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One size for all

A study of IMF and World Bank Poverty Reduction Strategies

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1. Introduction

In recent years the International Monetary Fund (IMF) and World Bank have adopted new ways of working and new rhetoric on 'country ownership' and 'participation'. At the start of the 1980s, the two institutions began to make their loans and aid conditional on implementing 'structural adjustment' policies. The set of structural adjustment conditions, commonly referred to as the 'Washington Consensus', have been widely criticised both for undermining national political processes and causing widespread social and economic damage.[1]

In response to such criticism, the Bank and Fund have adopted new ways of working and new rhetoric on 'country ownership' of policies and 'participation' in the development process. The centrepieces of this supposedly new approach are Poverty Reduction Strategy Papers (PRSPs); medium-term development plans which poor countries are now required to produce in order to receive aid, loans and debt relief. PRSPs are meant to be developed within a country through a participative process, thereby meaning that the policies in the PRSP are 'owned' by the country.

This briefing investigates how far PRSPs have really departed from structural adjustment policies pushed by the Bank and Fund, and whether there are grounds to claim that PRSPs now allow true country ownership, and so a diverse range of policies across countries. WDM has analysed the content of the 50 PRSPs completed to date, and has found that the policies contained within them are remarkably similar both to each other, and to the policies of previous structural adjustment programmes.

2. Conditionality: The basics

Conditionality is a term used to describe what a poor country must do in return for receiving loans, aid or debt relief. The Articles of Agreement of the IMF and World Bank say nothing specific about conditionality and do not require the institutions to impose free market economic policies on the countries to which they lend/grant money. It is a practice that has steadily become a standard feature of Bank and Fund lending as they have increased their role in the developing world since the 1970s.

For many years, the policy conditions attached to loans were called 'structural adjustment' with World Bank loans being called 'Structural Adjustment Credits' and IMF loans being called its 'Structural Adjustment Facility'. But after over a decade of protest and criticism, the term 'structural adjustment' became synonymous with failed policies and undermining democracy, leading the World Bank to rename its various structural adjustment credits as 'Poverty Reduction Support Credits' (PRSC) and the IMF to rename its 'Enhanced Structural Adjustment Facility' (ESAF) as its 'Poverty Reduction and Growth Facility' (PRGF). Despite the name changes, these lending mechanisms have continued to operate in the same way as previous ones; loans are given on the condition that certain policies are implemented by the recipient country.

More recently, donor governments, with the IMF and World Bank, have created the Heavily Indebted Poor Countries (HIPC) initiative designed to relieve a proportion of the debts of the poorest and most indebted countries in the world. This also comes with strings attached; one of which is to draw-up and implement a PRSP.

So poor countries are now faced with an international financial landscape where loans, debt relief and aid are all subject to meeting economic policy conditions determined by the IMF and World Bank and their political masters in the developed world. To obtain concessional loans from the Bank and Fund, a country has to agree a programme with economic conditions attached. To receive debt relief through the HIPC initiative, countries must have an IMF programme in place, implement further conditions contained in their 'decision point document' (agreed with the Bank and Fund) and create and implement a PRSP. And many donors often require a country to be 'on-track' with an IMF programme before they will disburse aid.

Economic policy conditionality can also be more subtle. The IDA allocates its lending on the basis of Country Policy and Institutional Assessments (CPIA's). This scorecard ranks countries on the basis of the policies a country follows. 'Good' policies that give a high rating include: an average trade tariff of 10 per cent or less; no foreign exchange restrictions on long-term capital inflows; equal treatment of foreign and domestic investors; and the bulk of Government revenues coming from 'low-distortion' taxes such as VAT and property tax.[2] By allocating money on the basis of already implemented economic policy reforms, policy scorecards are a form of conditionality in disguise.

PRSPs must therefore be seen in a broader context of the mechanisms – both overt and more subtle – that donor institutions and donor governments use to influence the policies of poor countries. Nevertheless, it is worthwhile examining whether PRSPs and the donor rhetoric on 'country ownership' and 'participation' stand up to close scrutiny.

Box 1. The UK, and IMF and World Bank conditions.

