PRGF arrangement as adequate evidence of the soundness of the borrowing country's macroeconomic environment while the Fund will regard the presence of an on-track PRSC as adequate evidence of the appropriateness of the country's social and structural programme.

## **4. Policy Support Instrument**

The Policy Support Instrument (PSI) is essentially a non-borrowing or non-financing Fund-monitored programme of reforms that a country enters into voluntarily with the institution. According to the IMF, the PSI was designed to meet the needs of 'mature stabilizers' – typically countries with an adequate level of official international reserves, and who have graduated from financial assistance from the Fund and have obtained sufficient debt sustainability – who wish to continue being monitored by the institution.

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<sup>5</sup> Donor countries get together every three years to replenish IDA funds. The 13<sup>th</sup> replenishment of IDA took place in July 2002 and donors' contributions made up half of the US\$23 billion available for grants and credits (World Bank, 2002a).



Policy reforms will carry the same discipline as that of regular upper credit tranche conditionality, including the fulfilment of policy conditionalities – performance criteria, prior actions, indicative targets and structural benchmarks – within the timeframe established essential for successful completion of programme reviews. Countries must also complete a PRSP or Interim-PRSP from which the conditionalities are drawn.

A PSI can last from one to three years and may be extended to up to four years and reviews are conducted semi-annually. Successful completion of a programme review by the IMF Executive Board ‘would signify the Fund’s assessment that the program is ‘on track’, similar to reviews under financed Fund programmes – the only difference being that this does not trigger tranche disbursements. If a country fails to complete two scheduled reviews, it is expected that the Fund would not endorse the programme and for the purposes of signalling, this could mean that any bilateral or multilateral aid or credit financing tied to this programme could be suspended.

Currently four countries have signed up to a PSI – Nigeria, Cape Verde, Uganda and Tanzania, two of which – Uganda and Tanzania – have graduated from the PRGF.

## **6. Exogenous Shocks Facility**

The Exogenous Shocks Facility (ESF) was developed to serve as a ‘safety net’ for low-income countries to cushion against economic shocks, such as natural disasters or commodity price shocks. These countries would otherwise not be able to draw from the IMF’s non-concessional facilities such as the Compensatory Financing Facility (CFF). ESF programmes are short-term (compared to PRGF loans), lasting one to two years and financing is made on similar terms to that of the PRGF out of the PRGF-ESF Trust raised on similar basis as the PRGF Trust. Access to the ESF is contingent upon a PRS being in place and for countries who have graduated from PRGF programmes, an ‘on-track’ PSI would facilitate access to financing under the ESF.

*Source: IMF, 2006e; 2006f; 2006g; 2006h; 2005d; IDA, 2001b;; IMF and IDA, 1999; Lowenfeld, 2002; Qureshi, 1999; World Bank; undated.*



