



Driving Under the Influence: Senegal's PRSP Process

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EXECUTIVE SUMMARY

When the debt crisis came to the forefront of global public attention at the dawn of the new millennium, the World Bank and International Monetary Fund responded with Poverty Reduction Strategy Papers (PRSPs) as a condition for debt relief for the poorest countries. Senegal was among those countries required to draft a strategy detailing how the money the country would have spent servicing its debt could be spent in country to reduce poverty. The process for developing the PRSP was supposed to include input from Senegalese people and ultimately respond to nationally identified priorities for poverty reduction.

Analysing the process behind drafting the Senegalese PRSP leaves no doubt however that there is much room for improvement. Lack of government capacity resulted in a highly protracted and limited participatory process, while the International Monetary Fund (IMF) and World Bank intervened to affect the direction of the macroeconomic framework of the PRSP. Overall, the process fell short of being country owned or country driven. Rather the Senegalese government was responsive to the demands of the IFIs resulting in a PRSP that conformed to the macroeconomic prescriptions of the international financial institutions (IFIs) leaving social priorities and democratic participation coming in a distant second.

The Senegal experience demonstrates that concrete changes need to be made if PRSPs are to result in real progress toward poverty reduction and national control over development. Efforts to attain these essential goals would be strengthened by specific key elements:

1. Support from donor governments to local governments, civil society organizations (CSOs) and nongovernmental organizations (NGOs) to expand their capacity to carry out and engage in PRSP initiatives as well as monitor and evaluate progress toward achieving identified goals.
2. Multiple stakeholder dialogue on PRSPs and other dealings with the IFIs as standard practise. This includes:
 - Involving Members of Parliament and parliamentary officials in the formulation and acceptance of IFI agreements with the government.

- Consulting civil society and nongovernmental organisations on IFI initiatives.
 - Including a cross section of government ministries in the drafting of poverty reduction policies to ensure coherence between social and economic goals.
3. Faster and deeper debt relief to developing countries. Lack of capacity to develop effective PRSPs stems in part from the financial constraints on the government. These are a result of the debt burden and IFI conditionality restricting the role and capacities of country governments. If the IFIs want developing countries to truly exit the poverty cycle, they must move away from ideas of debt sustainability and back to the idea of a robust exit. Deeper, faster debt relief will not only increase the capacity of the government to develop effective policies but also to develop a healthier economy.

INTRODUCTION

Poverty Reduction Strategy Papers (PRSPs) were heralded by their creators, the World Bank and the International Monetary Fund (IMF), as a new dawn in development. For Heavily Indebted Poor Countries (HIPC)s like Senegal, PRSPs were a condition imposed by the international financial institutions (IFI) in order to receive debt relief. Under PRSPs, the Senegalese government was supposed to devise a strategy detailing how money that would have been spent paying off the country's debt would now be spent to reduce poverty in the country. According to the rhetoric of the IFIs, the advent of PRSPs would put the Senegalese government and its people in the "driver's seat" of their own development. Looking back on the process behind the development of Senegal's PRSP and the prospects for implementation, the PRSP process bears close resemblance to the structural adjustment policies (SAPs) PRSPs were supposed to replace.

A 2003 report by the World Development Movement, "Debt and Destruction in Senegal," comprehensively analyzes the negative impact of structural adjustment and IFI privatisation policies in Senegal. This paper focuses more specifically on the skew of the power dynamics between the Senegalese government and the IFIs during the drafting and implementation of Senegal's PRSP. It describes the extent to which the IFIs exercised influence over the PRSP process, particularly the macroeconomic framework of the PRSP. It also shows how the government failed to exercise its political leverage to bring the interests of divergent groups to bear on the PRSP process and its content. The analysis will conclude with a set of recommendations for donor governments and IFIs, which suggest how these problems could be rectified.

CREATING SPACE FOR CHANGE

In order for countries like Senegal to be in the driver's seat of development, the power dynamics between national governments, civil society, and international financial institutions

have to change. IFIs have to give up their penchant for neo-liberal economic policies and make room for heterodox approaches to economic development. Governments have to take charge of the PRSP process, and insist on broad democratic participation and shape rather than respond to the demands of the IFIs. Civil Society Organizations (CSOs) have to be critically engaged: free to participate, influence, support, or reject the direction of any plan to reduce poverty.