"Stronger domestic institutions, sound economic policies, trade integration, less burdensome regulation will be needed to underpin faster growth and poverty reduction in the developing countries."[3]

Gordon Brown, speaking as Chair of the International Monetary and Finance Committee, 2004

The UK's Department for International Development (DfID) states, "Donors, including the UK, have traditionally relied on an IMF programme to indicate that a country's macroeconomic policy stance and strategy are satisfactory before granting aid."[4] Thus, when a country has failed to implement IMF or World Bank conditions, and thereby gone 'off-track', the UK has itself withdrawn its aid money to that country. However, in March 2005, the UK's DfID signalled that it is departing from this approach, announcing that, "an IMF or World Bank programme going 'off track' will not automatically lead DfID to suspend its assistance".[5] It is yet to be seen to what extent this de-links UK aid from Bank and Fund conditions. DfID do still say that they will "use analysis from the IMF and World Bank in making its assessment of progress towards poverty reduction".[6]

However, the UK remains a key player in the setting of Bank and Fund conditions. Gordon Brown has been Chairman of the International Monetary and Financial Committee (IMFC) of the IMF since 1999. The IMFC meets to decide on overall strategic direction for the IMF. According to the UK Government, it is "the main forum for discussing IMF policies at the Ministerial level".[7] It has 24 members and meets twice a year at the Spring and Annual meetings. The UK also holds 4.96 per cent of the votes at the IMF, more than 43 African countries have in total.

Hilary Benn is the UK's Governor on the Board of the World Bank; where the UK holds around 5 per cent of the vote. DfID currently gives 12 per cent of its aid to the International Development Association (IDA), the only part of the World Bank requiring funding from rich countries, which makes the UK proportionally the largest donor to the World Bank. When measuring the total amount of money given to IDA, the UK is second only to the US (see Table 1).

Table 1. Donor contributions to the International Development Association

	Contribution to IDA 2006-2009 ($ billion)	*Percentage of country aid*
US	2.85	5.0
UK	2.73	11.6
Japan	2.72	10.2
Germany	1.70	7.6
France	1.47	5.8
Sweden	0.87	10.7
Italy	0.79	10.6
Canada	0.78	10.2
Netherlands	0.57	4.5

3. Poverty Reduction Strategy Papers

"[PRSPs] are imported rather than home grown and are accepted under pressure as a means to obtain debt relief and as a result, often they do not succeed."[8]
G24 group of developing countries secretariat

"The right to pursue nationally-determined policies is not something to be granted to developing countries on the condition that they use it in a certain way. Such treatment of policy space is undemocratic."[9]
UK House of Commons International Development Committee

"It is up to developing countries themselves and their governments to take the lead on development. They need to decide, plan and sequence their economic policies to fit with their own development strategies, for which they should be accountable to all their people."[10]
G8 communique, Gleneagles 2005

In 1999, the World Bank and IMF created the concept of PRSPs as a new condition for access to debt relief and their concessional loan programmes (through IDA and the IMF's PRGF) as a response to the criticism that policies were being forced upon countries.

PRSPs supposedly set out a government's strategy for reducing poverty over a three-year period, and are meant to be developed in consultation with civil society in a country. The IFIs and donor governments, such as the UK's DfID, suggest that PRSPs are 'country-owned' documents developed between governments, civil society and the private sector in countries, which donors then decide to fund. Hilary Benn, UK Secretary of State for International Development, says, "we have no doubt that Poverty Reduction Strategies (PRS) are a major step forward in the relationship between donors and poor counties … They … promote a more equal approach, in which conditions are genuinely agreed by all parties."[11]

However, in practice it has been extremely difficult, if not impossible, for the poorest countries to truly determine their own development strategies for three key reasons. First, the content of PRSPs is influenced by pre-existing World Bank and IMF programme conditions. Rather than start afresh, these IFI determined policies are generally 'cut-and-paste' into the PRSP with no further analysis or scrutiny. For example, in the Gambia, Ghana, Guinea, Malawi, Mali, Mozambique, Nicaragua, Sierra Leone and Yemen, water privatisation was already a condition of a Bank and/or Fund programme before being included in the PRSP. These countries had little choice but to include water privatisation within the document. In theory then, IMF and World Bank policy conditions are determined by the content of PRSPs, but in practice, in many cases the PRSP content is determined by already existing IMF and World Bank conditions.

Second, even in the absence of previous conditions, representatives of the World Bank and IMF tend to have significant influence over the content of the PRSP. There are numerous examples of IFI staff telling country officials of policies that need to be included, and changes that need to be made, in the final PRSP document.[12]

Third, and perhaps most tellingly, the final PRSPs are signed-off by the Boards of both the IMF and World Bank. If country directors on the Board do not like the content of a PRSP, they can just reject it. The PRSP will then need to be redrafted to meet the Board's expectations, and debt relief, aid and new loans will be withheld until it is.