# Annex 3: List of PRSP Countries and Status of Implementation

Board Presentations of PRSP Documents As at February 28 2007										
	Country	Region	IPRSP	PRSP	PR 1	PR 2	PR 3	PR 4	PRSP II	PR 1
1	Benin	AFR	13-Jul-00	20-Mar-03	10-Jun-05					
2	Burkina Faso **	AFR		30-Jun-00	06-Dec-01	05-Nov-02	16-Mar-04	05-May-05	05-May-05	28-Aug-06
3	Burundi	AFR	22-Jan-04							
4	Cameroon	AFR	10-Oct-00	31-Jul-03	28-May-05	07-Mar-06	27-Apr-06			
5	Cape Verde	AFR	09-Apr-02	25-Jan-05	24-Jul-06					
6	CAR	AFR	18-Jan-01							
7	Chad	AFR	25-Jul-00	13-Nov-03	15-Jun-05					
8	Comoros	AFR	16-May-06							
9	Congo, DR	AFR	11-Jun-02							
10	Congo, Republic of	AFR	07-Dec-04							
11	Cote D'Ivoire	AFR	28-Mar-02							
12	Ethiopia	AFR	20-Mar-01	17-Sep-02	17-Feb-04	26-Oct-05				
13	Gambia	AFR	14-Dec-00	16-Jul-02	25-Apr-05	27-Jun-06				
14	Ghana	AFR	24-Aug-00	08-May-03	13-Jul-04	15-Jun-06			15-Jun-06	
15	Guinea	AFR	22-Dec-00	25-Jul-02	26-Aug-04	06-Sep-06				
16	Guinea Bissau	AFR	14-Dec-00							
17	Kenya	AFR	01-Aug-00	06-May-04						
18	Lesotho	AFR	06-Mar-01	12-Sep-05						
19	Madagascar	AFR	19-Dec-00	18-Nov-03	21-Oct-04	26-Jul-06				
20	Malawi	AFR	21-Dec-00	29-Aug-02	23-Oct-03	10-Aug-05	31-Aug-06		16-Jan-07	
21	Mali	AFR	07-Sep-00	06-Mar-03	22-Jun-04	21-Dec-05				
22	Mauritania	AFR		06-Feb-01	18-Jun-02	11-Jul-03			16-Jan-07	
23	Mozambique	AFR	06-Apr-00	25-Sep-01	29-Jul-03	08-Jul-04	21-Jun-05		19-Dec-06	
24	Niger	AFR	20-Dec-00	07-Feb-02	19-Nov-03	03-Mar-05	11-Jan-07	11-Jan-07		
25	Nigeria	AFR		01-Nov-05						
26	Rwanda	AFR	21-Dec-00	08-Aug-02	08-Jun-04	14-Apr-05	18-Apr-06			
27	Sao Tome & Principe	AFR	27-Apr-00	25-Apr-05	20-Oct-06					
28	Senegal	AFR	20-Jun-00	23-Dec-02	07-Dec-04	23-Nov-05			30-Jan-07	
29	Sierra Leone	AFR	25-Sep-01	06-May-05	14-Dec-06					
30	Tanzania	AFR	04-Apr-00	30-Nov-00	27-Nov-01	27-May-03	08-Jun-04		09-May-06	
31	Uganda	AFR		02-May-00	31-May-01	23-Jul-02	09-Sep-03		28-Jul-05	
32	Zambia	AFR	04-Aug-00	23-May-02	15-Jun-04	11-Apr-05	26-Jan-07			
33	Cambodia	EAP	16-Jan-01	20-Feb-03	09-Sep-04					
34	Indonesia	EAP	21-Apr-03							
35	Laos	EAP	24-Apr-01	30-Nov-04						
36	Mongolia	EAP	27-Sep-01	09-Sep-03	26-Sep-05					
37	Timor Leste	EAP		14-Jun-05						
38	Vietnam	EAP	12-Apr-01	02-Jul-02	19-Feb-04	08-Aug-05	22-Jun-06		05-Dec-06	
39	Albania	ECA	06-Jun-00	20-Jun-02	10-Jul-03	12-Jul-04	11-Jan-06			
40	Armenia	ECA	22-May-01	20-Nov-03	12-May-05	03-Aug-06				
41	Azerbaijan	ECA	05-Jul-01	27-May-03	10-Sep-04	25-Aug-05				
42	Bosnia-Herzegovina*	ECA	12-Nov-02	15-Jun-04						
43	Georgia	ECA	11-Jan-01	06-Nov-03	13-Jun-05	24-Oct-06				
44	Kyrgyz Republic	ECA	04-Dec-01	27-Feb-03	29-Jun-04	04-May-06				
45	Macedonia, FYR	ECA	14-Dec-00							
46	Moldova	ECA	19-Dec-00	11-Nov-04	06-May-06					
47	Serbia & Montenegro	ECA	08-Aug-02	16-Mar-04	30-Mar-06					
48	Tajikistan	ECA	31-Oct-00	05-Dec-02	29-Jun-04	11-Nov-05				
49	Uzbekistan	ECA	24-May-05							
50	Bolivia	LAC	27-Jan-00	05-Jun-01						
51	Dominica	LAC	29-Dec-03	01-Aug-06						
52	Guyana	LAC	14-Nov-00	19-Sep-02	27-Jul-04	27-Apr-06				
53	Grenada	LAC	18-Apr-06							
54	Haiti	LAC	21-Nov-06							
55	Honduras	LAC	06-Jul-00	11-Oct-01	26-Feb-04	20-Apr-05				
56	Nicaragua	LAC	21-Dec-00	25-Sep-01	16-Dec-02	22-Jan-04			02-Feb-06	
57	Djibouti	MENA	27-Nov-01	08-Jun-04						
58	Yemen	MENA	27-Feb-01	01-Aug-02	15-May-06					
59	Afghanistan	SAR	25-May-06							
60	Bangladesh	SAR	19-Jun-03	26-Jan-06						
61	Bhutan	SAR		08-Feb-05						
62	Nepal	SAR		16-Nov-03	02-Dec-05	08-Dec-06				
63	Pakistan	SAR	04-Dec-01	11-Mar-04						
64	Sri Lanka	SAR		01-Apr-03						
Sub Total:		AFR	32	28	25	22	17	9	8	1
		EAP	6	5	5	3	1	0	1	0
		ECA	11	11	9	8	6	1	0	0
		LAC	7	7	5	3	0	0	1	0
		MENA	2	2	2	1	0	0	0	0
		SAR	6	3	5	1	1	0	0	0
Total			64	56	51	38	28	11	10	1

\* Bosnia's PRSP was not formally discussed by the Board; it was summarized alongside the CAS Progress Report.

\*\* Burkina Faso's PR 1 on August 29, 2006 focused on the 2004 implementation aspects of the first full PRSP.

Source: World Bank, 2007