In theory, the PRSP was supposed to create the opportunity for change. Country ownership and participation were two of the values touted by the World Bank and IMF as lying at the heart of the PRSP process. In reality, in Senegal, the IFIs proved unwilling to relinquish economic control, the government fell short of having an effective participatory process and proved subservient to IFI parameters.

TIMELINE

Senegal's interim PRSP gained IFI approval in June 2000. The expected date for completion of a full PRSP was in December 2001. The PRSP process was officially launched in June 2001. The bulk of the participatory processes, including the meetings of the thematic groups and the surveys of the perceptions of poverty, took place in July and August 2001. The draft reports from the thematic groups were drawn together in September and October 2001. The PRSP was then drafted in November and submitted for approval by the National Assembly. IFI staff considered this draft of the PRSP to have inadequacies, resulting in revisions and delays. The final PRSP was submitted in May 2002, but an unusually long approval process at the Bank and the Fund resulted in the PRSP not gaining official approval until December 2002.

UNDER THE INFLUENCE: IFI INVOLVEMENT IN SENEGAL'S PRSP

MACROECONOMICS

The IMF and World Bank's active influence over the PRSP process in Senegal was markedly directed toward the macroeconomic dimension of the PRSP. At the start of the PRSP process, the Bank and Fund stayed mostly at arm's length from the PRSP process. They encouraged the Senegalese government to include civil society organisations in the development of the PRSP. Throughout the course of the development process, some Bank and Fund officials enjoined other participants in expressing concern over the highly condensed and delayed PRSP formulation process.

When first versions of the final PRSP became available in December 2001, however, the active involvement of the Bank and Fund increased. First, scepticism was expressed over the feasibility of the macroeconomic framework of the PRSP. Officials encouraged the Senegalese government to draft an alternate "less optimistic" macroeconomic framework, suggesting that the framework envisioned in the initial draft final PRSP was not realistic. An alternative, they suggested, therefore should be available if Senegal's macroeconomic performance not reach expectations.

The re-working of the macroeconomic framework was one of the critical reasons that the Senegalese PRSP was not officially submitted to the World Bank and IMF in December 2001 as originally expected, but rather in May 2002.

After the acceptance of the PRSP, the less optimistic plan became the macroeconomic framework for the PRSP. Thus, the PRSP macroeconomic framework was in fact tailored to what the IFIs felt was realistic for Senegal rather than what the government had determined for itself.¹

THE PRGF LOAN

The preoccupation of the Bank and Fund with Senegal's macroeconomic framework also became evident in the renegotiations of Senegal's loan from the Poverty Reduction and Growth Facility (PRGF). The issues of contention included not only the privatisation of the country's electricity supplier but also the peanut industry, the country's main export crop. Beyond this, there were also recommendations for modifications to the country's national retirement fund, including raising the minimum age for retirement from 55 to 60.

Each condition has impacts on poverty and each interferes in the intimate functioning of the country. The negotiation process however was done entirely outside the realm of the PRSP. These loan conditions were to be satisfied, not negotiated within the realm of other goals for poverty reduction.

Furthermore, the IFIs did not assess the impact of the privatization of SONACOS, the peanut para-statal, on poverty in the country. A poverty impact assessment simulation carried out in Dakar by the International Research and Development Centre (IDRC) and the Center for Applied Economic Research (CREA) suggested that privatisation would likely lead to a decrease in income for peanut farmers. This would not only increase the level of poverty for the farmers but also households not directly dependent on farming.² It is counterproductive for the IFIs to require the government and civil society draft a poverty reduction strategy in good faith while simultaneously implementing other policies that threaten poverty reduction.

When evidence later emerged that the Senegalese government had not complied with key performance conditions relating to

the PRGF loan, including amassing arrears in the peanut and electricity industries and failing to implement plans for the liberalisation of the groundnut industry and pension reform, financial assistance to Senegal via PRGF was delayed.

Thus, the IFI assessment that Senegal had failed to produce a suitable macroeconomic framework and to comply with key conditions resulted in a delay of the acceptance of the final PRSP by the IFIs.