However, the IFI boards may not need to take such drastic steps. The requirement for sign-off already ensures the government produces a document likely to be acceptable to the Bank and Fund, and after a decade or more of structural adjustment in most countries, governments are fully aware of what the IMF and World Bank expect. As one Finance Minister has revealed, "We don't wish to second guess the Fund. We prefer to give them what they want before they start lecturing us about this and that. By doing so, we send a clear message that we know what we are doing – ie, we believe in structural adjustment."[13]

The World Bank's Operations Evaluation Department (OED) has itself concluded, "The Bank management's process for presenting a PRSP to the Board undermines ownership. Stakeholders perceive this practice as 'Washington signing off' on a supposedly country owned strategy."[14] This problem is compounded by the structure and functioning of the IMF and World Bank boards where rich countries hold 62 per cent of the votes, despite only possessing 21 per cent of the world's population and providing 23 per cent of the Bank and Fund's income. Developing countries, who provide 77 per cent of the institutions' income and hold 79 per cent of the world's population, have just 39 per cent of the votes on the IFI boards.[15]

Since PRSPs began, the UK Government has consistently stated that PRSPs are decided by a country. For instance, DfID uses the existence of PRSPs to continue to justify policies implemented because of conditionality; including policies DfID subsequently funds, such as water privatisation.

Box 2. DfID's use of the PRSP to defend its water privatisation policy in Sierra Leone

In August 2005, DfID short-listed eight companies to work on the privatisation process in Sierra Leone, including public relations work on privatisation in order to overcome "Public resistance to the divestiture of enterprises seen as a 'public good', together with fear for the implications of the cost of the service."[16] The privatisation's being supported by DfID include the sale of Guma Valley Water Company, which supplies water to Sierra Leone's capital, Freetown. When advertising the contract, DfID justified its work as being part of Sierra Leone's Private Sector Development objectives "contained in the PRSP".[17]

However, in 1999, when the Sierra Leonean civil war was still underway and British troops were fighting on the ground, the International Monetary Fund was already stating that Sierra Leone needed to privatise its fragile utility sector.[18] In 2001, the IMF made the restructuring and privatisation of public enterprises a condition of its aid package[19] and in 2002, the privatisation programme was a condition of Sierra Leone joining the HIPC debt relief process.[20] The Guma Valley Water Company has been specifically included in the list of public enterprises to be privatised since 2002. The PRSP was accepted by the IMF and World Bank in May 2005, almost six years after privatisation was first included in IMF conditions.

Furthermore, NGOs in Sierra Leone have informed WDM that there is little awareness of the water privatisation process in Sierra Leone. Lucinda Amara, a Sierra Leonean working for an aid agency in Freetown said: "We didn't know about the privatisation planned for the Guma Valley Water Company in Freetown until the World Development Movement told us about it. Water is such an important resource that everyone should be involved in discussing it and weighing up the different options to bring the improvements to the system that Sierra Leone desperately needs. Unfortunately this debate is just not happening in Sierra Leone at the moment."

4. WDM's analysis of the policies in PRSPs

"The Washington consensus is dead." [21]
James Wolfensohn, World Bank President, 2003

"The fact that the content of PRSPs is very similar to previous adjustment packages suggests that little real change has occurred through this process." [22]
Frances Stewart and Michael Wang, University of Oxford, 2003

WDM has analysed the 50 PRSPs signed-off by the IMF and World Bank and made publicly available by the end of August 2005, 28 of which are in HIPC countries and 22 in non-HIPCs. The analysis looks at nine fairly standard policy prescriptions that have comprised a major part of the so-called 'Washington Consensus' imposed on poor countries by the IFIs during the 1980s and 1990s: strict monetary policy, strict fiscal policy, trade liberalisation, privatisation (generally), water privatisation/greater private sector involvement in water supply (more specifically), investment deregulation, capital account/financial liberalisation, agricultural liberalisation and increased labour market flexibility. WDM has assessed whether each policy was clearly mentioned in the PRSP, not mentioned in the PRSP or whether what could be considered an 'unorthodox policy' or a review of the policy had been included in the PRSP. While not intended as an exact guide to all the economic policies of PRSP countries, this exercise has yielded some striking results.