SOCIAL POLICY PRIORITIES

In their analysis of Senegal's PRSP, the Bank and Fund acknowledged a clear lack of prioritisation of social goals. Further, the link between macroeconomic policy and social policies was largely not addressed. These shortcomings however were not significant enough to warrant a delay in the acceptance of the PRSP. These gaps were left to be worked out after the fact, suggesting that macroeconomic priorities were of greater importance than social priorities.

Ironically, there has been a strong insistence by the Bank and Fund that the Senegalese government improve its capacity for public expenditure monitoring on the PRSP.

Sources close to the process indicate that the Senegalese government has improved its capacity to monitor expenditures. However, without the development of priorities and quantifiable standards for poverty reduction in specific areas or local capacity to assess whether money is being effectively spent, it is not clear that the capacity to monitor how money is spent is actually leading to improvements in poverty reduction.

CIVIL SOCIETY PARTICIPATION

IFI documents describing the PRSP participatory process suggested it was largely satisfactory. Meetings were held, the poor were consulted via perceptions of poverty surveys, and working groups were struck around central themes. The critical question is whether consultation resulted in meaningful input into the PRSP.

A targeted research survey done by World Vision among eleven non-governmental organizations (NGOs) who had participated extensively in the PRSP process found that none of the groups asked felt that participation had led to significant influence over the PRSP.³ Furthermore, Bank and Fund assessments of the PRSP process fail to acknowledge the significant impact that delays in the PRSP process had in participation by civil society stakeholders. Meetings of the four main thematic groups were held in summer – a key time for

harvest and vacation - and many of the meetings were held concurrently making effective participation in more than one area impossible. Finally, participation by MPs was limited thus reducing democratic legitimacy of the PRSP.

These significant shortcomings in the PRSP process were not mentioned in IFI reports on Senegal and the PRSP process, suggesting that the appearance of participation is more important to the IFIs than its effectiveness.

IMPACT OF IFI INVOLVEMENT

In order for countries like Senegal to be in the driver's seat of PRSPs, the IFIs must relinquish the wheel. Senegal's PRSP suggests that this is not what is happening. First, the IFIs remain insistent that countries like Senegal implement macroeconomic strategies that are consistent with the Bank-Fund agenda. They use economic leverage, such as delaying loan disbursements or debt forgiveness to insist on these priorities, and put less relative importance on the clear articulation and feasibility of poverty goals. Finally, civil society and democratic participation receive no critical assessment.

To be clear, social conditionality is not being suggested here: the Bank and Fund should not use PRSPs to extend their reach deeper into the functioning of the country.

They should not use poor performance in civil society participation as an excuse to withhold debt relief. What is being suggested is that the power dynamic of SAPs has not shifted significantly – the World Bank and IMF are still using economic leverage to insist on neo-liberal macroeconomic policies.

Countries are being given space by the IFIs to develop clear social expenditure goals and deepen civil society participation. Complementary latitude in the economic domain of the PRSP process is not forthcoming. The legitimacy of privatisation strategies and downsizing of government expenditures are not questioned. This structure effectively means that social priorities and democratic participation cannot contradict IFI macroeconomic priorities.

The strategic advantage of allowing this dichotomy to exist is clear: if social goals and true participation were insisted upon on par with macroeconomic goals, the possible (if not inevitable) tension between the IFI vision of poverty reduction and locally developed social and economic priorities would arise. By labelling the establishment of realistic social goals and true participation part of the evolutionary process of PRSPs while simultaneously insisting on the macroeconomic essentials, the IFIs are avoiding confronting this tension and maintaining an unchallenged space for the continuance of traditional structural adjustment.

THE SENEGALESE GOVERNMENT'S ROLE IN PRSP

Laying all the blame for the delays and shortcomings of the Senegalese PRSP at the feet of the IFIs would not be accurate. The Senegalese government was in control of some very important elements of the PRSP: notably, administration of the PRSP, data collection, drafting of the original text of the PRSP and civil society participation. At critical junctures in each of these elements, the government made choices that affected the overall quality of the PRSP.