In contrast to the above claims of the outgoing World Bank President, the policies contained within PRSPs bear striking similarity both to each other and to the standard prescriptions of the supposedly defunct 'Washington Consensus'. Out of the nine standard IMF and World Bank policies, PRSPs contain an average of six. More fundamentally, there are very few instances of unorthodox policies being mentioned (11 out of a possible 450). It is also worth bearing in mind that most of the standard policies are reforms – in other words once enacted, they will continue until another reform takes place – meaning that if a policy area is not mentioned in a PRSP, then the same policy will continue as before. Given that many of these countries have been liberalising their economies under IFI adjustment programmes for the last 15–25 years, it is highly likely that liberalising reforms have already taken place and continue unmentioned in the PRSP.

If countries really were free to promote their own choice of poverty reduction strategy in PRSPs, we would surely expect significant variation between countries and adaptation of policies to suit local circumstances (rather than a high degree of similarity) and we would surely expect a range of 'alternative' approaches (rather than an adherence to the narrow confines of the Washington Consensus). However, this is not the case. The results of WDM's research are presented in Tables 2 and 3 below, the main findings of which are:

- There are further trade liberalisation measures in 72 per cent of the PRSPs on top of the significant trade liberalisation that has already happened in many of these countries. According to the United Nations Conference on Trade and Development (UNCTAD), trade liberalisation undertaken by the Least Developed Countries (LDCs) during the 1990s was associated with rising poverty, rising unemployment, increased wage inequality and reductions in average wages, with the countries worst affected being those that had liberalised most.[23,24] Despite such compelling evidence, in only two cases is what might be considered an 'alternative trade policy' included in the PRSP; Laos recognises a need for protection of certain sectors,[25] while Ghana mentions holding a review of trade liberalisation policy.[26] True to the policy outlined in the PRSP, in 2003 the Ghanaian Parliament passed a budget to increase the import duty on poultry products, to protect Ghanaian farmers who were being priced out of the domestic market by subsidised European poultry. However, after a phone call from the IMF, the legislated increase was removed by the Ghanaian Government after just two weeks. Even though Ghana had managed to mention reviewing trade liberalisation in the PRSP, and then subsequently implemented an 'alternative policy', it was pressured by the IMF to revert back to trade liberalisation.[27]

- 90 per cent of the PRSPs include privatisation, and 62 per cent specifically include water privatisation/greater private sector involvement in water supply services. The persistent failure of the private sector to deliver better water and sanitation to the poor has led UN-Habitat – international experts on urban development – to conclude, "[Increasing private sector involvement] is not a 'solution' that should be promoted internationally in the name of those who currently lack adequate water and sanitation."[28] Again, despite this evidence, none of the PRSPs include a review of any privatisation policies or a specific goal to keep water and sanitation under public management.

- 64 per cent of PRSPs include investment deregulation and none mention the possible need to regulate investors to ensure re-investment of profits in the country, joint ventures with local companies, technology transfer or employment of local people; policies recognised by development policy analysts as potentially useful in creating spill-over benefits for domestic economies from Foreign Direct Investment (FDI).[29]

- 96 per cent of PRSPs include fiscal stringency; normally that the government should not resort to borrowing from the domestic economy. Vietnam's PRSP does not have detail on its fiscal policy,[30] while Tanzania's is the only one that explicitly says a fiscal deficit is allowed, stating it should be maintained "at a modest level".[31] This stands in stark contrast to developed countries such as the UK and the USA which consistently maintain fiscal deficits. The UK has had a yearly fiscal deficit since 2002, which in 2004 stood at 3.1 per cent of GDP, £35.8 billion (US$68.8 billion).[32] In 2004, the US had a deficit of 4.4 per cent of GDP, US$513 billion.[33] These countries recognise that borrowing from the domestic economy is a vital tool for governments to smooth expenditure from year-to-year, rather than being limited to spending only what is received through taxation. As Cambridge economist Ha-Joon Chang argues, "Historically, periods of rapid economic growth in Continental Europe, the USA and Japan were associated with large programmes of public expenditure and even large budget deficits."[34] Denying governments the ability to borrow domestically seriously hinders their ability to manage the economy.

The homogeneity of PRSPs across such a range of widely differing countries, and the dearth of alternative policy approaches on these key economic issues, suggests that ownership of the economic policies in such countries is still a pipedream.

Table 2. Policies in HIPC country PRSPs:[35]

	Strict monetary policy	*Strict fiscal policy*	*Trade liberalisation*	*Privatisation*	*Water privatisation/ greater private involvement*	*Investment deregulation*	*Capital account/ financial liberalisation*	*Agricultural liberalisation*	*Increased labour market flexibility*	*Total (out of 9)*
Benin	●	●	●	●	○	●	●	●	●	8
Bolivia	●	●	●	○	○	●	○	○	●	5
Burkina Faso	○	●	●	●	●	●	○	●	●	7
Burkina Faso II	○	●	○	●	●	●	○	●	●	6
Cameroon	●	●	●	●	●	●	●	○	○	7
Chad	●	●	○	●	○	○	○	●	●	5
Ethiopia	●	●	●	●	○	○	○	○	○	4
Gambia	●	●	●	●	●	○	○	●	○	6
Ghana	●	●	□	●	●	○	●	●	○	6
Guinea	●	●	○	●	●	○	●	○	○	5
Guyana	●	●	●	●	○	●	●	○	○	6
Honduras	●	●	●	●	○	●	○	○	○	5
Laos	●	●	●/□	○	○	●	○	●	○	5
Madagascar	○	●	●	●	●	●	○	●	○	6
Malawi	●	●	○	●	●	○	●	●	○	6
Mali	●	●	●	●	●	●	○	●	○	7
Mauritania	●	●	○	●	●	○	○	○	●	5
Mozambique	●	●	●	●	●	○	○	○	○	5
Nicaragua	●	●	●	●	●	○	○	●	○	6
Niger	○	●	○	●	●	○	●	○	○	4
Rwanda	●	●	●	●	●	○	○	○	○	5
Sao Tome	●	●	●	●	○	●	○	○	●	6
Senegal	●	●	○	●	●	○	●	○	○	5
Sierra Leone	●	●	●	●	●	○	○	○	○	5
Tanzania	●	□	○	○	○	●	○	●	○	3
Uganda	●	●	○	●	○	○	●	○	○	4
Uganda II	●	●	●	●	●	●	○	●	●/□	8
Zambia	●	●	○	●	●	●	○	○	○	5
Total (from 28)	24	27	17	25	18	14	9	13	8	
Total (%)	86	96	61	89	64	50	32	46	29	Ave. country total 5.54

● = policy is in the PRSP ○ = policy is not mentioned in the PRSP □ = unorthodox policy or review of policy is in the PRSP

Table 3. Policies in non-HIPC country PRSPs:[36]

	Strict monetary policy	*Strict fiscal policy*	*Trade liberalisation*	*Privatisation*	*Water privatisation/ greater private involvement*	*Investment deregulation*	*Capital account/ financial liberalisation*	*Agricultural liberalisation*	*Increased labour market flexibility*	*Total (out of 9)*
Albania	●	●	●	●	●	●	○	○	○	6
Armenia	○	●	●	●	○	○	●	○	○	4
Azerbaijan	●	●	●	●	○	●	●	●	□	7
Bosnia Herzegovina	●	●	●	●	●	●	○	○	●	7
Bhutan	□	●	○	○	○	●	○	○	○	2
Cambodia	●	●	●	●	●	●	○	●	○	7
Cape Verde	●	●	●	●	○	●	○	●	○	6
Djibouti	●	●	●	●	●	●	○	○	○	6
Georgia	●	●	●	●	●	●	○	●	●	8
Lesotho	●	●	●	●	●	●	○	●	○	7
Kenya	●	●	●	●	●	●	●	●	●/□	9
Kyrgyzstan	●	●	●	●	○	●	○	●	○	6
Moldova	●	●	●	●	●	●	○	●	●	8
Mongolia	□	●	○	●	○	●	●	○	○	4
Nepal	●	●	●	●	●	●	●	●	●/□	9
Pakistan	●	●	●	●	○	●	●	●/□	●	8
Serbia and Montenegro	●	●	●	●	●	●	●	○	○	7
Sri Lanka	●	●	●	●	●	●	●	●	●	9
Tajikistan	●	●	○	●	●	○	○	●	□	5
Timor-Leste	●	●	●	●	○	●	●	●	●	8
Vietnam	●	○	●	○	○	○	●	○	○	3
Yemen	●	●	●	●	●	○	●	○	○	6
Total (from 22)	19	21	19	20	13	18	11	13	8	
Total (%)	86	95	86	91	59	82	50	59	36	Ave. country total 6.45

● = policy is in the PRSP ○ = policy is not mentioned in the PRSP □ = unorthodox policy or review of policy is in the PRSP

All the evidence behind Tables 2 and 3 can be found on WDM's website at www.wdm.org.uk/democracy/prspresearch

Examples are listed in Table 4 of the kind of policies referred to in PRSPs:

Table 4. Examples of orthodox policies in PRSPs

Policy	*Example of orthodox policy in a PRSP*
Strict monetary policy	"Stringent monetary policy to cut inflation." (Gambia)
Strict fiscal policy	"Increase public savings. Prudent management of public sector finances." (Nicaragua)
Trade liberalisation	"Liberalise, simplify and streamline trade regime. Reduce average import tariff from 19.5 to 17.5 per cent." (Ethiopia)
Privatisation	"Accelerate privatisation, particularly in telecomms, power and water." (Malawi)
Water privatisation	"Attract private capital to water sector, including privatisation of central water supply and sewerage services." (Moldova)
Investment deregulation	"Tax incentives to attract Foreign Direct Investment." (Zambia)
Financial liberalisation	"Progressive liberalisation of capital account transactions." (Benin)
Agricultural liberalisation	"Introduce market incentives for farmers, especially for commodities for export. Remove distortions such as subsidised credit and fertiliser." (Laos)
Increased labour market flexibility	"Lower labour costs by reducing the minimum wage." (Burkina Faso)

As has been mentioned, there are few examples of unorthodox policies. Below are *all* the cases where unorthodox policies are found in PRSPs

Table 5. All the cases of unorthodox policies in PRSPs

Policy	*Unorthodox policy in a PRSP*
Strict monetary policy	"Monetary policy to maintain inflation at 5 per cent. In 2002 inflation was 2 per cent. The government will pursue a flexible monetary policy to ensure the money demand that is lacking in the economy." (Mongolia) "Monetary policy will continue to be aimed at maintaining the Ngultrum-Rupee parity." (Bhutan)
Strict fiscal policy	"Maintain fiscal deficit at a modest level." (Tanzania)
Trade liberalisation	"Trade liberalisation policy to be reviewed in the context of its impact on the economy and environment. Quality standards on imports to be enforced." (Ghana) "There is a need to protect and promote new domestic industries. Phase out industry protection beyond the infancy period. More vulnerable activities, such as agriculture, will need longer protection." (Laos)
Privatisation	None found
Water privatisation	None found
Investment deregulation	None found
Financial liberalisation	None found
Agricultural liberalisation	"Continue to follow policy of support price for wheat and indicative prices for other crops." (Pakistan)
Increased labour market flexibility	"The minimum wage will be adjusted upwards, following increases in economic growth and productivity." (Azerbaijan) "Improvement of working conditions and environment." (Kenya) "Improve relations with labour and end child labour." (Nepal) "Long term programme on improving labour conditions and protection will be developed." (Tajikistan) "Consider whether some regulation of wages or working conditions may be appropriate in certain sectors." (Uganda)

5. PRSPs – the basic contradiction

In part 3, this briefing described how the PRSP process has been specifically designed to deny real country ownership. And in part 4, this briefing showed how this has resulted in the continuation of the standard ‘structural adjustment’ policy model that has failed so miserably across many parts of the developing world for the past two decades.

Such findings are supported by the conclusions of other studies into the level of country ownership of PRSPs. For instance, the IMF’s Independent Evaluation Office (IEO) states, “The PRS process has had limited impact in generating meaningful discussions, outside the narrow official circle, of alternative policy options with respect to the macroeconomic framework and macro-relevant structural reforms.”[37]

The PRSP rhetoric on ‘country ownership’ exposes a central contradiction at its heart. If a strategy has truly been developed in a participatory way and the outcome is truly ‘country-owned’ and is viewed by citizens as the outcome of a democratic process, there is simply no need to make loans, aid and debt relief conditional on its implementation.

The fact that the big stick of IFI conditionality underlies the implementation of PRSPs demonstrates that the IFIs and their political masters in developed countries are ‘scared’ that unpopular policies imposed from above will be overturned through legitimate domestic democratic processes.

The use of conditionality to enforce PRSPs makes the normal democratic process – whereby policies, once put in a plan by government, are subsequently scrutinised, changed and sometimes reversed – difficult if not impossible and is therefore fundamentally anti-democratic.

Despite the rhetoric on ‘country-owned’ PRSPs, the process has been characterised by a series of flaws that reduce, rather than increase, the influence people in developing countries have over the policies implemented by their governments. From the insertion into PRSPs of pre-determined economic policies resulting from previous IMF/World Bank programmes to the fact that the Boards of the IMF and World Bank have the final say on whether or not a PRSP is ‘acceptable’, developing countries and their citizens are far from able to claim ownership over their development strategies.

Without fundamental change, the IMF and the World Bank will continue to deny democracy to the people in the poorest countries of the world.

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