GOVERNMENT CAPACITY

The Senegalese government struggled to find the capacity to carry out the PRSP process. In fact, the government spent the first six months (from June 2000 until Dec 2000) simply trying to decide which government department was going to run the PRSP. The next six months resulted in the formulation of the terms of reference and the launch of the process in June 2001. The result was that under the initial time line proposed only six months remained for the consultation, statistical analysis, and formulation of the PRSP.

The Department of Finance was finally chosen to house the PRSP process. When interviewed midway through the process,

representatives from the Department of Health, for example, were unaware that it was taking place. Parliamentary involvement in the development of the PRSP was meagre at best. Responsibility for the process lay with the government, which did not recognise the need to include other government departments or to harmonize the PRSP with existing sector strategies.

Although it can legitimately be suggested that governments such as Senegal do not have the administrative capacity to carry out a PRSP, the government did allow a year of the PRSP process to pass while trying to decide who would do what and how. Thus, some responsibility for the shortened civil society participation and the failure to fully articulate and achieve coherence between social and economic goals lies with the Senegalese government in the first final draft of the PRSP of December 2001.

REVISING THE PRSP

Critics may suggest that the ultimate responsibility for the time crunch belongs to the Bank and Fund who set the initial deadline for the PRSP. However, when the World Bank and IMF suggested revisions to the initial final draft of the PRSP completed in

December 2001, the Senegalese government then had an opportunity to revise the PRSP. The revisions made focused on improving the points of concern cited by the Bank and Fund. It is reasonable to suggest that the Senegalese government saw its primary responsibility as satisfying IFI demands rather than improving the overall quality of the PRSP.

CIVIL SOCIETY PARTICIPATION IN FORMULATING THE PRSP

The Senegalese government has a well-developed tradition of civil society participation. Nevertheless, it was reluctant at first to allow open participation of these groups in the PRSP process. Some government officials in the Department of Finance expressed scepticism toward the benefits of involving CSOs in macroeconomic discussions. It was also suggested that involving CSOs would complicate the process: each group would lobby for its own interests. Thus although civil society was broadly included in the PRSP in the end, the principle of democracy and the value that these organisations would bring to the process was not immediately appreciated.

Furthermore, it was broadly acknowledged by the government and members of civil society that the latter lacked the capacity to engage in macroeconomic discussions. This weakness is not simply an unfortunate shortcoming. It comes with distinct political risks: involving civil society in poverty reduction discussions that focus on social expenditure without a realistic sense of the implications of macroeconomic realities means that expectations risk being raised beyond what is reasonable. When designing the participatory process, the government had it within its purview to attempt addressing this shortcoming, but did not.

Finally, the government delegated awareness raising, the theme of the fifth PRSP thematic group, to civil society. Some officials in the government were unconcerned when this thematic group did not get off the ground until sometime after the PRSP was drafted.

The government did not feel that broad based awareness of the PRSP process was essential. This speaks to the deep irony of the situation: if poverty reduction papers are supposed to be about improving the well-being of the average Senegalese person then it should be of utmost importance to involve

and inform citizens. In the Senegalese PRSP, such involvement was treated as a non-essential extra.

CIVIL SOCIETY PARTICIPATION IN IMPLEMENTING THE PRSP

The government's track record of including civil society in the implementation of the PRSP also leaves room for improvement. Civil society organisations are primarily involved as project implementers rather than policy analysers and expenditure monitors. Thus, the knowledge and perspective of these groups on the effectiveness of the PRSP at reducing poverty is not being channelled back into the policy process.

Thus, participation by civil society was an exercise to be completed by the government in fulfilment of the requirements of the PRSP rather than an integral part of formulating and improving on a strategy for poverty reduction.

IMPLICATIONS OF THE GOVERNMENT'S ROLE

Overall, the Senegalese government approached the PRSP as an exercise in responding to the demands imposed by the IFIs. Given the economic leverage of the IFIs over the government, this is not surprising. However, the government did not choose to act in ways that created space for dissent from the IFI agenda. The government could have insisted on deeper civil society participation.

Additionally, pushing for the full articulation of links between privatisation of the peanut industry and a PRSP premised on both agricultural development and reinforcing the capacities of the rural poor would undoubtedly have raised some tensions between the direction of the PRSP, conditions of the PRGF loan and social demands for poverty reduction.

CONCLUSION AND RECOMMENDATIONS

Overall, the Senegalese case suggests that the PRSP has not significantly shifted control of the development process into the hands of national governments. The IFIs remain convinced of the importance of neo-liberal economic models of development, thus creating little space for deviation despite evidence that they may run counter to goals of poverty reduction. Furthermore, the Senegalese example illustrates that when it comes to PRSPs, country governments see their primary responsibility to the Bank and Fund rather than to their people, undermining democratic development and the stated objectives of the PRSP. If this situation is going to change, then significant changes need to be made in the power dynamic between recipient countries and the IFIs and other donors.

RECOMMENDATIONS FOR DONOR GOVERNMENTS

1. Many donor governments have made an explicit link between aid, democracy, and good governance. In keeping with this priority, these governments should offer funding to NGO and government initiatives aimed at broadening and deepening full democratic participation in the PRSP process.
2. When assessing the disbursement of funds for social development programs, donor governments should be aware of any inconsistencies between planned social expenditures and economic priorities. Although, it may be important to highlight these inconsistencies, care should be taken to avoid influencing the direction of national policy priorities.
3. Local Governments, CSOs and NGOs should receive donor government support:
 - a. to expand their capacity to effectively carry out PRSP initiatives, and
 - b. to engage in substantive policy dialogue on the quantitative and qualitative progress of the PRSP at reducing poverty including monitoring and evaluation of progress toward achieving identified goals.

RECOMMENDATIONS FOR DEVELOPING COUNTRIES

1. Multiple stakeholder dialogue on PRSPs and other dealings with the IFIs should become standard practise. To this end:
 - a. MPs and parliamentary officials should be involved in the formulation and acceptance of IFI agreements with the government;
 - b. Civil Society and Non Governmental Organisations should be consulted on IFI initiatives;
 - c. A cross section of government ministries should be included in the drafting of poverty reduction policies to ensure coherence between social and economic goals.
2. Governments should increase their capacity for program administration to ensure effective and efficient management of major initiatives such as the PRSP.
3. Government and Civil Society should work together to set achievable, measurable goals for poverty reduction and develop the tools to monitor and evaluate progress toward those goals.
4. Civil Society should strive to acquire the capacity to engage substantively in macro-economic discussions with a view to help ensure coherence between social goals such and macroeconomic parameters.

RECOMMENDATIONS FOR THE IFIs

1. IFIs should refrain from using economic leverage over developing countries in order to advance particular economic objectives in absence of substantive in-country proof that such objectives are coherent with other poverty reduction goals. Alternatively, IFIs could encourage governments to pursue quarterly reviews of macroeconomic and social goals. Sufficient flexibility should exist on both sides to make necessary adjustments.

2. IFIs should enhance the capacity of state and non-state actors to evaluate the effectiveness of particular PRSP expenditures as reducing poverty at the local level.
3. World Bank and IMF should consistently pursue participatory approaches to poverty reduction. Thus the terms of PRGF loans and others should be negotiated within rather than outside the framework of the PRSP ensuring that the terms of the PRGF are consistent with the goals of the PRSP.
4. IFIs should grant immediate, faster and deeper debt relief to developing countries. It must be recognised that the lack of capacity to develop effective poverty reduction strategy papers stems in part from the financial constraints on the government. These are a result of the debt burden and IFI conditionality keeping developing country governments small. If the IFI's want developing countries to truly exit the poverty cycle, they must move away from ideas of debt sustainability and back to the idea of a robust exit. Deeper, faster debt relief will not only increase the capacity of the government to develop effective policies but also to develop a healthier economy.

ENDNOTES

¹ See *Joint Staff Assessment of the Poverty Reduction Strategy Paper* and *Joint Staff Assessment of the Poverty Reduction Strategy Paper*.

² Boccanfuso, D., Cabral, F.J., Savard, L. (2003) “ Une Analyse Preliminaires D’impacts de la Liberalisation de la Filiere Arachide au Senegal: Un Model Equilibre General Calculable Multi-Menage” IDRC/CREA: Dakar, Senegal.

³ See Whaites, A. (2002) *Masters of their Own Development?*, World Vision International.

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